Manitex International, Inc.
Form 10-K
April 11, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

Commission File No.: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Michigan<br>(State of incorporation) | 42-1628978<br>(I.R.S. Employer<br><br>Identification No.) |
| 9725 Industrial Drive | |
| Bridgeview, Illinois<br>(Address of principal executive offices) | 60455<br>(Zip Code) |

Registrant's telephone number, including area code: (708) 430-7500

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, no par value | The NASDAQ Stock Market LLC |
| Preferred Share Purchase Rights | The NASDAQ Stock Market LLC |

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

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

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

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

| | |
|---|---|
| Large Accelerated Filer | Accelerated Filer |
| Non-Accelerated Filer | Smaller reporting company |
| Emerging growth company | |

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

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

The aggregate market value of the shares of common stock, no par value ("Common Stock"), held by non-affiliates of the registrant as of June 30, 2017 was approximately $93 million based upon the closing price for the Common Stock of $6.98 on the NASDAQ Stock Market on such date.

The number of shares of the registrant's common stock outstanding as of March 1, 2018 was 16,662,386.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the registrant's Proxy Statement for its 2018 Annual Meeting (the "2018 Proxy Statement") to be filed with the Commission within 120 days after the end of the fiscal year ended December 31, 2017.

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PART I

References to the “Company,” “we,” “our” and “us” refer to Manitex International, Inc., together in each case with our subsidiaries and any predecessor entities unless the context suggests otherwise.

Forward-Looking Statements

When reading this section of this Annual Report on Form 10-K, it is important that you also read the financial statements and related notes thereto. This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements and are based upon management’s present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and si to identify forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, without limitation: (1) projections of revenue, earnings, capital structure and other financial items, (2) statements of our plans and objectives, (3) statements regarding the capabilities and capacities of our business operations, (4) statements of expected future economic conditions and the effect on us and on our customers, (5) expected benefits of our cost reduction measures, and (6) assumptions underlying statements regarding us or our business. Our actual results may differ from information contained in these forward looking-statements for many reasons, including those described below and in the section entitled “Item 1A. Risk Factors”:

(1) a future substantial deterioration in economic conditions, especially in the United States and Europe;
(2) government spending; fluctuations in the construction industry, and capital expenditures in the oil and gas industry;
(3) our level of indebtedness and our ability to meet financial covenants required by our debt agreements;
(4) our ability to negotiate extensions of our credit agreements and to obtain additional debt or equity financing when needed;
(5) the cyclical nature of the markets we operate in;
(6) increase in interest rates;
(7) Our increasingly international operations expose us to additional risks and challenges associated with conducting business internationally;
(8) difficulties in implementing new systems, integrating acquired businesses, managing anticipated growth, and responding to technological change;
(9) our customers’ diminished liquidity and credit availability;
(10) the performance of our competitors;
(11) shortages in supplies and raw materials or the increase in costs of materials;
(12) potential losses under residual value guarantees,
(13) product liability claims, intellectual property claims, and other liabilities;
(14) the volatility of our stock price;
(15) future sales of our common stock;
(16) the willingness of our stockholders and directors to approve mergers, acquisitions, and other business transactions;
(17) currency transaction (foreign exchange) risks and the risk related to forward currency contracts;
(18) certain provisions of the Michigan Business Corporation Act and the Company’s Articles of Incorporation, as amended, Amended and Restated Bylaws, and the Company’s Preferred Stock Purchase Rights may discourage or prevent a change in control of the Company;
(19) a substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time;
(20) a disruption or breach in our information technology systems;
(21) our reliance on the management and leadership skills of our senior executives;

(22) the cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002; and
(23) Impairment in the carrying value of goodwill could negatively affect our operating results; and
(24) other factors.

The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. We do not undertake, and expressly disclaim, any obligation to update this forward-looking information, except as required under applicable law.

## ITEM 1. BUSINESS

### Our Business

The Company is a leading provider of engineered lifting solutions. The Company operates in a single business segment. The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries.

Through its Manitex, Inc. ("Manitex") subsidiary, it markets a comprehensive line of boom trucks, truck cranes and sign cranes. Manitex's boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction.

Badger Equipment Company ("Badger") is a manufacturer of specialized rough terrain cranes and material handling products. Badger primarily serves the needs of the construction, municipality and railroad industries.

PM Group S.p.A. ("PM") is a leading Italian manufacturer of truck mounted hydraulic knuckle boom cranes with a 50-year history of technology and innovation, and a product range spanning more than 50 models. Its largest subsidiary, Oil & Steel ("O&S"), is a manufacturer of truck-mounted aerial platforms with a diverse product line and an international client base.

Our Valla product line of industrial cranes is a full range of precision pick and carry cranes using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. These products are sold internationally through dealers and into the rental distribution channel.

Sabre Manufacturing, LLC ("Sabre"), which is located in Knox, Indiana, manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through the Company's existing dealer network. The tanks are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

Crane and Machinery, Inc. ("C&M") is a distributor of the Company's products as well as Terex Corporation's ("Terex") rough terrain and truck cranes. Crane and Machinery Leasing, Inc.'s ("C&M Leasing") rents equipment manufactured by the Company as well limited amount of equipment manufactured by third parties. Although C&M is a distributor of Terex rough terrain and truck cranes, C&M's primary business is the distribution of products manufactured by the Company. C&M Leasing's primary business is the facilitation of sales of products manufactured by the Company through its rent to own program. As C&M and C&M Leasing's primary business is the facilitation of Company manufactured product sales, discrete financial information is not available.

### Consolidated Variable Interest Entity

Even though it has no ownership interest in SVW Crane & Equipment Company (together with its wholly owned subsidiary, Rental Consulting Service Company, "SVW"), the Company has the power to direct the activities that most significantly impact SVW's economic performance. Additionally, the Company was the primary beneficiary of the SVW relationship. SVW obtained third party financing, which was effectively guaranteed by the Company, on specific cranes the Company manufactured and remitted the loan proceeds to the Company. Other than its business transactions described herein, SVW had no other substantial business operations. The Company has determined that SVW is a Variable Interest Entity ("VIE") that under current accounting guidance needs to be consolidated in the Company's financial results.

Recent Acquisitions

On March 12, 2015, the Company entered into inventory and equipment purchase agreements with Columbia Tanks, LLC. Financial results are included in the consolidated results beginning on March 12, 2015.

On January 15, 2015, the Company acquired PM Group S.p.A. ("PM") which is based in San Cesario sul Panaro, Modena, Italy. PM's financial results are included in the consolidated results beginning on January 15, 2015.

On December 19, 2014, the Company completed an agreement with Terex and became the majority owner of ASV, which is located in Grand Rapids, Minnesota. As a result of the transaction, the Company owned 51% of ASV and Terex owned 49% of ASV. ASV's financial results were included in the consolidated results beginning on December 20, 2014. ASV is currently classified as a discontinued operation. See "Discontinued Operations" section below for additional information.

On December 16, 2014, the Company, BGI USA Inc. ("BGI"), Movedesign SRL and R& S Advisory S.r.l., entered into an operating agreement for Lift Ventures LLC ("Lift Ventures"), a joint venture entity. Lift Ventures manufactures and sells certain products and components, including the Schaeff line of electric forklifts and certain Liftking products. The Company owned 25% of the equity of Lift Ventures and licenses certain intellectual property related to the Company's products to Lift Ventures. In 2016, the Company determined its investment in Lift Ventures was impaired and has recognized an impairment charge to write off its entire investment in Lift Ventures LLC (See Note 26).

On November 30, 2013, CVS Ferrari srl ("CVS"), an Italian corporation and a wholly subsidiary (as of the date of acquisitions) of Manitex International, Inc., purchased the assets of Valla SpA ("Valla"). Valla develops mobile cranes from 2 to 90 tons, using electric, diesel and hybrid power options. Its cranes offer wheeled or tracked, fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. Valla was reorganized as Manitex Valla srl ("Valla") in conjunction with the sale of CVS in December 2016. Valla's financial results are included in the consolidated results beginning on November 30, 2013.

On August 19, 2013, Manitex Sabre, Inc. ("Sabre") acquired the assets of Sabre Manufacturing, LLC, which is located in Knox, Indiana. Sabre manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions. Sabre's financial results are included in the consolidated results beginning on August 19, 2013.

Discontinued Operations

ASV is located in Grand Rapids, Minnesota and manufactures a line of high quality compact track and skid steer loaders. The products are used in site clearing, general construction, forestry, golf course maintenance and landscaping industries, with general construction being the largest.

Prior to the quarter ended June 30, 2017, the Company owned a 51% interest in ASV Holdings, Inc., which was formerly known as A.S.V., LLC ("ASV Holdings"). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company's 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection within its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. As of December 31, 2017, the Company held a 21.2% interest in ASV Holdings, but no longer held a controlling interest in ASV Holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Since this 10-K is being filed after above described events, prior period financial statements included in this 10-K have been restated to reflect ASV Holdings as a discontinued operation. See Note 27 to our Consolidated Financial Statements for discussion of transactions made subsequent to year end related to ASV Holdings.

CVS Ferrari srl ("CVS") designed and manufactured a range of reach stackers and associated lifting equipment for the global container handling market. CVS was sold on December 22, 2016 and is presented as a discontinued operation.

Manitex Liftking ULC ("Manitex Liftking" or "Liftking") sold a complete line of rough terrain forklifts, a line of stand-up electric forklifts, cushioned tiered forklifts with lifting capacities from 18 thousand to 40 thousand pounds and special mission oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Liftking was sold on September 30, 2016 and is presented as a discontinued operation.

Manitex Load King, LLC ("Load King") manufactured specialized custom trailers and hauling systems typically used for transporting heavy equipment. Load King trailers served niche markets in the commercial construction, railroad, military and equipment rental industries through a dealer network. Load King was sold on December 28, 2015 and is presented as a discontinued operation.

General Corporate Information

Our predecessor company was formed in 1993 and was purchased in 2003 by Veri-Tek International, Corp., which changed its name to Manitex International, Inc. in 2008. Our principal executive offices are located at 9725 Industrial Drive, Bridgeview, Illinois 60455 and our telephone number is (708) 430-7500. Our website address is www.manitexinternational.com. Information contained on our website is not incorporated by reference into this report and such information should not be considered to be part of this report.

INFORMATION ABOUT OUR BUSINESS

Boom Trucks

A boom truck is a straight telescopic boom crane outfitted with a hook and winch which is mounted on a standard flatbed commercial (Class 7 or 8) truck chassis. Relative to other lifting equipment, boom trucks provide increased versatility and are capable of transporting relatively large payloads from site to site at highway speeds. A boom truck is usually sold with outriggers, pads and devices for reinforcing the chassis in order to improve safety and stability. Although produced in a wide range of models and sizes, boom trucks can be broadly distinguished by their normal lifting capability as light, medium, and heavy-cranes. Various models of medium or heavy-lift boom trucks can safely lift loads from 15 to 70 tons and operating radii can exceed 200 feet. Another advantage of the boom truck is the ability to provide occasional man lift capabilities at a very low cost to height ratio. While it is not uncommon to see a very old boom truck, most replacement cycles seem to trend to seven years. The market for boom trucks has historically been cyclical.

Although the Company offers a complete line of boom trucks from light to heavy capacity cranes much of our efforts have been devoted to the development of higher capacity boom trucks specifically designed to meet the particular needs of customers including those in energy production and power distribution. We believe it is an advantage to be skewed towards the heavier lifting capacity, since the heavier capacity cranes have somewhat higher margins.

Markets that drive demand for boom trucks include power distribution, oil and gas recovery, infrastructure and new home, commercial and industrial construction. Historically, the new home construction market, which uses lower capacity cranes, has probably been the most cyclical. More recently demand from the energy sector has become significantly impacted by changes in oil prices.

The Company sells its boom trucks through a network of over forty full service dealers in the United States, Canada, Mexico, South America, and the Middle East. A number of our dealers maintain a rental fleet of their own. Boom trucks can be rented for either short or long-term periods.

In 2012, the market for boom trucks again showed considerable improvement with total industry unit sales approaching pre-2008 levels. The market dynamics were, however, considerably different than they previously were. Much of the current demand then was being driven by niche market sectors, i.e., oil and gas exploration and power line construction. The demand from the general construction market, although slowly improving, still did not approach pre-2008 levels. For 2012, the Company's boom truck unit sales increased by approximately 65% as compared to the prior year. The increase in unit sales reflects the Company's strategic initiatives which have emphasized the development of boom trucks with higher lifting capacities that target the oil and gas and power line distribution markets.

In 2013, the overall market for boom truck was marginally down from the prior year. However, revenues generated from boom truck sales by the Company increased by approximately 30% in 2013. Accordingly, the Company's market share was also up. The revenue increase was principally attributed to an increase in production capacity. This increase in capacity allowed us to reduce the backlog that existed at December 31, 2012 and to more aggressively promote the sale of our lower tonnage cranes. A significant portion of the December 2012 backlog was for higher tonnage cranes used in niche markets particularly the North American energy sector. During the year, there was a softening in the demand for our products which are related to the energy sector.

In 2014, the Company saw a decline in orders for cranes with higher lifting capacities that serve niche markets, including the North American energy sector slowdown from prior years, largely as a result of the fall in oil prices. However, demand for lower capacity cranes increased, offsetting the decrease in revenues generated from the sale of cranes with higher lifting capacities. The increase in revenues generated from the sale of cranes with lower lifting capacity is reflective of the continued growth of general construction activity in North America. The change in mix did, however, result in lower gross profit percent for 2014.

In 2015, the Company continued to aggressively pursue other markets for its boom trucks including the tree industry, utility industry, and the general construction markets. This focus offset and mitigated the impact of the energy market decline. While oil prices continued to decline and the U.S. oil rig count dropped from 1,600 in January 2015 to just over 500 at end of the year we noted that the energy companies began selling excess equipment into our other markets. This combined impact lower energy market sales combined with the selling off of excess equipment – resulted in a significant decrease in boom truck revenues during the year.

In 2016, we noted that this selloff of excess equipment continued through much of the year. This selloff dampened demand for new equipment in both the energy market and the other markets we serve with our boom trucks. We did note that oil prices did begin to increase and by the beginning of June were approaching $50 per barrel. Additionally, the oil rig count began to increase again and by year end totaled 525 oil rigs. Late in the year, orders received began to increase and included orders for a number of cranes in a multitude of markets that the Company serves.

During 2017, Oil prices remained relatively stable through the first nine months of the year, before the prices began to strengthen considerably during the fourth quarter of the year. Oil prices at the end of 2017 topped $61 per barrel. The oil rig count declined during the first half of the year to 431 before rebounding to 658 by the end of 2017. In early 2018, the oil rig count continued to increase and at the end of March 2018 was over 800. The sell-off of used equipment continued through most of the year but the effects diminished throughout the year. The market for boom trucks continued to improve throughout the year but remained below normal levels. Orders, however, increased significantly in the fourth quarter of 2017 and going into 2018 demand for boom trucks continues to increase.

Knuckle Boom Cranes

PM is a leading Italian manufacturer of truck mounted hydraulic knuckle boom cranes with a 50-year history of technology and innovation, and a product range spanning more than 50 models. Its largest subsidiary, Oil & Steel (“O&S”), is a manufacturer of truck-mounted aerial platforms with a diverse product line

PM knuckle boom cranes are hydraulic folding and articulating cranes, mounted on a commercial chassis, with lifting capacities that range from small (lifting capacity up to three ton meter) to super heavy (lifting capacity two hundred and ten ton meter), often supplied with a jib for additional reach. With a compact design and footprint, the crane can be mounted to maximize the load carrying capability of the chassis onto which it is mounted. Combined with the cranes ability to operate in a compact footprint the ability to carry a payload provides a competitive advantage over other truck mounted cranes and makes the knuckle boom crane particularly attractive for a variety of end uses in the construction and product delivery sectors.

The knuckle boom crane market is a global market with a wide variety of end sector applications, but focused particularly on residential and non-residential construction, road and bridge and infrastructure development. Historically the knuckle boom crane has not had significant application in the energy sector. PM knuckle boom cranes are sold into a variety of geographies including West and East Europe, Central Asia, Africa, North and Central America, South America, the Middle East and the Far East and Pacific region. Historically, PM focused on its domestic and local Western European markets, but in recent years has expanded its sales and distribution efforts internationally. PM has twelve international sales and distribution offices located in several European countries as well as the Far East and Latin America. After acquisition by Manitex, the Company expanded its distribution capability with the existing Manitex dealer network in North America as well as expanding the number of independent service centers in the US.

The market for knuckle boom cranes has been growing in recent years as the acceptability of the product has grown and its advantages have been accepted. Growth in North America where the straight mast boom truck crane has been the more dominant product has been more rapid in recent years in combination with the overall improvement in the North American construction sector. PM Group share of the North American market has been historically low, however, this is an area of growth opportunity for the Company following its acquisition by Manitex.

PM aerial platforms are self-propelled or truck mounted and places an operator in a basket in the air in order to perform maintenance, repairs or similar activities. The equipment is used in a variety of applications including utilities, sign work and industrial maintenance and is often sold to rental operations.

PM group product serves in a number of geographies in West and East Europe but also the near and Far East and sells through dealers as well as its own sales and distribution offices. The market generally follows the domestic economic cycle for any particular country. Consequently, the market has shown a positive trend in the recent past as European economies recover from the 2009 / 2010 economic crisis.

As PM severs a global market, its revenues are affected by changes in economic conditions in markets they serve. In 2016, the middle-east market was soft and had an impact on PM 2016 revenues.

In 2017, the demand for knuckle boom cranes was up modestly in all the markets that PM sells into except for the Middle East. The demand from the Middle East market was consistent with the prior year but remains significantly depressed. During 2017, demand from Western and North Europe were PM largest markets. Although there was growth in the other PM markets, the demand from these markets had not returned to earlier levels.

Industrial Cranes

Our Badger subsidiary sells specialized industrial cranes through a network of dealers. The Badger product line includes specialized 15 and 30 ton industrial cranes (which can be used by the railroads) as well as a 10 ton carry deck crane which are all sold under both the Badger and Manitex names. Additionally, Badger sells lattice cranes with 20 to 30 ton lifting capacity marketed under the Little Giant trade name. The Little Giant line has five lattice boom models, three of which are dedicated rail cranes. In addition, Badger also sells a 30 ton truck crane and a 25 ton crawler crane under the Little Giant name. Badger also has the capability to manufacture certain of our lower capacity boom trucks and provides expanded boom truck manufacturing capacity when needed.

The products are used by railroads, refineries, states, municipalities, and for general construction. The Company believes it has an advantage over its competitors in selling to railroads as it is the only crane manufacturer that has integrated the installation of rail gear into its production process. Competitors send their cranes to a third party to have rail gear added which both increases cost and delays deliveries.

Our Valla product line of industrial cranes is a full range of precision pick and carry cranes from 2 to 90 tons, using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. The product is sold internationally through dealers and into the rental distribution channel.

Mobile Tanks

Manitex Sabre manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through other direct customers.

The tanks have historically been used in variety of end markets such as petrochemical, waste management and oil and gas drilling. However, when we purchased Sabre in 2013, their business heavily skewed towards the energy sector. Since early 2014, we have been working to diversify the products, customers, and applications. This includes expanding environmental applications and using our tanks to store deicer fluid at airports.

Equipment Distribution

Crane and Machinery, Inc. (“C&M”) is a distributor of the Company’s products as well as Terex’s rough terrain and truck cranes.

Crane and Machinery Leasing, Inc.’s (“C&M Leasing”) rents equipment manufactured by the Company as well as a limited amount of equipment manufactured by third parties. Although C&M is a distributor of Terex rough terrain and truck cranes; C&M’s primary business is the distribution of products manufactured by the Company. C&M Leasing’s primary business is the facilitation of sales of products manufactured by the Company through its rent to own program.

Consolidated Variable Interest Entity

Even though it has no ownership interest in SVW Crane & Equipment Company (together with its wholly owned subsidiary, Rental Consulting Service Company, “SVW”), the Company has the power to direct the activities that most significantly impact SVW’s economic performance. Additionally, the Company was the primary beneficiary of the SVW relationship. SVW obtained third party financing, which was effectively guaranteed by the Company, on specific cranes the Company manufactured and remitted the loan proceeds to the Company. Other than its business transactions described herein, SVW had no other substantial business operations. The Company has determined that SVW is a Variable Interest Entity (”VIE”) that under current accounting guidance needs to consolidate in the Company’s financial results.

Part Sales

As part of our operations, we supply repair and replacement parts for our products. The parts business margins are higher than our overall margins. Part sales as a percentage of revenues tend to increase when there is a down-turn in the industry. Part sales as a percentage of revenues are approximately 13%, 13% and 10% for the years ended December 31, 2017, 2016 and 2015, respectively.

Total Company Revenues by Sources

The sources of the Company's revenues are summarized below:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Boom trucks, knuckle boom & truck cranes | 76 % | 70 % | 68 % |
| Industrial cranes and forklifts | 0 % | 3 % | 3 % |
| Rough terrain forklifts | 1 % | 2 % | 0 % |
| Rough terrain cranes | 2 % | 1 % | 8 % |
| Mobile tanks | 2 % | 4 % | 6 % |
| Used construction equipment | 6 % | 7 % | 5 % |
| Part sales | 13 % | 13 % | 10 % |
| Total Revenue | 100 % | 100 % | 100 % |

In 2017, one customer, Rush Truck Center, accounted for approximately 12.0% of the Company's revenue. In 2016 and 2015, no customer accounted for 10% or more of the Company's revenue.

Raw Materials

The Company purchases a variety of components used in the production of its products. The Company purchases steel and a variety of machined parts, components and subassemblies including weldments, winches, cylinders, frames, rims, axles, wheels, tires, suspensions, cables, booms and cabs, as well as engines, transmissions and cabs. Additionally, Manitex and PM mount their cranes on commercial truck chassis, which are either purchased by the Company or supplied by the customer. Lead times for these materials (including chassis) vary from several weeks to many months. The Company is vulnerable to a supply interruption in instances when only one supplier has been qualified and identifying and qualifying alternative suppliers can be very time consuming, and in some cases, could take longer than a year. The Company has been working on qualifying secondary sources of some products to assure supply consistency and to reduce costs. The degree to which our supply base can respond to changes in market demand directly affects our ability to increase production and the Company attempts to maintain some additional inventory in order to react to unexpected increases in demand. During 2017, 2016 and 2015, raw materials and components were generally available to meet our production schedules and had no significant impact on full year revenues. During the first part of 2014 delivery of chassis for our larger cranes had a modest impact on production, however this was alleviated during the year as manufacturers increased their production and demand also slowed compared to the first half of the year.

Any future supply chain issues that might impact the Company will in part depend on how fast the rate of growth is for a product as well as the rate of growth in the general economy. Strong general economic growth could put us in competition for parts with other industries. Additionally, events or circumstance at a particular supplier could impact the availability of a necessary component.

Patents and Trademarks

The Company protects its trade names and trademarks through registration. Its technology consists of bill of materials, drawings, plans, vendor sources and specifications and although the Company's technology has considerable value, it does not generally have patent protection. The Company has (on rare occasions) filed for patent protection on a specific feature. In the future, the Company will consider seeking patent protection on any new design features believed to present a significant future benefit.

The Company owns and uses several trademarks relating to its brands that have significant value and are instrumental to the Company's ability to market its products. The Company's most significant trademarks are its trademark "Manitex" (presently registered with the United States Patent and Trademark Office until 2027). Badger Equipment Company markets its products under the "Little Giant" and Badger trade names. The Company's PM Group subsidiary sells its products using the trademark "PM" and PM Group's O&S subsidiary sells its products using the "OIL & STEEL" trademark. The Manitex, Badger, Little Giant, PM and OIL & STEEL trademarks and trade names are important to the marketing and operation of the Company's business as a significant number of our products are sold under those names. PM Group's O&S subsidiary has three patents. One is registered with the Italian Patents and Trademarks Office until 2028. O&S has two additional patents registered with OHIM that are in force until 2031 and 2034, respectively.

Seasonality

Traditionally, the Company's peak selling periods for cranes are the second and third quarters of a calendar year as a result of the need for equipment in the spring, summer and fall construction seasons. A significant portion of cranes sold over the last several years have been deployed in specialized industries or applications, such as oil and gas production, power distribution and in the railroad industry. Sales in these markets are subject to significant fluctuations which correlate more with general economic conditions and the prices of commodities, including oil, and generally are not of a seasonal nature.

Sales of cranes from the Equipment Distribution division mirror the seasonality of the overall Company. However, the sale of parts is much less seasonal given the geographic breadth of the customer base. Crane repairs are performed by the Equipment Distribution division throughout the year but are somewhat affected by the slowdown in construction activity during the typically harsh winters in the Midwestern United States.

Competition

Lifting Equipment

The market for the Company's boom trucks and knuckle boom cranes, industrial cranes and trailers is highly competitive. The Company competes based on product design, quality of products and services, product performance, maintenance costs and price. Several competitors have greater financial, marketing, manufacturing and distribution resources than we do. The Company believes that it effectively competes with its competitors.

The Company's boom cranes compete with cranes manufactured by National Crane, Terex, Weldco Beales, Elliott and Altec. The Company's knuckle boom cranes compete with Palfinger, Fassi, Effer and HIAB. The Company competes primarily with Terex and Broderson in selling rough terrain and industrial cranes. The Company's mobile tanks compete with tanks sold by Dragon Tank and Pinnacle Mfg., LLC.

Equipment Distribution

The Equipment Distribution division's primary business is facilitation of sale of products manufactured by the Company. As such, it faces the same competition described above for products manufactured by the Company. Additionally, the Equipment Distribution division has a dealership arrangement with Terex and must compete against dealers of other rough terrain and truck crane manufacturers. Locally, the Equipment Distribution division competes against Runnion Equipment (dealer for National Crane), Power Equipment Leasing (dealer for Elliott) and Guiffre Cranes (dealer for Manitex and Terex boom trucks). Runnion is also authorized to sell Manitex boom trucks.

While no geographic limitations exist regarding the Equipment Distribution business's ability to sell cranes internationally, the lack of any barriers to entry and the heavy use of the Internet make this a highly active and competitive market in which to distribute cranes.

Competition for our Equipment Distribution repair business is even more intense since it is limited geographically due to the necessity of having physical access to the cranes. Most of the above referenced companies also compete in this aspect of the business, as do other types of crane and equipment dealers from nearby areas such as Indiana or Wisconsin.

Equipment Distribution parts sales are global in scope and benefit greatly from the Internet and the tenure and expertise of our employees. While competition in this area is extensive, the breadth of the products offered and our long history in this part of the business is we believe a competitive advantage.

Our Equipment Distribution business competes based on the design, quality and performance of the products it distributes, price and the supporting repair and part services that it provides. Several competitors have greater financial, marketing and distribution resources than we do. The Company, however, believes that it effectively competes with its competitors.

Backlog

The backlog at December 31, 2017 was approximately $61.5 million, compared to a backlog of approximately $31.3 million at December 31, 2016. The December 31, 2017 backlog has increased by $11.8 million since September 30, 2017 when it was at $50.3 million. The backlog has continued to grow during the early part of 2018 and was $87.3 million at February 28, 2018. The Company expects to ship product to fulfill its existing backlog within the next twelve months.

Research and Development

The Company spent $2.6 million, $2.9 million and $3.1 million on company-sponsored research and development activities for 2017, 2016 and 2015, respectively.

Geographic Information

The information regarding revenue, the basis for attributing revenue from external customers to individual countries, and long-lived assets is found in Note 18 “Geographic Information” to our consolidated financial statements, is hereby incorporated by reference into this Part I, Item 1.

Employees

As of December 31, 2017, the Company had 561 full time employees. The Company has not experienced any work stoppages and anticipates continued good employee relations. Eighteen (18) of our employees are covered by collective bargaining agreements. Fourteen (14) of our employees at our Badger subsidiary are represented by International Union, UAW and its local No. 316. The current union contract expires on January 20, 2020. Four employees are currently represented by Automobile Mechanics’ Local 701. The union contract expired on September 30, 2017, but a new contract is pending that will go thru October 1, 2019. The employees represented by the Automobile Mechanics’ Local 701 are mechanics that work in our Equipment Distribution business. A number of our Equipment Distribution customers in the Chicago metropolitan area mandate union mechanics usage for any service / repair jobs.

Governmental Regulation

The Company is subject to various governmental regulations, such as environmental regulations, employment and health regulations, and safety regulations. We have various internal controls and procedures designed to maintain compliance with these regulations. The cost of compliance programs is not material but is subject to additions to or changes in federal, state or local legislation or changes in regulatory implementation or interpretation of government regulations.

Available Information

The Company makes available free of charge our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished as required by Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, through our Internet Website (www.manitexinternational.com) as soon as is reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Information contained in or incorporated into our Internet Website is not incorporated by reference herein.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks, together with the cautionary statement under the caption “Forward-Looking Statements” and the other information included in this report. The risks described below are not the only ones the Company faces. Additional risks that are currently unknown to the Company or that the Company currently considers to be immaterial may also impair its business or adversely affect the Company’s financial condition or results of operations. If any of the following risks actually occur, the Company’s business, financial condition or results of operation could be adversely affected.

Significant deterioration in economic conditions, especially in the United States and Europe, has had and may again have negative effects on the Company’s results of operations and cash flows

Significant deterioration in economic conditions, especially in the United States and Europe, has had and may again have negative effects on the Company’s results of operations and cash flows. Economic conditions affect the Company’s sales volumes, pricing levels and overall profitability. Demand for many of the Company’s products depends on end-use markets. Challenging economic conditions may reduce demand for our products and may also impair the ability of customers to pay for products they have purchased. As a result, the Company’s reserves for doubtful accounts and write-offs for accounts receivable may increase.

A significant deterioration in economic conditions has caused and may again cause deterioration in the credit quality of our customers and the estimated residual value of our equipment. This could further negatively impact the ability of our customers to obtain the resources they need to make purchases of our equipment. Reduced credit availability will diminish our customers’ ability to invest in their businesses, refinance maturing debt obligations, and meet ongoing working capital needs. If customers do not have sufficient access to credit, demand for the Company’s products will likely decline. Reduced access to credit and the capital markets will also negatively affect the Company’s ability to invest in strategic growth initiatives such as acquisitions.

Certain of the Company's products are significantly affected by the level of capital expenditures in the oil and gas industry and lower capital expenditures have affected and may continue to affect the results of the Company's operations.

The demand for our product in part depends on the condition of the oil and gas industry and, in particular, on the level of capital expenditures of companies engaged in the exploration, development, and production of oil and natural gas. Capital expenditures by these companies are influenced by the following factors:

- the oil and gas industry's ability to economically justify placing discoveries of oil and gas reserves in production;
- current and projected oil and gas prices;
- the oil and gas industry's need to clear all structures from the lease once the oil and gas reserves have been depleted;
- weather events, such as major tropical storms;
- the abilities of oil and gas companies to generate, access and deploy capital;
- exploration, production and transportation costs;
- the discovery rate of new oil and gas reserves;
- the sale and expiration dates of oil and gas leases and concessions;
- local and international political and economic conditions;
- the ability or willingness of host country government entities to fund their budgetary commitments; and
- technological advances.

Historically, prices of oil and natural gas and exploration, development and production have fluctuated substantially. A sustained period of substantially reduced capital expenditures by oil and gas companies will result in decreased demand for certain equipment produced by the Company, lower margins, and possibly net losses. Additionally, oil and gas companies may sell excess equipment into the general construction market which could further depress demand for certain of products.

The Company's level of indebtedness reduces financial flexibility and could impede our ability to operate.

As of December 31, 2017, the Company's total debt was $95.3 million, which includes: revolving term credit facilities, notes payable, convertible debt and capital lease obligations.

Our level of debt affects our operations in several important ways, including the following:

- a significant portion of our cash flow from operations is likely to be dedicated to the payment of the principal and interest on our indebtedness;
- our ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions may be limited;
- we may be unable to refinance our indebtedness on terms acceptable to us or at all;
- our cash flow may be insufficient to meet our required principal and interest payments; and
- we may be unable to obtain additional loans as a result of covenants and agreements with existing debt holders.

The Company must comply with restrictive covenants in its outstanding debt agreements.

The Company's existing debt agreements contain a number of significant covenants which may limit its ability to, among other things, borrow additional money, make capital expenditures, pay dividends, dispose of assets and acquire new businesses. These covenants also require the Company to meet certain financial and non-financial tests. The Company received waivers related to non-compliance with certain covenants and defaults under its U.S. credit facilities and its convertible notes. The Company also restructured certain debt arrangements which restructuring cured the defaults caused by the failed covenant. An additional default or other event of non-compliance, if not waived or otherwise permitted by the Company's lenders, could result in acceleration of the Company's debt and possibly bankruptcy.

The Company may require additional funding, which may not be available on favorable terms or at all.

Our future capital requirements will depend on the amount of cash generated or required by our current operations, as well as additional funds which may be needed to finance future acquisitions. Future cash needs are subject to substantial uncertainty.

We cannot guarantee that adequate funds will be available when needed, and if we do not receive sufficient capital, we may be required to alter or reduce the scope of our operations or to forego making future acquisitions. If we raise additional funds by issuing equity securities, existing stockholders may be diluted.

The Company's business is affected by the cyclical nature of its markets.

A substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time, since the Company's products depends upon the general economic conditions of the markets in which the Company competes. The Company's sales depend in part upon its customers' replacement or repair cycles. Adverse economic conditions, including a decrease in commodity prices, may cause customers to forego or postpone new purchases in favor of repairing existing machinery. Downward economic cycles may result in reductions in sales of the Company's products, which may reduce the Company's profits. The Company has taken a number of steps to reduce its fixed costs and diversify its operations to decrease the negative impact of these cycles. There can be no assurance, however, that these steps will prevent the negative impact of poor economic conditions

The Company's business is sensitive to increases in interest rates.

The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate, LIBOR and Italian short-term borrowing rates.

If interest rates rise, it becomes more costly for the Company's customers to borrow money to pay for the equipment they buy from the Company. Should the U. S. Federal Reserve Board decide to increase rates, prospects for business investment and manufacturing could deteriorate sufficiently and impact sales opportunities.

The Company's business is sensitive to government spending.

Many of the Company's customers depend substantially on government spending, including highway construction and maintenance and other infrastructure projects by U.S. federal and state governments and governments in other nations. Any decrease or delay in government funding of highway construction and maintenance and other infrastructure projects could cause the Company's revenues and profits to decrease.

The Company's revenues are attributed to limited number of customers which may decrease or cease purchasing any time.

The Company's revenues are attributed to a limited number of customers. We generally do not have long-term supply agreements with our customers. Even if a multi-year contract exists, the customer is not required to commit to minimum purchases and can cease purchasing at any time. If we were to lose either a significant customer or several smaller customers our operating results and cash flows would be adversely impacted.

The Company is dependent upon third-party suppliers, making us vulnerable to supply shortages.

The Company obtains materials and manufactured components from third-party suppliers. Any delay in the ability of the Company's suppliers to provide the Company with necessary materials and components may affect the Company's capabilities at a number of our manufacturing locations, or may require the Company to seek alternative supply sources. Delays in obtaining supplies may result from a number of factors affecting the Company's suppliers including capacity constraints, labor disputes, the impaired financial condition of a particular supplier, suppliers' allocations to other purchasers, weather emergencies or acts of war or terrorism. Any delay in receiving supplies could impair the Company's ability to deliver products to customers and, accordingly, could have a material adverse effect on business, results of operations and financial condition.

In addition, the Company purchases material and services from suppliers on extended terms based on the Company's overall credit rating. Negative changes in the Company's credit rating may impact suppliers' willingness to extend terms and increase the cash requirements of the business.

Price increases in materials could affect our profitability.

We use large amounts of steel and other items in the manufacture of our products. In the past, market prices of some of our key raw materials increased significantly. If we experience future significant increases in material costs, including steel, we may not be able to reduce product cost in other areas or pass future raw material price increases on to our customers and our margins could be adversely affected.



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We provide credit guarantees or residual value guarantees for some of our customers.

The Company's customers, from time to time, may fund acquisitions of our products through third-party finance companies. In certain instances, the Company has in the past provided credit guarantees or residual value guarantees. With these guarantees, we must assess the probability of losses or non-performance in ways similar to the evaluation of accounts receivable. We establish reserves based upon our analysis of the current quality and financial position of our customers, past payment experience and collateral values. In circumstances where we believe it is probable that a specific customer will have difficulty meeting its financial obligations, a specific reserve is recorded to recognize a liability for a guarantee we expect to pay, taking into account any amounts that we would anticipate realizing if we are forced to repossess the equipment that supports the customer's financial obligations to us. During periods of economic weakness, collateral underlying our guarantees of indebtedness of customers or receivables can decline sharply, thereby increasing our exposure to losses. In the future, we may incur losses in excess of our recorded reserves if the financial condition of our customers were to deteriorate further or the full amount of any anticipated proceeds from the sale of the collateral supporting our customers' financial obligations is not realized. Historically, no losses related to guarantees have been realized; however, there can be no assurance that our historical experience with respect to guarantees will be indicative of future results.

The Company depends on its information technology systems. If its information technology systems do not perform in a satisfactory manner or if the security of them is breached, it could be disruptive and or adversely affect the operations and results of operations of the Company.

The Company depends on its information technology systems, some of which are managed by third parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers and other business partners), and to manage or support a variety of critical business processes and activities. If our information technology systems do not perform in a satisfactory manner, it could be disruptive and or adversely affect the operations and results of operations of the Company, including the ability of the Company to report accurate and timely financial results.

Furthermore, our information technology systems may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. A failure of or breach in information technology security could expose us and our customers, distributors and suppliers to risks of misuse of information or systems, the compromise of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions. In addition, such breaches in security could result in litigation, regulatory action and potential liability, as well as the costs and operational consequences of implementing further data protection measures, each of which could have a material adverse effect on our business or results of operations.

The Company may face limitations on its ability to integrate acquired businesses.

The successful integration of new businesses depends on the Company's ability to manage these new businesses and cut excess costs. While the Company believes it has successfully integrated these acquisitions to date, the Company cannot ensure that these acquired companies will operate profitably or that the intended beneficial effect from these acquisitions will be realized.

If the Company is unable to manage anticipated growth effectively, the business could be harmed.

If the Company fails to manage growth, the Company's financial results and business prospects may be harmed. To manage the Company's growth and to execute its business plan efficiently, the Company will need to institute operational, financial and management controls, as well as reporting systems and procedures. The Company also must effectively expand, train and manage its employee base. The Company cannot assure you that it will be successful in any of these endeavors.

The Company relies on key management.

The Company relies on the management and leadership skills of David Langevin, Chairman and Chief Executive Officer. When Mr. Langevin joined the Company, he signed a three year employment agreement with the Company which expired on December 31, 2008. Mr. Langevin's employment agreement has been extended and now expires on December 31, 2019. Under the employment agreement, Mr. Langevin's employment term automatically extends for successive periods of three years unless either the Company or Mr. Langevin gives written notice to the other party of non-renewal at least 90 days prior to the end of the then current employment term. The loss of his services could have a significant and negative impact on the Company's business. In addition, the Company relies on the management and leadership skills of other senior executives. The Company could be harmed by the loss of key personnel in the future.

The Company’s success depends upon the continued protection of its trademarks and the Company may be forced to incur substantial costs to maintain, defend, protect and enforce its intellectual property rights.

The Company’s registered and common law trademarks, as well as certain of the Company’s licensed trademarks, have significant value and are instrumental to the Company’s ability to market its products. The Company’s marks “Manitex” “Badger”, “Sabre”, “Valla”, “PM” and “O&S” are important to the Company’s business as the majority of the Company’s products are sold under those names. The Company has not registered all of its trademarks in the United States nor in the foreign countries where it does business. Third parties could assert claims against such intellectual property that the Company could be unable to successfully resolve. If the Company has to change the names of any of its products, it may experience a loss of goodwill associated with its brand names, customer confusion and a loss of sales.

In addition, international protection of the Company’s intellectual property may not be available in some foreign countries to the same extent permitted by the laws of the United States. The Company could also incur substantial costs to defend legal actions relating to use of its intellectual property, which could have a material adverse effect on the Company’s business, results of operations or financial condition.

The Company may be required to record goodwill impairment charges on all or a significant amount of the goodwill on its Consolidated Balance Sheets.

As of December 31, 2017, the Company had approximately $43.6 million of goodwill. The Company tests goodwill for impairment at least annually. If the carrying value of goodwill exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment of a significant portion of goodwill could materially negatively affect the Company’s results of operations.

The Company may be unable to effectively respond to technological change, which could have a material adverse effect on the Company’s results of operations and business.

The markets served by the Company are not historically characterized by rapidly changing technology. Nevertheless, the Company’s future success will depend in part upon the Company’s ability to enhance its current products and to develop and introduce new products. If the Company fails to anticipate or respond adequately to competitors’ product improvements and new production introductions, future results of operations and financial condition will be negatively affected.

The Company operates in a highly competitive industry and the Company is particularly subject to the risks of such competition.

The Company competes in a highly competitive industry and the competition which the Company encounters has an effect on its product prices, market share, revenues and profitability. Because certain competitors have substantially greater financial, production, research and development resources and substantially greater name recognition than the Company, the Company is particularly subject to the risks inherent in competing with them and may be put at a competitive disadvantage. To compete successfully, the Company’s products must excel in terms of quality, price, product line, ease of use, safety and comfort, and the Company must also provide excellent customer service. The greater financial resources of the Company’s competitors may put it at a competitive disadvantage. If competition in the Company’s industry intensifies or if the Company’s current competitors enhance their products or lower their prices for competing products, the Company may lose sales or be required to lower its prices. This may reduce revenue from the Company’s products and services, lower its gross margins or cause the Company to lose market share. The Company may not be able to differentiate our products from those of competitors, successfully develop or introduce less costly products, offer better performance than competitors or offer purchasers of our products payment and other commercial terms as favorable as those offered by competitors.

The Company faces product liability claims and other liabilities due to the nature of its business.

In the Company’s lines of business numerous suits have been filed alleging damages for accidents that have occurred during the use or operation of the Company’s products. The Company is self-insured, up to certain limits, for these product liability exposures, as well as for certain exposures related to general, workers’ compensation and automobile liability. Insurance coverage is obtained for catastrophic losses as well as those risks required to be insured by law or contract. Any material liabilities not covered by insurance could have an adverse effect on the Company’s financial condition.

Our increasingly international operations expose us to additional risks and challenges associated with conducting business internationally.

The international expansion of our business may expose us to risks inherent in conducting foreign operations. These risks include:

- challenges associated with managing geographically diverse operations, which require an effective organizational structure and appropriate business processes, procedures and controls;
- the increased cost of doing business in foreign jurisdictions, including compliance with international and U.S. laws and regulations that apply to our international operations;
- currency exchange and interest rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions, if we continue to do so in the future;
- potentially adverse tax consequences;
- complexities and difficulties in obtaining protection and enforcing our intellectual property;
- compliance with additional regulations and government authorities in a highly regulated business; and
- general economic and political conditions internationally.

The risks that the Company faces in its international operations may continue to intensify if the Company further develops and expands its international operations.

The Company is subject to currency fluctuations.

Changes in exchange rates between various currencies have had, and will continue to have, an impact on our earnings. We regularly evaluate opportunities for, and at times engage in, hedging activities to mitigate the impact that changes in exchange rates for various currencies may have on our financial results. Our hedging activities are designed to reduce and delay, but not to eliminate, the effects of foreign currency fluctuations. Factors that could affect the effectiveness of our hedging activities include volatility of currency markets, and the availability of effective hedging instruments. Since the hedging activities are designed to reduce volatility, they may have the effect of reducing both the negative and positive impacts that changes in exchange rates may have. Our future financial results could be significantly affected by the value of the U.S. dollar versus the native currencies of our subsidiaries (primarily the Euro) as well as the native currencies of foreign subsidiaries and other currencies in which they conduct business. The degree to which our financial results are affected for any given time period will depend in part upon our hedging activities. There can be no assurance that our hedging activities will have the desired beneficial impact on our financial condition or results of operations. Moreover, no hedging activity can completely insulate us from the risks associated with changes in currency exchange rates. We currently have exposure to changes in exchange rates for a number of currencies including the Euro, the Chilean peso and the Argentinean peso.

Risks Relating to our Common Stock

The Company’s principal shareholders, executive officers and directors hold a significant percentage of the Company’s common stock, and these shareholders may take actions that may be adverse to your interests.

The Company’s principal shareholders, executive officers and directors beneficially own, in the aggregate, approximately 19% of the Company’s common stock as of March 20, 2018. As a result, these shareholders, acting together, will be able to significantly influence all matters requiring shareholder approval, including the election and removal of directors and approval of significant corporate transactions such as mergers, consolidations, sales and purchases of assets. They also could dictate the management of the Company’s business and affairs. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination, which could cause the market price of our common stock to fall or prevent you from receiving a premium in such a transaction.

The cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 may negatively impact the Company's income.

The Company is subject to the rules and regulations of the SEC, including those rules and regulations mandated by the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act requires all reporting companies to include in their annual report a statement of management's responsibilities for establishing and maintaining adequate internal control over financial reporting, together with an assessment of the effectiveness of those internal controls. Section 404 further requires that the reporting company's independent auditors attest to, and report on, this management assessment. The Company expects its expenses related to its internal and external auditors to be significant. If we fail to maintain a system of adequate controls, it could have an adverse effect on our business and stock price.

The price of our common stock is highly volatile.

The trading price of the Company's common stock is highly volatile and could be subject to wide fluctuations in price in response to various factors, many of which are beyond the Company's control, including:

- the degree to which the Company successfully implements its business strategy;
- actual or anticipated variations in quarterly or annual operating results;
- changes in recommendations by the investment community or in their estimates of the Company's revenues or operating results;
- failure to meet expectations of industry analysts;
- speculation in the press or investment community;
- strategic actions by the Company's competitors;
- announcements of technological innovations or new products by the Company or competitors;
- changes in business conditions affecting the Company and its customers; and
- potential to be delisted

In the past, following periods of volatility in the market price of a company's securities, class action litigation has often been brought against companies. If a securities class action suit is filed against us, whether or not meritorious, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business in order to respond to the litigation.

Provisions of the Michigan Business Corporation Act and the Company's Articles of Incorporation, Amended and Restated Bylaws, and Rights Agreement may discourage or prevent a takeover of the Company.

Provisions of the Company's Articles of Incorporation and Amended and Restated Bylaws, Michigan law, and the Rights Agreement, dated October 17, 2008, between the Company and Broadridge Corporate Issuer Solution, Inc., as rights agent, could make it more difficult for a third party to acquire the Company, even if doing so would be perceived to be beneficial to you. These provisions could discourage potential takeover attempts and could adversely affect the market price of the Company's shares. Because of these provisions, you might not be able to receive a premium on your investment. These provisions:

- authorize the Company's Board of Directors, with approval by a majority of its independent Directors but without requiring shareholder consent, to issue shares of "blank check" preferred stock that could be issued by the Company's Board of Directors to increase the number of outstanding shares and prevent a takeover attempt;
- limit our shareholders' ability to call a special meeting of the Company's shareholders;
- limit the Company's shareholders' ability to amend, alter or repeal the Company bylaws;
- may result in the issuance of preferred stock, which would significantly dilute the stock ownership percentage of certain shareholders and make it more difficult for a third party to acquire a majority of the Company's outstanding voting stock; and
- restrict business combinations with certain shareholders.

The provisions described above could prevent, delay or defer a change in control of the Company or its management.

The restatement of our previously issued financial statements has been time-consuming and expensive and could expose us to additional risks that could have a negative effect on our Company.

We have restated our previously issued audited financial statements for the year ended December 31, 2016 as well as the unaudited quarterly financial information included in our Annual Report on Form 10-K for the year ended December 31, 2016, the unaudited financial statements for the quarter ended March 31, 2017 included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, and the unaudited financial statements for the six-month period ended June 30, 2017 included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. In addition, our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 and our Annual Report on Form 10-K for the year ended December 31, 2017 were not filed in a timely manner. The restatement process has been time consuming and expensive and, along with the failure to make certain filings with the SEC in a timely manner, could expose us to additional risks that could have a negative effect on our Company. In particular, we have incurred substantial unanticipated expenses and costs, including audit, legal and other professional fees, in connection with the restatement of our previously issued financial statements and the ongoing remediation of material weaknesses in our internal control over financial reporting. Certain remediation actions have been recommended and we are in the process of implementing them (see Item 9A "Controls and Procedures" of this Form 10-K for a description of these remediation measures). To the extent these steps are not successful, we could be forced to incur additional time and expense. Our management's attention has also been diverted from the operation of our business in connection with the restatement and these ongoing remediation efforts. In addition, as a result of these restatements and failure to timely make certain filings with the SEC, we could be subject to governmental, regulatory or other actions. Any such proceedings could, regardless of the outcome, consume a significant amount of management's time and attention and could result in additional legal, accounting and other costs and liabilities.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The Company's executive offices are located at 9725 Industrial Drive, Bridgeview, Illinois 60455. The Company has seven principal operating plants. The Company's Lifting Equipment business operates from the facilities described in this paragraph. The Company builds boom trucks, and sign cranes in its 188,000 sq. ft. leased facility located in Georgetown, Texas. The Company manufactures its knuckle boom cranes, in two owned facilities, the 542,000 sq. ft. plant located in S. Cesario sul Panaro, Italy and the 213,000 sq. ft. facility located in Arad, Romania. The Romania facility also produces sub-assemblies that are incorporated into PM products manufactured in Italy. The Company manufactures its precision pick and carry cranes in a 58,000 sq. ft. facility located in Piacenza, Italy. The Company builds specialized rough terrain cranes and material handling product in its 170,000 sq. ft. owned facility located in Winona, Minnesota. The Company builds its specialized mobile tanks for liquid and solid storage and containment solutions in its 100,000 sq. ft. leased facility located in Knox, Indiana.

The Company operates its crane distribution business from a 39,000 sq. ft. leased facility located in Bridgeview, Illinois. The Bridgeview facility also houses our corporate offices.

All our facilities are used exclusively by the Company. The Company believes that its facilities are suitable for its business and will be adequate to meet our current needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings, including product liability and workers' compensation matters which have arisen in the normal course of operations. The Company has product liability insurance with self-insurance retention that ranges from $50 thousand to $0.5 million. The Company has a $250 thousand per claim deductible on worker compensation claims and aggregates of $1.0 million to $1.9 million depending on the policy year. Certain cases are at a preliminary stage and it is not possible to estimate the amount or timing of any cost to the Company. However, the Company does not believe that these contingencies, in the aggregate, will have a material adverse effect on the Company. Reserves have been established for several liability cases related to PM acquisitions. When it is probable that a loss has been incurred and possible to make a reasonable estimate of the Company’s liability with respect to such matters, a provision is recorded for the amount of such estimate or the minimum amount of a range of estimates when it is not possible to estimate the amount within the range that is most likely to occur.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for the Company's Common Stock

The Company's common stock is listed on The NASDAQ Capital Market trading under the symbol MNTX. The following table sets forth the high and low sales prices of the common stock for the fiscal periods indicated, as reported on The NASDAQ Capital Market.

Price Range of Common Stock

| 2017 | High | Low |
|---|---|---|
| First Quarter | $9.89 | $6.38 |
| Second Quarter | $7.84 | $6.21 |
| Third Quarter | $9.49 | $6.75 |
| Fourth Quarter | $10.00 | $7.28 |

| 2016 | High | Low |
|---|---|---|
| First Quarter | $6.30 | $4.25 |
| Second Quarter | $7.23 | $5.18 |
| Third Quarter | $7.68 | $4.98 |
| Fourth Quarter | $7.62 | $4.98 |

Number of Common Stockholders

As of March 19, 2018, there were 176 record holders of the Company's common stock.

Dividends

During the fiscal years ended December 31, 2017, 2016 and 2015, the Company did not declare or pay any cash dividends on its common stock and the Company does not intend to pay any cash dividends in the foreseeable future. Furthermore, the terms of our credit facility do not allow us to declare or pay dividends without the prior written consent of the lender.

Performance Graph

The following stock performance graph is intended to show our stock performance compared with that of comparable companies. The stock performance graph shows the change in market value of ten thousand dollars invested in our Common Stock, the Russell 2000 Index and a peer group of comparable companies ("Peer Group") for the five year period commencing December 31, 2012 through December 31, 2017. The cumulative total stockholder return of the peer group and Russell 2000 Index assumes dividends are reinvested. The stockholder return shown on the graph below is not indicative of future performance. The companies in the Peer Group are weighted by market capitalization.

The Peer Group consists of the following companies, which are in similar lines of business to Manitex International Inc. Lindsay Corporation (LNN), Gencor Industries Inc. (GENC), Astec Industries, Inc. (ASTE), Columbus McKinnon Corporation (CMCO) and Alamo Group, Inc. (ALG). The companies in the Peer Group generally have market capitalizations that are significantly greater than the Company's market capitalization. It was necessary to select companies with higher market capitalizations to find companies with similar lines of business. Our competitors are most often either small privately owned companies with a narrow product line or a segment of a very large company. In selecting our Peer Group, we intentionally excluded the companies that had the largest market capitalization even when their product lines were similar to ours.

CUMULATIVE TOTAL RETURN

Based upon an initial investment of $10,000 on December 31, 2012

with dividends reinvested

| | December 31, 2012 | December 31, 2013 | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 |
|---|---|---|---|---|---|---|
| Manitex International, Inc. | $ 10,000 | $ 22,241 | $ 17,801 | $ 8,333 | $ 9,608 | $ 13,445 |
| Russell 2000 Index | $ 10,000 | $ 13,700 | $ 14,184 | $ 13,374 | $ 15,978 | $ 18,079 |
| Construction Equipment (5 stocks) | $ 10,000 | $ 17,162 | $ 16,564 | $ 15,211 | $ 22,911 | $ 29,012 |

Issuer Purchases of Equity Securities

The following table provides information about the Company’s purchases of equity securities during the quarter ended December 31, 2017:

| Period | Total number of shares purchased (1) | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number or approximate dollar value of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| October 1 through October 31, 2017 | — | — | — | — |
| November 1 through November 30, 2017 | — | — | — | — |
| December 1 through December 31, 2017 | 4,758 | $ 9.60 | — | — |
| Total | 4,758 | $ 9.60 | — | — |

(1) The Company purchased and cancelled 4,758 shares of its common stock on December 31, 2017. The shares were purchased from employees on December 31, 2017 at the market closing price of $9.60 on that date. The employees used the proceeds from the sale of shares to satisfy their withholding tax obligations that arose when restricted shares vested on that date.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with our financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

The Company's results include the results for companies acquired from their respective effective dates of acquisition: August 19, 2013 for Sabre, November 30, 2013 for Valla, December 16, 2014 for Lift Ventures, December 20, 2014 for ASV, January 15, 2015 for the PM Group and March 12, 2015 for Columbia Tanks.

The below financial data reflects the following entities as discontinued operations from 2013 through the year in which the entity was disposed: 2015 for Manitex Load King, Inc. and 2016 for Liftking, and CVS. In addition, the data for the years 2014 to 2017 presents ASV as a discontinued operation.

(In thousands except share information)

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Summary of Operations: | | | | | |
| Net revenues | $213,112 | $173,197 | $202,747 | $174,738 | $164,678 |
| Operating (loss) income | (265) | (9,974) | (288) | 13,058 | 18,142 |
| Net (loss) income from continuing operations | (7,067) | (23,189) | (5,325) | 7,261 | 11,489 |
| Net (loss) income from continuing operations attributable to shareholders of Manitex International, Inc. | $(7,067) | $(23,189) | $(5,325) | $7,261 | $11,489 |
| Earnings (loss) per share from continuing operations attributable to shareholders of Manitex International, Inc. | | | | | |
| Basic | $(0.43) | $(1.44) | $(0.33) | $0.52 | $0.91 |
| Diluted | $(0.43) | $(1.44) | $(0.33) | $0.52 | $0.90 |
| Shares used to calculate earnings per share: | | | | | |
| Basic | 16,548,444 | 16,133,284 | 15,970,074 | 13,858,189 | 12,671,205 |
| Diluted | 16,548,444 | 16,133,284 | 15,970,074 | 13,904,289 | 12,717,575 |
| | | | | | |
| Total assets | $225,188 | $326,954 | $401,423 | $314,267 | $180,497 |
| Total debt for continuing operations | $95,253 | $106,295 | $109,437 | $46,389 | $36,743 |
| Total shareholders equity attributed to shareholders of Manitex International, Inc. | $70,845 | $72,465 | $107,012 | $120,391 | $76,632 |

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

The following management's discussion and analysis of financial condition and results of continuing operations should be read in conjunction with the Company's financial statements and notes, and other information included elsewhere in this Report.

FORWARD-LOOKING STATEMENTS

When reading this section of this Annual Report on Form 10-K, it is important that you also read the financial statements and related notes thereto. This Annual Report on Form 10-K and certain information incorporated herein by reference contain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements and are based upon management's present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and sir to identify forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K include, without limitation: projections of revenue, earnings, capital structure and other financial items, statements of our plans and objectives, statements regarding the capabilities and capacities of our business operations, statements of expected future economic conditions and the effect on us and on our customers, expected benefits of our cost reduction measures, and assumptions underlying statements regarding us or our business. Our actual results may differ from information contained in these forward looking-statements for many reasons, including those described below and in the section entitled "Item 1A. Risk Factors":

(1) a future substantial deterioration in economic conditions, especially in the United States and Europe;
(2) government spending; fluctuations in the construction industry, and capital expenditures in the oil and gas industry;
(3) our level of indebtedness and our ability to meet financial covenants required by our debt agreements;
(4) our ability to negotiate extensions of our credit agreements and to obtain additional debt or equity financing when needed;
(5) the cyclical nature of the markets we operate in;
(6) increase in interest rates;
(7) Our increasingly international operations expose us to additional risks and challenges associated with conducting business internationally;
(8) difficulties in implementing new systems, integrating acquired businesses, managing anticipated growth, and responding to technological change;
(9) our customers' diminished liquidity and credit availability;
(10) the performance of our competitors;
(11) shortages in supplies and raw materials or the increase in costs of materials;
(12) potential losses under residual value guarantees,
(13) product liability claims, intellectual property claims, and other liabilities;
(14) the volatility of our stock price;
(15) future sales of our common stock;
(16) the willingness of our stockholders and directors to approve mergers, acquisitions, and other business transactions;
(17) currency transaction (foreign exchange) risks and the risk related to forward currency contracts;
(18) certain provisions of the Michigan Business Corporation Act and the Company's Articles of Incorporation, as amended, Amended and Restated Bylaws, and the Company's Preferred Stock Purchase Rights may discourage or prevent a change in control of the Company;
(19) a substantial portion of our revenues are attributed to limited number of customers which may decrease or cease purchasing any time;
(20) a disruption or breach in our information technology systems;

(21) our reliance on the management and leadership skills of our senior executives;
(22) the cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002; and
(23) Impairment in the carrying value of goodwill could negatively affect our operating results; and
(24) other factors.

The risks described in this Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. We do not undertake, and expressly disclaim, any obligation to update this forward-looking information, except as required under applicable law.

OVERVIEW

The Company is a leading provider of engineered lifting solutions. The Company operates in a single business segment.  The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries.

Through its Manitex, Inc. subsidiary, it markets a comprehensive line of boom trucks, truck cranes and sign cranes. Manitex's boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction.

Badger Equipment Company ("Badger") is a manufacturer of specialized rough terrain cranes and material handling products. Badger primarily serves the needs of the construction, municipality and railroad industries.

PM Group S.p.A. ("PM") is a leading Italian manufacturer of truck mounted hydraulic knuckle boom cranes with a 50-year history of technology and innovation, and a product range spanning more than 50 models. Its largest subsidiary, Oil & Steel ("O&S"), is a manufacturer of truck-mounted aerial platforms with a diverse product line and an international client base.

Our Valla product line of industrial cranes is a full range of precision pick and carry cranes using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. These products are sold internationally through dealers and into the rental distribution channel.

Sabre Manufacturing, LLC, which is located in Knox, Indiana, manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through the Company's existing dealer network. The tanks are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

Crane and Machinery, Inc. ("C&M") is a distributor of the Company's products as well as Terex's rough terrain and truck cranes.  Crane and Machinery Leasing, Inc.'s ("C&M Leasing") rents equipment manufactured by the Company as well limited amount of equipment manufactured by third parties.  Although C&M is a distributor of Terex rough terrain and truck cranes, C&M's primary business is the distribution of products manufactured by the Company.  C&M Leasing's primary business is the facilitation of sales of products manufactured by the Company through its rent to own program.  As C&M and C&M Leasing's primary business is the facilitation of Company manufactured product sales, discrete financial information is not available.

Consolidated Variable Interest Entity

Even though it has no ownership interest in SVW Crane & Equipment Company (together with its wholly owned subsidiary, Rental Consulting Service Company, “SVW”), the Company has the power to direct the activities that most significantly impact SVW’s economic performance. Additionally, the Company was the primary beneficiary of the SVW relationship. SVW obtained third party financing, which was effectively guaranteed by the Company, on specific cranes the Company manufactured and remitted the loan proceeds to the Company. Other than its business transactions described herein, SVW had no other substantial business operations. The Company has determined that SVW is a Variable Interest Entity (”VIE”) that under current accounting guidance needs to be consolidated in the Company’s financial results.

Income and losses related to VIE’s are typically shown in a company’s financial statements as being attributed to a non-controlling interest. Other than its transactions between SVW and the Company, SVW had no other substantial business operations. Furthermore, the Company exercised control and absorbed all losses and received all the income from SVW operations. Therefore, the Company has concluded that income and losses related to the VIE are attributable to the Shareholders of the Company.

Economic Conditions

In 2015, the Company continued to aggressively pursue other markets for its boom trucks including the tree industry, utility industry, and the general construction markets. This focus offset and mitigated the impact of the energy market decline. While oil prices continued to decline and the U.S. oil rig count dropped from 1,600 in January 2015 to just over 500 at end of the year we noted that the energy companies began selling excess equipment into our other markets. This combined impact lower energy market sales combined with the selling off of excess equipment – resulted in a significant decrease in boom truck revenues during the year.

In 2016, we noted that this selloff of excess equipment continued through much of the year. This selloff dampened demand for new equipment in both the energy market and the other markets we serve with our boom trucks. We did note that oil prices did begin to increase and by the beginning of June were approaching $50 per barrel. Additionally, the oil rig count began to increase again and by year end totaled 525 oil rigs. Late in the year, orders received began to increase and included orders for a number of cranes in a multitude of markets that the Company serves. The Company continues to aggressively pursue multiple markets including the tree, utility, general construction and, energy markets.

During 2017, Oil prices remained relatively stable through the first nine months of the year, before the prices began to strengthen considerably during the fourth quarter of the year. Oil prices at the end of 2017 topped $61 per barrel. The oil rig count declined during the first half of the year to 431 before rebounding to 658 by the end of 2017. In early 2018, the oil rig count continued to increase and at the end of March 2018 increased to over 800. The sell-off of used equipment continued through most of the year but the effects diminished throughout the year. The market for boom trucks continued to improve throughout the year but remained below normal levels. Orders, however, increased significantly in the fourth quarter of 2017 and going into 2018 demand for boom trucks continues to increase.

The market for PM knuckle boom cranes have not been significantly affected by decrease in oil prices. The markets for these products have been more stable. The North American market for knuckle boom cranes is growing. PM currently has a small share of the market for knuckle boom cranes in North America. The Company has started to manufacture knuckle boom cranes on a limited basis in the United States and is marketing them through the Company's current distribution channels. The Company currently has a strong presence in North America for its boom trucks. The Company believes that it can significantly increase the Company's share for knuckle boom cranes in North America. The Company believes this is an immediate opportunity that will continue to grow over time.

In 2017, the demand for knuckle boom cranes was up modestly in all the markets that PM sells into except for the Middle East. The demand from the Middle East market was consistent with the prior year but remains significantly depressed. During 2017, demand from Western and North Europe, were PM largest markets. Although there was growth in the other PM markets, the demand from these markets have not returned to levels achieved in the past.

Factors Affecting Revenues and Gross Profit

The Company derives most of its revenue from purchase orders from dealers and distributors. The demand for the Company's products depends upon the general economic conditions of the markets in which the Company competes. The Company's sales depend in part upon its customers' replacement or repair cycles. Adverse economic conditions, including a decrease in commodity prices, may cause customers to forego or postpone new purchases in favor of repairing existing machinery.

Gross profit varies from period to period. Factors that affect gross profit include product mix, production levels and cost of raw materials. Margins tend to increase when production is skewed towards larger capacity cranes.

The following table sets forth certain financial data for the three years ended December 31, 2017, 2016 and 2015:

Results of Consolidated Operations

MANITEX INTERNATIONAL, INC.

(In thousands, except share data)

| | For the Year Ended December 31, 2017 | For the Year Ended December 31, 2016 | For the Year Ended December 31, 2015 |
|---|---|---|---|
| Net revenues | $213,112 | $173,197 | $202,747 |
| Cost of sales | 176,266 | 143,260 | 160,752 |
| Gross profit | 36,846 | 29,937 | 41,995 |
| Operating expenses | | | |
| Research and development costs | 2,564 | 2,939 | 3,123 |
| Selling, general and administrative expenses | 34,547 | 36,972 | 39,160 |
| Total operating expenses | 37,111 | 39,911 | 42,283 |
| Operating loss | (265) | (9,974) | (288) |
| Other income (expense) | | | |
| Interest expense | (6,498) | (6,390) | (6,441) |
| Interest expense related to write off of debt issuance costs | — | (1,439) | — |
| Foreign currency transaction (loss) gain | (1,149) | (1,115) | (293) |
| Other income (loss) | 367 | 915 | (47) |
| Total other expense | (7,280) | (8,029) | (6,781) |
| Loss before income taxes and loss in non-marketable equity interest from continuing operations | (7,545) | (18,003) | (7,069) |
| Income tax expense (benefit) from continuing operations | (118) | (566) | (1,943) |
| Income (loss) in non-marketable equity interest, net of taxes | 360 | (5,752) | (199) |
| Loss from continuing operations | (7,067) | (23,189) | (5,325) |
| Discontinued operations: | | | |
| (Loss) income from discontinued operations, net of income tax (benefit) expense of ($23), $37, and $475 in 2017, 2016 and 2015, respectively | (737) | (14,478) | 1 |
| Net loss | $(7,804) | $(37,667) | $(5,324) |
| (Loss) income attributable to noncontrolling interest | (274) | 574 | (48) |
| Loss attributable to shareholders of Manitex International, Inc. | $(8,078) | $(37,093) | $(5,372) |

The above results include the results for companies acquired from their respective effective dates of acquisition: December 16, 2014 for Lift Ventures, December 20, 2014 for ASV, January15, 2015 for PM Group and March 12, 2015 for Columbia Tanks.

Year Ended December 31, 2017 from Continuing Operations Compared to Year Ended December 31, 2016 from Continuing Operations

Net loss from continuing operations

For the year ended December 31, 2017, net loss was $7.1 million, which consists of revenue of $213.1 million, cost of sales of $176.3 million, research and development costs of $2.6 million, SG&A costs of $34.5 million, interest expense of $6.5 million, foreign currency transaction loss of $1.1 million, other income of $0.4 million, income in non-marketable equity interest of $0.4 million and income tax benefit of $0.1 million.

For the year ended December 31, 2016, net loss was $23.2 million, which consists of revenue of $173.2 million, cost of sales of $143.3 million, research and development costs of $2.9 million, SG&A costs of $37.0 million, interest expense of $7.8 million (including debt issuance costs of $1.4 million), foreign currency transaction loss of $1.1 million, other income of $0.9 million, loss in non-marketable equity interest of $5.8 million and income tax benefit of $0.6 million.

Net revenue and gross profit —For the year ended December 31, 2017, net revenue and gross profit were $213.1 million and $36.8 million, respectively. Gross profit as a percent of sales was 17.3% for the year ended December 31, 2017. For the year ended December 31, 2016, net revenue and gross profit were $173.2 million and $29.9 million, respectively. Gross profit as a percent of sales was 17.3% for the year ended December 31, 2016.

For 2017 revenues increased $39.9 million or 23.0% from $173.2 million for 2016 to $213.1 million for 2017. The increase is primarily due to an increase in straight mast cranes revenues. The increase is due to an improvement in market conditions addressed above under the heading “Economic Conditions”. The revenues for the year ended December 31, 2017 were also favorably impacted by a stronger Euro, which accounted for approximately $1.0 million of the increase in revenue.

Gross profit as a percent of net revenues was 17.3% for the year ended December 31, 2017, which is equal to the gross profit for the year ended December 31, 2016 year. The gross margin percent for the year ended December 31, 2017 was affected by $1.7 million in inventory reserve adjustments in the third and fourth quarters of 2017.

Research and development —Research and development for the year ended December 31, 2017 was $2.6 million compared to $2.9 million for the comparable period in 2016. Research and development expenditures were relatively consistent with the prior period. The Company’s research and development spending continues to reflect our commitment to develop and introduce new products that give the Company a competitive advantage.

Selling, general and administrative expense —Selling, general and administrative expense for the year ended December 31, 2017 was $34.5 million compared to $37.0 million for the comparable period in 2016, a decrease of $2.4 million. The three months ended March 31, 2017 included expenses of $0.5 million incurred in connection with our participation at the 2017 Con Expo trade show. The Con Expo show, which is held every three years, was held in Las Vegas in March of this year. This show is an international gathering place for the construction industries. It is estimated that 130,000 professionals from around the world attended the show.

Selling, general and administrative expenses decreased $2.9 million when Con Expo expenses are excluded. The decrease is primarily related to the Company’s continued cost cutting programs.

Operating loss —The Company had an operating loss of $0.3 million for the year ended December 31, 2017 compared to an operating loss of $10.0 million in the prior year. Operating income increased due to changes in revenue, cost of sales and operating expenses explained above.

Interest expense —Interest expense was $6.5 million and $7.8 million for the years ended December 31, 2017 and 2016, respectively. A non-recurring expense in 2016 of $1.4 million accounts for the majority of the decrease. The non-recurring charge was the result of expensing deferred financing costs when debt was refinanced.

As the majority of the Company’s debt is variable interest rate debt, the modest increases in market interest rates including LIBOR and the U.S. prime rates were mostly offset by a decrease in outstanding debt.

Foreign currency transaction loss — Foreign currency loss was $1.1 million for both years ended December 31, 2017 and 2016. As stated in the past, the Company attempts to purchase forward currency exchange contracts such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units’ functional currency will be offset by the changes in the market value of the forward currency exchange contracts it holds. Currency risks can be reduced but not eliminated in part because the Company has not been able to identify a strategy to effectively hedge the currency risks related to the Argentinian peso. The Company records at the balance sheet date the forward currency exchange contracts at their market value with any associated gain or loss being recorded in current earnings as a currency gain or loss.

A substantial portion of the 2017 loss is attributable to exchange losses related to the Argentinian peso. As previously stated, the Company has not been able to identify a strategy to effectively hedge currency risks related to the Argentinian peso.

The 2016 currency loss also reflects the recognition of deferred loss of $0.2 million related to an intercompany receivable. The loss had been previously deferred in other comprehensive income as there was an intercompany receivable that was not expected to be repaid. The repayment of the receivable resulted in the recognition of the previously deferred loss.

Other income (loss) — For the years ended December 31, 2017 and 2016, the Company had other income of $0.4 million and $0.9 million, respectively. For the year ended December 31, 2017, other income is the result of revaluing a contingent acquisition liability related to an option to acquire certain PM bank debt. The fair market value of the contingent acquisition liability is subject to revaluation on a recurring basis. The revaluation that will be performed for March 31, 2018 will take into account the effect of PM debt restructuring that happened in the first quarter of 2018.

During 2016, the fair value of this liability was recalculated based on updated 2017 EBITDA projections. This revaluation resulted in a gain of approximately $0.9 million.

Income tax — On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted into law. The Act makes comprehensive changes to the U.S. tax code, including, but not limited to, reducing the U.S. federal corporate tax rate from 35% to 21%, changes to the rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017, immediate expensing of certain qualified property, creation of a new limitation on deductible interest expense, repeal of the U.S. corporate minimum tax ("AMT"), and changes in the manner in which international operations are taxed in the U.S. Although the majority of the changes resulting from the Act are effective beginning in 2018, U.S. GAAP requires that certain impacts of the Act be recognized in the income tax provision in the period of enactment.

In response to the enactment of the Act, the SEC issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the Act. SAB 118 provides a measurement period that should not extend beyond one year from the Act enactment date for companies to complete the accounting under ASC 740. To the extent that a company's accounting for certain income tax effects of the Act is incomplete but is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. At December 31, 2017, we have not completed our accounting for the tax effects of the enactment of the Act; however, in certain cases, as described in Note 14, Income Taxes, we have made a reasonable estimate of the effects on our existing deferred tax balances and one-time transition tax.

Income tax (benefit) from continuing operations was $(0.1) million and $(0.6) million for the years ended December 31, 2017 and 2016, respectively. The income tax benefit is attributed to a pre-tax loss of $7.2 million and $23.8 million from continuing operations for the years ended December 31, 2017 and December 31, 2016, respectively. The Company's effective rate decreased to 1.64% for 2017 from 2.38% for 2016. The decrease in the effective tax rate is due primarily to the tax effects related to the Tax Cuts and Jobs Act, a decrease in the valuation allowance, a decrease in deferred tax liabilities related to indefinite lived intangible assets as well as the mix of domestic and foreign earnings.

Income (loss) in equity investments — The Company had income (loss) related to its equity investment of $0.4 million and ($5.8) million for the years ended December 31, 2017 and 2016, respectively. Income for the year ended December 31, 2017 was from earnings from our equity investment in ASV Holdings. The loss in 2016 is result of recognizing an impairment charge of $5.6 million to write off our entire investment in Lift Ventures LLC during 2016. See Note 26 to the financial statements for additional information related this impairment.

Net loss from continuing operations —Net loss for the years ended December 31, 2017 and 2016 was $7.1 million and $23.2 million, respectively. The change is explained above.

Year Ended December 31, 2016 from Continuing Operations Compared to Year Ended December 31, 2015 from Continuing Operations

Net loss from continuing operations

For the year ended December 31, 2016, net loss was $23.2 million, which consists of revenue of $173.2 million, cost of sales of $143.3 million, research and development costs of $2.9 million, SG&A costs of $37.0 million, interest expense of $6.4 million, interest expense related to the write-off of debt issuance costs of $1.4 million, foreign currency transaction loss of $1.1 million, other income of $0.9 million, loss in non-marketable equity interest of $5.8 million and income tax benefit of $0.6 million.

For the year ended December 31, 2015, net loss was $5.3 million, which consists of revenue of $202.7 million, cost of sales of $160.8 million, research and development costs of $3.1 million, SG&A costs of $39.2 million, interest expense of $6.4 million, foreign currency transaction loss of $0.3 million, loss in non-marketable equity interest of $0.2 million and income tax benefit of $1.9 million.

Net revenue and gross profit —For the year ended December 31, 2016, net revenue and gross profit were $173.2 million and $29.9 million, respectively. Gross profit as a percent of sales was 17.3% for the year ended December 31, 2016. For the year ended December 31, 2015, net revenue and gross profit were $202.7 million and $42.0 million, respectively. Gross profit as a percent of sales was 20.7% for the year ended December 31, 2015.

For 2016 revenues decreased $29.6 million or 14.6% from $202.7 million for 2015 to $173.2 million for 2016. The decrease in revenues is largely attributed to the effect that lower oil prices had on our markets. Although, all the product lines experienced year over year revenues declines, the decrease in boom truck sales had the most significant impact. This occurred as boom truck is one of our major product lines which was significantly impacted by the drop in oil prices. The sales decrease related to the knuckle boom product line, another one of our significant product lines, was not nearly as significant. The decrease in revenues for knuckle boom cranes was not a significant as it is not nearly as affected the drop in oil prices.

Gross profit as a percent of net revenues decreased 3.4% to 17.3% for the year ended December 31, 2016 from 20.7% for the comparable 2015 period. The decrease in gross profit is attributed to lower volumes, change in product mix including a shift towards lower capacity boom truck and aggressive sales pricing especially towards at the end of the year in effort to move existing finished goods inventory. The sale of finished goods inventory at less than our normal margins was consistent with our priority of reducing debt in 2016. Partially offsetting other factors is the beneficial impact that an increase in part sales as percent of total revenues had. Part sales, which have significantly higher gross margins, increased from 10% to 13% of total revenues from 2015 to 2016.

Research and development —Research and development for the year ended December 31, 2016 was $2.9 million compared to $3.1 million for the comparable period in 2015. Research and development expenditures were relatively consistent with the prior period. The Company’s research and development spending continues to reflect our commitment to develop and introduce new products that give the Company a competitive advantage.

Selling, general and administrative expense —Selling, general and administrative expense for the year ended December 31, 2016 was $37.0 million compared to $39.2 million for the comparable period in 2015, a decrease of $2.2 million. The decrease is principally attributed to cost reductions made in response to decreased revenues and to lower variable selling expenses.

Operating (loss) income —The Company had an operating loss of $10.0 million for the year ended December 31, 2016 compared to an operating loss of $0.3 million in the prior year. The adverse change in operating income is the result of decrease in gross profit of $12.1 million, the result of a decrease in revenues and lower gross profit margin. The decrease in gross margin was partially offset by a $2.4 million decrease in operating expenses.

Interest expense —Interest expense was $7.8 million, inclusive of $1.4 million related to the write-off of debt issuance costs, and $6.4 million for the years ended December 31, 2016 and 2015, respectively. Interest expense increased in 2016 because interest expense includes $1.4 million of deferred financing costs that were expensed when associated debt was refinanced in the second and fourth quarters of 2016. Interest expense for 2016 and 2015 excluding $1.4 for the write-off deferred financing cost was consistent. The additional interest incurred on the SVW debt was offset by other decreases in interest expense, the result of decreases in other debt that occurred during 2016.

Foreign currency transaction loss — Foreign currency loss was $1.1 million and $0.3 million for the years ended December 31, 2016 and 2015, respectively. As stated in the past, the Company attempts to purchase forward currency exchange contracts such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units’ functional currency will be offset by the changes in the market value of the forward currency exchange contracts it holds. Currency risks can be reduced but not eliminated in part because the Company has not been able to identify a strategy to effectively hedge the currency risks related to the Argentinian peso. The Company records at the balance sheet date the forward currency exchange contracts at their market value with any associated gain or loss being recorded in current earnings as a currency gain or loss.

A substantial portion of the 2016 loss is attributable to exchange losses related to the Argentinian peso. As previously stated, the Company has not been able to identify a strategy to effectively hedge currency risks related to the Argentinian peso. The 2016 currency loss also reflects the recognition of deferred loss of $0.2 million related to an intercompany receivable. The loss had been previously deferred in other comprehensive income as there was an intercompany receivable that was not expected to be repaid. The repayment of the receivable resulted in the recognition of the previously deferred loss.

Other income (loss) — In 2016, the Company had other income of $0.9 million. The other income is the result of revaluing a contingent acquisition liability related to an option to acquire certain PM bank debt. The contingent liability is related to a potential future payment, which is based on PM’s 2017 earnings before interest, taxes, depreciation and amortization (EBITDA). During 2016, the fair value of this liability was recalculated based on updated 2017 EBITDA projections.

Income tax — Income tax (benefit) for continuing operations was $(0.6) million and $(1.9) million for the years ended December 31, 2016 and 2015, respectively. The income tax benefit is attributed to a pre-tax loss of $23.8 million and $7.3 million from continuing operations for the years ended December 31, 2016 and December 31, 2015, respectively. The Company's effective rate decreased to 2.38% for 2016 from 26.74% for 2015. The decrease in the effective tax rate is due primarily to the establishment of a full valuation allowance against the portion of its net U.S. deferred tax assets that that could not be realized by carrying back the 2016 tax loss for a refund of taxes paid in prior years.

Loss in non-marketable equity interest — The Company had losses related its non-marketable equity investment of $5.8 million and $0.2 million for the years ended December 31, 2016 and 2015, respectively. The increase in the loss is result of recognizing an impairment charge of $5.6 million to write off its entire investment in Lift Ventures LLC during 2016. See Note 26 to the financial statements for additional information related this impairment.

Net loss from continuing operations —Net loss for the years ended December 31, 2016 and 2015 was $23.2 million and $5.3 million, respectively. The change is explained above.

Liquidity and Capital Resources

Cash, cash equivalents and restricted cash were $5.4 million and $5.3 million at December 31, 2017 and December 31, 2016, respectively. In addition, the Company has a U.S. revolving credit facility with a maturity date of July 20, 2019. At December 31, 2017 the Company had approximately $8.8 million available to borrow under its revolving credit facility.

At December 31, 2017, the PM Group had established working capital facilities with seven Italian and seven South American banks. Under these facilities, the PM Group can borrow $31.6 million against orders, invoices and letters of credit. At December 31, 2017, the PM Group had received advances of $24.6 million. Future advances are dependent on having available collateral.

Subsequent to December 31, 2017, the Company entered into a debt restructuring agreement as disclosed in Note 27, which modified the terms of the working capital debt facilities as follows:

- The facilities were extended until December 31, 2021.
- €220 of the facility was expired.
- €100 of the working capital facility to be repaid within 2018 through advanced trade receivables collection
- The guarantee facilities are available to any kind of creditor, not solely suppliers.

The Company needs cash to meet its working capital needs as the business grows, to acquire capital equipment, and to fund acquisitions and debt repayment. We intend to use cash flows from operations and existing availability under the current revolving credit facilities to fund operations. However, additional capital may be required if our business expands. The Company thought it prudent to put a mechanism in place by which supplemental liquidity can be provided to address working capital requirements or other capital requirements that may arise. On January 23, 2017, Manitex International Inc. entered into a Controlled Equity Offering Sales Agreement (“Sales Agreement”) with Cantor Fitzgerald & Co. (“Cantor”) pursuant to which the Company may offer and sell shares of its common stock, no par value per share, having an aggregate offering price up to $20.0 millon through Cantor. Funds provided through the Sales Agreement totaled $2.6 million in January 2017 from the sale of 294,524 shares of the Company's common stock. Due to the late filing of its Quarterly Report on Form 10-Q for the nine months ended September 30, 2017, the Company currently cannot issue shares under this program. The Company may be eligible to issue shares under the program, when the Company has been current in its filings with the Securities Exchange Commission for the past twelve months.

On May 17, 2017, the Company and ASV Holdings completed an underwritten initial public offering (the “Offering”) of 3,800,000 shares of ASV Holdings’ common stock, including 2,000,000 shares sold by the Company. The Company received proceeds net of commissions of $13.0 million from the Offering. Because the Company’s ownership interest has decreased below 50%, it no longer has a controlling financial interest in ASV Holdings and deconsolidated ASV Holdings from the financial statements and results of operations of the Company, effective May 17, 2017, in accordance with Accounting Standard Codification, or ASC, 810-10-40, Derecognition.

Over the period from February 26-28, 2018, the Company sold an aggregate of 1,000,000 shares of ASV Holdings in privately-negotiated transactions with institutional purchasers. All such shares were sold for $7.00 per share.

Following such sale transactions, the Company owns an aggregate of 1,080,000 shares of ASV Holdings

Nevertheless, our availability under our credit lines is limited, it is important that we manage our working capital. The Company may need to raise additional capital through debt or equity financings to support our long-term growth strategy, which may include additional acquisitions. There is no assurance that such financing will be available or, if available, on acceptable terms.

Outstanding borrowings and required payments

The following is a summary of our outstanding borrowings at December 31, 2017:

(In millions)

| | Outstanding Balance | Interest Rate | Interest Paid | Principal Payment |
|---|---|---|---|---|
| U.S. Revolver | $ 12.9 | 4.49 to 5.50% | Monthly | July 20, 2019 maturity |
| Note Bank (insurance premiums) | 0.6 | 5.26% | Monthly | February 2018 and August 2018 Maturity |
| Convertible note—Terex | 7.0 | 7.5% | Semi-Annual | January 1, 2021 maturity |
| Convertible note—Perella | 14.6 | 7.5% | Semi-Annual | January 7, 2021 maturity |
| Capital lease—cranes for sale | 0.7 | 5.5% | Monthly | January 13, 2021 maturity |
| Capital lease—Georgetown facility | 5.2 | 12.50% | Monthly | $0.06 million monthly payment includes interest. April 30, 2028 maturity |
| Badger note payable | 0.5 | 8.00% | Monthly | $0.1 million monthly |
| PM unsecured borrowings | 16.7 | 2.17% | Semi-Annual | Variable semi-annual starting June 2017 through December 2021 |
| PM Autogru term loan | 0.3 | 3.00% | Monthly | $0.1 million monthly through October 2020 |
| PM Autogru term loan | 0.5 | 2.50% | Annually | $0.5 million payment due June 2018 |
| PM Argentina Note | 0.2 | 29.0% | Single Paymemt | April 2018 |
| PM Argentina Note | 0.5 | 28.5% | Quarterly | 5 payments beginning April 2018 |
| PM term loans with related accrued interest, interest rate swaps and FMV adjustments | 11.2 | 0 to 3.50% | Annual | Variable semi-annual starting June 2019 through December 2021. No principal payments scheduled for 2018 |
| PM short-term working capital borrowings | 24.6 | 1.42 to 24.0% | Monthly | Upon payment of invoice |
| Valla note payable | 0.1 | 4.37% | Quarterly | Over 14 quarterly payments |
| Valla short-term working capital borrowings | 1.0 | 4.50 to 4.75% | Monthly | Upon payment of invoice or letter of credit |
| | 96.6 | | | |
| Debt issuance costs | (0.7) | | | |
| Debt net of issuance costs | $ 95.9 | | | |

The debt has various maturity dates. See Notes 11 through 13 to the financial statements for additional details.

Change in outstanding debt

In 2017, our total debt was reduced by $11.0 million (excluding $0.6 million deferred interest reclassification). The primary difference is attributed to a decrease in SVW debt of $11.2 million which was paid off during the year.

The following is a summary of changes in debt related to continuing operations:

(In millions)

| | Increase/ (decrease) |
|---|---|
| U.S. Revolver | $ (7.1 ) |
| Notes payable-Terex | (1.0 ) |
| Capital leases—buildings | (0.6 ) |
| Capital leases—equipment | 0.2 |
| Convertible note—Terex | 0.1 |
| Convertible note—Perella | 0.1 |
| Comerica Term loan | — |
| Badger notes payable | 0.5 |
| Valla notes payable | 1.1 |
| PM | 6.5 |
| Note payable-SVW | (11.2 ) |
| | (11.4 ) |
| Reclassification of deferred Interest | 0.6 |
| Debt issuance costs | 0.4 |
| | $ (10.4 ) |

2017

Operating activities generated $9.1 million of cash for the year ended December 31, 2017 and is comprised of non-cash items of $6.9 million and a decrease in working capital of $10.0 million, both of which generated cash, offset by a net loss of $7.8 million which consumed cash. The following are principal non-cash items that increased cash flows from operating activities: depreciation and amortization of $5.1 million, the non-cash loss on sale of discontinued operations of $1.3 million, stock-based compensation of $0.8 million, an increase in inventory reserves of $1.1 million, amortization of deferred financing costs of $0.6 million, and amortization of debt discount of $0.4 million. The following items consumed cash: a decrease in deferred tax liabilities of $1.5 million, a change in interest rate swaps of $0.4 million, non-cash income from an equity investment of $0.4 million and $0.3 million gain related to the revaluation of contingent acquisition liability. Other less significant non-cash items in aggregated generated $0.3 million of cash.

The change in assets and liabilities generated $10.0 million in cash. The changes in assets and liabilities related to continuing operations and discontinued operations consumed $6.3 million and $3.7 million, respectively. The changes in the items related to continuing operations had the following impact on cash flows: accounts receivable consumed $11.1 million, inventory generated $17.1 million, prepaid expenses generated $2.6 million, other assets generated $0.1 million, accounts payable consumed $2.6 million, accrued expenses consumed $0.4 million, and other current liabilities generated $0.7 million. The increase in accounts receivable is due to the fact that sales for the fourth quarter 2017 are significantly higher when compared to sales for the quarter ended December 31, 2016. The 2017 decrease in inventory includes the sale of the $9.5 million of SVW inventory that was held at the end of 2016. The remaining decrease in inventory of $7.6 million is primarily the result of a decrease in finished goods inventory that is in part attributed an improved market for the Company’s products. The decrease in prepaid expense is primarily related to the receipt of a United States Income Tax refund. The decrease in accounts payable is attributed the timing of vendor payments.

Cash flows related to investing activities generated $11.7 million of cash for the year ended December 31, 2017. The Company generated $12.9 million through the sale of non-core operations offset by the purchase of capital equipment of $1.0 million. Discontinued operations consumed $0.1 million. The amount spent for capital equipment was spread throughout the organization and no expenditure individually was significant.

Financing activities consumed $20.9 million in cash for the year ended December 31, 2017. Financing activities of continuing operations consumed $15.8 million and discontinued operations consumed another $5.1 million of cash. The principal sources of cash for continuing operations that in aggregate total $11.1 million include new borrowing of $2.6 million, proceeds from sales and leasebacks of $0.9 million, an increase in working capital borrowings of $3.4 million and $2.4 received in connection with a stock offering. The principal uses of cash by continuing operations which aggregated $25.1 million include a reduction in borrowing under the U.S. credit facility of $7.1 million, debt payments of $16.5 million, capital lease payments of $1.4 million and $0.2 million used to repurchase shares from employees to satisfy their withholding tax liability related to the vesting of shares. The 2017 debt payments include approximately $11.2 million that was used to retire all SVW related debt.

2016

Operating activities consumed $18.6 million of cash for the year ended December 31, 2016, and is comprised of non-cash items of $30.3 million, offset by a net loss of $37.7 million and an increase in working capital of $11.3 million both of which consumed cash. The following are principal non-cash items that increased cash flow from operating activities: depreciation and amortization of $6.6 million, the non-cash loss on sale of discontinued operations of $14.5 million, an impairment charge related to Lift Venture investment of $5.6 million, stock based compensation of $1.1 million, an increase in inventory reserves of $0.3 million, amortization of deferred financing costs of $2.0 million, amortization of debt discount of $0.5 million, and an increase net deferred tax liabilities of $1.2 million. A change in interest rate swaps of $0.8 million and $0.9 million gain related to the revaluation of contingent acquisition liability both consumed cash. Other less significant non-cash items in aggregated offset each other. The amortization of deferred financing costs includes approximately $1.4 million that was expensed in connection with refinancing of debt.

The change in assets and liabilities consumed $11.3 million in cash. The changes in assets and liabilities related to continuing operations and discontinued operations consumed $7.4 million and $3.8 million, respectively. The changes in the items related to continuing operations had the following impact on cash flows: accounts receivable generated $1.6 million, inventory consumed $3.8 million, prepaid expenses consumed $0.3 million, other assets generated $0.2 million, accounts payable consumed $4.5 million, accrued expenses consumed $0.9 million, other current liabilities generated $0.2 million, and other long-term liabilities generated $0.2 million. The decrease in accounts receivable is due to the fact that sales for the fourth quarter 2016 are lower when compared to sales for the quarter ended December 31, 2015. This impact was largely offset by a longer collection cycle. The lengthening of the collection cycle is result of an increase in foreign receivables, which traditionally take longer to collect. The increase in inventory is attributed to an increase in finished goods inventory, principally boom trucks. The increase in finished goods inventory was significantly impacted by reversing the sale of cranes that before the restatement had been incorrectly accounted as for being sold. With the reversal of the sale, these cranes are now included in the Company's inventory at December 31, 2016. The decrease in accounts payable is attributed the timing of vendor payments.

Cash flows related to investing activities generated $18.4 million of cash for the year ended December 31, 2016. The Company generated $19.1 million through the sale of non-core operations and another $0.4 million by discontinued operations offset by the purchase of capital equipment of $1.2 million. Other investing activity in aggregate totaled $0.1 million. The amount spent for capital equipment was spread throughout the organization and no expenditure individually was significant.

Financing activities consumed $3.4 million in cash for the year ended December 31, 2016. Financing activities of continuing operations generated $1.5 million which was more than offset as financing activities of discontinued operations consumed $4.9 million. The principal sources of cash for continuing operations that in aggregate total $18.8 million include new borrowing of $12.9 million, proceeds from sales and leasebacks of $4.1 million. and an increase in working capital borrowings of $1.8 million. The new borrowings include $12.2 million of new debt incurred by the consolidated VIE. The repayment of debt by continuing operations consumed $15.4 million of cash. During the year, payments of $2.2 million were made to pay of the balance of the 2015 term loan, borrowing under the U.S. credit facility was reduced by $6.5 million, principal payments of $1.0 related to the VIE debt were made and capital lease payments totaled $0.5 million. The remaining debt payments totaled $5.7 million, which includes $4.6 million of principal payments made against Italian term debt. Additionally, $1.3 million was used to pay bank fees and costs associated with refinancing the U.S. revolving credit facility and obtaining the VIE financing.

Contingencies

The Company is involved in various legal proceedings, including product liability and workers' compensation matters which have arisen in the normal course of operations. Certain cases are at a preliminary stage, and it is not possible to estimate the amount or timing of any cost to the Company.

The Company does not believe that these contingencies in aggregate will have a material adverse effect on the Company.

Additionally, the Company has been named as a defendant in several multi-defendant asbestos related product liability lawsuits. In certain instances, the Company is indemnified by a former owner of the product line in question. In the remaining cases the plaintiff has, to date, not been able to establish any exposure by the plaintiff to the Company's products. The Company is uninsured with respect to these claims but believes that it will not incur any material liability with respect to these to claims.

When it is probable that a loss has been incurred and possible to make a reasonable estimate of the Company's liability with respect to such matters, a provision is recorded for the amount of such estimate or the minimum amount of a range of estimates when it is not possible to estimate the amount within the range that is most likely to occur. The Company established reserves for several ASV and PM lawsuits in conjunction with the purchase accounting for these two acquisitions.

As described in Note 14, Income Taxes, the Company increased its unrecognized tax benefits in connection with the Romanian tax audit and pending legal proceedings.

Residual Value Guarantees

The Company issues partial residual value guarantees to support a customer's financing of equipment purchased from the Company. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. The Company has issued partial residual guarantees that have maximum exposure of approximately $1.6 million. The Company, however, does not have any reason to believe that any exposure from such a guarantee is probable at this time and accordingly, no liability has been recorded. The Company's lability from its guarantees may be affected by economic conditions in used equipment markets at the time of loss.

Income Taxes

The Company records accrued interest related to income tax matters in the provision for income taxes in the accompanying consolidated statement of income. For the years ended December 31, 2017 and 2016, interest and penalties recognized on unrecognized tax benefits were $69 and $40, respectively. The accrued balance as of December 31 2017 and 2016 was $382 and $294, respectively. Included in the unrecognized tax benefits is a liability for the PM Group's potential IRES and IRAP (Italian Income Taxes) audit adjustments for the tax year 2013 and Romania for tax years 2012-2016. Depending upon the final resolution of these audits, the liability could be higher or lower than the amount recorded at December 31, 2017. As of December 31, 2017, we don't anticipate a significant change in unrecognized tax benefits within 12 months of the reporting date.

The Company files income tax returns in the United States, Romania and Italy as well as various state and local tax jurisdictions with varying statutes of limitations. With few exceptions, as of December 31, 2017, the Company is no longer subject to U.S. federal, state or foreign examinations by tax authorities for years before 2014. In July 2017, the Company received notification from the Internal Revenue Service that its tax return for the year ended December 31, 2015 has been selected for examination.

SEC Inquiry

The Company has received an inquiry from the SEC requesting certain information in connection with the Company's previously announced restatement of prior financial statements, and is complying with such request.

Off Balance Sheet Arrangements

CIBC has issued 2 standby letters of credit at December 31, 2017. The first standby letter of credit is $0.6 million in favor of an insurance carrier to secure obligations which may arise in connection with future deductibles payments that may be incurred under the Company's worker's compensation insurance policies. The second standby letter of credit is $20 thousand in favor of a governmental agency to secure obligations which may arise in connection with worker's compensation claims. During the fourth quarter of 2015 and first quarter of 2016, the Company entered into four 60 month equipment operating leases in sales and lease back transactions. In connection with these transactions, the Company received $6.7 million, i.e., $2.6 million for the one executed in 2015 and a total of $4.1 million for the three executed in 2016.

The Company has issued partial residual value guarantees to support a customer's financing. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. The Company has issued partial residual guarantees that have maximum exposure of approximately $1.6 million in aggregate. The Company, however, does not have any reason to believe that any exposure from any such guarantees is either probable or estimable at this time, as such, no liability has been recorded.

See Note 23 – "Legal Proceedings and other Contingencies" in the Notes to the Consolidated Financial Statements for further information regarding our guarantees.

Contractual Obligations

The following is a schedule as of December 31, 2017 of our long-term contractual commitments, future minimum lease payments under non-cancelable operating lease arrangements and other long-term obligations.

(in thousands)

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | 2018 | 2019-2020 | 2021-2022 | Thereafter |
| Revolving credit facilities (4) | $16,528 | $583 | $15,945 | $— | $ — |
| Working capital borrowings (3) | 25,756 | 25,756 | — | — | — |
| Term loans (4) | 65,291 | 7,090 | 19,100 | 24,009 | 15,092 |
| Operating lease obligations | 4,840 | 1,762 | 2,907 | 171 | — |
| Capital lease obligations (3) | 10,242 | 1,026 | 2,110 | 1,803 | 5,303 |
| Legal settlement (see Note 23) (3) | 1,330 | 95 | 190 | 190 | 855 |
| Service agreements | 144 | 72 | 72 | — | — |
| Purchase obligations (1) | 1,142 | 1,142 | — | — | — |
| Total | $125,273 | $37,526 | $40,324 | $26,173 | $ 21,250 |

(1) Except for a very insignificant amount, purchase obligations are for inventory items. Purchase obligations not for inventory would include research and development materials, supplies and services.
(2) At December 31, 2017, the Company had a reserve for unrecognized tax benefits of $1.0 million for which the Company is unable to make reasonably reliable estimates of the period of cash settlement with the respective tax authority. Thus, these liabilities (reserves) have not been included in the contractual obligations table. (see Note 14).
(3) PM working capital borrowing, Capital lease obligations and legal settlement include imputed interest.
(4) Long-term debt obligations include expected interest expense. Interest expense is calculated using current interest rates for indebtedness as of December 31, 2017.

Related Party Transactions

For a description of the Company’s related party transactions, please see Note 22 to the Company’s consolidated financial statements entitled “Transactions between the Company and Related Parties.”

Critical Accounting Policies and Estimates

The preparation of our financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that our estimates and assumptions are reasonable under the circumstances; however, actual results may vary from these estimates and assumptions under different future circumstances. We have identified the following critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Principals of Consolidation.  The Company consolidates all entities that we control by ownership of a majority voting interest. Additionally, there are situations in which consolidation is required even though the usual condition of consolidation (ownership of a majority voting interest) does not apply. Generally, this occurs when an entity holds an interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have the variable interest is referred to as a "VIE." An enterprise must consolidate a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Although the Company does not have an ownership interest in S.V.W. Crane & Equipment Company and its wholly owned subsidiary Rental Consulting Service Company (collectively “SVW”), the Company has the power to direct the activities of SVW that most significantly impact its economic performance and is absorbing the losses. SVW has obtained financing and has remitted the proceeds to the Company using inventory (cranes) owned by the Company as collateral. The finance companies that hold the loans have a perfected security interest in the inventory and therefore have recourse against this specific inventory. Furthermore, the debt taken on by SVW was effectively guaranteed by the Company pursuant to certain related agreements.

Income and losses related to VIE's are typically shown in a company's financial statements as being attributed to a non-controlling interest. Other than its transactions between SVW and the Company, SVW had no other substantial business operations. Furthermore, the Company exercised control and absorbed all losses and received all the income from SVW operations. Therefore, the Company has concluded that income and losses related to the VIE are attributable to the Shareholders of the Company.

The Company eliminates from our financial results all significant intercompany transactions, including the intercompany transactions with consolidated SVW.

Revenue Recognition. Revenue and related costs are recognized when title passes and risk of loss passes to our customers which generally occurs upon shipment depending upon the terms of the contract. Under certain contracts with our customers title passes to the customers when the units are completed. The units are segregated from our inventory and identified as belonging to the customer, the customer is notified that the units are complete and awaiting pick up or delivery as specified by the customer before income is recognized. Additionally, the customer is requested to sign an "Invoice Authorization Form" which acknowledges the contract terms and acknowledges that the customer has economic ownership and control over the unit. It also acknowledges that we are going to invoice the unit per terms of the contract. The Company insures any custodial risk that it may retain.

For FOB contracts, customers may be invoiced prior to the time customers take physical possession. Revenue is recognized in such cases only when the customer has a fixed commitment to purchase the units, the units have been completed, tested and made available to the customer for pickup or delivery, and the customer has authorized in writing that we hold the units for pickup or delivery at a time specified by the customer. In such cases, the units are invoiced under our customary billing terms, title to the units and risks of ownership pass to the customer upon invoicing, the units are segregated from our inventory and identified as belonging to the customer and we have no further obligations under the order. The Company insures any custodial risk that it may retain.

In addition, our policy requires in all instances certain minimum criteria be met in order to recognize revenue, specifically:

a) Persuasive evidence that an arrangement exists;
b) The price to the buyer is fixed or determinable;
c) Collectability is reasonably assured; and
d) We have no significant obligations for future performance.

Interest Rate Swap Contracts. The Company enters into derivative instruments to manage its exposure to interest rate risk related to certain foreign term loans. Derivatives are initially recognized at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in current earnings immediately unless the derivative is designated and effective as a hedging instrument, in which case the effective portion of the gain or loss is recognized and is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedging instrument affects earnings (date of sale). As part of the acquisition of PM Group, which was acquired on January 15, 2015, the Company acquired interest rate swap contracts, which manage the exposure to interest rate risk related to term loans with certain financial institutions in Italy. These contracts have been determined not to be hedge instruments under ASC 815-10. Further details of derivative financial instruments are disclosed in Notes 5 and 6 to the Company's consolidated financial statements.

Allowance for Doubtful Accounts. Accounts Receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Company's 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.

Guarantees. The Company has issued partial residual guarantees to financial institutions related to a customer financing of equipment purchased by the customer. The Company must assess the probability of losses if the fair market value is less than the guaranteed residual value.

A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date. The Company will record a liability for the estimated fair value of guarantees issued pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 460, "Guarantees" ("ASC 460"). We recognize a loss under a guarantee when the obligation to make payment under the guarantee is probable and the amount of the loss can be estimated. If the expected equipment value is less than its guaranteed residual value, the Company would recognize a liability for the amount of the short-fall up to the amount of its partial guarantee. The Company is not responsible for any short-fall in excess of its partial guarantee.

Inventories and Related Reserve for Obsolete and Excess Inventory. Inventories are valued at the lower of cost or net realizable value and are reduced by a reserve for excess and obsolete inventories. The estimated reserve is based upon specific identification of excess or obsolete inventories.

Other Intangible Assets. The Company accounts for Other Intangible Assets under the guidance of ASC 350, "Intangibles—Goodwill and Other". The Company capitalizes certain costs related to patent technology. Additionally, a substantial portion of the purchase price related to the Company's acquisitions has been assigned to patents or unpatented technology, trade name, customer backlog, and customer relationships. Under the guidance, Other Intangible Assets with definite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are tested annually for impairment.

Goodwill. Goodwill, representing the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition, is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. The Company does not amortize goodwill in accordance with Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 350, "Intangibles—Goodwill and Other" ("ASC 350"). The Company selected October 1 as the date for the required annual impairment test.

Goodwill is tested for impairment at reporting unit level (reporting segment). For 2017, this is at the fully consolidated level excluding discontinued operations, as the Company now operates in a single business segment. For 2016 as well as for 2015 Goodwill was tested at the three previously reported segment levels that were in effect at that time, i.e., Lifting Equipment, Equipment Distribution and ASV. The Company's Chief Operating Decision Maker ("CODM") reviewed C&M and C&M Leasing operations only to determine their impact on the entire Company. As such, the Company has now concluded it is not appropriate to reflect C&M and C&M Leasing as a separate reportable segment.

Under ASU 2011-08, entities are provided with the option of first performing a qualitative assessment on none, some, or all of its reporting units to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If after completing a qualitative analysis, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value a quantitative analysis is required.

For 2017, 2016, 2015 the Company evaluated its consolidated goodwill using the quantitative two step approach. The first step used to identify potential impairment involves comparing the reporting unit's estimated fair value to its carrying value, including goodwill. During the first step testing, the Company evaluates goodwill for impairment using a business valuation method, which is calculated as of a measurement date by determining the present value of debt-free, after-tax projected future cash flows, discounted at the weighted average cost of capital of a hypothetical third-party buyer. The market approach was also considered in evaluating the potential for impairment by calculating fair value based on multiples of earnings before interest, taxes, depreciation and amortization (EBITDA) of comparable, publicly traded companies. The Company also observed implied EBITDA multiples from relatively recent merger and acquisition activity in the industry, which was used to test the reasonableness of the results.

The second step of the process involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. The implied fair value of goodwill is determined by measuring the excess of the estimated fair value of the reporting unit over the estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit and the subsequent reversal of goodwill impairment losses is not permitted.

For 2017 and 2015, the first step did not indicate any impairment of goodwill, For 2016, the second step was necessary for the Equipment Distribution segment. This further analysis indicated that the Equipment Distribution segment goodwill was impaired and a $275 impairment charge was recognized in 2016 to fully write off the Equipment Distribution segment's goodwill.

The determination of fair value requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, revenue growth and operating earnings projections, discount rates, terminal growth rates, and required capital expenditure projections. Our projections make certain assumptions including expanding PM market share in North America, a normalization of energy markets over time and a continued expansion of dealer networks. If our progress in meeting these and other assumptions is slower or different than what was anticipated, it may impact our ability to meet the projections. Due to the inherent uncertainty involved in making these estimates, actual results could differ materially from those estimates. Deterioration in the market or actual results as compared with the projections (including not meeting near term projections) may result in impairment in the near term. In the event the Company determines that goodwill is impaired in the future the Company would need to recognize a non-cash impairment charge.

Impairment of Long Lived Assets. The Company's policy is to assess the realizability of its long-lived assets, including intangible assets, and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if the estimated future undiscounted cash flows are less than the carrying value. Future cash flow projections include assumptions for future sales levels, the impact of cost reduction programs, and the level of working capital needed to support each business. The amount of any impairment then recognized would be calculated as the difference between the estimated fair value and the carrying value of the asset. The Company did not have any impairment for the years ended December 31, 2017, 2016 and 2015.

Warranty Expense. The Company establishes reserves for future warranty expense at the point when revenue is recognized by the Company and is based on a percentage of revenues. The provision for estimated warranty claims, which is included in cost of sales, is based on sales.

Retirement Benefit Costs and Termination Benefits. Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The PM Group presents the first two components of defined benefit costs in profit or loss in the line item personnel. Curtailment gains and losses are accounted for as past service costs. The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in PM Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Litigation Claims. In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then make an estimate of the amount of liability based, in part, on the advice of outside legal counsel.

Income Taxes. The Company accounts for income taxes under the provisions of ASC 740 "Income Taxes," which requires recognition of income taxes based on amounts payable with respect to the current year and the effects of deferred taxes for the expected future tax consequences of events that have been included in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities, as well as for operating losses and tax credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not a tax benefit will not be realized.

ASC 740 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of any net operating loss carryforwards. See Note 14 to our Consolidated Financial Statements for further details.

Comprehensive Income. Reporting "Comprehensive Income" requires reporting and displaying comprehensive income and its components. Comprehensive income includes, in addition to net earnings, other items that are reported as direct adjustments to stockholder's equity. Currently, the comprehensive income adjustment required for the Company has two components. First is a foreign currency translation adjustment, the result of consolidating its foreign subsidiaries. The second component is a derivative instrument fair market value adjustment (net of income taxes) related to forward currency contracts designated as a cash flow hedge.

Business Combinations. The Company accounts for acquisitions in accordance with guidance found in ASC 805, Business Combinations. The guidance requires consideration given, including contingent consideration, assets acquired and liabilities assumed to be valued at their fair market values at the acquisition date. The guidance further provides that: (1) in-process research and development will be recorded at fair value as an indefinite-lived intangible asset; (2) acquisition costs will generally be expensed as incurred, (3) restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and (4) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

ASC 805 requires that any excess of purchase price over fair value of assets acquired, including identifiable intangibles and liabilities assumed be recognized as goodwill. In accordance with ASC 805, any excess of fair value of acquired net assets, including identifiable intangibles assets, over the acquisition consideration results in a bargain purchase gain. Prior to recording a gain, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired and liabilities assumed have been properly valued.

PM Group and Columbia Tank results are included in the Company’s results from their respective dates of acquisition of January 15, 2015 and March 12, 2015.

Recently Adopted Accounting Guidance

Recently Issued Pronouncements – Not Adopted

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” (“ASU 2016-02”), which requires lessees to recognize assets and liabilities for leases with lease terms of more than 12 months and disclose key information about leasing arrangements. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The update is effective for reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company is in the process of evaluating the impact of this update on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” (“ASU 2017-04”). ASU 2017-04 eliminates Step 2 from the goodwill impairment test. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, if any. The loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment. The effective date will be the first quarter of fiscal year 2020, with early adoption permitted in 2017. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

Recently Adopted Accounting Guidance

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, “Deferral of the Effective Date”, which amends ASU 2014-09. As a result, the effective date is the first quarter of 2018, with early adoption permitted. The Company has adopted this guidance during the quarter ended March 31, 2018 on a modified retrospective basis. The adoption of this guidance did not have a significant impact on the operating results when adopted.

In July 2015, the FASB issued ASU 2015-11, “Simplifying the Measurement of Inventory,” (“ASU 2015-11”). ASU 2015-11 requires inventory be measured at the lower of cost and net realizable value and options that currently exist for market value be eliminated. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for reporting periods beginning after December 15, 2016 and interim periods within those fiscal years with early adoption permitted. The Company has adopted this guidance during the quarter ended March 31, 2017 on a prospective basis. The adoption of this guidance did not have a significant impact on the operating results when adopted.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in ASU 2016-01, among other things, require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income requires public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost. The effective date will be the first quarter of fiscal year 2018. The Company has adopted this guidance during the quarter ended March 31, 2018. The adoption of this guidance did not have a significant impact on the operating results when adopted.

In March 2016, the FASB issued ASU 2016-05, “Derivatives and Hedging (Topic 815)” (“ASU 2016-05”). ASU 2016-05 provides guidance clarifying that novation of a derivative contract (i.e. a change in counterparty) in a hedge accounting relationship does not, in and of itself, require designation of that hedge accounting relationship. The Company adopted this guidance during the quarter ended March 31, 2017. The adoption of this guidance did not have an impact on the operating results when adopted.

In March 2016, the FASB issued ASU 2016-06, “Derivatives and Hedging (Topic 815)” (“ASU 2016-06”). ASU 2016-06 simplifies the embedded derivative analysis for debt instruments containing contingent call or put options by clarifying that an exercise contingency does not need to be evaluated to determine whether it relates to interest rates and credit risk in an embedded derivative analysis. The effective date will be the first quarter of fiscal year 2017, with early adoption permitted. The Company has adopted this guidance during the quarter ended March 31, 2017. The adoption of this guidance did not have an impact on the operating results when adopted.

In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers (Topic 606) Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” (“ASU 2016-08”). ASU 2016-08 further clarifies principal and agent relationships within ASU 2014-09. Similar to ASU 2014-09, the effective date will be the first quarter of fiscal year 2018 with early adoption permitted in the first quarter of fiscal year 2017. The Company has adopted this guidance during the quarter ended March 31, 2018 on a modified retrospective basis. The adoption of this guidance did not have a significant impact on the operating results when adopted.

In March 2016, the FASB issued ASU 2016-09, “Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting,” (“ASU 2016-09”). ASU 2016-09 is intended to simplify several aspects of accounting for share-based payment awards. The effective date will be the first quarter of fiscal year 2017, with early adoption permitted. The Company has adopted the guidance for the year ended December 31, 2017. The adoption of this guidance did not have an impact on the operating results when adopted.

In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing” (“ASU 2016-10”). The amendments in ASU 2016-10 are expected to reduce the cost and complexity of applying the guidance on identifying promised goods or services in contracts with customers and to improve the operability and understandability of licensing implementation guidance related to the entity's intellectual property. Similar to ASU 2014-09, the effective date will be the first quarter of fiscal year 2018 with early adoption permitted in the first quarter of fiscal year 2017. The Company has adopted this guidance during the quarter ended March 31, 2018 on a modified retrospective basis. The adoption of this guidance did not have a significant impact on the operating results when adopted.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments," ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting by clarifying existing principles in ASC 230, "Statement of Cash Flows," and provides specific guidance on certain cash flow classification issues. The effective date for ASU 2016-15 will be the first quarter of fiscal year 2018 with early adoption permitted. The Company made an election to use the "Cumulative Earning Approach" to classify distributions received from equity investments. Other than the aforementioned election (which may have a future impact), the adoption of this guidance during the quarter ended March 31, 2018, did not have an impact on the Company's Statement of Cash Flows.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740) - Intra-Entity Transfer of Assets Other than Inventory," ("ASU 2016-16"). ASU 2016-16 requires recognition of current and deferred income taxes resulting from an intra-entity transfer of any asset (excluding inventory) when the transfer occurs. This is a change from existing GAAP which prohibits recognition of current and deferred income taxes until the asset is sold to a third party. The effective date for ASU 2016-16 will be the first quarter of fiscal year 2018 with early adoption permitted. The Company has adopted this guidance during the quarter ended March 31, 2018. The adoption of this guidance did not have a significant impact on the operating results when adopted.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," ("ASU 2017-01"). ASU 2017-01 provides guidance in ascertaining whether a collection of assets and activities is considered a business. The effective date will be the first quarter of fiscal year 2018, with prospective application. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements. The Company has adopted this guidance during the quarter ended March 31, 2018. The adoption of this guidance did not have an impact on the operating results when adopted.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting," ("ASU 2017-09"). ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if the award's fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. The effective date will be the first quarter of fiscal year 2018 and early adoption is permitted. Adoption is not expected to have a material effect on the Company's consolidated financial statements.

Except as noted above, the guidance issued by the FASB is not expected to have a material effect on the Company's consolidated financial statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to certain market risks that exist as part of our ongoing business operations and the Company's use of derivative financial instruments, where appropriate, to manage our foreign change risks. As a matter of policy, the Company does not engage in trading or speculative transactions. For further information on accounting policies related to derivative financial instruments, refer to Note 6 - "Derivative Financial Instruments" in our Consolidated Financial Statements.

### Foreign Exchange Risk

The Company is exposed to fluctuations in foreign currency cash flows related to third-party purchases and sales, intercompany product shipments and intercompany loans. The Company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, the Company is exposed to volatility in the translation of foreign currency earnings to U.S. Dollars. Primary exposures include the U.S. Dollar when compared to functional currencies of our major foreign subsidiaries, primarily the Euro. The Company assesses foreign currency risk based on transactional cash flows, identifies naturally offsetting positions and purchases hedging instruments to partially offset anticipated exposures. At December 31, 2017, the Company had no outstanding foreign currency exchange contracts being used to hedge future sale that would qualify as cash flow hedges. The Company, however, has foreign currency exchange contract to sell 1.5 billion Chilean pesos. This contract is intended to hedge an intercompany receivable that PM has from its Chilean subsidiary. This forward currency exchange contract has been determined not to be considered a hedge under ASC 815-10, as such aggregate changes in the translation effect of foreign currency exchange rate changes would have on our operating income. At December 31, 2017, the Company performed a sensitivity analysis on the effect that exchange rate changes would have on the Company. Based on this sensitivity analysis, we have determined that a change in the value of the U.S. dollar relative to currencies outside the U.S. by 10% to amounts already incorporated in the financial statements for the year ended December 31, 2017 would have $0.1 million impact on the translation effect of foreign currency exchange rate changes already included in our reported operating income for the period.

Interest Rate Risk

The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate and EURIBOR. At December 31, 2017, the Company had approximately $89.9 million of variable interest debt with average weighted average interest rate at year end of approximately 3.84%. The Company's PM subsidiary had interest rate swaps on €0.3 million of its debt. The fair value of the interest rate swaps, which represents the cost to settle these arrangements at December 31, 2017 was approximately $0.01 million. At December 31, 2017, the Company performed a sensitivity analysis to determine the impact that an increase in interest rates would have. Based on this sensitivity analysis, the Company has determined that an increase of 10% in our average floating interest rates at December 31, 2017 would increase interest expense by approximately $0.3 million.

Commodities Risk

Principal materials and components that the Company uses in our various manufacturing processes include steel, castings, engines, tires, hydraulics, cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. Extreme movements in the cost and availability of these materials and components may affect the Company's financial performance. Changes to input costs did not have a significant effect on the Company's operating performance in 2017. During 2017, raw materials and components were generally available to meet our production schedules and had no significant impact on 2017 revenues.

In the absence of labor strikes or other unusual circumstances, substantially all materials and components are normally available from multiple suppliers. However, certain businesses receive materials and components from a single source supplier, although alternative suppliers of such materials may be generally available. Current and potential suppliers are evaluated on a regular basis on their ability to meet our requirements and standards. The Company actively manages our material supply sourcing, and may employ various methods to limit risk associated with commodity cost fluctuations and availability. The inability of suppliers, especially any single source suppliers for a particular business, to deliver materials and components promptly could result in production delays and increased costs to manufacture the Company's products. To mitigate the impact of these risks, the Company continues to search for acceptable alternative supply sources and less expensive supply options on a regular basis, including improving the globalization.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of the Company's independent registered public accounting firm and the Company's Consolidated Financial Statements are filed pursuant to this Item 8 and are included in this report. See the Index to Financial Statements.

Index to Financial Statements

The financial statements of the registrant required to be included in Item 8 are listed below:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and

Shareholders of Manitex International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Manitex International, Inc. and Subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 10, 2018, expressed an adverse opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the 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. Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 2006.

/s/ UHY LLP
UHY LLP

Sterling Heights, Michigan
April 10, 2018

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

and Shareholders of Manitex International, Inc.

## Adverse Opinion on Internal Control over Financial Reporting

We have audited Manitex International, Inc. and Subsidiaries' (the "Company's") internal control over financial reporting as of December 31, 2017, 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, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by COSO.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment: (1) inadequate review of new contracts, customers and vendors (2) inadequate entity-level controls (3) insufficient controls over revenue recognition and accounting for bill and hold transactions (4) inadequate policy for inventory reserves for excess and obsolete inventory and (5) insufficient communication regarding ethics and whistleblower policies. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2017 consolidated financial statements, and this report does not affect our report dated April 10, 2018, on those financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows of the Company, and our report dated April 10, 2018, expressed an unqualified opinion.

## Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

To the Board of Directors and

Shareholders of Manitex International, Inc.

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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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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/ UHY LLP
UHY LLP

Sterling Heights, Michigan
April 10, 2018

MANITEX INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

| | As of December 31, 2017 | 2016 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash | $5,014 | $4,541 |
| Cash - restricted | 352 | 773 |
| Trade receivables (net) | 46,633 | 32,982 |
| Other receivables | 1,946 | 1,082 |
| Inventory (net) | 54,360 | 69,487 |
| Prepaid expense and other | 2,017 | 4,624 |
| Current assets of discontinued operations | — | 46,645 |
| Total current assets | 110,322 | 160,134 |
| Total fixed assets (net) | 22,038 | 21,839 |
| Intangible assets (net) | 31,014 | 30,985 |
| Goodwill | 43,569 | 39,669 |
| Equity investment in ASV Holdings, Inc. | 14,931 | — |
| Other long-term assets | 1,475 | 1,605 |
| Deferred tax asset | 1,839 | 545 |
| Long-term assets of discontinued operations | — | 72,177 |
| Total assets | $225,188 | $326,954 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Notes payable | $29,131 | $26,204 |
| Current portion of capital lease obligations | 378 | 338 |
| Accounts payable | 35,386 | 33,801 |
| Accounts payable related parties | 1,331 | 2,098 |
| Accrued expenses | 10,070 | 10,278 |
| Other current liabilities | 3,132 | 2,150 |
| Current liabilities of discontinued operations | — | 23,631 |
| Total current liabilities | 79,428 | 98,500 |
| Long-term liabilities | | |
| Revolving term credit facilities | 12,893 | 19,957 |
| Notes payable | 26,656 | 32,832 |
| Capital lease obligations | 5,483 | 6,004 |
| Convertible note-related party (net) | 7,005 | 6,862 |
| Convertible note (net) | 14,310 | 14,098 |
| Deferred gain on sale of building | 969 | 1,058 |
| Deferred tax liability | 3,384 | 3,242 |
| Other long-term liabilities | 4,215 | 4,127 |
| Long-term liabilities of discontinued operations | — | 42,645 |
| Total long-term liabilities | 74,915 | 130,825 |
| Total liabilities | 154,343 | 229,325 |
| Commitments and contingencies | | |

| | | |
|---|---|---|
| Equity | | |
| Preferred Stock—Authorized 150,000 shares, no shares issued or outstanding at December 31, 2017 and December 31, 2016 | — | — |
| Common Stock—no par value 25,000,000 shares authorized, 16,617,932 and 16,200,294 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively | 97,661 | 94,324 |
| Paid in capital | 2,802 | 2,918 |
| Retained deficit | (28,583 ) | (20,505 ) |
| Accumulated other comprehensive loss | (1,035 ) | (4,272 ) |
| Equity attributable to shareholders of Manitex International, Inc. | 70,845 | 72,465 |
| Equity attributable to noncontrolling interest | — | 25,164 |
| Total equity | 70,845 | 97,629 |
| Total liabilities and equity | $225,188 | $326,954 |

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

| | For the years ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Net revenues | $213,112 | $173,197 | $202,747 |
| Cost of sales | 176,266 | $143,260 | $160,752 |
| Gross profit | 36,846 | 29,937 | 41,995 |
| Operating expenses | | | |
| Research and development costs | 2,564 | 2,939 | 3,123 |
| Selling, general and administrative expenses | 34,547 | 36,972 | 39,160 |
| Total operating expenses | 37,111 | 39,911 | 42,283 |
| Operating loss | (265) | (9,974) | (288) |
| Other income (expense) | | | |
| Interest expense | (6,498) | (6,390) | (6,441) |
| Interest expense related to write off of debt issuance costs | — | (1,439) | — |
| Foreign currency transaction loss | (1,149) | (1,115) | (293) |
| Other income (loss) | 367 | 915 | (47) |
| Total other expense | (7,280) | (8,029) | (6,781) |
| Loss before income taxes and loss in non-marketable equity interest from continuing operations | (7,545) | (18,003) | (7,069) |
| Income tax benefit from continuing operations | (118) | (566) | (1,943) |
| Income (loss) in equity investments, net of taxes | 360 | (5,752) | (199) |
| Loss from continuing operations | (7,067) | (23,189) | (5,325) |
| Discontinued operations: (Note 25) | | | |
| (Loss) income from operations of discontinued operations (including loss on disposal of $1,302, $14,418 and $2,142 in 2017, 2016 and 2015, respectively) | (742) | (14,441) | 476 |
| Income tax (benefit) expense | (5) | 37 | 475 |
| (Loss) income on discontinued operations | (737) | (14,478) | 1 |
| Net loss | (7,804) | (37,667) | (5,324) |
| (Loss) income attributable to noncontrolling interest | (274) | 574 | (48) |
| Loss attributable to shareholders of Manitex International, Inc. | $(8,078) | $(37,093) | $(5,372) |
| Earnings (loss) Per Share | | | |
| Basic | | | |
| Loss from continuing operations attributable to shareholders of Manitex International, Inc. | $(0.43) | $(1.44) | $(0.33) |
| Loss from discontinued operations attributable to shareholders of | $(0.06) | $(0.86) | $— |

| | | | |
|---|---|---|---|
| Manitex International, Inc. | | | |
| Loss attributable to shareholders of Manitex International, Inc. | $(0.49) | $(2.30) | $(0.34) |
| Diluted | | | |
| Loss from continuing operations attributable to shareholders of Manitex International, Inc. | $(0.43) | $(1.44) | $(0.33) |
| Loss from discontinued operations attributable to shareholders of Manitex International, Inc. | $(0.06) | $(0.86) | $— |
| Loss attributable to shareholders of Manitex International, Inc. | $(0.49) | $(2.30) | $(0.34) |
| Weighted average common shares outstanding | | | |
| Basic | 16,548,444 | 16,133,284 | 15,970,074 |
| Diluted | 16,548,444 | 16,133,284 | 15,970,074 |

The accompanying notes are an integral part of these financial statements

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MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net loss: | $(7,804) | $(37,667) | $(5,324) |
| Other comprehensive income (loss) | | | |
| Foreign currency translation adjustments | 3,237 | 1,120 | (4,369) |
| Total other comprehensive income (loss) | 3,237 | 1,120 | (4,369) |
| Comprehensive loss | (4,567) | (36,547) | (9,693) |
| Comprehensive (income) loss attributable to noncontrolling interest | (274) | 574 | (48) |
| Total comprehensive loss attributable to shareholders of Manitex International, Inc. | $(4,841) | $(35,973) | $(9,741) |

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In thousands, except per share data)

| | For the years ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Number of common shares outstanding | | | |
| Balance at beginning of the year | 16,200,294 | 16,072,100 | 14,989,694 |
| Employee 2004 incentive plan grant | 124,151 | 68,876 | 100,441 |
| Repurchase to satisfy withholding and cancelled | (22,820) | (13,055) | (12,518) |
| Shares issued under ATM program | 294,524 | — | — |
| Stock issued in connection with asset purchase (see Note 19) | 21,783 | — | 994,483 |
| Shares issued to pay rent | — | 41,948 | — |
| Shares issued to repay debt | — | 30,425 | — |
| Balance end of year | 16,617,932 | 16,200,294 | 16,072,100 |
| Common Stock | | | |
| Balance at beginning of the year | $94,324 | $93,186 | $82,040 |
| Employee 2004 incentive plan grant | 925 | 841 | 1,097 |
| Repurchase to satisfy withholding and cancelled | (168) | (80) | (75) |
| Shares issued under ATM program | 2,426 | — | — |
| Stock issued in connection with asset purchase (see Note 19) | — | — | 10,124 |
| Shares issued to pay rent | 154 | 227 | — |
| Shares issued to repay debt | — | 150 | — |
| Balance end of year | $97,661 | $94,324 | $93,186 |
| Paid in Capital | | | |
| Balance at beginning of the year | $2,918 | $2,630 | $1,789 |
| Equity component of Convertible debt issuance | — | — | 457 |
| Proportional share of increase in equity investments' paid in capital | 11 | — | — |
| Employee 2004 incentive plan grant | (127) | 288 | 384 |
| Balance end of year | $2,802 | $2,918 | $2,630 |
| Retained Earnings | | | |
| Balance (deficit) at beginning of the year | $(20,505) | $16,588 | $21,960 |
| Net loss attributable to shareholders of Manitex International, Inc. | (8,078) | (37,093) | (5,372) |
| Balance (deficit) end of year | $(28,583) | $(20,505) | $16,588 |
| Accumulated Other Comprehensive Loss | | | |
| Balance (deficit) at beginning of the year | $(4,272) | $(5,392) | $(1,023) |
| Gain (loss) on foreign currency translation | 3,237 | 1,120 | (4,369) |
| Balance (deficit) end of year | $(1,035) | $(4,272) | $(5,392) |
| Equity Attributable to Noncontrolling Interest | | | |
| Balance at beginning of the year | $25,164 | $23,288 | $23,240 |
| Investment received from noncontrolling interest | — | 2,450 | — |
| Deconsolidation of ASV | (24,890) | — | — |
| Net (loss) income attributable to noncontrolling interest | (274) | (574) | 48 |
| Balance end of year | $— | $25,164 | $23,288 |

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

| | For the years ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Cash flows from operating activities: | | | |
| Net loss | $(7,804) | $(37,667) | $(5,324) |
| Adjustments to reconcile net income to cash (used) provide by for operating activities: | | | |
| Depreciation and amortization | 5,107 | 6,636 | 6,946 |
| Changes in allowances for doubtful accounts | 20 | (225) | (1) |
| Loss (gain) on disposal of assets | 90 | 18 | (136) |
| Changes in inventory reserves | 1,089 | 333 | 482 |
| Deferred income taxes | (1,509) | 1,178 | (2,074) |
| Amortization of deferred financing cost | 632 | 1,978 | 669 |
| Revaluation of contingent acquisition liability | (346) | (915) | — |
| Write down of goodwill | — | 275 | — |
| Amortization of debt discount | 446 | 528 | 743 |
| Change in value of interest rate swaps | (428) | (776) | (706) |
| Income (loss ) in equity investments | (360) | 5,752 | 199 |
| Share-based compensation | 798 | 1,129 | 1,481 |
| Deferred gain on sale and lease back | (9) | (124) | 301 |
| Reserves for uncertain tax provisions | 49 | 54 | 60 |
| Loss on sale of discontinued operations | 1,290 | 14,458 | 1,375 |
| Rent paid in stock | 154 | 227 | — |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (11,130) | 1,607 | 14,872 |
| (Increase) decrease in inventory | 17,068 | (3,828) | (6,279) |
| (Increase) decrease in prepaid expenses | 2,641 | (345) | (3,223) |
| (Increase) decrease in other assets | 99 | 189 | 111 |
| Increase (decrease) in accounts payable | (2,619) | (4,475) | 5,713 |
| Increase (decrease) in accrued expense | (412) | (1,165) | (875) |
| Increase (decrease) in other current liabilities | 679 | 171 | (658) |
| Increase (decrease) in other long-term liabilities | 24 | 172 | (65) |
| Discontinued operations - cash provided by (used for) operating activities | 3,508 | (3,824) | (7,239) |
| Net cash provided by (used for) operating activities | 9,077 | (18,639) | 6,372 |
| | | | |
| Cash flows from investing activities: | | | |
| | | | |
| Acquisition of businesses, net of cash acquired | — | — | (13,747) |
| Proceeds from the sale of fixed assets | 15 | 206 | 518 |
| Purchase of property and equipment | (1,023) | (1,157) | (2,011) |
| Investment in intangibles other than goodwill | (65) | (97) | (233) |
| Proceeds from the sale of discontinued operations | 12,892 | 19,074 | 6,525 |
| Discontinued operations - cash provided by (used for) investing activities | (84) | 417 | (454) |

| | | | |
|---|---|---|---|
| Net cash provided by (used for) investing activities | 11,735 | 18,443 | (9,402 ) |
| Cash flows from financing activities: | | | |
| Borrowings on 2015 term loan | — | — | 14,000 |
| Repayment of 2015 term loan | — | (2,200 ) | (11,800) |
| Net proceeds from stock offering | 2,426 | — | — |
| New borrowings—convertible notes | — | — | 15,000 |
| (Payments) Borrowing on revolving term credit facilities | (7,064 ) | (6,543 ) | (7,718 ) |
| Net borrowings (repayments) on working capital facilities | 3,397 | 1,828 | (4,274 ) |
| New borrowings—except 2015 term loan | 2,600 | 12,892 | 2,446 |
| Note payments | (16,465) | (6,678 ) | (6,119 ) |
| Bank fees and cost related to new financing | (50 ) | (1,255 ) | (1,274 ) |
| Shares repurchased for income tax withholding on share-based compensation | (168 ) | (80 ) | (75 ) |
| Proceeds from sale and leaseback | 896 | 4,080 | — |
| Payments on capital lease obligations | (1,381 ) | (510 ) | (1,446 ) |
| Discontinued operations - cash provided by (used for) financing activities | (5,058 ) | (4,941 ) | 7,200 |
| Net cash provided by (used for) financing activities | (20,867) | (3,407 ) | 5,940 |
| Net (decrease) increase in cash and cash equivalents | (55 ) | (3,603 ) | 2,910 |
| Effect of exchange rate changes on cash | 107 | 2,999 | (1,360 ) |
| Cash and cash equivalents at the beginning of the year | 5,314 | 5,918 | 4,368 |
| Cash and cash equivalents at end of period | $5,366 | $5,314 | $5,918 |

(See Note 15 for other supplemental cash flow information)

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share data)

Note 1. Nature of Operations

The Company is a leading provider of engineered lifting solutions. The Company operates in a single business segment.

The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex, Inc. (“Manitex”) subsidiary it markets a comprehensive line of boom trucks, truck cranes and sign cranes. Manitex’s boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction. Badger Equipment Company (“Badger”) is a manufacturer of specialized rough terrain cranes and material handling products. Badger primarily serves the needs of the construction, municipality and railroad industries.

PM Group S.p.A. (“PM”) is a leading Italian manufacturer of truck mounted hydraulic knuckle boom cranes with a 50-year history of technology and innovation, and a product range spanning more than 50 models. Its largest subsidiary, Oil & Steel (“O&S”), is a manufacturer of truck-mounted aerial platforms with a diverse product line and an international client base.

Our Valla product line of industrial cranes is a full range of precision pick and carry cranes using electric, diesel, and hybrid power options. Its cranes offer wheeled or tracked, and fixed or swing boom configurations, with special applications designed specifically to meet the needs of its customers. The product is sold internationally through dealers and into the rental distribution channel.

Sabre Manufacturing, LLC, (“Sabre”) which is located in Knox, Indiana. Sabre manufactures a comprehensive line of specialized mobile tanks for liquid and solid storage and containment solutions with capacities from 8,000 to 21,000 gallons. Its mobile tanks are sold to specialized independent tank rental companies and through the Company’s existing dealer network. The tanks are used in a variety of end markets such as petrochemical, waste management and oil and gas drilling.

Crane and Machinery, Inc. (“C&M”) is a distributor of the Company’s products as well as Terex’s rough terrain and truck cranes.

Crane and Machinery Leasing, Inc. (“C&M Leasing”) rents equipment manufactured by the Company as well limited amount of equipment manufactured by third parties. Although C&M is a distributor of Terex rough terrain and truck cranes; C&M’s primary business is the distribution of products manufactured by the Company. C&M Leasing’s primary business is the facilitation of sales of products manufactured by the Company through its rent to own program. As C&M and C&M Leasing’s primary business is the facilitation of Company manufactured product sales, discrete financial information is not available.

Change in Reporting Segments

In its Annual Report on Form 10-K filed on March 10, 2017, the Company reported its operations in three segments: the Lifting Equipment segment, the ASV segment and the Equipment Distribution segment. Since 2015, the Company has sought to redefine itself strategically and operationally, including through a series of divestitures. ASV Holdings is reported as a discontinued operation and as such is no longer a reporting segment.

As stated above C&M and C&M Leasing primary business is facilitation of sale of products manufactured by the Company. Further, the Company's Chief Operating Decision Maker ("CODM") reviews C&M and C&M Leasing operations only to determine their impact on the entire Company. As such, the Company has now concluded that it is not appropriate to reflect C&M and C&M Leasing as a separate reportable segment.

Consolidated Variable Interest Entity

Even though it has no ownership interest in SVW Crane & Equipment Company (together with its wholly owned subsidiary, Rental Consulting Service Company, "SVW"), the Company has the power to direct the activities that most significantly impact SVW's economic performance. Additionally, the Company was the primary beneficiary of the SVW relationship. SVW obtained third party financing, which was effectively guaranteed by the Company, on specific cranes the Company manufactured and remitted the loan proceeds to the Company. Other than its business transactions described herein, SVW had no other substantial business operations. The Company has determined that SVW is a Variable Interest Entity ("VIE") that under current accounting guidance needs to consolidate in the Company's financial results.

Discontinued Operations

ASV is located in Grand Rapids, Minnesota manufactures a line of high quality compact track and skid steer loaders. The products are used in site clearing, general construction, forestry, golf course maintenance and landscaping industries, with general construction being the largest. ASV's financial results are included in the Company's consolidated results beginning on December 20, 2014.

Prior to the quarter ended June 30, 2017, the Company owned a 51% interest in ASV Holdings, Inc., which was formerly known as A.S.V., LLC ("ASV Holdings"). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company's 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection within its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. At December 31, 2017, the Company held a 21.2% interest in ASV Holdings, but no longer has a controlling interest in ASV Holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Financial information (related to periods before June 2017) included in this 10-K reflect ASV Holdings as a discontinued operation.

CVS Ferrari, srl ("CVS") designed and manufactured a range of reach stackers and associated lifting equipment for the global container handling market. CVS was sold on December 22, 2016 and is presented as a discontinued operation.

Manitex Liftking ULC ("Manitex Liftking" or "Liftking") sold a complete line of rough terrain forklifts, a line of stand-up electric forklifts, cushioned tiered forklifts with lifting capacities from 18 thousand to 40 thousand pounds and special mission oriented vehicles, as well as other specialized carriers, heavy material handling transporters and steel mill equipment. Liftking was sold on September 30, 2016, and is presented as a discontinued operation.

Manitex Load King, LLC ("Load King") manufactured specialized custom trailers and hauling systems typically used for transporting heavy equipment. Load King trailers served niche markets in the commercial construction, railroad, military and equipment rental industries through a dealer network. Load King was sold on December 28, 2015 and is presented as a discontinued operation.

Note 2. Basis of Presentation

The consolidated financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to these rules and regulations, the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. ASV, PM and Columbia Tank have been included in the Company's financial results from their respective effective date of acquisition which are December 20, 2014, January 15, 2015 and March 12, 2015, respectively. The Company owned 25% of Lift Ventures LLC ("Lift Ventures") and accounted for it as an unconsolidated equity investment. The investment was determined to be completely impaired in 2016 and a charge of $5,647 shown on the Statement of Operations line titled "equity investments, net of tax" was taken to write the investment down to zero. See Note 26, Impairment of Lift Venture Investment, for additional details. The financial statements for all periods presented classify Load King, Liftking, CVS and ASV as discontinued operations.

Financial statements are presented in thousands of dollars except for per share amounts.

Note 3. Summary of Significant Accounting Policies

The summary of significant accounting policies of Manitex International, Inc. is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Principals of Consolidation—The Company consolidates all entities that we control by ownership of a majority voting interest. Additionally, there are situations in which consolidation is required even though the usual condition of consolidation (ownership of a majority voting interest) does not apply. Generally, this occurs when an entity holds an interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have this interest is referred to as a Variable Interest Entity (“VIE”).  An enterprise must consolidate a VIE if it is determined to be the primary beneficiary of the VIE. The primary beneficiary has both (1) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (2) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Although the Company does not have an ownership interest in S.V.W. Equipment Crane Company and its wholly owned subsidiary Rental Consulting Services Corporation (collectively "SVW"), the Company has the power to direct the activities of SVW that most significantly impact its economic performance and is absorbing the losses. As such, the Company has determined that SVW is a VIE that requires consolidation. SVW has obtained financing and has remitted the proceeds to the Company using inventory (cranes) owned by the Company as collateral. The finance companies that hold the loans have a perfected security interest in the inventory and therefore have recourse against this specific inventory. Furthermore, the debt taken on by the SVW was effectively guaranteed by the Company pursuant to certain related agreements.

Income and losses related to VIE's are typically shown in a company's financial statements as being attributed to a non-controlling interest. Other than its transactions between SVW and the Company, SVW had no other substantial business operations. Furthermore, the Company exercised control and absorbed all losses and received all the income from SVW operations. Therefore, the Company has concluded that income and losses related to the VIE are attributable to the Shareholders of the Company.

The Company eliminates from the Company's financial results all significant intercompany transactions, including the intercompany transactions with consolidated VIEs.

Cash and Cash Equivalents —For purposes of the statement of cash flows, the Company considers all short-term securities purchased with maturity dates of three months or less to be cash equivalents.

Restricted Cash—Certain of the Company's lending arrangements require the Company to post collateral or maintain minimum cash balances in escrow. These cash amounts are reported as current assets on the balance sheets based on when the cash will be contractually released. Total restricted cash was $352 and $773 at December 31, 2017 and 2016, respectively.

Revenue Recognition —Revenue and related costs are recognized when title passes and risk of loss pass to our customers which generally occurs upon shipment depending upon the terms of the contract. Under certain contracts with our customers title passes to the customers when the units are completed. The units are segregated from our inventory and identified as belonging to the customer, the customer is notified that the units are complete and awaiting pick up or delivery as specified by the customer before income is recognized. Additionally, the customer is requested to sign an "Invoice Authorization Form" which acknowledges the contract terms and acknowledges that the customer has economic ownership and control over the unit. It also acknowledges that we are going to invoice the unit per terms of the contract. The Company insures any custodial risk that it may retain.

For FOB contracts, customers may be invoiced prior to the time customers take physical possession. Revenue is recognized in such cases only when the customer has a fixed commitment to purchase the units, the units have been completed, tested and made available to the customer for pickup or delivery, and the customer has authorized in writing that we hold the units for pickup or delivery at a time specified by the customer. In such cases, the units are invoiced under our customary billing terms, title to the units and risks of ownership pass to the customer upon invoicing, the units are segregated from our inventory and identified as belonging to the customer and we have no further obligations under the order. The Company insures any custodial risk that it may retain.

In addition, our policy requires in all instances certain minimum criteria be met in order to recognize revenue, specifically:

a) Persuasive evidence that an arrangement exists;
b) The price to the buyer is fixed or determinable;
c) Collectability is reasonably assured; and
d) We have no significant obligations for future performance.

Investment—Equity Method of Accounting —Our non-marketable equity investments are investments we have made in privately-held companies accounted for under the equity method. We periodically review our non-marketable equity investments for impairment. In September 2016, the Company determined its investment in Lift Ventures was impaired and has recognized an impairment charge to write off its entire investment in Lift Ventures (See Note 26). There was no impairment related to this investment in prior periods.

Allowance for Doubtful Accounts —Accounts receivable are stated at the amounts the Company's customers are invoiced and do not bear interest. The Company has adopted a policy consistent with U.S. GAAP for the periodic review of its accounts receivable to determine whether the establishment of an allowance for doubtful accounts is warranted based on the Company's assessment of the collectability of the accounts. The Company established an allowance for bad debt of $82 and $7 at December 31, 2017 and 2016, respectively. The Company also has in some instances a security interest in its accounts receivable until payment is received.

Guarantees — The Company has issued partial residual guarantees to financial institutions related to a customer financing of equipment purchases by the customer. The Company must assess the probability of losses if the fair market value is less than the guaranteed residual value.

A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date. The Company will record a liability for the estimated fair value of guarantees issued pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 460, "Guarantees" ("ASC 460"). We recognize a loss under a guarantee when the obligation to make payment under the guarantee is probable and the amount of the loss can be estimated. If the expected equipment value is less than its guaranteed residual value, the Company would recognize a liability for the amount of the short-fall up to the amount of its partial guarantee. The Company is not responsible for any short-fall in excess of its partial guarantee.

Property, Equipment and Depreciation —Property and equipment are stated at cost or the fair market value at date of acquisition for property and equipment acquired in connection with the acquisition of a company. Depreciation of property and equipment is provided over the following useful lives:

| Asset Category | Depreciable Life |
|---|---|
| Buildings | 12 –33 years |
| Machinery and equipment | 3 – 15 years |
| Furniture and fixtures | 3 – 7 years |
| Leasehold improvements | 1 – 33 years |

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the years ended December 31, 2017, 2016 and 2015 was $2,380, $2,846 and $2,694, respectively.

Other Intangible Assets —The Company accounts for Other Intangible Assets under the guidance of ASC 350, "Intangibles—Goodwill and Other". The Company capitalizes certain costs related to patent technology. Additionally, a substantial portion of the purchase price related to the Company's acquisitions has been assigned to patents or unpatented technology, trade name, customer backlog, and customer relationships. Under the guidance, Other Intangible Assets with definite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are tested annually for impairment.

Goodwill — Goodwill, representing the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition, is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. The Company does not amortize goodwill in accordance with Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 350, "Intangibles—Goodwill and Other" ("ASC 350"). The Company selected October 1 as the date for the required annual impairment test.

Goodwill is tested for impairment at reporting unit level (reporting segment). For 2017, this is at the fully consolidated level excluding discontinued operations, as the Company now operates in a single business segment. For

2016 as well as for 2015 Goodwill was tested at the three previously reported segment levels that were in effect at that time, i.e., Lifting Equipment, Equipment Distribution and ASV. The Company's Chief Operating Decision Maker ("CODM") reviews C&M and C&M Leasing operations only to determine their impact on the entire Company. As such, the Company has now concluded that it is not appropriate to reflect C&M and C&M Leasing as a separate reportable segment.

Under ASU 2011-08, entities are provided with the option of first performing a qualitative assessment on none, some, or all of its reporting units to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If after completing a qualitative analysis, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value a quantitative analysis is required.

For 2017, 2016, 2015 the Company evaluated its consolidated goodwill using the quantitative two step approach. The first step used to identify potential impairment involves comparing the reporting unit's estimated fair value to its carrying value, including goodwill. During the first step testing, the Company evaluates goodwill for impairment using a business valuation method, which is calculated as of a measurement date by determining the present value of debt-free, after-tax projected future cash flows, discounted at the weighted average cost of capital of a historical third-party buyer. The market approach was also considered in evaluating the potential for impairment by calculating fair value based on multiples of earnings before interest, taxes, depreciation and amortization (EBITDA) of comparable, publicly traded companies. The Company also observed implied EBITDA multiples from relatively recent merger and acquisition activity in the industry, which was used to test the reasonableness of the results.

The second step of the process involves the calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. The implied fair value of goodwill is determined by measuring the excess of the estimated fair value of the reporting unit over the estimated fair values of the individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill exceeds the carrying value of goodwill assigned to the reporting unit, there is no impairment. If the carrying value of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed the carrying value of goodwill assigned to a reporting unit and the subsequent reversal of goodwill impairment losses is not permitted.

For 2017 and 2015, the first step did not indicate any impairment of goodwill, For 2016, the second step was necessary for the Equipment Distribution segment. This further analysis indicated that the Equipment Distribution segment goodwill was impaired and a $275 impairment charge was recognized in 2016 to fully write off the Equipment Distribution segment's goodwill.

The determination of fair value requires the Company to make significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, revenue growth and operating earnings projections, discount rates, terminal growth rates, and required capital expenditure projections. Our projections make certain assumptions including expanding PM market share in North America, a normalization of energy markets over time and a continued expansion of dealer networks. If our progress in meeting these and other assumptions is slower or different than what was anticipated, it may impact our ability to meet the projections. Due to the inherent uncertainty involved in making these estimates, actual results could differ materially from those estimates. Deterioration in the market or actual results as compared with the projections (including not meeting near term projections) may result in impairment in the near term. In the event the Company determines that goodwill is impaired in the future the Company would need to recognize a non-cash impairment charge.

Impairment of Long Lived Assets —The Company's policy is to assess the realizability of its long-lived assets, including intangible assets, and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if the estimated future undiscounted cash flows are less than the carrying value. Future cash flow projections include assumptions for future sales levels, the impact of cost reduction programs, and the level of working capital needed to support each business. The amount of any impairment then recognized would be calculated as the difference between estimated fair value and the carrying value of the asset. The Company did not have any impairment for the years ended December 31, 2017, 2016 and 2015.

Inventory —Inventory consists of stock materials and equipment stated at the lower of cost (first in, first out) or net realizable value. All equipment classified as inventory is available for sale. The company records excess and obsolete inventory reserves. The estimated reserve is based upon specific identification of excess or obsolete inventories. Selling, general and administrative expenses are expensed as incurred and are not capitalized as a component of inventory.

Foreign Currency Translation and Transactions —The financial statements of the Company's non-U.S. subsidiaries are translated using the current exchange rate for assets and liabilities and the weighted-average exchange rate for the year for income and expense items. Resulting translation adjustments are recorded to accumulated other comprehensive income (OCI) as a component of shareholders' equity.

The Company converts receivables and payables denominated in other than the Company's functional currency at the exchange rate as of the balance sheet date. The resulting transaction exchange gains or losses, except for certain transaction gains or loss related to intercompany receivable and payables, are included in other income and expense. Transaction gains and losses related to intercompany receivables and payables not anticipated to be settled in the foreseeable future are excluded from the determination of net income and are recorded as a translation adjustment (with consideration to the tax effect) to accumulated other comprehensive income (OCI) as a component of shareholders' equity.

Derivatives—Forward Currency Exchange Contracts —When the Company enters into forward currency exchange contracts it does so in relationship such that the exchange gains and losses on the assets and liabilities that are being hedged which are denominated in other than the reporting units' functional currency would be offset by the changes in the market value of the forward currency exchange contracts it holds. The forward currency exchange contracts that the Company has to offset existing assets and liabilities denominated in other than the reporting units' functional currency have been determined not to be considered a hedge under ASC 815-10. The Company records at the balance sheet date the forward currency exchange contracts at its market value with any associated gain or loss being recorded in current earnings. Both realized and unrealized gains and losses related to forward currency contracts are included in current earnings and are reflected in the Statement of Operations in the other income expense section on the line titled foreign currency transaction gain (loss).

The forward currency contracts to hedge future sales are designated as cash flow hedges under ASC 815-10. As required, forward currency contracts are recognized as an asset or liability at fair value on the Company's Consolidated Balance Sheet. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (date of sale). Gains or losses on cash flow hedges when recognized into income are included in net revenues.

Interest Rate Swap Contracts—The Company enters into derivative instruments to manage its exposure to interest rate risk related to certain foreign term loans. Derivatives are initially recognized at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in current earnings immediately unless the derivative is designated and effective as a hedging instrument, in which case the effective portion of the gain or loss is recognized and is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedging instrument affects earnings (date of sale). As part of the acquisition of PM Group, which was acquired on January 15, 2015, the Company acquired interest rate swap contracts, which manage the exposure to interest rate risk related to term loans with certain financial institutions in Italy. These contracts have been determined not to be hedge instruments under ASC 815-10.

Credit Risk Concentrations — Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash, trade receivables and payables. The Company maintains its cash balances principally at a bank located in Chicago, Illinois as well as several separate Italian banks. At December 31, 2017 and 2016, the Company had uninsured balances of $5,116 and $3,755, respectively. Revenues for the year ended December 31, 2017 included one customer, Rush Truck Center that represented approximately 12.0% of total revenue. No other customer represented more than 10% of revenues for the year ended December 31, 2017. In 2016 and 2015, no one customer accounted for 10% or more of total company's revenues.

For the years ended December 31, 2017 and 2016, no customers accounted for 10% or more of total Company's accounts receivable.

For 2017, 2016 and 2015 purchases from any single supplier did not exceed 10% of total purchases.

Research and Development Expenses— The Company expenses research and development costs, as incurred. For the periods ended December 31, 2017, 2016 and 2015 expenses were $2,564, $2,939 and $3,123, respectively.

Advertising —Advertising costs are expensed as incurred and were $994, $950 and $830 for the years ended December 31, 2017, 2016 and 2015, respectively.

Retirement Benefit Costs and Termination Benefits —Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Curtailment gains and losses are accounted for as past service costs. The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in PM Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Litigation Claims —In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then record an estimate of the amount of liability based, in part, on advice of outside legal counsel.

Shipping and Handling —The Company records the amount of shipping and handling costs billed to customers as revenue. The cost incurred for shipping and handling is included in the cost of sales.

Use of Estimates —The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes —The Company accounts for income taxes under the provisions of ASC 740 " Income Taxes," which requires recognition of income taxes based on amounts payable with respect to the current year and the effects of deferred taxes for the expected future tax consequences of events that have been included in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities, as well as for operating losses and tax credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not a tax benefit will not be realized.

ASC 740 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of any net operating loss carryforwards. See Note 14, Income Taxes, for further details.

Accrued Warranties —Warranty costs are accrued at the time revenue is recognized. The Company's products are typically sold with a warranty covering defects that arise during a fixed period of time. The specific warranty offered is a function of customer expectations and competitive forces. The Equipment Distribution segment does not accrue for warranty costs at the time of sales, as they are reimbursed by the manufacturers for any warranty that they provide to their customers.

A liability for estimated warranty claims is accrued at the time of sale. The liability is established using historical warranty claim experience. Historical warranty experience is, however, reviewed by management. The current provision may be adjusted to take into account unusual or non-recurring events in the past or anticipated changes in future warranty claims. Adjustments to the initial warranty accrual are recorded if actual claim experience indicates that adjustments are necessary. Warranty reserves are reviewed to ensure critical assumptions are updated for known events that may impact the potential warranty liability.

Debt Issuance Costs —Debt issuance costs incurred in securing the Company's financing arrangements are capitalized and amortized over the term of the associated debt. Deferred financing costs associated with long-term debt are presented in the balance sheet as direct deduction from the carrying amount of that debt liability, consistent with debt discount. Deferred financing costs associated with revolving lines of credit are included with other long-term assets on the Company's balance sheet.

Sale and Leaseback —In accordance with ASC 840-40 Sales-Leaseback Transactions, the Company has recorded deferred gain in relationship to the sale and leaseback of one of the Company's operating facilities and on certain equipment. As such, the gains have been deferred and are being amortized on a straight line basis over the life of the leases.

Computation of EPS —Basic Earnings per Share ("EPS") was computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.

The number of shares related to options, warrants, restricted stock, convertible debt and similar instruments included in diluted EPS ("EPS") is based on the "Treasury Stock Method" prescribed in ASC 260-10, Earnings per Share. This method assumes theoretical repurchase of shares using proceeds of the respective stock option or warrant exercised, and for restricted stock the amount of compensation cost attributed to future services which has not yet been recognized and the amount of current and deferred tax benefit, if any, that would be credited to additional paid in capital upon the vesting of the restricted stock, at a price equal to the issuer's average stock price during the related earnings period. Accordingly, the number of shares includable in the calculation of EPS in respect of the stock options, warrants, restricted stock, convertible debt and similar instruments is dependent on this average stock price and will increase as the average stock price increases.

Stock Based Compensation —In accordance with ASC 718 Compensation-Stock Compensation, share-based payments to employees, including grants of restricted stock units, are measured at fair value as of the date of grant and are expensed in the consolidated statement of income over the service period (generally the vesting period).

Comprehensive Income —"Reporting Comprehensive Income" requires reporting and displaying comprehensive income and its components. Comprehensive income includes, in addition to net earnings, other items that are reported as direct adjustments to shareholder's equity. Currently, the comprehensive income adjustment required for the Company has two components. First is a foreign currency translation adjustment, the result of consolidating its foreign subsidiary. The second component is a derivative instrument fair market value adjustment (net of income taxes) related to forward currency contracts designated as a cash flow hedge.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (date of sale). See Note 6 for additional details.

Business Combinations —The Company accounts for acquisitions in accordance with guidance found in ASC 805, Business Combinations. The guidance requires consideration given, including contingent consideration, assets acquired and liabilities assumed to be valued at their fair market values at the acquisition date. The guidance further provides that: (1) in-process research and development will be recorded at fair value as an indefinite-lived intangible asset; (2) acquisition costs will generally be expensed as incurred, (3) restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and (4) changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

ASC 805 requires that any excess of purchase price over fair value of assets acquired, including identifiable intangibles and liabilities assumed be recognized as goodwill. In accordance with ASC 805, any excess of fair value of acquired net assets, including identifiable intangibles assets, over the acquisition consideration results in a bargain purchase gain. Prior to recording a gain, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired and liabilities assumed have been properly valued.

Note 4. Earnings per Common Share

Basic net earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of restricted stock units. Details of the calculations are as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net (loss) income attributable to shareholders of Manitex International, Inc. | | | |
| Loss from continuing operations | $(7,067) | $(23,189) | $(5,325) |
| Discontinued operations: | | | |
| Income (loss) from operations of discontinued operations, net of income taxes | 553 | (20) | 1,376 |
| (Loss) income attributable to noncontrolling interest | (274) | 574 | (48) |
| Income from operations of discontinued operations,net of income taxes attributable to shareholders of Manitex International, Inc. | 279 | 554 | 1,328 |
| Loss on sale of discontinued operations, net of income taxes | (1,290) | (14,458) | (1,375) |
| Loss from discontinued operations attributable Shareholders of Manitex International, Inc. | (1,011) | (13,904) | (47) |
| Loss attributable to shareholders of Manitex International, Inc. | $(8,078) | $(37,093) | $(5,372) |
| (Loss) earnings per share | | | |
| Basic | | | |
| Loss from continuing operations attributable to shareholders' of Manitex International, Inc. | $(0.43) | $(1.44) | $(0.33) |
| Earnings (loss) from operations of discontinued operations attributable to shareholders of Manitex International, Inc., net of income taxes | $0.02 | $0.03 | $0.08 |
| Loss on sale of discontinued operations attributable to shareholders of Manitex International, Inc., net of | $(0.08) | $(0.90) | $(0.09) |

| | | | |
|---|---|---|---|
| income taxes | | | |
| Loss attributable to shareholders of Manitex International, Inc. | $(0.49) | $(2.30) | $(0.34) |
| Diluted | | | |
| Loss from continuing operations attributable to shareholders' of Manitex International, Inc. | $(0.43) | $(1.44) | $(0.33) |
| Loss from operations of discontinued operations attributable to shareholders of Manitex International, Inc., net of income taxes | $0.02 | $0.03 | $0.08 |
| Loss on sale of discontinued operations attributable to shareholders of Manitex International, Inc., net of income taxes | $(0.08) | $(0.90) | $(0.09) |
| Loss attributable to shareholders of Manitex International, Inc. | $(0.49) | $(2.30) | $(0.34) |
| Weighted average common shares outstanding | | | |
| Basic | 16,548,444 | 16,133,284 | 15,970,074 |
| Diluted | | | |
| Basic | 16,548,444 | 16,133,284 | 15,970,074 |
| Dilutive effect of warrants | — | — | — |
| Dilutive effect of restricted stock units | — | — | — |
| | 16,548,444 | 16,133,284 | 15,970,074 |

There are 204,072; 342,004 and 118,773 restricted stock units which are anti-dilutive and therefore are not included in the average number of diluted shares shown above for the years ended December 31, 2017, 2016 and 2015, respectively.

Note 5. Fair Value Measurements

The following tables set forth the Company’s financial assets and liabilities that were accounted for at fair value by level with the fair value hierarchy. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Except as noted the below assets and liabilities are valued at fair market on a recurring basis,

The following is a summary of items that the Company measured at fair value during the periods:

| | Fair Value at December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities: | | | | |
| PM contingent liabilities | $— | $— | $— | $— |
| Valla contingent consideration | — | — | 220 | 220 |
| Forward currency exchange contracts | — | 213 | — | 213 |
| Interest rate swap contracts | — | 6 | — | 6 |
| Total liabilities at fair value | $— | $219 | $220 | $439 |

| | Fair Value at December 31, 2016 | | | |
|---|---|---|---|---|
| Liabilities: | Level 1 | Level 2 | Level 3 | Total |
| Forward currency exchange contracts | $— | $159 | $— | $159 |
| Interest rate swap contracts | — | 405 | — | 405 |
| PM contingent liabilities | — | — | 316 | 316 |
| Valla contingent consideration | — | — | 193 | 193 |
| Total liabilities at fair value | $— | $564 | $509 | $1,073 |

| | Fair Value Measurements Using Significant Unobservable Inputs (level 3) | | |
|---|---|---|---|
| Liabilities: | PM Contingent Liability | Valla Contingent Consideration | Total |
| Balance at December 31, 2016 | $316 | $ 193 | $509 |
| Effect of change in exchange rates | — | 27 | $27 |
| Change in fair value during the period | (316) | — | (316) |
| Balance at December 31, 2017 | $— | $ 220 | $220 |

In 2016, the fair value of PM Contingent Liability a Level III items was based on an option pricing framework more specifically a Monte Carlo simulation. The original fair value of Valla contingent consideration was also determined was using an option pricing framework more specifically a Monte Carlo simulation at the acquisition date.

In 2017, the Company qualitatively evaluated the PM contingent liability. During 2017, the Company determined that based on 2017 expected EBITDA there was virtual certainty that no payment would be required and determined that there was no liability. Final 2017 EBITDA did not meet the threshold for a payment.

The Company has qualitatively evaluated the Valla contingent liability from the date of acquisition.

The carrying value of the amounts reported in the Consolidated Balance Sheets for cash, accounts receivable, accounts payable and short-term variable debt, including any amounts outstanding under the Company's revolving credit facilities and working capital borrowing, approximate fair value due to the short periods during which these amounts are outstanding.

The book and fair value of the Company’s term debt was $29,629 and $29,629 for the year ended December 31, 2017, respectively, and $39,765 and $39,765 for the year ending December 31, 2016, respectively. The book and fair value of the Company’s capital leases was $5,861 and $7,679 for the year ended December 31, 2017, respectively and $6,342 and $8,386 for the year ending December 31, 2016, respectively. There is no difference between the book value and the fair value for amount recorded in connection with a long-term legal settlement, which was $890 and $926 for the years ending December 31, 2017 and 2016, respectively.

Fair Value Measurements

ASC 820-10 classifies the inputs used to measure fair value into the following hierarchy:

| | |
|---|---|
| Level 1 - | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; |
| Level 2 - | Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and |
| Level 3 - | Prices or valuation techniques that require inputs that are both significant to |

the fair value
measurement
and
unobservable
(i.e.,
supported by
little or no
market
activity)

Fair value of the forward currency contracts are determined on the last day of each reporting period using observable inputs, which are supplied to the Company by the foreign currency trading operation of its bank and are Level 2 items.

Note 6. Derivative Financial Instruments

The Company's risk management objective is to use the most efficient and effective methods available to us to minimize, eliminate, reduce or transfer the risks which are associated with fluctuation of exchange rates between the Euro, Chilean Peso and the U.S. dollar.

Forward Currency Contracts

When the Company receives a significant order in other than the operating unit's functional currency, management may evaluate different options that are available to mitigate future currency exchange risks. The decision to hedge future sales is not automatic and is decided case by case. The Company only uses hedge instruments to hedge firm existing sales orders and not estimated exposure, when management determines that exchange risks exceed desired risk tolerance levels. The forward currency contracts used to hedge future sales are designated as cash flow hedges under ASC 815-10 provided certain criteria are met. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (date of sale). Gains or losses on cash flow hedges when recognized into income are included in net revenues. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. The Company expects minimal ineffectiveness as the Company has hedged only firm sales orders and has not hedged estimated exposures. As of December 31, 2017, the Company had no outstanding forward currency contracts that were in place to hedge future sales. Therefore, there are currently no unrealized pre-tax gains or loss which will reclassified from other comprehensive income into earnings during the next 12 months.

In addition, the Company enters into forward currency exchange contracts in relationship such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units' functional currency would be offset by the changes in the market value of the forward currency exchange contracts it holds. The forward currency exchange contracts that the Company has to offset existing assets and liabilities denominated in other than the reporting units' functional currency have been determined not to be considered a hedge under ASC 815-10. The Company records at the balance sheet date the forward currency exchange contracts at its market value with any associated gain or loss being recorded in current earnings. Both realized and unrealized gains and losses related to forward currency contracts are included in current earnings and are reflected in the Statement of Income in the other income expense section on the line titled foreign currency transaction gains (losses). Items denominated in other than a reporting unit functional currency include certain intercompany receivables due from the Company's Italian subsidiaries and accounts receivable and accounts payable of our Italian subsidiaries and their subsidiaries

PM Group has an intercompany receivable denominated in Euros from its Chilean subsidiary. At December 31, 2017, the Company had entered into a forward currency exchange contract that matures on January 29, 2018. Under the contract the Company is obligated to sell 1,500,000 Chilean pesos for 2,084 euros. The purpose of the forward contract is to mitigate the income effect related to this intercompany receivable that results with a change in exchange rate between the Euro and the Chilean peso.

Interest Rate Swap Contracts

The Company uses financial instruments available on the market, including derivatives, solely to minimize its cost of borrowing and hedge the risk of interest rate and exchange rate fluctuation. In January 2009, prior to the January 15, 2015 acquisition date, PM Group entered into contracts in order to hedge the interest rate risk related to its term loans.

A contract was signed by PM Group, for an original notional amount of € 482 (€ 579 at December 31, 2017), maturing on October 1, 2020 with interest paid monthly.   PM pays interest at a rate of 3.90% and receives from the counterparties interest at the "Euribor" rate for the period in question if greater than 0.90%.

As of December 31, 2017, the Company had the following forward currency contracts and interest rate swaps:

| Nature of Derivative | Currency | Amount | Type |
|---|---|---|---|
| Forward currency sales contracts | Chilean peso | 1,500,000 | Not designated as hedge instrument |
| Interest rate swap contracts | Euro | 482 | Not designated as hedge instrument |

The following table provides the location and fair value amounts of derivative instruments that are reported in the Consolidated Balance Sheet as of December 31, 2017 and 2016:

Total derivatives not designated as a hedge instrument

| | | Fair Value As of December 31, | |
|---|---|---|---|
| | Balance Sheet Location | 2017 | 2016 |
| Liabilities Derivatives | | | |
| Foreign currency Exchange Contracts | Accrued expense | $213 | $159 |
| Interest rate swap contracts | Notes payable-Short term | 6 | 405 |
| Total derivative liabilities | | $219 | $564 |

The following tables provide the effect of derivative instruments on the Consolidated Statement of Income for 2017, 2016 and 2015:

| Derivatives not designated as Hedge Instrument | Location of gain or (loss) recognized in Income Statement | Years ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Forward currency contracts | Foreign currency transaction gains (losses) | $15 | $(483) | $395 |
| Forward currency contracts | Loss from operations of discontinued operations | — | 54 | (430) |
| Interest rate swap contracts | Interest expense | 1 | (41) | (56) |
| Total derivatives (loss) gain | | $16 | $(470) | $(91) |

During 2017, 2016 and 2015, there were no forward currency contracts designated as cash flow hedges. As such, all gains and loss related to forward currency contracts during 2017 and 2016 were recorded in current earnings and did not impact other comprehensive income.

## Note 7. Inventory

The components of inventory at December 31, are summarized as follows:

| | 2017 | 2016 |
|---|---|---|
| Raw materials and purchased parts | $35,205 | $35,855 |
| Work in process | 4,513 | 4,231 |
| Finished goods and replacement parts | 14,642 | 29,401 |
| Inventories, net | $54,360 | $69,487 |

The Company has established reserves for obsolete and excess inventory of $3,462 and $1,886 as of December 31, 2017 and 2016, respectively.

Note 8. Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31:

| | 2017 | 2016 |
|---|---|---|
| Land | $4,396 | $3,939 |
| Buildings | 14,370 | 13,331 |
| Machinery and equipment | 13,070 | 10,871 |
| Furniture and fixtures | 311 | 465 |
| Leasehold improvements | 996 | 814 |
| Computer software & equipment | 1,343 | 1,246 |
| Motor vehicles | 413 | 392 |
| Construction in progress | 60 | 54 |
| Totals | 34,959 | 31,112 |
| Less: accumulated depreciation | (12,921) | (9,273) |
| Net property and equipment | $22,038 | $21,839 |

Depreciation expense was $2,380 (net of $80 amortization of deferred gain on building), $2,846 (net of $106 amortization of deferred gain on building), and $2,694 (net of $281 amortization of deferred gain on building) in 2017, 2016 and 2015, respectively. See Note 12 for information regarding capital leases.

Note 9. Goodwill and Other Intangible Assets

The Company accounts for Other Intangible Assets under the guidance in ASC 350, Intangibles—Goodwill and Other. Under the guidance intangible assets with definite lives are amortized over their estimated useful lives. Indefinite lived intangible assets are subject to annual impairment testing. The Company capitalizes certain costs related to patent technology. Additionally, a substantial portion of the purchase price related to the Company’s acquisitions has been assigned to patents or unpatented technology, trade name, customer backlog and customer relationships. The intangibles acquired in acquisitions have been valued using a discounted cash flow approach. Intangibles, except goodwill, are being amortized over their estimated useful lives.

Intangible assets were comprised of the following as of December 31:

| | 2017 | 2016 | Useful Lives |
|---|---|---|---|
| Patented and unpatented technology | $18,458 | $17,409 | 10 years |

| | | | |
|---|---|---|---|
| Amortization | (12,011) | (11,004) | |
| Customer relationships | 23,837 | 22,444 | 5-20 years |
| Amortization | (9,907) | (7,870) | |
| Trade names and trademarks | 12,724 | 11,892 | 25 years - Indefinite |
| Amortization | (2,090) | (1,894) | |
| Non-competition agreements | 50 | 50 | 2-5 years |
| Amortization | (47) | (42) | |
| Customer backlog | 370 | 370 | < 1 year |
| Amortization | (370) | (370) | |
| Total Intangible assets | $31,014 | $30,985 | |

Amortization expense was $2,727, $3,790 and $4,184 for the periods ended December 31, 2017, 2016 and 2015, respectively.

Estimated amortization expense for the next five years and subsequent is as follows:

| | Amount |
|---|---|
| 2018 | $ 3,054 |
| 2019 | |