MANITOWOC CO INC
Form 10-Q/A
March 14, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended March 31, 2004

Or

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

For the transition period from to

Commission File Number
1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin	**39-0448110**

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

(920) 684-4410
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ý No o

The number of shares outstanding of the Registrant s common stock, $.01 par value, as of March 31, 2004, the most recent practicable date, was 26,715,751.

Restatement

The company hereby amends its Form 10-Q (Items 1, 4 and 6) for the quarterly period ended March 31, 2004. This amendment corrects items in the company s Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and related notes that relate to the accounting treatment of goodwill and other intangibles associated with the company s foreign acquisitions, as described below.

During the course of the audit of our 2004 financial statements, we determined that the accounting treatment of certain of the company s goodwill and other intangibles related to our foreign acquisitions did not comply with the requirements of Statement of Financial Accounting Statements (SFAS) No. 52, Foreign Currency Translation. We maintained the value of goodwill and other intangibles associated with our 2001 and 2002 foreign acquisitions at the historic foreign currency exchange rates in place at the date of the acquisition. We now have concluded that we should have translated these intangible assets into our reporting currency at the exchange rate at each balance sheet date to reflect changes in the applicable foreign currency exchange rates. This amendment restates the company s Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and related notes included herein to translate these intangible assets at the end of the periods reported to reflect changes in the applicable foreign exchange rates.

The cumulative impact of the error increases the company s intangible asset balance and currency translation adjustment balance within shareholders equity by $52.9 million and $57.6 million as of March 31, 2004 and December 31, 2003, respectively. This change has no impact on the company s historical Consolidated Income Statements or Statements of Cash Flows, its financial debt covenants in prior years, or its previous intangible asset impairment analyses under SFAS No. 142, Goodwill and Other Intangible Assets. This change increases (decreases) comprehensive income by $(4.7) million and $5.5 million for the three months ended March 31, 2004 and 2003, respectively.

See Note 1, Restatement in our Notes to Consolidated Financial Statements for further information regarding this restatement.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Operations
For the Three Months Ended March 31, 2004 and 2003
(Unaudited)
(In thousands, except per-share and average shares data)

	Three Months Ended March 31, 2004		Three Months Ended March 31, 2003	
Net sales	$	411,826	$	360,909
Costs and expenses:				
Cost of sales		320,509		283,166
Engineering, selling and administrative expenses		67,992		60,915
Amortization expense		790		699
Total costs and expenses		389,291		344,780
Earnings from operations		22,535		16,129
Other expense:				
Interest expense		(13,548)		(14,619)
Loss on debt extinguishment		(555)		
Other income (expense), net		1,059		(41)
Total other expense		(13,044)		(14,660)
Earnings from continuing operations before taxes on income		9,491		1,469
Provision for taxes on income		2,753		499
Earnings from continuing operations		6,738		970
Discontinued operations:				
Loss from discontinued operations, net of income taxes of $(370) and $(373), respectively		(971)		(725)
Gain on sale of discontinued operations, net of income taxes of $149				290
Net earnings	$	5,767	$	535
Basic earnings per share:				
Earnings from continuing operations	$	0.25	$	0.04
Loss from discontinued operations, net of income taxes		(0.04)		(0.03)
Gain on sale of discontinued operations, net of income taxes				0.01
Net earnings	$	0.22	$	0.02
Diluted earnings per share:				
Earnings from continuing operations	$	0.25	$	0.04
Loss from discontinued operations, net of income taxes		(0.04)		(0.03)
Gain on sale of discontinued operations, net of income taxes				0.01
Net earnings	$	0.21	$	0.02
Weighted average shares outstanding - basic		26,673,710		26,542,127

Weighted average shares outstanding - diluted	27,121,025	26,582,057

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

THE MANITOWOC COMPANY, INC.
Consolidated Balance Sheets
As of March 31, 2004 and December 31, 2003

(Unaudited)
(In thousands, except share data)

	March 31, 2004 (as restated)	December 31, 2003 (as restated)
Assets		
Current Assets:		
Cash and cash equivalents	$ 33,069	$ 44,968
Marketable securities	2,229	2,220
Accounts receivable, less allowances of $26,773 and $24,419	251,432	245,010
Inventories - net	297,010	232,877
Deferred income taxes	69,800	71,781
Other current assets	55,011	49,233
Total current assets	708,551	646,089
Property, plant and equipment - net	336,719	334,618
Goodwill	436,427	438,925
Other intangible assets - net	146,380	149,256
Deferred income taxes	36,525	34,491
Other non-current assets	61,634	56,770
Total assets	$ 1,726,236	$ 1,660,149
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 505,309	$ 454,394
Current portion of long-term debt	3,637	3,205
Short-term borrowings	20,015	22,011
Product warranties	30,547	33,823
Product liabilities	30,234	31,791
Total current liabilities	589,742	545,224
Non-Current Liabilities:		
Long-term debt, less current portion	574,805	567,084
Pension obligations	57,148	57,239
Postretirement health and other benefit obligations	54,502	54,283
Other non-current liabilities	91,203	80,327
Total non-current liabilities	777,658	758,933
Commitments and contingencies (Note 6)		
Stockholders Equity:		
Common stock (36,746,482 shares issued, 26,715,751 and 26,572,024 shares outstanding, respectively)	367	367
Additional paid-in capital	82,679	81,297
Accumulated other comprehensive income	34,917	40,800
Unearned compensation	(258)	(328)
Retained earnings	346,560	340,792
Treasury stock, at cost (10,030,731 and 10,174,458 shares, respectively)	(105,429)	(106,936)
Total stockholders equity	358,836	355,992
Total liabilities and stockholders equity	$ 1,726,236	$ 1,660,149

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

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2004 and 2003
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Cash Flows from Operations:		
Net earnings	$ 5,767	$ 535
Adjustments to reconcile net earnings to cash provided by (used for) operating activities of continuing operations:		
Discontinued operations, net of income taxes	971	435
Depreciation	11,859	11,960
Amortization of intangible assets	790	699
Amortization of deferred financing fees	983	815
Loss on debt extinguishment	555	
Deferred income taxes	(570)	(1,085)
Loss (gain) on sale of property, plant and equipment	2,202	(170)
Changes in operating assets and liabilities, excluding effects of business acquisitions and divestitures:		
Accounts receivable	(9,939)	(726)
Inventories	(83,901)	(19,398)
Other assets	(3,078)	8,593
Accounts payable	48,987	5,426
Other liabilities	19,115	18,749
Net cash provided by (used for) operating activities of continuing operations	(6,259)	25,833
Net cash used for operating activities of discontinued operations	(2,080)	(1,025)
Net cash provided by (used for) operating activities	(8,339)	24,808
Cash Flows from Investing:		
Capital expenditures	(11,481)	(4,309)
Proceeds from sale of property, plant and equipment	1,410	967
Sale (purchase) of marketable securities	(9)	119
Net cash used for investing activities of continuing operations	(10,080)	(3,223)
Net cash provided by investing activities of discontinued operations		6,989
Net cash provided by (used for) investing activities	(10,080)	3,766
Cash Flows from Financing:		
Payments on long-term debt	(7,907)	(21,992)
Proceeds from long-term debt	11,807	
Payments on revolver borrowings - net		(1,251)
Debt issuance costs		(662)
Exercises of stock options	2,889	
Net cash provided by (used for) financing	6,789	(23,905)
Effect of exchange rate changes on cash	(269)	571
Net increase (decrease) in cash and cash equivalents	(11,899)	5,240
Balance at beginning of period	44,968	28,035
Balance at end of period	$ 33,069	$ 33,275

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

THE MANITOWOC COMPANY, INC.
Consolidated Statements of Comprehensive Income (Loss)
For the Three Months Ended March 31, 2004 and 2003
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2004 (as restated)	Three Months Ended March 31, 2003 (as restated)
Net earnings	$ 5,767	$ 535
Other comprehensive income (loss):		
Derivative instrument fair market value adjustment - net of income taxes	(825)	161
Foreign currency translation adjustments	(5,058)	29
Total other comprehensive income (loss)	(5,883)	190
Comprehensive income (loss)	$ (116)	$ 725

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

THE MANITOWOC COMPANY, INC.
Notes to Unaudited Consolidated Financial Statements
For the Three Months Ended March 31, 2004 and 2003

1. Restatement

During the course of the audit of our 2004 financial statements, we determined that the accounting treatment of certain of the company s goodwill and other intangibles related to our foreign acquisitions did not comply with the requirements of Statement of Financial Accounting Statements (SFAS) No. 52, Foreign Currency Translation. We maintained the value of goodwill and other intangibles associated with our 2001 and 2002 foreign acquisitions at the historic foreign currency exchange rates in place at the date of the acquisition. We now have concluded that we should have translated these intangible assets into our reporting currency at the exchange rate at each balance sheet date to reflect changes in the applicable foreign currency exchange rates. This amendment restates the company s Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, and related notes included herein to translate these intangible assets at the end of the periods reported to reflect changes in the applicable foreign exchange rates.

The cumulative impact of the error increases the company s intangible asset balance and currency translation adjustment balance within shareholders equity by $52.9 million and $57.6 million as of March 31, 2004 and December 31, 2003, respectively. This change has no impact on the company s historical Consolidated Income Statements or Statements of Cash Flows, its financial debt covenants in prior years, or its previous intangible asset impairment analyses under SFAS No. 142, Goodwill and Other Intangible Assets. This change increases (decreases) comprehensive income by $(4.7) million and $5.5 million for the three months ended March 31, 2004 and 2003, respectively.

The following table shows the impact of the restatement on the effected components of the Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income.

	As Restated		As Reported	
	2004	2003	2004	2003
Consolidated Balance Sheets				
Goodwill - net	$ 436,427	$ 438,925	$ 406,344	$ 406,233
Other intangible assets - net	$ 146,380	$ 149,256	$ 123,590	$ 124,380
Accumulated other comprehensive income	$ 34,917	$ 40,800	$ (17,956)	$ (16,768)

	As Restated		As Reported	
	2004	2003	2004	2003
Consolidated Statements of Comprehensive Income				
Foreign currency translation adjustment	$ (5,058)	$ 29	$ (363)	$ (5,446)
Comprehensive income (loss)	$ (116)	$ 725	$ 4,579	$ (4,750)

2. Accounting Policies

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the results of operations, cash flows and comprehensive income (loss) for the three months ended March 31, 2004 and 2003 and the financial position at March 31, 2004. The interim results are not necessarily indicative of results for a full year and do not contain information included in the company s annual consolidated financial statements and notes for the year ended December 31, 2003. The consolidated balance sheet as of December 31, 2003 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the company s latest annual report.

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

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

3. Discontinued Operations

During the first quarter of 2004, the company entered into a binding agreement to divest of its wholly-owned subsidiary, Delta Manlift SAS (Delta), to JLG Industries, Inc. Headquartered in Tonneins, France, Delta manufactures the Toucan brand of vertical mast lifts, a line of aerial work platforms distributed throughout Europe for use principally in industrial and maintenance operations. The transaction is subject to completion of definitive agreements, receipt of customary approvals and submission to Delta s works council (See Note 16, Subsequent Event). In addition, during December 2003, the company completed plans to restructure its Aerial Work Platform (AWP) businesses. The restructuring included the closure of the Potain GmbH (Liftlux) facility in Dilingen, Germany and discontinuation of U.S. Manlift production at the Shady Grove, Pennsylvania facility. Once the sale of Delta is complete, the company will no longer participate in the aerial work platform market, other than providing aftermarket parts and service support. The pending sale of Delta, closure of Liftlux and discontinuation of the U.S. Manlift production represent discontinued operations under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Results of these companies for the three months ended March 31, 2004 and 2003 have been classified as discontinued to exclude the results from continuing operations. In addition, during 2003 the company recorded a $13.7 million pre-tax loss ($11.1 million net of taxes) for the closure of the AWP businesses. This charge included the following: $4.9 million to write-off goodwill related to the AWP businesses (recorded in the second quarter of 2003); $3.5 million to record a reserve for the present value of future non-cancelable operating lease obligations (recorded in the fourth quarter of 2003); $3.1 million to write-down inventory to estimated realizable value (recorded in the fourth quarter of 2003); and $2.2 million for other closure costs (recorded in the fourth quarter of 2003).

The following selected financial data of the AWP businesses for the three months ended March 31, 2004 and 2003 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the businesses operated as a stand-alone entity. There were no general corporate expenses or interest expense allocated to discontinued operations.

	Three Months Ended March 31, 2004		Three Months Ended March 31, 2003	
Net sales	$	10,559	$	10,909
Pretax loss from discontinued operations	$	(1,167)	$	(1,413)
Benefit for taxes on loss		(320)		(480)
Net loss from discontinued operations	$	(847)	$	(933)

6

During the fourth quarter of 2003 the company terminated its distributor agreement with North Central Crane & Excavator Sales Corporation (North Central Crane), a wholly-owned crane distributor. The company entered into a new distributor agreement with an independent third party for the area previously covered by North Central Crane. The termination of North Central Crane represents a discontinued operation under SFAS No. 144, as this was the company s only wholly-owned domestic crane distributor. Results of this company for the three months ended March 31, 2004 and 2003 have been classified as discontinued to exclude the results from continuing operations. During the fourth quarter of 2003 the company recorded a $1.1 million pre-tax loss ($0.9 million net of taxes), primarily for a loss on sale of inventory to the new independent third party distributor.

The following selected financial data of North Central Crane for the three months ended March 31, 2004 and 2003 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There were no general corporate expenses or interest expense allocated to discontinued operations.

	Three Months Ended March 31, 2004		Three Months Ended March 31, 2003	
Net sales	$	1,476	$	7,433
Pretax earnings (loss) from discontinued operations	$	(174)	$	268
Provision (benefit) for taxes on earnings (loss)		(50)		91
Net earnings (loss) from discontinued operations	$	(124)	$	177

On February 14, 2003, the company finalized the sale of Femco Machine Company, Inc. (Femco), the Crane segments crane and excavator aftermarket replacement parts and industrial repair business, to a group of private investors led by the current Femco management and its employees. After the Grove Investors, Inc. (Grove) acquisition, it was determined that Femco was not a core business to the Crane segment. Cash proceeds from the sale of Femco were approximately $7.0 million, which includes $0.4 million of cash received by the company for post-closing adjustments, and resulted in a gain on sale of approximately $0.4 million ($0.3 million net of taxes). The disposition of Femco represents a discontinued operation under SFAS No. 144. Results of Femco for the period from January 1, 2003 through February 14, 2003 have been classified as discontinued to exclude the results from continuing operations.

The following selected financial data of Femco for the period from January 1, 2003 through February 14, 2003 is presented for informational purposes only and does not necessarily reflect what the results of operations would have been had the business operated as a stand-alone entity. There was no activity related to Femco during the three months ended March 31, 2004. There were no general corporate expenses or interest expense allocated to discontinued operations.

	Three Months Ended March 31, 2003	
Net sales	$	2,178
Pretax earnings from discontinued operations	$	47
Pretax gain on disposal		439
Provision for taxes on income		165
Net earnings from discontinued operations	$	321

4. Inventories

The components of inventory at March 31, 2004 and December 31, 2003 are summarized as follows:

	March 31, 2004	December 31, 2003
Inventories - gross:		
Raw materials	$ 96,741	$ 89,851
Work-in-process	96,278	81,378
Finished goods	162,569	120,565
Total inventories - gross	355,588	291,794
Excess and obsolete inventory reserve	(39,952)	(40,299)
Net inventories at FIFO cost	315,636	251,495
Excess of FIFO costs over LIFO value	(18,626)	(18,618)
Inventories - net	$ 297,010	$ 232,877

Inventory is carried at lower of cost or market using the first-in, first-out (FIFO) method for 90% and 88% of total inventory at March 31, 2004 and December 31, 2003, respectively. The remainder of the inventory is costed using the last-in, first-out (LIFO) method.

5. Stock-Based Compensation

The company accounts for its stock options under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost related to stock options is reflected in earnings, as all option grants under those plans have an exercise price equal to the market value of the underlying common stock on the date of grant. The company recognized approximately $0.1 million of compensation expense related to restricted stock which was issued during 2002 for both the three months ended March 31, 2004 and 2003. The following table illustrates the effect on net earnings and earnings per share if the company had applied the fair value recognition provisions of SFAS 123, Accounting for Stock-Based Compensation, to stock based employee compensation for the three months ended March 31, 2004 and 2003.

	Three Months Ended March 31,	
	2004	2003
Reported net earnings	$ 5,767	$ 535
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of income taxes	(1,099)	(1,030)
Pro forma net earnings (loss)	$ 4,668	$ (495)
Earnings (loss) per share:		
Basic - as reported	$ 0.22	$ 0.02
Basic - pro forma	$ 0.18	$ (0.02)
Diluted - as reported	$ 0.21	$ 0.02
Diluted - pro forma	$ 0.17	$ (0.02)

6. Contingencies and Significant Estimates

The company has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act (CERLA) in connection with the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin. Approximately 150 potentially responsible parties have been identified as having shipped hazardous materials to this site. Eleven of those, including the company, have formed the Lemberger Site Remediation Group and have successfully negotiated with the United States Environmental Protection Agency and the Wisconsin Department of Natural Resources to fund the cleanup and settle their potential liability at this site. Estimates indicate that the total costs to clean up this site are approximately $30 million. However, the ultimate allocations of costs for this site are not yet final. Although liability is joint and several, the company s share of the liability is estimated to be 11% of the total cost. Prior to December 31, 1996, the company accrued $3.3 million in connection with this matter. The amounts the company has spent each year through March 31, 2004 to comply with its portion of the cleanup costs have not been material. Remediation work at the site has been substantially completed, with only long-term pumping and treating of groundwater and site maintenance remaining. The company s remaining estimated liability for this matter, included in other current liabilities in the Consolidated Balance Sheet at March 31, 2004 is $0.6 million. Based on the size of the company s current allocation of liabilities at this site, the existence of other viable potential responsible parties and current reserve, the company does not believe that any liability imposed in connection with this site will have a material adverse effect on its financial condition, results of operations, or cash flows.

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

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

As of March 31, 2004, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retention levels. The company s self-insurance retention levels vary by business, and have fluctuated over the last five years. The range of the company s self-insured retention levels is $0.1 million to $3.0 million per occurrence. The high-end of the company s self-insurance retention level is a legacy product liability insurance program inherited in the Grove acquisition in 2002 for cranes manufactured in the United States for occurrences from 2000 through October 2002. As of March 31, 2004, the largest self-insured retention level currently maintained by the company is $2.0 million per occurrence and applies to product liability for cranes manufactured in the United States.

Product liability reserves in the Consolidated Balance Sheet at March 31, 2004, were $30.2 million; $8.1 million reserved specifically for cases and $22.1 million for claims incurred but not reported which were estimated using actuarial methods. Based on the company s experience in defending product liability claims, management believes the current reserves are adequate for estimated case resolutions on aggregate self-insured claims and insured claims. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At March 31, 2004 and December 31, 2003, the company had reserved $38.5 million and $41.7 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets. Certain of these warranties and other related claims involve matters in dispute that ultimately are resolved by negotiations, arbitration, or litigation.

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

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

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

At March 31, 2004, the company is contingently liable under open standby letters of credit issued by the company s bank in favor of third parties totaling $29.0 million. The open standby letters of credit primarily related to business in the Marine segment.

7. Loss on Debt Extinguishment

During the first quarter of 2004, the company recorded a charge of $0.6 million ($0.4 million net of income taxes) related to the partial prepayment of its Term Loan B facilities. The loss relates to the write-off of unamortized financing fees and partial unwinding of the company s floating-to-fixed interest rate swap. The charge was recorded in loss on debt extinguishment in the Consolidated Statement of Operations.

8. Earnings Per Share

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

	Three Months Ended March 31,	
	2004	**2003**
Basic weighted average common shares outstanding	26,673,710	26,542,127
Effect of dilutive securities - stock options and restricted stock	447,315	39,930
Diluted weighted average common shares outstanding	27,121,025	26,582,057

For the three months ended March 31, 2004 and 2003, 1,750,582 and 2,152,825, respectively, common shares issuable upon the exercise of stock options were anti-dilutive and were excluded from the calculation of diluted earnings per share.

9. Guarantees