THE MANITOWOC COMPANY, INC.

ANNUAL REPORT 1997

NEW PRODUCTS AND ACQUISITIONS HAVE FUELED OUR GROWTH.

MORE OPPORTUNITIES LIE AHEAD.

OUR PROCESS FOR IMPROVEMENT CONTINUES.

Manitowoc

Corporate Profile

The Manitowoc Company, Inc. engineers high-value products, services, and solutions that meet its customers' changing needs. Manitowoc is a leading manufacturer of ice-cube machines, ice-cube/beverage dispensers, soft-drink dispensing valves, and commercial refrigeration equipment for the foodservice industry. It holds the number one position in high-capacity lattice-boom crawler cranes for heavy construction, duty-cycle, dockside, and crane-rental operations and is America's second-leading producer of boom trucks. It is also the leading provider of ship-repair and conversion services for U.S.-flagged freshwater and saltwater vessels operating on the Great Lakes.

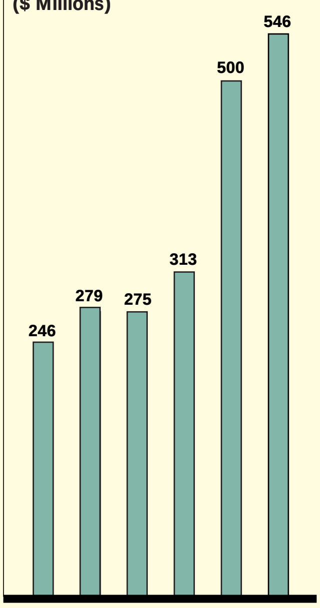
Contents

Financial Highlights

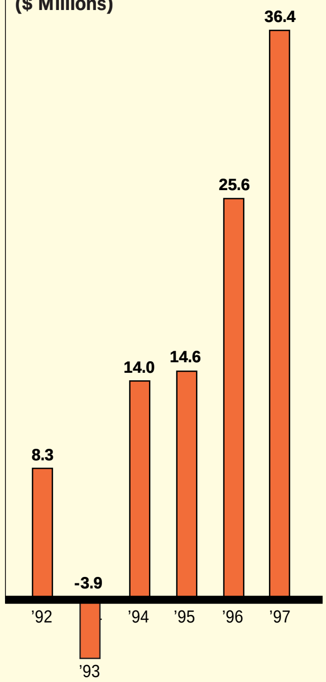
Thousands of dollars, except current ratio, shares, per share, employee, and shareholder data		Calendar 1997	Calendar 1996	% Change
For The Year	Net sales	**$÷÷545,864**	$ 500,465	9.1
	Earnings from operations	**$÷÷÷64,975**	$ 50,890	27.7
	Net earnings	**$÷÷÷36,423**	$ 25,643	42.0
	Net earnings as a percent of sales	**6.7%**	5.1%	–
Financial Position	EVA™ (Economic Value-Added)	**$÷÷÷23,032**	$ 9,978	130.8
	Total assets	**$÷÷396,368**	$ 317,710	24.8
	Working capital	**$÷÷«(25,296)**	$ 17,573	(243.9)
	Current ratio	**0.85**	1.2	(29.2)
	Stockholders' equity	**$÷÷128,618**	$ 100,329	28.2
	Average shares outstanding	**17,267,121**	17,267,035	–
Per Share	Net earnings (basic)	**$÷÷÷÷÷2.11**	$ 1.49	41.6
	Net earnings (diluted)	**$÷÷÷÷÷2.09**	$ 1.48	41.2
	Dividends paid	**$÷÷÷÷÷÷.45**	$ .45	–
	Net book value	**$÷÷÷÷÷7.45**	$ 5.81	28.2
Other Information	Property, plant and equipment—net	**$÷÷÷91,191**	$ 84,703	7.7
	Capital expenditures	**$÷÷÷12,040**	$ 8,396	43.4
	Depreciation	**$÷÷÷÷8,318**	$ 8,318	–
	Number of employees	**3,086**	2,934	5.2
	Number of shareholders	**2,464**	2,364	4.2

Average shares outstanding and per share data have been adjusted to reflect the effects of the 1997 and 1996 three-for-two stock splits.

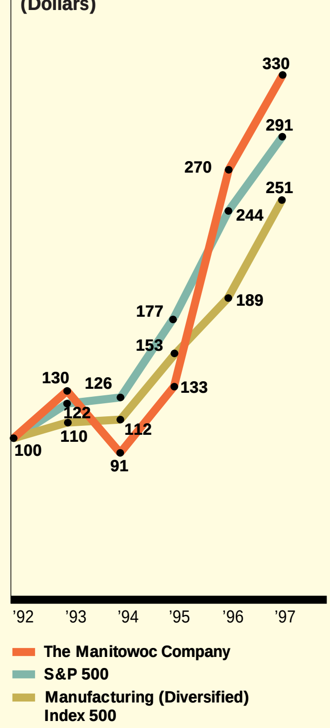
Net Sales
($ Millions)



Net Earnings
($ Millions)



Total Return
(Dollars)



Creating Value

OUR MISSION is to continuously add value by concentrating on our core strengths.

OUR STRATEGY is to grow our core businesses by improving what we do—and by doing it better than ever before.

We are blessed with opportunities. Success will come from selecting the best of these, and by executing efficiently and aggressively to make them pay off.

I believe our people, our plants, and our products are up to this challenge.

Dear Fellow Shareholder:

When I wrote to you last year, I said we expected an even better year in 1997. I'm happy to report that is exactly what happened. In fact, 1997 was the strongest year in the history of The Manitowoc Company.

Very little of the credit is mine, and that's just the way it should be. Our record performance resulted from the hard and smart work of dedicated people throughout our company. I'm so proud of their achievements that I didn't want to wait until the end of this letter to recognize their efforts.

Here are some of the things we accomplished as a team:

- *Our improvement was across the board. Each of our three business segments, as well as each business unit in those segments, contributed to our progress.*
- *We created a record $23 million in new value for Manitowoc investors as measured by EVA (Economic Value-Added), the return we generated on invested capital less the cost of using that capital.*
- *A record number of employees received incentive bonuses, and every Manitowoc employee received a higher than normal profit-sharing contribution toward retirement.*
- *We introduced a record number of new products—the "Q" Series ice-cube machines, Polar-Chill and Express walk-in refrigeration units, the Model 777 crane, the Model 111 crane, the Millennium "S" Series boom trucks, plus a number of product attachments.*
- *We continued our progress on the acquisition front with the purchase of SerVend, a leading producer of ice/beverage dispensers. This has opened new opportunities and synergies for us in our growing foodservice business.*

▪ At the same time, we divested our money-losing Tonka unit, whose product line did not fit well with our core foodservice business strategy.

To say I'm happy about what we achieved in 1997 is an understatement; and I'm convinced that, once again, the coming year will be even better.

Our long-term strategy is sound, and we're making good progress toward meeting our vision for the year 2000. By combining increased customer satisfaction with the discipline of EVA management, we have created a powerful engine for profitable growth.

While we continue to take costs out of our businesses and make them more responsive to the customer, we also will invest in new growth opportunities.

In foodservice, our immediate plans include integrating SerVend into our operations to help us build our presence in quick-service restaurant chains, in convenience stores, and with soft-drink bottlers.

In both foodservice and cranes, we will continue to develop international markets, widen our distribution channels, and improve productivity by expanding some operations and consolidating others.

New strategic alliances will help us to leverage joint buying and development, concentrate on our core competencies, and offer a complete package of products and services around the globe. Further acquisitions will expand our product offerings and our customer base.

With the financial upheaval in parts of Asia, it will take longer to realize growth in those markets. While in the short-term, sales there have plateaued and may decline on certain products, we will make use of this hiatus to strengthen our market positions so we are ready to participate in the eventual economic recovery in that part of the world.

This year, our annual report features our smaller business units. All of them turned in great performances in 1997 and are expected to do even better in 1998. Thanks again for your continuing interest in The Manitowoc Company.

VISION 2000

- **Be EVA accretive each year in all business segments.**
- **80% of sales will represent new products/models acquired or introduced since 1996.**
- **Achieve revenues of $800 million.**
- **Globalization will continue as a key priority, with sales of $200 million and manufacturing of $75 million outside of the United States.**
- **All manufacturing operations will be ISO-certified.**

Fred M Butler

FRED M. BUTLER
PRESIDENT & CHIEF EXECUTIVE OFFICER
FEBRUARY 23, 1998

Measuring our Progress

EVA, or Economic Value-Added, defines value creation as the return a business generates on invested capital over and above the cost of obtaining that capital. There are three ways to increase EVA: increase operating profits without using additional capital; invest capital in projects that earn more than the cost of capital; or divert capital from activities that do not meet the cost-of-capital hurdle. We are pursuing all three.

Our primary goal, like that of most businesses, is to create value for the owners of our company. A great deal of effort is put forth by many people to quantify our progress and use objective benchmarks to chart our direction, guide our investments, and reward our employees.

In the end, EVA is our yardstick for measuring whether or not we are making progress. But on a day-to-day basis, there are a number of other measures that help focus our attention on specific areas for improvement. Some scrutinize capital employed, some promote operational efficiencies, and others drive us to higher levels of customer service and satisfaction. The charts featured here track some of these measures.

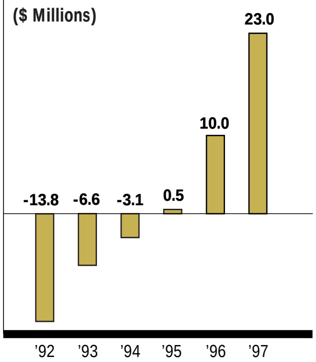
Improving our performance in each of these areas not only adds value, but also gives us a number of strategic advantages. Measuring and comparing the performance of each business unit helps us evaluate management talent, promotes the spread of our best practices across the organization, and fosters a healthy competition among managers to achieve the greatest gains. We have been the low-cost producer of ice-cube machines in the United States for some time. And, as we become the low-cost producer in cranes, we can more easily weather cyclical downturns and increase market share.

Focusing on our slate of key performance measures enables us to boost productivity, compete more effectively, and lower our overall costs. In turn, this generates greater profits and cash flows that can be invested in new-product development, more productive equipment, improved sales/distribution, and enhanced employee benefit and training programs. At the same time, we also have the financial wherewithal to fund acquisitions and the ability to successfully identify and absorb them. Our recent acquisition of SerVend, for example, is yet another step in achieving real, measurable progress. Going forward, I fully expect this trend will continue.

Robert R. Friedl

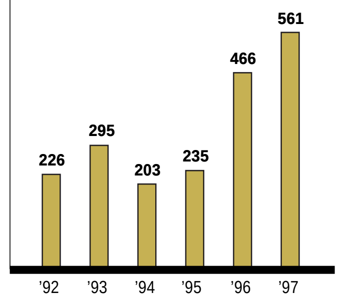
Senior Vice President & Chief Financial Officer

EVA Performance
($ Millions)



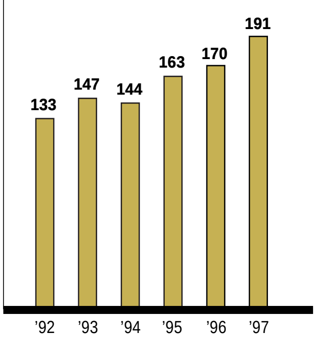
As a result of improvements made in 1997 and in prior years, we created $23 million in value for shareholders as measured by EVA. Since adopting EVA principles in 1990, the company has ceased losing value and has generated increasing shareholder value in each of the last five years.

Market Value
($ Millions)



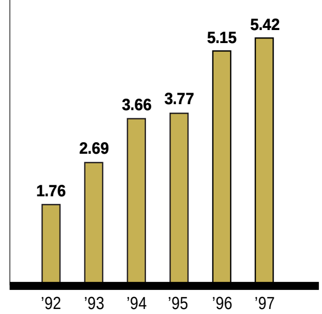
Manitowoc's success in creating economic value for its shareholders has also been reflected in its improving market value.

Sales Per Employee
($ Thousands)



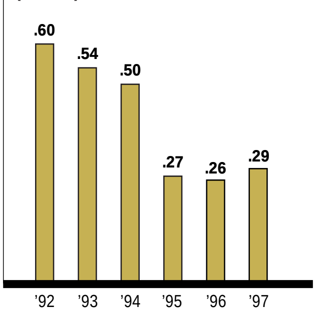
Sales per employee is a key measure of efficiency and productivity. Consolidating and modernizing our manufacturing operations have made us more productive. To meet spikes in demand, we will outsource when necessary. Future productivity gains will enable us to be more price-competitive and still maintain solid margins.

Inventory Turnover Ratio



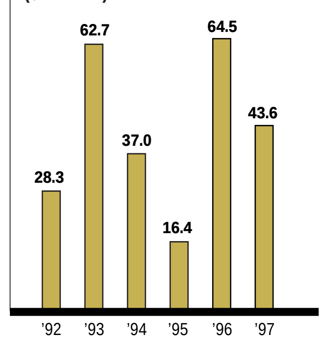
The growing use of modern inventory management practices and enhanced purchasing programs have produced substantial improvements. In 1991, inventories stood at $84 million. By the end of 1997, inventories had been reduced to less than $55 million, even though our sales have more than doubled.

Workers' Compensation Costs Per Hour
(Dollars)



Workplace injuries reduce productivity and employee morale while increasing direct and indirect costs. Over the last three years, our plants have become much safer and more efficient work environments and our workers' compensation costs have been reduced by $5 million.

Cash Flows
($ Millions)



The net cash provided by operations provides the fuel to continue our growth. Increased cash flows allow us to reinvest in the company and make key acquisitions.

ACQUISITIONS FOR PROFITABLE GROWTH

The acquisition of SerVend puts Manitowoc in more markets worldwide. The ice/beverage dispensers SerVend supplies are found in the dining areas of quick-service restaurants as well as in convenience stores, gas stations, and other locations. The company also is one of the three leading suppliers of fountain equipment and dispensing valves used by soft-drink bottlers.

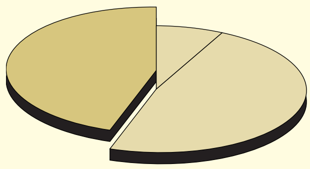
Right: Greg Fischer, SerVend's president and co-founder, poses in front of an MD-175 ice/beverage dispenser topped by a Manitowoc Q-320 ice machine.

Company Overview

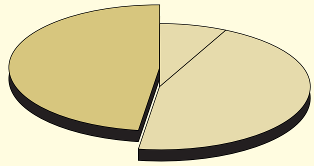
Business Segment	*1997 Results*		*Products & Services*

Foodservice Equipment:
Manitowoc Ice, Inc.
Kolpak
Kolpak Manufacturing Co.
McCall Refrigeration
SerVend International, Inc.
RDI

Net Sales: $247.1 million



Operating Earnings: $36.7 million

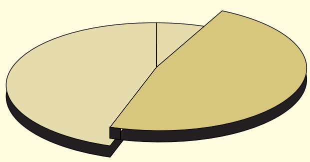


Commercial ice-cube machines; ice storage bins; ice/beverage dispensers; walk-in refrigerator/freezers; reach-in refrigerator/freezers; refrigerated warehouses; refrigerated undercounters and food prep tables; private label residential refrigerator/freezers; post-mix dispensing valves; compressor racks and modular refrigeration systems.

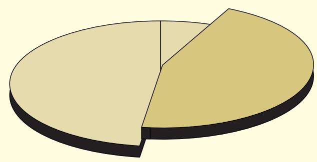
Brand Names
Manitowoc, Kolpak, Monogram, McCall, RDI, SerVend, Flomatic

Cranes and Related Products:
Manitowoc Cranes, Inc.
Manitex, Inc.
West-Manitowoc, Inc.
Femco Machine Company
Manitowoc Re-Manufacturing, Inc.

Net Sales: $259.6 million



Operating Earnings: $34.9 million

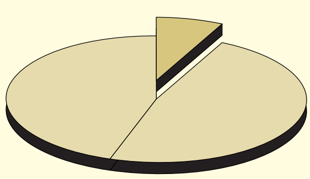


Crawler- and truck-mounted lattice-boom cranes and excavators; hydraulically powered boom trucks; crane remanufacturing and rebuilding services; crane replacement parts; industrial repair and rebuilding services for metal-forming and scrapyard recycling equipment.

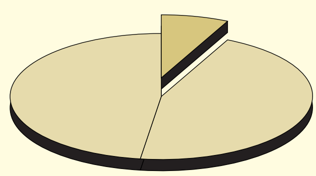
Brand Names
Manitowoc, Manitex, Femco, West-Manitowoc

Marine Operations:
Bay Shipbuilding Co.
Cleveland Shiprepair Company
Toledo Shiprepair Company

Net Sales: $39.2 million



Operating Earnings: $5.6 million



Inspection, maintenance, and repair of freshwater and saltwater ships. Services include: five-year surveys; hull and propulsion repairs; mechanical and electrical repairs; boiler and turbine repairs; voyage repairs; topside and cargo-system repairs; graving dock and floating drydock services; repowering, retrofitting, and conversions. Also provides industrial repair and maintenance services for refineries, petrochemical facilities, power plants, and heavy industrials.

Subsidiaries
As of December 31, 1997, The Manitowoc Company, Inc. included the following subsidiaries:

Operating Subsidiaries

Manitowoc Foodservice Group, Inc.	Reno, NV
Manitowoc FP, Inc.	Reno, NV
Manitowoc Ice, Inc.	Manitowoc, WI
KMT Refrigeration, Inc.	Franklin, TN
Divisions:	
Kolpak	Parsons, TN; River Falls, WI; Reno, NV
Kolpak Manufacturing Co.	Selmer, TN
McCall Refrigeration	Parsons, TN
RDI	Parsons, TN
SerVend International, Inc.	Sellersburg, IN
Division:	
Flomatic International	Portland, OR
Manitowoc Crane Group, Inc.	Reno, NV
Manitowoc CP, Inc.	Reno, NV

Markets Served	Primary Competition	Key Advantages	Industry Outlook
Foodservice, lodging, hospitality, health care, convenience stores, institutions, soft-drink bottlers, industrial, and commercial ice service.	American Panel Corporation Beverage Air Delfield Company Hoshizaki America, Inc. I.M.I. Cornelius Lancer Master-Bilt Nor-lake Incorporated Scotsman Industries Traulsen & Co., Inc. True Foodservice Equipment Welbilt Company (Ice-O-Matic)	• Broad-line manufacturer with multi-national distribution/manufacturing. • First to offer patented, self-cleaning, self-sanitizing ice machines. • Largest share of ice-cube machine and foamed-in-place, walk-in refrigerator/freezer market. • Low-cost producer of ice-cube machines and walk-ins. • Regionalized manufacturing centers for production of walk-in refrigerator/freezers. • Strategic joint venture partnership in Hangzhou, China. • 80 distributors in 70 countries.	• Foodservice sales expected to reach $370 billion by 2000. • Annual foodservice equipment growth is forecast at 5% through the end of the century due to: – increasing international demand – growth in the replacement and kiosk market. • One out of every four U.S. retail outlets is an eating or drinking establishment.
Heavy construction, general contracting, light commercial construction, energy exploration and production, equipment rental, surface mining, dredging, port facilities, industrial and material-handling applications.	American Crane Corporation Hitachi Construction Machinery Co. Kobelco Kobe Steel, Ltd. Liebherr-Werk Ehingen Link Belt Construction Equipment Co. Mannesmann Demag National Crane Simon-R.O. Corp. USTC	• Leading share of high-capacity, lattice-boom crane market based on product performance, reliability, and versatility. • Low-cost producer of high-capacity, lattice-boom crawler cranes and boom trucks. • All products backed by responsive worldwide parts and service support. • Manitowoc cranes have the industry's highest resale value.	• Construction equipment sales are expected to increase by at least 4.2% in 1998 over 1997 according to industry forecasts. • U.S. construction spending will total $538 billion by 2002. • The average high-capacity liftcrane is more than 25 years old and is technically obsolete. • An active replacement cycle affecting 8,000 cranes has recently begun in North America.
Great Lakes maritime market, both U.S. and Canadian fleets; inland waterway operators; and oceangoing vessels that transit the St. Lawrence Seaway and Great Lakes.	Fraser Shipyards, Inc. H. Hansen Industries Metro Machine Co. Port Weller Drydocks	• Operates more than 60% of the U.S. drydocks serving the Great Lakes, including the largest graving dock. • Yards strategically located on the Great Lakes' major shipping lanes. • Adept at all phases of repair for freshwater and saltwater vessels. • Maintains the best-equipped and most-experienced workforce of any U.S. Great Lakes shipyard.	• Continued increase in repair and maintenance demand, driven by: – Continued high utilization of existing fleet – Lengthening of shipping season – Aging of Great Lakes fleet.

Operating Subsidiaries (continued)

Manitowoc Cranes, Inc.	Manitowoc, WI
Manitex, Inc.	Georgetown, TX
West-Manitowoc, Inc.	Manitowoc, WI
Femco Machine Company	Punxsutawney, PA Pompano Beach, FL
Manitowoc Re-Manufacturing, Inc.	Bauxite, AR
Manitowoc International Sales Corp.	Bridgetown, Barbados
Manitowoc Western Company, Inc.	Benicia, CA
North Central Crane & Excavator Sales Corp.	Mokena, IL
Manitowoc Marine Group, Inc.	Reno, NV
Divisions:	
Bay Shipbuilding Co.	Sturgeon Bay, WI
Cleveland Shiprepair Company	Cleveland, OH
Toledo Shiprepair Company	Toledo, OH

Foreign Subsidiaries

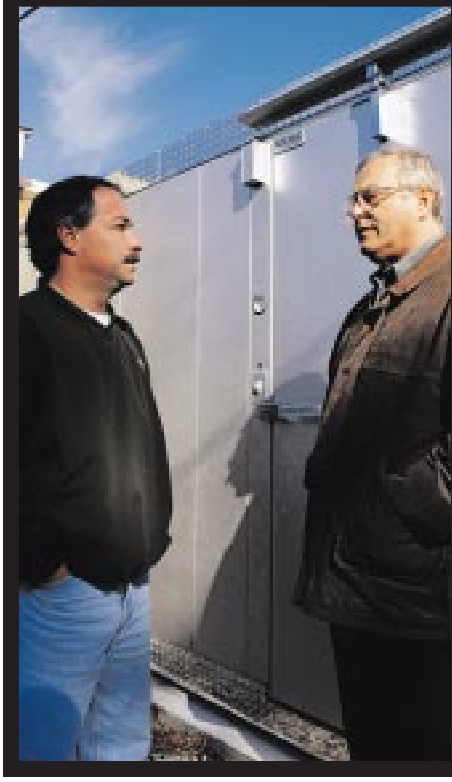
Manitowoc Europe Holdings, Ltd.	Northampton, England
Wholly Owned Subsidiary:	
Manitowoc Europe Ltd.	Northampton, England
Manitowoc Korea Company, Ltd.	Seoul, Korea
Manitowoc Equipment Works PTE, Ltd.	Republic of Singapore
Joint Venture:	
Hangzhou Wanhua Refrigeration Co., Ltd.	Hangzhou, PRC

Expanding our Opportunities in Foodservice

Around the world, the foodservice industry continues to grow and evolve. By staying close to our customers, Manitowoc is leading – and profiting from – this growth.

Our R&D efforts are aimed at helping customers improve their efficiency, reduce operating and labor costs, and answer their sanitation and food safety requirements. One example is Kolpak's new Polar Chill, a fast-freezing blast chiller that exceeds new FDA food storage standards by a wide margin. McCall developed its new "smoothie" preparation table for use in juice bars; some experts predict juice bars could become as commonplace as coffee shops. And, the new Kolpak Express® pre-assembled, walk-in refrigerator/freezer helps operators reduce the time and expense associated with adding to or expanding their food storage facilities.

Customer-focused innovation adds value to our products. In addition to features that Manitowoc pioneered – including our patented self-cleaning and sanitizing technology – our new "Q" Series ice-cube machines also incorporate ergonomic innovations that make them more user-friendly. In China, our joint venture, Hangzhou Wanhua Refrigeration Co., released the first of a family of new ice makers designed for the international market. With an output of 20 kilograms of ice per day, the QM-20 is ideally suited for European markets and developing nations, where per capita ice consumption is currently less than in the United States.



"At Kolpak, serving customers is a contact sport. We spend time with them, face-to-face, to understand their needs. Then, we respond with products like the Kolpak Express, a pre-assembled, walk-in refrigerator/freezer that's built like a mobile home. It arrives at the customer's site on a trailer, ready to plug in and go to work. We're also improving our basic technology. Our new Kolpak 120 refrigeration system can operate in higher ambient temperatures. We're setting new standards for speed and responsiveness, too. Our new manufacturing facility in Nevada cuts lead times and reduces freight costs for many West Coast customers. This enables us to deliver the products and benefits our customers are looking for."

George Harvey, Executive Vice President/General Manager, Kolpak, Inc.

Left: George Harvey (right) discusses the benefits of Kolpak's new Express walk-in with Lee Lusk, club manager of the Sylacauga Country Club, Sylacauga, Alabama.

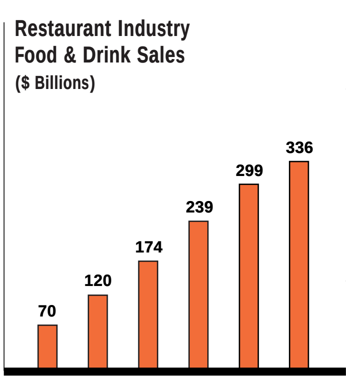
Below: Kolpak's Express walk-in is a fully pre-assembled refrigerator/freezer that is available in numerous sizes up to 9' x 10' x 20'. In most cases, Express walk-ins can be installed in less than 4 hours, thanks to an innovative design that includes quick-connect fittings for all electrical and plumbing hook-ups.

High-value products are part of our aggressive strategy for growth. To streamline their operations and gain better service, a growing number of our customers are reducing the number of suppliers they use. Our goal is to expand our offerings, through acquisitions and product development, so we can offer customers the benefits of long-term, single-source relationships.

A key element of our single-source strategy was our acquisition of SerVend International to expand our existing product offerings. For the first time, we will be able to offer restaurants and convenience stores most elements of a complete soft-drink system. We also can capitalize on the trend of locating ice and beverage stations in the dining areas of quick-service restaurants. Furthermore, SerVend should help us gain a stronger position with major soft-drink companies as they continue their global expansion.

Our after-sale service and support is another competitive advantage. In 1997, more than 12,000 service technicians attended Manitowoc-sponsored training seminars held around the world. We can help quick-service chains and others build globally with consistently high quality and reliability. We have the network they need to move ahead with confidence.

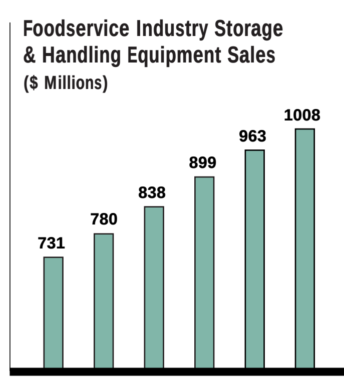
We can also afford to invest for long-term growth because we never stop working to eliminate unproductive activities and redundant efforts. In 1997, McCall consolidated its refrigeration production facilities in Parsons, Tennessee. After acquiring SerVend, we concentrated our production of ice cubers and beverage dispensers at single facilities. The benefits include improved communications, lower inventory costs, and shorter lead times. We can leverage our strengths in purchasing, engineering, and manufacturing. And, as a low-cost producer and a market leader, we're a top choice for companies that are seeking long-term partners in growth. We give them every reason to choose Manitowoc.



Source: National Restaurant Association

Restaurant industry sales are forecast to advance 5% to $336 billion in 1998. During 1996, the typical person (8 years of age and older) consumed an average of 4.1 meals per week, or 213 meals per year, away from home.

*Projected



Source: NAFEM/Cahners Publishing

Equipment purchases by the foodservice industry are forecast to rise 5%, to $6.8 billion, in 1998. Purchases of storage and handling equipment, including the ice-cube machines, walk-ins, and reach-ins produced by Manitowoc, Kolpak, and McCall, are forecast to rise 4.7%, to $1.0 billion in 1998.

*Projected

"We're building relationships with new customers like Applebee's because we're organized to respond – and to do it profitably. By consolidating McCall's manufacturing facilities, we saved money and improved our customer response time. Everything we need is in one place, so it's easier to bring new products to market quickly. One example is our new freezer case for Edy's Grand Soft Ice Cream. We worked with them to improve the design, and now have an exclusive contract to produce the cases. More and more, we're not just selling products – we're helping our customers solve problems." Denny Romer, Executive Vice President/General Manager, McCall Refrigeration

Below: Denny Romer (right) explains the latest design improvements for McCall's reach-in refrigerator/freezers to Rocky Brock, Senior Equipment Purchasing Manager of Applebee's International, at McCall's recently consolidated production facility in Parsons, Tennessee.

Customer-Focused Crane Innovations

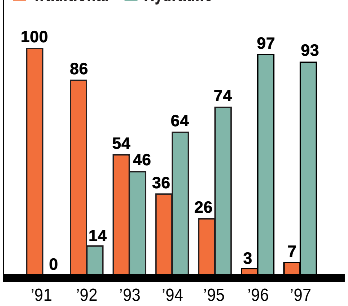
In 1997, our crane segment marked several important milestones. In September, Manitowoc Cranes, our large, lattice-boom, crawler-crane company, announced the shipment of its 100th M-250 crane. In October, it announced the shipment of the 100th Model 888 crane—in only its third year of production. And in December, Manitowoc Cranes announced it had received more than 50 orders for the new Model 777, introduced earlier in the year.

Achieving this level of success begins with designing for the marketplace and delivering the concrete benefits customers demand. We are bringing those benefits to nearly every segment of the crane market. Our boom trucks, for example, provide general contractors, sign erectors, roofers, and other customers the highway mobility, job-site maneuverability, and capacity needed to make the most of each workday. The new Model 777 extends Manitowoc's reputation for fast mobilization, versatility, and ease of operation.

In addition to the industry's most advanced products, we offer outstanding service and support before, during, and long after the sale. Manitowoc Cranes' professionals work with customers to plan heavy lifts while construction projects are still on the drawing board. A new training facility for dealers and customers combines classroom training with hands-on experience in every aspect of crane maintenance. Our after-market group supplies replacement parts, rebuilds cranes, and gives us an important strategic advantage. The superior long-term support we provide builds long-term relationships with customers and helps ensure that Manitowoc equipment maintains its traditionally high resale value. The group also supports new crane sales in the U.S. by enabling customers to relocate their used cranes in foreign markets.

Manitowoc's strategy to drive the market with innovative products is reflected in this breakdown of unit sales. In 1991, Manitowoc Cranes derived 100% of its unit sales from existing products. In 1997, it virtually reversed that position, generating 93% of unit sales from new products.

New Product Impact on Sales
(Percent of Unit Sales)

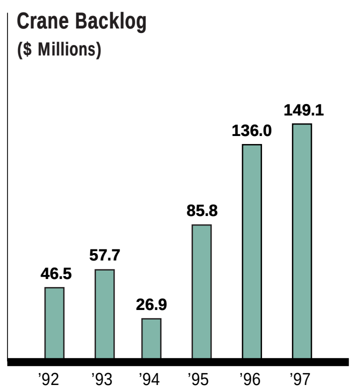


"Not that long ago, we tended to design products and then just throw them over the fence to customers. Not anymore. Now, we actively research our customers' needs and deliver cost-effective solutions for their requirements. One example is our "S" Series boom trucks that we began introducing in 1996. We listened to what our markets had to say, and the "S" Series have become the best-selling products in our line. But we're not just improving our products. Our commitment to total quality means we're improving every aspect of serving our customers, from how the receptionist handles the initial call through our long-term after-sale service support. It's all part of our commitment to provide our customers with exceptional value."

Joe Conway, Executive Vice President/General Manager, Manitex, Inc.

Below: Manitex satisfies its customers' needs by developing innovative boom trucks, such as the M2177S, for specific requirements like this manbasket application. Joe Conway (right) of Manitex explains the capabilities of the Model M2177S to Will Webb, president of Webb Crane, Inc., a leading crane-rental operation headquartered near Vail, Colorado.

A dedicated focus on research and development has created tremendous demand for our new products, including Manitowoc's 777, 888, and 2250 crawler cranes, West-Manitowoc's 111 and 222 lattice-boom cranes, and the Manitex Millennium Series of boom trucks.



"Our products are aimed at serving the small- and medium-sized lattice-boom crawler crane requirements of today's contractors. For example, our new Model 111 lattice-boom crane can be unloaded, assembled, and ready to work in less than three hours. These transport and set-up features provide thousands of dollars of savings to our customers who frequently move these cranes from one site to another. In addition, the three models comprising our 222 platform provide contractors with a general-purpose unit for liftcrane applications; an HD unit that's designed for duty-cycle work; and an EX model which combines the versatility of the basic liftcrane, plus the extra horsepower required to drive many hydraulic attachments. With the new hydraulic power options we've developed, a contractor can power foundation equipment directly from the crane. This eliminates the need to purchase auxiliary power equipment."

Bob Walsh, Executive Vice President/General Manager, West-Manitowoc

Behind our ability to serve customers is one of the most-responsive, lowest-cost crane businesses in the U.S. The reconfiguration of our plants has cut lead times dramatically and allowed us to increase production without building new facilities. Manitex, for example, has doubled its production of boom trucks with a workforce that is 20% smaller than it was in 1995. M-250 cranes that once required 253 days in total lead times are now being produced in 143 days. Such moves increase customer satisfaction and allow us to reduce inventories and costs.

High-value, competitively superior products, and responsive support have built a large base of loyal customers and leading shares in our markets around the world. Sales will grow even more as we begin to serve customers outside our traditional sales channels. Early in 1998, Manitex will begin selling boom trucks under the "Lone Star" brand direct to rental companies. West-Manitowoc, which targets its products to small- and medium-sized contractors and crane rental companies, will also begin pursuing non-traditional channels of distribution.

While 90% of our current crane backlog is destined for U.S. contractors and rental fleets, we continue to pursue international opportunities. West-Manitowoc has formed an alliance with a Malaysian manufacturer to build crawler components and booms for cranes shipped to that country. Doing so reduces transportation costs and builds our presence in the Pacific Rim market. In Europe, Manitowoc Cranes has shifted from a two-tier to a single-tier distribution system offering improved efficiency and service to customers. Around the world, we are working diligently to be the best company our customers do business with.

Below: At an infrastructure project in Richmond, Virginia, Bob Walsh (standing at left) explains the many advantages of West-Manitowoc's 222EX liftcrane and its innovative open-loop hydraulic power system to Pete Laux, District Equipment Manager of Kiewit Construction Co.

Serving the Needs of the Great Lakes Fleet

Manitowoc's marine operations serve a small group of customers, and the relationships are long and close. We have provided annual service to some of the same customers for 90 years or more. During major repairs or construction projects, customers often have representatives in our shipyards full-time as the work is being performed.

Such close relationships result in an excellent understanding of the needs of ship owners. As the Great Lakes fleet continues to age, it requires more maintenance and repair. At the same time, the fleet is operating near or at capacity, which increases the demands for new time- and labor-saving upgrades. From re-riveting a 50-year-old Liberty ship to installing automated cargo-system upgrades, we have the wide range of skills and the in-depth experience required to meet our customers' needs.

Our solutions include the construction of new types of vessels that offer unprecedented efficiencies. Applying the experience gained in 1996 with the construction of the tug/barge "Integrity," we recently completed the conversion of the bulk carrier "J.L. Mauthe" into the self-unloading notch barge "Pathfinder." Our work on both vessels gives us unmatched expertise in building tug/barge combinations, which are likely to be used more widely in the years ahead thanks to the economic advantages they provide.

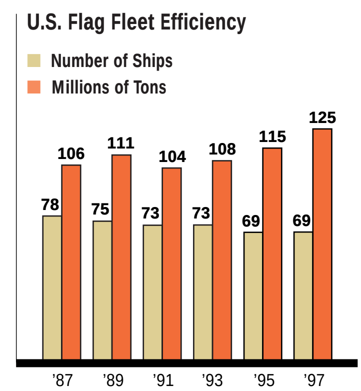
We also have found new markets for our expertise. Using EVA to analyze the potential of new projects, we are expanding our industrial repair and maintenance business. We've even bid on a project to refurbish the locks on the Panama Canal. No matter where a project takes us, we're finding new opportunities for growth.

Left: Nearing completion at our Sturgeon Bay shipyard is the *Pathfinder,* a 604-foot, self-unloading tug/barge that will enter Great Lakes service this spring. Owned by Interlake Steamship Co., *Pathfinder* was converted into this new configuration from the straight deck bulk carrier *J. L. Mauthe.*

"Our business is built on our ability to mobilize the skill and experience of our employees. Whether it's working flat-out during the winter lay-up season or making emergency voyage repairs, our people do whatever it takes to meet a customer's requirements. The 'ready, set, go' way of life we perfected for our marine customers also has proven valuable in the industrial market. All of the trades needed to serve our marine customers—welding, burning, machining, riveting, boiler repairs, and others—also have industrial applications. As a result, we're opening profitable new markets for Manitowoc." Randy LaCrosse, Executive Vice President/General Manager, Toledo Shiprepair Company

Below: Onboard the bulk carrier M/V Buffalo, Randy LaCrosse (right) discusses a cargo-system upgrade with Gavin Sproul, vice president of engineering for American Steamship Co.

Although the retirement of marginal tonnage has reduced the U.S. Flag Great Lakes fleet by nine vessels since 1987, a longer sailing season and more backhaul cargoes produced a post-recession record carriage of 125.2 million tons of dry- and liquid-bulk cargo during the 1997 navigation season.



A Portfolio of Innovation

Business Segment — *Products/Service*

Foodservice Equipment

Our foodservice equipment segment introduced more than 40 new or improved products in 1997. The most notable include: the "Q" Series ice machines which set a new standard for sanitation, durability, performance, and value. Featuring stainless steel exteriors and contemporary European styling, the "Q" Series includes an innovative batch water system that enhances ice cube formation and improves operating efficiency. In addition, the ergonomically designed "Q" Series is the first ice machine to offer an integrated scoop holder and an easy-access door that stays open automatically.

Kolpak Express™ walk-in refrigerator/freezers, designed for stand-alone restaurants, are ready to cool when they arrive at the job site. All Express walk-ins feature the new Kolpak 120 refrigeration system that enables these units to operate efficiently in ambient temperatures as high as 120° F.

SerVend ice/beverage dispensers, used by quick-service restaurants, convenience stores, and other self-service locations, are one of the leading brands in the soft-drink dispensing business. By acquiring this product line, Manitowoc is quickly approaching its goal of becoming a one-stop source for food-cooling equipment.

After consolidating its facilities into a single-plant operation, McCall Refrigeration spent much of 1997 upgrading many of its reach-ins and refrigerated under-counters. In addition, McCall was successful in obtaining contracts for several types of user-specific refrigeration systems, such as the soft-serve ice cream dispenser (shown at right) developed for Edy's/Dreyer's Grand Soft.

Producing up to 20 kilos of ice per day, the QM-20 is an ice machine developed specifically for the international marketplace. Built by our Chinese joint venture plant, the QM-20 offers superior performance, including Manitowoc's patented self-cleaning system, all at a competitive price. Higher-capacity models in 30-, 45-, and 60-kilo sizes are scheduled for introduction during 1998.

Cranes and Related Products

In 1997, our crane segment introduced 14 new or improved products. Examples include, from left to right: the Model 777, a 175 US-ton capacity, self-erecting crawler crane designed to serve the specialized needs of heavy-construction contractors and crane-rental operators. Offering easier transport and set-up capabilities than any other crane in its class, the Model 777 was an immediate success thanks to features like a hydraulic cylinder boom hoist that helps simplify maintenance and a modular engine design that gives customers a wider range of power options.

During 1997, Manitex introduced four new boom trucks to complete the roll-out of its Millennium line. Available in capacities to 35 US tons, the Millennium line includes three "S" Series units that feature an innovative rear mount that positions the crane over the truck's rear axle to provide exceptional operator visibility from an elevated, ride-around platform.

Building on the success of its Model 222, West-Manitowoc introduced the Model 111, a 75 US-ton capacity liftcrane that is designed to meet the needs of bridge builders, foundation contractors, and crane-rental operators. In North America, the 111 can be transported by tractor/trailer without removing its crawlers. Available with either electronic or hydraulic controls, the West 111 can be set up and operating in less than three hours.

Marine Operations

In 1997, Manitowoc's marine operations completed a number of conversion, maintenance, and repair projects. Highlighting these activities was the conversion of the *J. L. Mauthe* from a straight-deck bulk carrier to a self-unloading tug/barge unit. The 604-foot reconfigured vessel, now named the *Pathfinder*, will help its owner haul greater volumes of cargo at lower costs than ever before possible.

Tug/barge units like the *Pathfinder* and *Integrity* (shown at right) represent next generation vessels likely to spur new-building opportunities within the Great Lakes fleet in the years ahead.

To enhance its future business opportunities, Manitowoc Marine Group also has developed a series of automation and control systems that it will market to the Great Lakes' fleets. The new systems will reduce shore time and enable ship owners to operate their vessels with greater efficiency, reduced manpower, and at lower cost.

In addition, the Toledo yard is serving more industrial customers than ever before, and now generates 28% of its volume from that source.

Manitowoc "Q" Series
Ice Dispenser

Kolpak Express Walk-in

SerVend MD-175 Ice/Beverage
Dispenser equipped with
Manitowoc Q-320 Ice Machine

Edy's Grand Soft
Ice Cream Dispenser
built by McCall

Manitowoc QM-20
Ice-Cube Machine

Manitowoc 777 Liftcrane

Manitex M2177S Boom Truck

West-Manitowoc 111 Liftcrane

Self-unloading tug/barge unit, *Integrity*

This automated cargo control panel was developed by Manitowoc to upgrade existing Great Lakes vessels.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Business Description

The Manitowoc Company and its affiliates are market leaders in their domestic and international businesses. The Foodservice Equipment Group is one of the largest suppliers of ice-cube machines and walk-in refrigerators/freezers in North America—serving restaurants, hotels, and other institutions; and one of the world's largest manufacturers of ice/beverage dispensers and dispensing valves—serving the soft-drink industry. The Cranes and Related Products Group has a leading share in the worldwide market for lattice-boom crawler cranes (over 150-ton capacity)—serving heavy-construction, crane-rental, and cargo-handling customers. The Marine Group is the leading provider of ship repair, maintenance, and conversion services on the U.S. side of the Great Lakes. Additional information on these business segments can be found on pages 6 through 19.

Note on Forward-Looking Statements

This report includes forward-looking statements based on management's current expectations. This refers in particular to the company's description of plans and objectives for future operations, and the assumptions underlying those plans. These statements generally include words such as "believes," "intends," "estimates," "expects," etc.

Forward-looking statements involve a number of risks and uncertainties, and they must be qualified by factors that could cause results to be materially different from what is presented here. This includes the following factors for each business:

Foodservice Equipment—demographic changes affecting the number of women in the workforce, general population growth, and household income; consolidation in the restaurant industry; serving large restaurant chains as they expand their global operations; specialty foodservice market growth; the demand for quick-service restaurants; and growth in the soft-drink industry.

Cranes and Related Products—market acceptance of innovative products; cyclicality in the construction industry; growth in the world market for high-capacity cranes; the replacement cycle of technologically obsolete cranes; and demand for used equipment in developing countries.

Marine Operations—shipping volume fluctuations based on performance of the steel industry; five-year survey schedule; and reducing seasonality through non-marine repair work.

Long-Term Goals

Manitowoc has established and will work to achieve these goals by the year 2000:

- Reach $800 million in revenues.
- Produce 25% of sales from international markets, and perform $75 million in sourcing or manufacturing outside the U.S.
- Generate 80% of sales from new products and models acquired or introduced after 1996.
- Generate a consistently improving EVA (Economic Value-Added) each year in all business segments.
- All manufacturing operations will be ISO-certified.

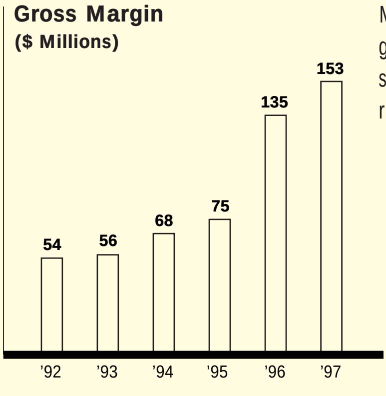
Market Conditions: North America

North American economic conditions for all three of Manitowoc's business segments improved again in 1997.

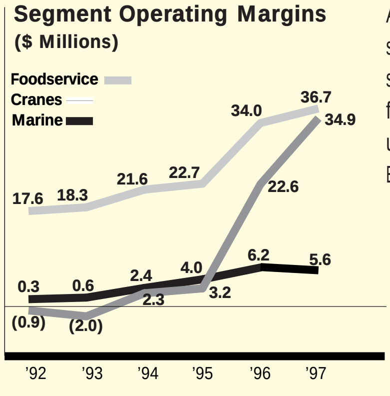
Foodservice Equipment continues to benefit from a number of trends: growth in the restaurant industry, particularly among high-volume chains; expansion of fast-food franchises into non-traditional locations, such as automotive service stations and convenience stores; growth in health care facilities; and the continued recovery of the hotel and lodging industry. These factors resulted in higher foodservice equipment demand in nearly all North American markets in 1997. We expect this market will remain fairly constant into 1998.

Cranes and Related Products saw much improvement over the turnaround begun a few years ago. We expect this business will continue to grow over the next several years because of the following: increased construction spending in the U.S.; the necessary rebuilding of America's infrastructure (although government funding remains limited); and the beginning of the replacement cycle for an aging high-capacity liftcrane fleet that is becoming technically obsolete.

The 1997 Marine market benefited from record levels of shipping tonnage; the general economic strength of heavy industry and manufacturing sectors; and the aging of the Great Lakes fleet, which requires more maintenance and repair. During the year, the Coast Guard adopted regulations that provide a one-year extension of the five-year mandatory survey requirement. Ship owners must apply for the extension, and decisions



Manitowoc increased its gross margin by 183% since 1992, reaching a record in 1997.



All three segments have seen dramatic increases since 1992, benefiting from higher sales volumes and the discipline EVA helped to instill.

are made on a ship-by-ship basis. It is too early to tell how much of an impact the new provision will have. Demand was good at all three ship-repair facilities: Toledo and Cleveland, Ohio, and Sturgeon Bay, Wisconsin.

Market Conditions: International

Manitowoc's international sales increased 10% over 1996 levels, providing about 14% of total revenues.

Foodservice Equipment—Demand for refrigeration products remained strong in the Pacific Rim. Of the Asian countries served, Taiwan, Singapore, and China generated the greatest international ice machine sales for the year. Europe also proved to be a solid market in 1997, with good growth potential over the next few years. We anticipate that international orders for refrigeration and ice-making equipment from hotel and restaurant chains will be robust through the end of the decade.

Cranes and Related Products saw solid levels of demand from European countries and Canada, while Asia remained a cost-competitive marketplace. However, crane sales increased in South and Central America.

Marine Operations—Ship repair and maintenance is primarily a source of domestic revenue. While the North American Free Trade Agreement eliminated tariffs to make U.S. shipyards more competitive with their Canadian counterparts, this did not generate additional business for Manitowoc in 1997. In the longer term, the agreement may smooth the way for alliances between Canadian and U.S. shipyards joining forces to build new ships.

Results of Operations

This table summarizes the relationship between components of operations as a percent of net sales for the following years.

Percent of Net Sales	**1997**	1996	1995
Net sales	**100.0**	100.0	100.0
Cost of sales	**72.0**	73.1	75.9
Gross profit	**28.0**	26.9	24.1
Engineering, selling and administrative expenses	**16.1**	16.5	16.7
Plant relocation costs	**—**	.2	—
Operating income	**11.9**	10.2	7.4
Interest and other	**(1.3)**	(1.7)	0.0
Earnings before taxes	**10.6**	8.5	7.4
Income taxes	**3.9**	3.4	2.7
Net earnings	**6.7**	5.1	4.7

Net Sales—Consolidated net sales for 1997 increased 9.1% to $545.9 million from $500.5 million in 1996. Foodservice Equipment sales were up 2.0%. Marine sales declined by 17.7%, largely because of a 1996 barge construction project that was not replicated in 1997. However, this decline was more than offset by a 23.3% increase in Crane sales, reflecting strong acceptance of new products.

In 1996, net sales rose 59.8% to $500.5 million from $313.1 million in 1995. The improvement came from a 112.9% increase in Foodservice Equipment sales, a 24.0% rise in Crane sales, and 61.5% higher Marine sales. Sales increases resulted from: (1) a full year's performance by The Shannon Group, Inc., acquired in December 1995; (2) positive market reception of new and recently introduced crane models; (3) significantly higher sales of crane parts; (4) record winter fleet activity at our ship-repair facilities; and (5) a self-unloading barge built for Lafarge Cement Corporation.

Gross Margin—The pattern of improvement continued, with 1997 gross margins increasing to 28.0%, compared with 26.9% in 1996 and 24.1% in 1995. The primary reasons for the gross margin improvement were margin expansion in the crawler crane and boom truck businesses. The ice machine, walk-in, and reach-in cooler businesses also contributed to the higher gross margins. In 1996, the biggest contributors to higher gross margins were the consolidation and improvements at Manitowoc Cranes, Inc. (the high-capacity crawler crane company), which increased productivity and reduced overhead costs.

Engineering, Selling and Administrative Expenses—ES&A reached $87.6 million in 1997, a 6.1% increase from 1996's $82.6 million. ES&A for 1995 was $52.3 million. However, 1997 ES&A was slightly lower as a percentage of net sales, amounting to 16.1% compared with 1996's 16.5% and 1995's 16.7%. The 1997 figure expanded more slowly than sales, despite the Shannon and SerVend acquisitions, because of tight expense controls elsewhere.

Plant Relocation Costs—As part of improving its EVA since 1992, Manitowoc has reviewed its operations and consolidated certain underperforming operations. In 1996, Manitowoc took a $1.2 million charge to close its Tonka wood-rail walk-in plant (Mason City, IA) and Kolpak foamed-in-place walk-in refrigerator/freezer plants (Parsons and Bethel Springs, TN). The Iowa plant was consolidated with an expanded Greeneville, TN facility.

Operating Earnings—Foodservice and Cranes saw operating margin improvements during the year. This resulted in Manitowoc's 27.8% increase in operating earnings, which reached $65.0 million in 1997, compared with $50.9 million in 1996 and $23.2 million for 1995.

Income Taxes—The effective income tax rate for 1997 was 37.0%, down from 1996's 39.7% and equal to 1995's 37.0%. The decrease from 1996 to 1997 is attributed to the full year effect of a corporate restructuring. The higher 1996 rate was affected by non-deductible goodwill associated with the Shannon acquisition.

Net Earnings—Higher sales, stronger margins, and a lower effective tax rate led to a 42.0% increase in net earnings in 1997. Net earnings rose to a record $36.4 million in 1997, or $2.11 per share (basic), up from $25.6 million, or $1.49 per share (basic) in 1996, and 1995's $14.6 million, or $.84 per share (basic).

All per-share figures reflect the June 1997 and July 1996 three-for-two stock splits. Giving effects to these splits, the average shares outstanding were 17.3 million for all periods.

Foodservice Equipment

This segment generated 45.3% of total sales in 1997. Foodservice revenues in 1997 were up slightly at $247.1 million, compared with $242.3 million in 1996 and $113.8 million in 1995. The latest year was affected by: (1) lower sales of walk-in refrigerators, as several major fast food chains announced a slowdown in the pace of new restaurant openings throughout 1997; (2) flat sales for ice machines; (3) higher sales of reach-in refrigerator/freezers despite a flat market; (4) lower residential refrigerator/freezer sales as General Electric (the sole customer for this line) reduced inventories and consolidated its distribution centers; and (5) two months of SerVend operations—with the fourth quarter generally being its weakest period. The primary reason for higher 1996 sales was the December 1995 acquisition of The Shannon Group, one of the leading manufacturers of commercial refrigeration equipment. While Shannon's 1996 sales were down slightly compared with 1995, the acquisition was responsible for nearly all of the Foodservice revenue increase.

Foodservice Equipment sales should continue to expand, driven by continued strong demand for prepared foods, growth in small kiosk locations and quick-service restaurants, industry movement from single location restaurants to chain operations, and the expansion of chains into less developed markets outside the U.S.

Despite flat sales, Foodservice operating earnings grew 8.1% in 1997 to $36.7 million, as compared to 1996's $34.0 million and $22.7 million in 1995. This segment generated 47.6% of total operating earnings for the year, compared with 54.2% in 1996 and 75.9% in 1995.

In the near term, we believe Foodservice's greatest opportunities lie in continuing to expand its operating margins and the benefits of integrating the SerVend acquisition. In 1997, operating margins reached 14.9%, versus 14.0% in 1996 and 1995's 20.0%. The latest year's improvement resulted from the combined purchasing program, plant consolidations, and the closing of the former Shannon Group corporate office. The difference between 1996 and 1995 was caused by the Shannon acquisition, which historically has had lower margins.

Cranes and Related Products

Strong sales from this business made it Manitowoc's largest segment in 1997, contributing 47.6% of total revenues. Net cranes sales rose 23.3%, reaching $259.6 million for the year. Sales were $210.6 million in 1996 and $169.9 million in 1995. Strong acceptance of new products, such as Manitowoc's Model 777 (175-ton capacity, self-erecting crawler crane), and Manitex's expanding Millennium™ Series boom trucks continue to drive this increase. Products introduced in the last four years represented 90% of the order backlog at the end of 1997.

The following industry trends support growth opportunities in cranes: with a large number of cranes over 25 years old, the replacement cycle is beginning, and contractors and rental companies are looking at new models that are technologically advanced and easier to operate; the level of activity in offshore fabrication yards on the Gulf of Mexico is the highest since the 1970's; and demand for cranes in developed and developing countries beyond the U.S. is expected to increase over the long term.

Backlogs for all crane products at year end were: 1997—$149.1 million, 1996—$136.0 million, and 1995—$85.8 million. The 1997 backlog included orders for cranes primarily destined for the U.S.: 93% domestic and 7% international (Europe).

Operating earnings for the crane segment increased 54.5% over 1996 levels and contributed 45.1% of the company's total segment operating income. Operating earnings were $34.9 million in 1997, $22.6 million in 1996, and $3.2 million in 1995. Operating margins during these years were: 1997—13.4%, 1996—10.7%, and 1995—1.9%. The 1996 results reflected higher sales from all crane businesses and improved operating efficiencies from earlier restructurings and plant consolidations.

Marine Operations

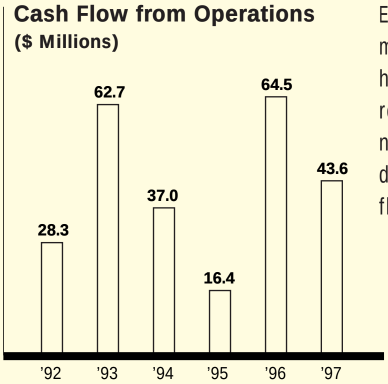
In 1997, the Marine segment accounted for 7.2% of Manitowoc's net sales. For this year, Marine revenues were $39.2 million, down 17.7% from 1996's $47.6 million and up from 1995's $29.5 million. While the 1997 figure included revenue from a large barge conversion, this generated only half the revenue received from the construction of a self-unloading cement barge during 1996.

Operating earnings in this business were $5.6 million, compared with $6.2 million in 1996 and $4.0 million in 1995. Marine contributed 7.3% of total operating segment earnings for the year. The 1997 operating margin, at 14.4%, increased from 1996's 13.0% and 1995's 13.7%, reflecting the traditionally higher margin on repair work versus new construction.

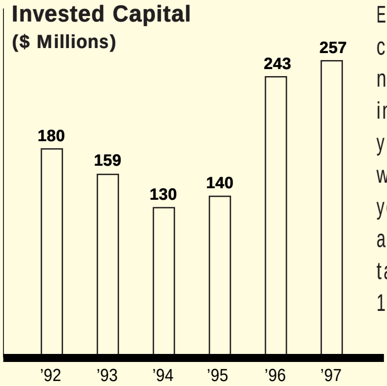
Liquidity and Capital Resources

Cash flows from operations for 1997 were $43.6 million, down 32.4% from 1996's $64.5 million, but higher than the $16.4 million in 1995. The decrease reflected an expansion in working capital and more normal levels of customer deposits. The primary uses of cash in 1997 were: (1) $11.6 million in debt payments; (2) $12.0 million in capital expenditures, which focused on developing the Q-Series ice machines plus upgrading equipment and facilities from The Shannon Group acquisition; and (3) $7.7 million in dividend payments. At December 31, 1997, long-term debt of $66.4 million represented 25.6% of capitalization, versus $76.5 million, or 40.7% of capitalization at December 31, 1996. Estimated capital expenditures for 1998 are in the $12-$14 million range.

Cash and marketable securities were $13.6 million at the end of 1997, compared with $16.0 million for 1996 and $16.6 million for 1995. From 1992 through 1994, the Board of Directors authorized management to repurchase up to 3.0 million shares of its common stock. At December 31, 1996, a total of 2,646,379 shares had been purchased under these authorizations, and



Earnings increases were more than offset by higher working capital requirements and a more normal level of customer deposits, reducing cash flow in 1997.



Excess or unproductive capital has been eliminated since 1992, while investments in higher-yielding undertakings were made in recent years. This boosted our after-tax return on capital from 8% in 1993 to 17% in 1997.

are carried as treasury shares. On February 19, 1997, the Board discontinued this stock repurchase program.

Acquisitions are a key strategy in reaching Manitowoc's growth goals. We acquired two business groups in the past three years.

On October 31, 1997, Manitowoc acquired SerVend International, Inc., a leading manufacturer of ice/beverage dispensers and dispensing valves for the soft-drink industry, with nearly $50 million in 1996 sales. The $72.9 million purchase price was funded through existing bank financing. Over 70% of the purchase price was goodwill, which is tax-deductible over 15 years for tax purposes and should not affect Manitowoc's effective tax rate.

On December 1, 1995, the company purchased the outstanding common stock of The Shannon Group, Inc. Manitowoc paid $127.3 million, which was net of cash acquired of $0.7 million and includes direct acquisition costs of $2.7 million, and $1.3 million in other assumed liabilities.

On December 31, 1997, short-term borrowings were $49.1 million, compared with no borrowings for the prior year and $26.8 million for 1995.

Inventories stood at $54.7 million at the end of 1997, compared with $44.0 million at year-end 1996 and $52.9 million for 1995. Working capital reflected a deficit of $25.3 million for the latest year, compared with a positive $17.6 million for 1996 and a positive $24.2 million for 1995.

The company expects current cash reserves and future cash flows from operations will meet its liquidity requirements for the foreseeable future. This includes payments on long-term debt, line of credit, and capital expenditures.

Contingencies

The United States Environmental Protection Agency (EPA) identified the company as a potentially responsible party (PRP) under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), liable for the costs associated with investigating and cleaning up the contamination at the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin.

Eleven of the PRPs have formed the Lemberger Site Remediation Group (LSRG) and have successfully negotiated with the EPA and Wisconsin Department of Natural Resources to settle the potential liability at the site and fund the cleanup. Approximately 150 PRPs have been identified as having shipped substances to the site.

Recent estimates indicate that the total cost to clean up the site could be as high as $30 million, however, the ultimate allocation of costs for the site are not yet final.

Although liability is joint and several, Manitowoc's share of liability is estimated to be 11% of the total cleanup costs.

To date, the company has expensed $3.3 million in connection with this matter. There were no expenses incurred for the year ended December 31, 1997. The company expensed $0.2 million in each of the years ended December 31, 1996 and 1995.

New Accounting Principles

The company is required to adopt Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information," in 1998. (See Basis of Presentation in Summary of Significant Accounting Policies and note 15 to the company's consolidated financial statements.)

Year 2000 Compliance

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field (i.e., "98" for "1998"), and will need to be modified or upgraded to accept four digit entries in order to distinguish 21st century codes (i.e., "2002") from 20th century dates (i.e., "1902"). As a result, in less than two years, the computer systems and/or software used by many companies will need to be upgraded to comply with the "Year 2000" requirements. Significant uncertainty exists concerning the potential effects associated with such compliance.

In 1996, Manitowoc began to assess and design a plan to resolve Year 2000 compliance issues potentially affecting the company, both with respect to internal systems and systems on which Manitowoc's major vendors, suppliers, and distributors are reliant. To date, a comprehensive review has been conducted of Manitowoc's systems and software to identify applications that could be affected by the Year 2000 issue, and an implementation plan to resolve potential problems has been developed. Manitowoc is currently in the process of converting, modifying, and upgrading its systems and software to Year 2000 compliant systems and software, as necessary. Manitowoc believes many of its systems and much of its software are currently Year 2000 compliant, and is engaged in tests and diagnostic procedures to verify such compliance. Manitowoc has incurred approximately $2.5 million in costs to upgrade its systems, including Year 2000 issues. The company estimates costs associated with scheduled system upgrades for 1998 and 1999 will approximate $2.0 million, including upgrades to address Year 2000 compliance issues. Manitowoc anticipates that it will be able to achieve Year 2000 compliance by the end of 1999 with respect to internal systems and software, and does not currently anticipate any material disruption in its business operations to achieve this goal.

Manitowoc has begun the process of making inquiries and gathering information regarding Year 2000 compliance exposures faced by its principal vendors and suppliers and its major dealers and distributors. Manitowoc has insufficient information at this time to fully assess the degree to which such vendors, suppliers, dealers, and distributors have addressed or are addressing Year 2000 compliance issues, and to fully evaluate the risk of disruption to operations that those businesses might face relating to Year 2000 compliance issues. However, no major part or critical operation of any segment of Manitowoc's business is reliant on a single source for raw materials, supplies, or services, and Manitowoc has multiple distribution channels for most of its products. In the event information presently being gathered indicates that certain vendors, suppliers, or distributors will not be Year 2000 compliant, we believe we will be able to find cost-competitive, alternative sources for raw materials, supplies, and services necessary to continue production and distribution.

Nonetheless, given the inherent uncertainty of the scope of the Year 2000 compliance issue worldwide and the various levels of severity and catastrophe that have been predicted by numerous "experts" and commentators, there can be no absolute assurance that we will be able to identify all Year 2000 compliance risks faced by Manitowoc, or that all of our contingency plans will assure uninterrupted business operations across the millennium.

Eleven Year Financial Summary and Business Segment Information

Thousands of dollars, except shares and per share data		**Calendar 1997**	Calendar 1996	Calendar 1995	Transition Period Calendar 1994 (1)
Net Sales	Foodservice	**$247,057**	$242,317	$113,814	$ 44,996
	Cranes and related products	**259,645**	210,564	169,866	70,958
	Marine	**39,162**	47,584	29,469	7,952
	Total	**$545,864**	$500,465	$313,149	$123,906
	Gross margin	**$152,600**	$134,641	$ 75,470	$ 31,302
Earnings (Loss) From Operations	Foodservice	**$÷36,746**	$ 33,989	$ 22,729	$ 9,426
	Cranes and related products	**34,878**	22,582	3,179	870
	Marine	**5,648**	6,197	4,024	(799)
	General corporate	**(8,903)**	(7,678)	(6,530)	(3,981)
	Amortization	**(3,394)**	(3,000)	(250)	–
	Plant relocation costs	**—**	(1,200)	–	(14,000)
	Total	**64,975**	50,890	23,152	(8,484)
	Other income (expense)—net	**(7,158)**	(8,384)	(32)	169
	Earnings (loss) before taxes on income	**57,817**	42,506	23,120	(8,315)
	Accounting changes	**—**	–	–	–
	Provision (benefit) for taxes on income	**21,394**	16,863	8,551	(3,243)
	Net earnings (loss)	**$÷36,423**	$ 25,643	$ 14,569	$ (5,072)
Other Financial Information	Cash from operations	**$÷43,587**	$ 64,514	$ 16,367	$ (330)
	Invested capital (monthly averages):				
	Foodservice	**$171,647**	$ 68,556	$ 32,696	$ 21,979
	Cranes and related products	**67,596**	73,246	85,082	81,800
	Marine	**6,019**	7,335	9,579	11,201
	General corporate	**11,512**	94,166	12,409	4,818
	Total (2)	**$256,774**	$243,303	$139,766	$119,798
Identifiable Assets	Foodservice	**$249,384**	$ 90,937	$ 90,126	$ 27,828
	Cranes and related products	**100,591**	88,174	109,118	88,068
	Marine	**6,426**	10,648	11,369	13,233
	General corporate	**39,967**	127,951	114,302	30,336
	Total (2)	**$396,368**	$317,710	$324,915	$159,465
Long-Term Obligations	Long-term debt	**$÷66,359**	$ 76,501	$101,180	$ –
Depreciation	Foodservice	**$÷÷3,613**	$ 3,377	$ 1,606	$ 703
	Cranes and related products	**4,044**	4,260	4,162	2,288
	Marine	**256**	600	608	316
	General corporate	**405**	81	80	46
	Total	**$÷÷8,318**	$ 8,318	$ 6,456	$ 3,353
Capital Expenditures	Foodservice	**$÷÷6,847**	$ 5,110	$ 4,568	$ 3,011
	Cranes and related products	**4,952**	2,816	14,252	528
	Marine	**233**	343	383	109
	General corporate (3)	**8**	127	6	82
	Total	**$÷12,040**	$ 8,396	$ 19,209	$ 3,730
Per Share (4)	Basic	**$÷÷÷2.11**	$ 1.49	$ .84	$ (.29)
	Diluted	**÷÷÷2.09**	1.48	.84	(.29)
	Dividends	**.45**	.45	.45	.22
	Stockholders' equity	**7.45**	5.81	4.73	4.35
	Average shares outstanding:				
	Basic	**17,267,121**	17,267,035	17,267,561	17,426,748
	Diluted	**17,397,686**	17,329,232	17,271,179	17,426,748

(1) The company changed its year-end to December 31, effective with the period ended December 31, 1994 (transition period). The prior fiscal year-end ended on the Saturday nearest to June 30.

(2) In 1997, as part of the corporate restructuring, the Shannon acquisition goodwill was transferred to the foodservice segment.

(3) During 1991, certain assets were transferred from general corporate to the cranes and related products segment.

(4) Per share data and average shares outstanding have been adjusted to reflect the three-for-two stock splits which occurred in 1997 and 1996. See Note 8 of notes to the consolidated financial statements.

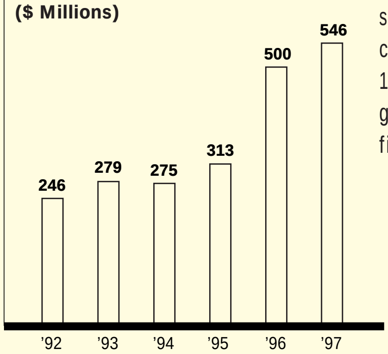
Fiscal 1994	Fiscal 1993	Fiscal 1992	Fiscal 1991	Fiscal 1990	Fiscal 1989	Fiscal 1988	Fiscal 1987
$ 93,171	$ 81,424	$ 74,175	$ 73,944	$ 74,612	$ 74,431	$ 72,986	$ 72,501
156,253	178,630	155,743	147,554	117,464	102,430	81,593	46,571
25,956	18,504	16,471	14,689	33,752	23,735	17,710	103,995
$275,380	$278,558	$246,389	$236,187	$225,828	$200,596	$172,289	$223,067
$ 67,924	$ 55,785	$ 54,443	$ 58,062	$ 54,366	$ 50,860	$ 37,033	$ 29,921
$ 21,637	$ 18,311	$ 17,585	$ 17,364	$ 19,387	$ 18,468	$ 17,203	$ 17,910
2,275	(1,961)	(850)	7,602	5,490	3,454	(1,974)	4,532
2,447	593	278	(973)	6,497	3,416	(15,921)	(9,693)
(5,274)	(5,296)	(6,545)	(5,734)	(6,094)	(5,623)	(4,744)	(3,628)
—	—	—	—	—	—	—	—
—	(3,300)	—	—	—	—	—	—
21,085	8,347	10,468	18,259	25,280	19,715	(5,436)	9,121
1,494	582	1,104	2,233	5,077	4,527	4,187	7,510
22,579	8,929	11,572	20,492	30,357	24,242	(1,249)	16,631
—	(10,214)	—	—	—	—	—	—
8,536	2,612	3,315	5,060	9,327	7,344	(1,341)	4,868
$ 14,043	$ (3,897)	$ 8,257	$ 15,432	$ 21,030	$ 16,898	$ 92	$ 11,763
$ 36,995	$ 62,700	$ 28,250	$ 6,472	$ 14,210	$ (5,278)	$ 3,658	$ (33,833)
$ 25,662	$ 26,503	$ 23,555	$ 25,099	$ 19,018	$ 22,859	$ 21,940	$ 16,427
86,288	112,120	137,839	133,777	118,097	99,147	76,335	77,382
13,953	17,497	16,879	14,621	16,206	28,600	18,894	26,122
4,052	2,581	2,025	3,051	6,314	7,656	14,151	4,227
$129,955	$158,701	$180,298	$176,548	$159,635	$158,262	$131,320	$124,158
$ 31,460	$ 29,526	$ 25,608	$ 28,019	$ 24,168	$ 26,074	$ 27,449	$ 33,486
93,823	105,750	138,416	136,995	115,804	96,623	75,217	61,306
16,726	16,720	19,253	18,009	22,683	32,451	24,049	41,366
43,839	56,015	41,829	35,983	50,143	61,966	82,374	94,628
$185,848	$208,011	$225,106	$219,006	$212,798	$217,114	$209,089	$230,786
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
$ 1,320	$ 1,187	$ 1,090	$ 812	$ 657	$ 771	$ 785	$ 817
4,211	3,875	4,053	3,691	2,895	2,953	3,000	2,972
681	756	785	792	748	465	2,362	2,600
61	44	196	234	431	380	327	303
$ 6,273	$ 5,862	$ 6,124	$ 5,529	$ 4,731	$ 4,569	$ 6,474	$ 6,692
$ 2,300	$ 2,152	$ 1,099	$ 2,797	$ 748	$ (169)	$ 229	$ 201
3,120	8,648	4,047	6,347	3,130	2,225	2,264	2,580
(492)	(463)	500	113	197	108	1	112
414	(39)	(508)	(2,955)	70	586	317	86
$ 5,342	$ 10,298	$ 5,138	$ 6,302	$ 4,145	$ 2,750	$ 2,811	$ 2,979
$ .71	$ (.18)	$ .36	$ .66	$ .91	$ .73	$ .00	$ .48
.71	(.18)	.36	.66	.91	.73	.00	.48
.45	.45	.45	.45	.89	.35	.35	.35
5.16	5.81	7.13	7.20	6.96	6.95	6.61	6.98
19,657,337	21,958,622	23,221,907	23,222,237	23,222,811	23,253,899	23,917,734	24,458,304
19,657,337	21,958,622	23,221,907	23,222,237	23,222,811	23,253,899	23,917,734	24,458,304

Consolidated Statements of Earnings

Thousands of dollars, except per share data		For the Years Ended December 31 1997	1996	1995
Earnings	Net Sales	**$545,864**	$500,465	$313,149
	Costs and expenses:			
	Cost of sales	**393,264**	365,824	237,679
	Engineering, selling, and administrative expenses	**84,231**	79,551	52,068
	Amortization	**3,394**	3,000	250
	Plant relocation costs	**—**	1,200	—
	Total costs and expenses	**480,889**	449,575	289,997
	Earnings from operations	**64,975**	50,890	23,152
	Interest expense	**(6,230)**	(9,097)	(1,865)
	Interest and dividend income	**190**	394	47
	Other income (expense)	**(1,118)**	319	1,786
	Earnings before taxes on income	**57,817**	42,506	23,120
	Provision for taxes on income	**21,394**	16,863	8,551
	Net earnings	**$÷36,423**	$ 25,643	$ 14,569
Per Share Data	Basic	**$÷÷÷2.11**	$ 1.49	$ .84
	Diluted	**$««««««2.09**	$ 1.48	$ .84

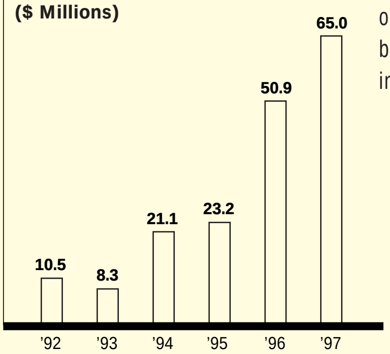
The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these financial statements.

Consolidated Net Sales
($ Millions)



Strong expansion in food-service equipment and crane sales led to a 17.2% compound annual growth rate for the last five years.

Operating Earnings
($ Millions)



A dramatic increase by our crane segment helped boost total operating earnings 27.7% during 1997.

Consolidated Balance Sheets

Thousands of dollars, except shares data		As of December 31 1997	1996
Assets			
Current Assets	Cash and cash equivalents	**$÷11,888**	$ 14,364
	Marketable securities	**1,741**	1,657
	Accounts receivable, less allowances of $1,882 and $976	**59,237**	53,876
	Inventories	**54,701**	43,978
	Prepaid expenses and other	**2,662**	1,281
	Future income tax benefits	**15,287**	12,719
	Total current assets	**145,516**	127,875
	Intangible assets—net	**146,983**	92,200
	Property, plant, and equipment—net	**91,191**	84,703
	Other assets	**12,678**	12,932
	Total assets	**$396,368**	$317,710
Liabilities and Stockholders' Equity			
Current Liabilities	Current portion of long-term debt	**$÷15,400**	$ 11,064
	Accounts payable and accrued expenses	**96,540**	90,967
	Short-term borrowings	**49,100**	–
	Product warranties	**9,772**	8,271
	Total current liabilities	**170,812**	110,302
Non-Current Liabilities	Long-term debt, less current portion	**÷66,359**	76,501
	Product warranties	**4,955**	4,914
	Postretirement health benefits obligation	**19,699**	19,455
	Other liabilities	**5,925**	6,209
	Total non-current liabilities	**÷96,938**	107,079
Stockholders' Equity	Common stock (24,497,655 and 16,331,770 shares issued)	**÷÷÷«245**	163
	Additional paid-in capital	**30,980**	31,061
	Cumulative foreign currency translation adjustments	**(192)**	220
	Retained earnings	**179,088**	150,387
	Treasury stock, at cost	**(81,503)**	(81,502)
	Total stockholders' equity	**128,618**	100,329
	Total liabilities and stockholders' equity	**$396,368**	$317,710

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Thousands of dollars		For the Years Ended December 31 1997	1996	1995
Cash Flows From Operations	Net earnings	**$36,423**	$ 25,643	$ 14,569
	Adjustments to reconcile net cash from operations:			
	Depreciation	**8,318**	8,318	6,456
	Amortization of goodwill	**3,394**	3,000	250
	Amortization of deferred financing fees	**300**	300	95
	Deferred income taxes	**(3,172)**	(4,383)	(815)
	Plant relocation costs	**—**	1,200	—
	(Gain) loss on sale of property, plant, and equipment	**218**	259	(1,964)
	Changes in operating assets and liabilities excluding effects of business acquisitions:			
	Accounts receivable	**2,532**	(2,865)	(843)
	Inventories	**(6,006)**	8,950	(5,913)
	Other current assets	**(1,264)**	909	999
	Current liabilities	**2,492**	23,432	4,015
	Non-current liabilities	**(490)**	(573)	(1,052)
	Non-current assets	**842**	324	570
	Net cash provided by operations	**43,587**	64,514	16,367
Cash Flows From Investing	Sale (purchase) of marketable securities—net	**(84)**	(99)	10,487
	Capital expenditures	**(12,040)**	(8,396)	(19,209)
	Business acquisitions—net of cash acquired	**(66,979)**	(300)	(105,944)
	Proceeds from sale of property, plant, and equipment	**3,533**	1,443	5,656
	Net cash used for investing	**(75,570)**	(7,352)	(109,010)
Cash Flows From Financing	Dividends paid	**(7,722)**	(7,674)	(7,674)
	Proceeds from long-term debt	**—**	15,000	110,000
	Payments on long-term debt	**(11,606)**	(38,704)	—
	Proceeds (payments) from short-term borrowings—net	**49,100**	(26,807)	3,001
	Debt acquisition costs	**(252)**	—	(1,687)
	Net cash provided by (used for) financing	**29,520**	(58,185)	103,640
	Effect of exchange rate changes on cash	**(13)**	310	(38)
	Net change in cash and cash equivalents	**(2,476)**	(713)	10,959
	Balance at beginning of year	**14,364**	15,077	4,118
	Balance at end of year	**$11,888**	$ 14,364	$ 15,077
Supplemental Cash Flow Information	Interest paid	**$6,927**	$ 8,215	$ 1,163
	Income taxes paid	**$21,449**	$ 19,319	$ 7,929

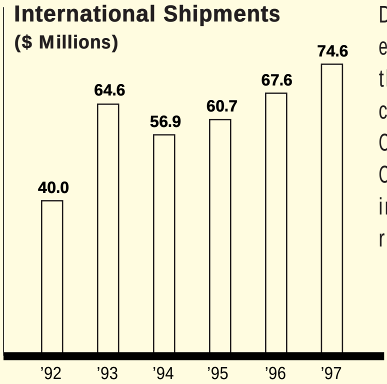
The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these financial statements.

Consolidated Statements of Stockholders' Equity

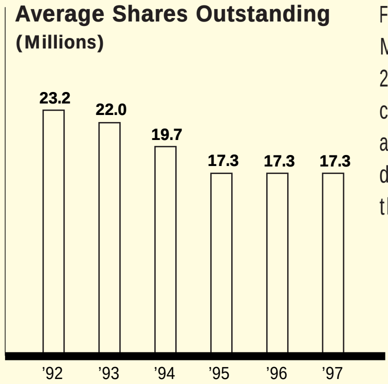
Thousands of dollars, except shares and per share data		For the Years Ended December 31 1997	1996	1995
Common Stock— Shares Outstanding	Balance at beginning of year	**11,511,357**	7,674,468	7,674,475
	Three-for-two stock split	**5,755,679**	3,836,889	–
	Stock options exercised	**3,296**	–	–
	Treasury stock purchases	**(1,157)**	–	(7)
	Balance at end of year	**17,269,175**	11,511,357	7,674,468
Common Stock— Par Value	Balance at beginning of year	**$÷÷÷«163**	$ 109	$ 109
	Three-for-two stock split	**82**	54	–
	Balance at end of year	**$«÷÷÷245**	$ 163	$ 109
Additional Paid-In Capital	Balance at beginning of year	**$÷31,061**	$ 31,115	$ 31,115
	Three-for-two stock split	**(82)**	(54)	–
	Stock options exercised	**1**	–	–
	Balance at end of year	**$÷30,980**	$ 31,061	$ 31,115
Cumulative Foreign Currency Translation Adjustments	Balance at beginning of year	**$÷÷÷«220**	$ (479)	$ (188)
	Foreign currency translation adjustments	**(412)**	699	(291)
	Balance at end of year	**$÷÷««(192)**	$ 220	$ (479)
Retained Earnings	Balance at beginning of year	**$150,387**	$132,418	$125,523
	Net earnings	**36,423**	25,643	14,569
	Cash dividends*	**(7,722)**	(7,674)	(7,674)
	Balance at end of year	**$179,088**	$150,387	$132,418
Treasury Stock	Balance at beginning of year	**$«(81,502)**	$ (81,502)	$ (81,502)
	Treasury stock purchases	**(38)**	–	–
	Stock options exercised	**37**	–	–
	Balance at end of year	**$«(81,503)**	$ (81,502)	$ (81,502)

* Cash dividends per share after giving effect to the three-for-two stock splits in 1997 and 1996 were $.45 per share in all years.

The accompanying summary of significant accounting policies and notes to consolidated financial statements are an integral part of these financial statements.



Demand for foodservice equipment in Europe and the Pacific Rim, and crane products in Europe, Canada, plus South and Central America, boosted international sales to record levels in 1997.



From 1992 through 1995, Manitowoc repurchased 2.6 million shares of its common stock. In 1996 and 1997 Manitowoc declared consecutive three-for-two stock splits.

Summary of Significant Accounting Policies

(Thousands of dollars, except per share data)

Basis of Presentation The financial statements of The Manitowoc Company, Inc. ("the company") have been prepared in accordance with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses for the years presented. They also affect the disclosures of contingencies. Actual results could differ from those estimates.

The company is required to adopt Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," in 1998. SFAS No. 130 establishes standards for reporting and display of comprehensive income, as defined, and its components within the financial statements, which includes, in addition to net income, other items that are reported as direct adjustments to stockholders' equity. Presently, the company's foreign currency translation items are the only items which would require inclusion in this statement. Reclassification of financial statements for prior periods is required.

Principles of Consolidation The consolidated financial statements include the accounts of the company and its wholly owned domestic and non-U.S. subsidiaries. Significant intercompany balances and transactions have been eliminated.

Inventories Inventories are stated at the lower of cost or market as described in Note 3. Advance payments from customers are netted against inventories to the extent of related accumulated costs. Advance payments netted against inventories at December 31, 1997 and 1996 were $1,574 and $8,552, respectively. Advance payments received in excess of related costs on uncompleted contracts are classified as accrued expenses.

Revenue Recognition Revenues and expenses in all business segments are generally recognized upon shipment or completion of service provided. However, revenues and costs on contracts for long-term projects are recognized on the percentage-of-completion method, commencing when work has progressed to a state where estimates are reasonably accurate. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to income resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on such contracts are recognized in full when they are identified.

Foreign Currency Translation The financial statements of the company's non-U.S. subsidiaries are translated using the current exchange rate for assets and liabilities and the weighted average exchange rate for the year for income statement items. Resulting translation adjustments are recorded directly to a separate component of stockholders' equity.

Property, Plant and Equipment Property, plant and equipment is depreciated over the estimated useful lives of the assets using the straight-line depreciation method for all property acquired after June 29, 1991. Property acquired prior to June 30, 1991, is depreciated using the sum-of-the-years-digits method.

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

	Years
Buildings	40
Drydocks and dock fronts	15-27
Machinery, equipment and tooling	4-15

Intangible Assets Intangible assets consist primarily of costs in excess of net assets of businesses acquired (see Note 10). Intangible assets are amortized using the straight-line method over their estimated beneficial lives, not to exceed 40 years. Subsequent to an acquisition, the company continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of intangibles may warrant revision or that the remaining balance of intangibles may not be recoverable. When factors indicate that intangibles should be evaluated for possible impairment, the company uses an estimate of the related business' discounted net cash flows over the remaining life of the intangibles in measuring whether the intangibles are recoverable. Intangible assets at December 31, 1997 and 1996 of $146,983 and $92,200, respectively, are net of accumulated amortization of $7,244 and $3,550, respectively.

Fair Value of Financial Instruments The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings approximate fair value due to the immediate short-term maturity of these financial instruments. The carrying amount reported for long-term debt approximates fair value since the underlying instrument bears interest at a variable rate that reprices frequently.

The fair value of interest rate swaps is the amount at which they could be settled, based on estimates obtained from financial institutions (see Note 5).

Income Taxes The company utilizes the liability method to recognize deferred tax assets and liabilities for the expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

Postretirement Benefits Other Than Pensions The expected cost of postretirement health care benefits is recorded during the years that the employees render service.

Research and Development Research and development costs are charged to expense as incurred and amount to $4,412 in 1997, $3,502 in 1996, and $3,110 in 1995.

Warranties Estimated warranty costs are provided at the time of sale of the warranted products, based on historic experience for the relevant product.

Earnings Per Share The company adopted SFAS No. 128, "Earnings Per Share," in 1997. SFAS No. 128 establishes standards for computing and presenting earnings per share. All previously reported earnings per share amounts included herein have been restated.

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

Cash Equivalents All short-term investments purchased with an original maturity of three months or less are considered cash equivalents.

Environmental Liabilities The company adopted the AICPA Statement of Position (SOP) No. 96-1, "Environmental Remediation Liabilities," in 1997. The company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. The adoption of this SOP did not have a significant effect on the company's estimates relating to environmental contingencies.

Reclassifications Certain reclassifications have been made to the financial statements of prior periods to conform to the presentation for 1997.

(Thousands of dollars, except shares and per share data)

1. Property, Plant and Equipment

Property, plant and equipment is summarized at December 31 as follows:

	1997	1996
Land	**$÷÷«3,133**	$ 3,489
Buildings	**63,276**	59,606
Drydocks and dock fronts	**21,743**	21,743
Machinery, equipment and tooling	**111,919**	102,512
Construction in progress	**2,760**	2,033
Total cost	**$«202,831**	$ 189,383
Less accumulated depreciation	**(111,640)**	(104,680)
Property, plant and equipment—net	**$«÷91,191**	$ 84,703

2. Marketable Securities

Marketable securities at December 31, 1997 and 1996 included $1.7 million of securities which are available for sale. The difference between fair market value and cost for these investments was not material in either year.

3. Inventories

The components of inventories are summarized at December 31 as follows:

	1997	1996
Components:		
Raw materials	**$25,881**	$20,153
Work-in-process	**22,331**	19,447
Finished goods	**27,972**	25,725
Total inventories at FIFO cost	**76,184**	65,325
Excess of FIFO cost over LIFO value	**(21,483)**	(21,347)
Total inventories	**$54,701**	$43,978

Inventories are carried at the lower of cost or market using the first-in, first-out (FIFO) method for 60% and 56% of total inventory for 1997 and 1996, respectively. The remainder of the inventories are costed using the last-in, first-out (LIFO) method.

4. Accounts Payable and Accrued Expenses

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

	1997	1996
Trade accounts payable	**$34,277**	$31,215
Profit sharing and incentives	**20,630**	14,748
Income taxes payable	**5,766**	2,836
Miscellaneous accrued expenses	**35,867**	42,168
Total	**$96,540**	$90,967

5. Debt

Long-term debt is summarized at December 31 as follows:

	1997	1996
Term loan payable	**$75,390**	$86,365
Capital lease obligations	**6,369**	1,200
	$81,759	$87,565
Less current portion	**15,400**	11,064
	$66,359	$76,501

The company entered into a Credit Agreement ("Agreement") on December 1, 1995 with a group of banks to fund the purchase of The Shannon Group, Inc. (see Note 10). The Agreement was amended and restated on October 28, 1997 at the time of the SerVend acquisition. Currently, the Agreement provides for maximum borrowings of $78 million under a term loan and maximum borrowings of $125 million under revolving loans. There were $49.1 million of borrowings under the revolving loan portion of the Agreement at December 31, 1997, and none at December 31, 1996.

The Agreement includes covenants which require the maintenance of various debt and net worth ratios. Annual commitment fees at the end of 1997 were .15% on the unused portion of the available credit. Borrowings under the Agreement bear interest at a rate equal to the sum of a base rate, or LIBOR rate (London Interbank Offered Rate), at the option of the company, plus an applicable percentage, as defined. The base rate is equal to the greater of the Federal Funds rate in effect on such day plus .5% or the prime rate in effect on such day. The weighted average interest rate for the term and revolving loans at December 31, 1997 and 1996 was 6.50% and 6.38%, respectively. Payments of principal and interest for the term loan are due quarterly through December 31, 2001. Borrowings under the Agreement are not collateralized.

The company has entered into interest rate swap agreements, which expire at various times through October, 2002, to reduce the impact of changes in interest rates on its floating rate long-term debt. At December 31, 1997, the company had outstanding five interest rate swap agreements with financial institutions, having a total notional principal amount of $99 million. The effect of these agreements on the company's interest rates during 1997 was not significant. Interest expense has been adjusted for the net receivable or payable under these agreements. The fair value of these interest rate swap agreements is $0.5 million at December 31, 1997. The company is exposed to credit loss in the event of non-performance by the financial institutions. However, management does not anticipate such non-performance.

Capital lease obligations relate to the company's obligations on two property leases for industrial property located in the State of Tennessee and one in the State of Indiana. These obligations are due in monthly or annual installments including principal and interest at rates varying from 3.8% to 10.0%. These obligations mature at various dates through 2004.

The aggregate scheduled maturities of long-term debt and capital lease obligations in subsequent years are as follows:

1998	$15,400
1999	19,628
2000	19,482
2001	23,667
2002	232
Thereafter	3,350
	$81,759

6. Income Taxes

Components of earnings before income taxes are as follows:

	1997	1996	1995
Earnings before income taxes:			
Domestic	**$58,706**	$41,702	$22,273
Foreign	**(889)**	804	847
Total	**$57,817**	$42,506	$23,120

The provision for taxes on income is as follows:

	1997	1996	1995
Current:			
Federal	**$22,307**	$17,743	$8,093
State	**1,973**	3,190	1,105
Foreign	**286**	313	168
Total current	**24,566**	21,246	9,366
Deferred:			
Federal and state	**(3,172)**	(4,383)	(815)
Foreign	**–**	–	–
Total deferred	**(3,172)**	(4,383)	(815)
Provision for taxes on income	**$21,394**	$16,863	$8,551

Federal income taxes at statutory rates and the provision for income taxes as reported are reconciled as follows:

	1997	1996	1995
Federal income tax at statutory rate	**$20,236**	$14,877	$8,092
State income taxes, net of federal income tax benefit	**1,246**	2,019	1,137
Non-deductible good-will amortization	**810**	713	–
Tax-exempt FSC income	**(1,086)**	(564)	(373)
Adjustments to prior years' income tax accruals	**(631)**	(360)	(132)
Provision for tax on foreign income, net of foreign tax credits	**861**	80	(119)
Other	**(42)**	98	(54)
Provision for taxes on income	**$21,394**	$16,863	$8,551

The deferred income tax accounts reflect the impact of temporary differences between the basis of assets and liabilities for financial reporting purposes and their related basis as measured by income tax regulations. A summary of the deferred income tax accounts at December 31 is as follows:

	1997	1996
Current deferred tax assets:		
Inventories	**$2,503**	$ 826
Accounts receivable	**312**	392
Product warranty reserves	**3,715**	3,021
Product liability reserves	**3,074**	2,679
Environmental reserves	**59**	311
Customer profit sharing reserves	**655**	497
Other employee-related benefits and allowances	**2,985**	3,453
Property, plant and equipment	**599**	201
Other	**1,385**	1,339
Future income tax benefits, current	**$15,287**	$12,719
Non-current deferred tax assets (liabilities):		
Property, plant and equipment	**$(8,337)**	$ (8,271)
Postretirement benefits other than pensions	**7,903**	7,791
Deferred employee benefits	**2,321**	1,239
Severance benefits	**1,098**	1,097
Product warranty reserves	**1,123**	1,248
Environmental reserves	**431**	502
Net operating loss carryforwards	**2,556**	2,517
Valuation allowance	**(881)**	(513)
Net future income tax benefits, non-current	**$6,214**	$ 5,610

The company does not provide for taxes which would be payable if undistributed earnings of foreign subsidiaries or its foreign affiliate were remitted because the company either considers these earnings to be invested for an indefinite period or anticipates that when such earnings are distributed, the U.S. income taxes payable would be substantially offset by foreign tax credits.

As of December 31, 1997, the company has approximately $15 million of state net operating loss carryforwards, which are available to reduce future state tax liabilities. The company also has acquired federal net operating losses of $4.8 million available to reduce federal taxable income. These loss carryforwards expire in varying amounts through 2012. A valuation allowance was recorded to reflect the estimated amount of deferred tax assets which may not be realized due to the possible limitation on the future use of certain state tax net operating loss carryforwards.

7. Earnings Per Share

The following is a reconciliation of the average shares outstanding used to compute basic and diluted earnings per share. There is no earnings impact for the assumed conversions of the stock options in each of the years.

	For the Years Ended					
	1997		1996		1995	
	Shares	**Per Share Amount**	Shares	Per Share Amount	Shares	Per Share Amount
Basic EPS	**17,267,121**	**$2.11**	17,267,035	$1.49	17,267,561	$.84
Effect of Dilutive Securities Stock Options	**130,565**		62,197		3,618	
Diluted EPS	**17,397,686**	**$2.09**	17,329,232	$1.48	17,271,179	$.84

8. Stockholders' Equity

Authorized capitalization consists of 35 million shares of $.01 par value common stock and 3.5 million shares of $.01 par value preferred stock. None of the preferred shares have been issued. Pursuant to a Rights Agreement dated August 5, 1996, each common share carries with it two-thirds of a Right (as adjusted to reflect the 1997 three-for-two stock split) to purchase additional stock. The Rights are not currently exercisable and cannot be separated from the shares unless certain specified events occur, including the acquisition of 20% or more of the common stock by a person or group, or the commencement of a tender offer for 20% or more of the common stock. In the event a person or group actually acquires 20% or more of the common stock, or if the company is merged with an acquiring person, each Right permits the holder to purchase one share of common stock for $100. The Rights expire on September 18, 2006 and may be redeemed by the company for $.01 per Right (in cash or stock) under certain circumstances.

On September 8, 1992, the board of directors authorized the company to repurchase up to 1.5 million shares of its common stock. In addition, on January 11, 1994 and February 1, 1994, the board of directors authorized the repurchase of an additional 0.5 million and 1.0 million shares, respectively. As of December 31, 1996, a total of 2,646,379 treasury shares were purchased pursuant to these authorizations. On February 19, 1997, the board of directors discontinued this stock repurchase program.

On May 19, 1997, the company's board of directors authorized a three-for-two stock split of the company's common stock in the form of a 50% stock dividend payable on June 30, 1997 to shareholders of record on June 2, 1997. As a result of the stock split, a total of 5,755,679 shares of the company's common stock were issued. All references in the financial statements to average number of common shares outstanding and related earnings per share amounts, market prices per share of common stock, and stock option plan data have been restated to reflect the split. The company also split its common stock on a 3-for-2 basis on July 2, 1996.

9. Stock Options

Effective May 22, 1995, the company's board of directors approved The Manitowoc Company, Inc. Stock Plan (the "Plan") which provides for the granting of stock options as an incentive to certain key employees. Under the Plan, stock options to acquire up to 1.125 million shares of common stock, in the aggregate, may be granted under a time-vesting formula at an exercise price equal to the market price of the common stock at the date of grant. The options become exercisable in equal 25% increments beginning on the second anniversary of the grant date over a four-year period and expire ten years subsequent to the grant date. Stock option transactions are summarized as follows:

	1997		1996		1995	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	**215,100**	**$13.45**	96,075	$11.67	–	–
Options granted	**193,650**	**$28.17**	119,025	$14.89	96,075	$11.67
Options exercised	**(3,296)**	**$(11.67)**	–	–	–	–
Options outstanding, end of year	**405,454**	**$20.49**	215,100	$13.45	96,075	$11.67
Options exercisable, end of year	**20,722**		–		–	

The outstanding stock options at December 31, 1997 have a range of exercise prices of $11.67 to $28.17 per option. The options with exercise prices ranging between $11.67 and $14.89 per option have a remaining weighted average contractual life of 8.0 years; of such shares, 20,722 shares with a weighted average exercise price of $11.67 per option are currently exercisable. Options with a weighted average exercise price of $28.17 per option have a remaining contractual life of approximately 9.4 years; of such shares, none are currently exercisable. The weighted average fair value at date of grant for options granted during 1997, 1996, and 1995 was $9.44, $4.69, and $3.26 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	1997	1996	1995
Expected life (years)	**7**	7	7
Risk-free interest rate	**6.7%**	6.8%	6.6%
Expected volatility	**27.6%**	25.4%	26.5%
Expected dividend yield	**2.3%**	2.4%	3.8%

The company applies Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized in the statements of operations. Had compensation cost been determined under an alternative method suggested by SFAS No. 123, "Accounting for Stock-Based Compensation," net income would have decreased $263, $82, and $23 in 1997, 1996, and 1995, respectively; basic earnings per share would have been $2.09, $1.48, and $.84 in 1997, 1996, and 1995, respectively.

10. Acquisitions

On October 31, 1997, the company acquired substantially all of the net assets and business operated by SerVend International, Inc. ("SerVend") from SerVend and its affiliate, Fischer Enterprises, Ltd. SerVend is one of the world's largest manufacturers of ice/beverage dispensers and dispensing valves for the soft drink industry. Its customers include many of the major quick-service restaurant chains, convenience stores, and soft-drink bottlers in the nation.

The aggregate consideration paid by the company for the net business assets of SerVend was $72,946 which includes cash acquired of $119, direct acquisition costs of $1,167, and assumed liabilities of $6,250. The purchase price paid for SerVend was subject to a post-closing adjustment based on net worth at October 31, 1997, as set forth in the Purchase Agreement. The company has recorded a receivable of $654 at December 31, 1997 relating to this adjustment. The transaction was financed through credit facilities provided under the new Credit Agreement dated October 28, 1997 (see Note 5).

The acquisition has been recorded using the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. The preliminary estimate of the excess of the cost over the fair value of the net assets acquired is $58,478, and is being amortized over an average life of 36 years. The results of SerVend's operations subsequent to the date of acquisition are included in the Consolidated Statements of Earnings for the year ended December 31, 1997.

The following unaudited information presents, on a pro forma basis, the SerVend acquisition as if it had occurred at the beginning of the year indicated:

	1997	1996
Net sales	**$587,376**	$540,698
Net earnings	**$««35,711**	$ 23,944
Basic earnings per share	**$÷÷÷2.07**	$ 1.39
Diluted earnings per share	**$÷÷÷2.05**	$ 1.38

On December 1, 1995, the company completed the purchase of the outstanding common stock of The Shannon Group, Inc. ("Shannon"). Shannon is a manufacturer of commercial refrigerators, freezers, and related products, ranging from small undercounter units to 300,000-square-foot refrigerated warehouses. Among its wide range of products, Shannon is best known for its foamed-in-place walk-in refrigeration units, wood rail walk-in units, refrigerated food-prep tables, reach-in refrigerator/freezers, and modular refrigeration systems.

The aggregate consideration paid by the company for Shannon was $127,320 which is net of cash acquired of $651, and includes direct acquisition costs of $2,671 and other assumed liabilities of $1,269.

The acquisition has been recorded using the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair value of the assets acquired and the liabilities assumed. The excess of the cost over the fair value of net assets acquired of $91,384 is being amortized over an average life of 32 years. The results of operations of Shannon subsequent to the date of acquisition are included in the Consolidated Statements of Earnings for the years ended December 31, 1997, 1996, and 1995.

The following unaudited information presents, on a pro forma basis, the Shannon acquisition as if it had occurred at the beginning of 1995:

Net sales	$436,114
Net earnings	$ 14,983
Basic earnings per share	$ .87
Diluted earnings per share	$ .87

11. Plant Consolidations and Assets Held For Sale

During the fourth quarter of 1996, the company's decision to consolidate and close walk-in refrigeration plants located in Iowa and Tennessee resulted in a $1.2 million charge to earnings in the Foodservice segment. The charge includes a write-down to the estimated net realizable values of the assets being abandoned and takes into consideration future holding costs and costs related to the sale of the properties. During 1997, $132 was charged against the reserve.

The assets currently held for sale include land and improvements, buildings, and certain machinery and equipment at the "Peninsula facility" located in Manitowoc, Wisconsin. The current carrying value of these assets, and the assets mentioned above, determined through independent appraisals, is approximately $3.8 million and is included in other assets. The future holding costs, included in accounts payable and accrued expenses and in other non-current liabilities, consist primarily of utilities, security, maintenance, property taxes, insurance, and demolition costs for various buildings. These reserves also include estimates for potential environmental liabilities on the Peninsula location. During the years ended December 31, 1997, 1996, and 1995, $35, $1,100, and $600 was charged against these reserves, respectively.

12. Contingencies

The United States Environmental Protection Agency ("EPA") has identified the company as a potentially responsible party ("PRP") under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), liable for the costs associated with investigating and cleaning up contamination at the Lemberger Landfill Superfund Site (the "Site") near Manitowoc, Wisconsin.

Approximately 150 PRPs have been identified as having shipped substances to the Site. Eleven of the potentially responsible parties have formed a group (the Lemberger Site Remediation Group, or LSRG) and have successfully negotiated with the EPA and the Wisconsin Department of Natural Resources to settle the potential liability at the Site and fund the cleanup.

Recent estimates indicate that the total cost to clean up the Site could be as high as $30 million, however, the ultimate allocation of costs for the Site are not yet final. Although liability is joint and several, the company's percentage share of liability is estimated to be 11% of the total cleanup costs. To date, the company has expensed $3.3 million in connection with this matter. There were no expenses incurred for the year ended December 31, 1997. The Company expensed $0.2 million for each of the years ended December 31, 1996, and 1995. Remediation work at the Site has been completed, with only long-term pumping and treating of ground water and Site maintenance remaining. The remaining estimated liability for this matter, included in other current and noncurrent liabilities at December 31, 1997, is $1.1 million.

As of December 31, 1997, 25 product-related lawsuits were pending. Of these, two occurred between 1985 and 1990 when the company was completely self-insured. The remaining lawsuits occurred subsequent to June 1, 1990, at which time the company has insurance coverages ranging from a $5.5 million self-insured retention with a $10.0 million limit on the insurer's contribution in 1990, to the current $1.0 million self-insured retention and $25.0 million limit on the insurer's contribution.

Product liability reserves included in accounts payable and accrued expenses at December 31, 1997 are $7.8 million; $3.6 million reserved specifically for the 25 cases referenced above, and $4.2 million for claims incurred but not reported. These reserves were estimated using actuarial methods. The highest current reserve for a non-insured claim is $0.6 million, and $0.5 million for an insured claim. Based on the company's experience in defending itself against product liability claims, management believes the current reserves are adequate for estimated settlements on aggregate self-insured claims. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and the solvency of insurance carriers.

It is reasonably possible that the estimates for environmental remediation and product liability costs may change in the near future based upon new information which may arise. Presently, there is no reliable means to estimate the amount of any such potential changes.

The company is also involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsel's evaluation of such actions, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on the consolidated financial statements.

13. Retirement and Health Care Plans

The company provides retirement benefits through noncontributory deferred profit sharing plans covering substantially all employees. Company contributions to the plans are based upon formulas contained in such plans. The company also has a defined contribution plan in which the company matches 25% of participant contributions up to a maximum of 5% of a participant's compensation. Total costs incurred were $10,371, $8,810, and $4,657 in 1997, 1996, and 1995, respectively.

The company also provides certain health care benefits for eligible retired employees. Substantially all of the company's domestic employees hired before January 1, 1990, may become eligible for these benefits if they reach a normal retirement age while working for the company and satisfy certain years-of-service requirements.

The components of the periodic postretirement health benefit cost are as follows:

	1997	1996	1995
Service cost—benefits earned during the year	**$«««260**	$ 260	$ 323
Interest cost on accumulated postretirement health benefit obligation	**1,088**	1,044	1,393
Amortization of actuarial gain	**(197)**	(136)	–
Net periodic postretirement health benefit cost	**$1,151**	$1,168	$1,716

The components of the accumulated periodic postretirement health benefit obligation at December 31, 1997 and 1996 are as follows:

	1997	1996
Retirees	**$÷8,228**	$ 8,325
Active participants	**7,484**	6,497
Unrecognized gain	**3,987**	4,633
Accumulated postretirement health benefit obligation	**$19,699**	$19,455

The health care cost trend rate assumed in the determination of the accumulated postretirement benefit obligation is 7.0% in 1997, decreases 1.0% per year to 5.0% for 1999, and remains at that level thereafter. Increasing the assumed medical trend rates by one percentage point in each year would increase the accumulated postretirement health benefit obligation by $1,978 at December 31, 1997 and the aggregate of the service and interest cost components of net periodic postretirement health benefit cost by $212 for 1997.

The discount rate used in determining the accumulated postretirement health benefit obligation is 7.25% for 1997, and 7.50% for 1996. The plan is unfunded.

It is reasonably possible that the estimate for future retirement and health care costs may change in the near future based upon changes in the health care environment or changes in interest rates which may arise. Presently, there is no reliable means to estimate the amount of any such potential changes.

14. Leases

The company leases various property, plant and equipment. Terms of the leases vary, but generally require the company to pay property taxes, insurance premiums, and maintenance costs associated with the leased property. Rental expense attributable to operating leases was $3,390, $4,474, and $7,232 in 1997, 1996, and 1995, respectively. Total minimum rental obligations under noncancelable operating leases, as of December 31, 1997, aggregated $18,580 and were payable as follows:

1998	$2,659
1999	2,038
2000	1,737
2001	1,562
2002	1,402
Thereafter	9,182

15. Business Information

The company's business units, which consist of Foodservice Equipment ("Foodservice"), Cranes and Related Products ("Cranes"), and Marine Operations ("Marine"), operate in both domestic and international markets.

Foodservice products consist primarily of commercial ice cube machines, dispensers, and related accessories, as well as commercial refrigerators and freezers. Foodservice distributes its products primarily in the United States. Foodservice products serve the lodging, restaurant, healthcare, and convenience store markets which are impacted by demographic changes and business cycles.

Cranes' products consist primarily of crawler and truck-mounted lattice boom and hydraulic cranes and excavators which serve the construction, energy, and mining industries. Cranes distributes its products worldwide, primarily in the U.S., Southeast Asia, Middle East, and Europe. Cranes' operations are tied most closely to energy and infrastructure projects throughout the world.

Marine provides ship-repair services to foreign and domestic vessels operating on the Great Lakes. Marine serves the Great Lakes maritime market consisting of both U.S. and Canadian fleets, inland waterway operators, and oceangoing vessels that transit the Great Lakes and St. Lawrence Seaway.

Information concerning the company's operations in various businesses is presented beginning on page 24. Export sales were approximately $75 million, $68 million, and $61 million in 1997, 1996, and 1995, respectively. Sales, operating losses, and identifiable assets related to foreign operations for 1997 are $15.1 million, $1.3 million, and $15.9 million, respectively.

The company is required to adopt SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in 1998. SFAS No. 131 establishes standards for the way public companies report certain information about their operating segments using a management approach for determining what segment information is to be reported. Comparative disclosure is required. The company is evaluating the extent to which its segment reporting may be affected by SFAS No. 131.

Management's Report on Consolidated Financial Statements

Company management is responsible for the integrity of this annual report's consolidated financial statements. Those statements were prepared in accordance with generally accepted accounting principles. Where necessary, amounts are based on judgments and estimates by management. All financial information in this report matches the financial statements.

The company maintains an internal accounting system designed to provide reasonable assurance that assets are safeguarded and that books and records reflect only authorized transactions.

To further safeguard assets, the company has established an audit committee composed of directors who are neither officers nor employees of the company. The audit committee is responsible for reviewing the company's financial reports and accounting practices and meets periodically with the company's independent accountants.

The company's independent accountants provide an objective examination of the company's financial statements. They evaluate the company's system of internal controls and perform tests and other procedures necessary to express an opinion on the fairness of the presentation of the consolidated financial statements.

Fred M. Butler

Fred M. Butler
President & Chief Executive Officer

Robert R. Friedl

Robert R. Friedl
Senior Vice President & Chief Financial Officer

Report of Independent Public Accountants

To The Stockholders Of
The Manitowoc Company, Inc.

We have audited the accompanying consolidated balance sheets of The Manitowoc Company, Inc. and Subsidiaries as of December 31, 1997 and 1996 and the related consolidated statements of earnings, stockholders' equity, and cash flows for the years ended December 31, 1997, 1996, and 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Manitowoc Company, Inc. and Subsidiaries as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for the years ended December 31, 1997, 1996, and 1995, in conformity with generally accepted accounting principles.

Coopers & Lybrand LLP

Coopers & Lybrand L.L.P.
Milwaukee, Wisconsin
January 26, 1998

Supplemental Quarterly Financial Information (unaudited)

The table below presents unaudited quarterly data for the years ended December 31, 1997 and 1996.

(Thousands of dollars, except per share data)

	1997				1996			
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Net sales	**$116,041**	**$144,985**	**$133,935**	**$150,903**	$114,099	$139,219	$132,042	$115,105
Gross margin	**32,008**	**41,829**	**37,354**	**41,409**	28,637	37,891	36,778	31,335
Net earnings	**6,478**	**11,929**	**9,521**	**8,495**	4,114	8,798	8,534	4,197
Per share amounts:*								
Basic earnings per share	**.38**	**.69**	**.55**	**.49**	.24	.51	.49	.24
Diluted earnings per share	**.37**	**.69**	**.55**	**.49**	.24	.51	.49	.24
Dividends per common share	**.11**	**.11**	**.11**	**.11**	.11	.11	.11	.11

*Per share data adjusted to reflect the 1997 and 1996 three-for-two stock splits.

Quarterly Common Stock Price Range

	Year Ended December 31, 1997			Year Ended December 31, 1996			Year Ended December 31, 1995		
	High	**Low**	**Close**	High	Low	Close	High	Low	Close
1st Quarter	**$40.00**	**$33.50**	**$36.13**	$33.25	$27.75	$31.50	$25.00	$21.00	$24.88
2nd Quarter	**47.50**	**34.50**	**46.75**	38.00	31.75	35.88	28.88	24.88	28.88
3rd Quarter	**39.94**	**31.69**	**35.69**	35.75	23.50	32.13	30.00	26.88	29.63
4th Quarter	**38.19**	**29.50**	**32.50**	43.88	31.50	40.50	30.63	28.13	30.63

The company's common stock is traded on the New York Stock Exchange. The share prices shown above are not adjusted for the 1997 and 1996 three-for-two stock splits.

Glossary

Financial Terms

Backlog – Firm, unfilled orders. An indicator of future sales.

Book Value – Another term for shareholder equity, most often shown on a per-share basis.

Capitalization – The total market value of a company's outstanding stock–that is, the stock price multiplied by the number of shares. Generally, the higher the market cap, the larger the company and the less volatile the stock. Manitowoc is considered a small-cap stock, having a market value of less than $1 billion.

Cash Flow – Funds generated by a company to operate the business, make capital investments, repay debt, pay dividends, repurchase stock, and make acquisitions.

Cost of Capital – A weighted average of the after-tax cost of equity and borrowed funds used to invest in operating capital for business.

Current Ratio – Current assets divided by current liabilities, an indicator of liquidity.

Economic Value-Added (EVA) – Represents the growth in economic profit from year to year.

Outsourcing – Contracting with an outside supplier to take over a function that had been performed within the company.

Price to Earnings Ratio – The price of a stock divided by its earnings per share. Also known as P/E multiple or valuation. This measure tells investors how much they are paying for a company's earnings.

Product Mix – A company that sells more than one product can have its amount of sales vary from year to year, even when the overall number of units sold remains the same. This occurs when multiple products have different sales values, or when a greater number of units with higher sales values are sold in comparison to lower-priced units.

Stock Repurchase Plan – A systematic approach in which a company repurchases its stock. The result of this action increases the percent of ownership each remaining shareholder has in the company.

Total Return – Return on an investment that includes any dividends or interest as well as price appreciation.

Industry Terms

Blast Chiller – A refrigerated structure similar to a walk-in that is specially designed to rapidly chill and/or freeze food items in compliance with safety standards established by the FDA.

Boom Truck – A hydraulic telescopic crane mounted to a commercial truck chassis. A boom truck is different than a truck crane since it can haul up to several thousand pounds of payload on its cargo deck.

Crawler Crane – Usually refers to lattice-boom cranes that are mounted on crawlers rather than a truck chassis. This method of mounting significantly reduces ground bearing pressures and enables the crane to pick-and-carry virtually any rated load.

Five-Year Survey – A thorough ship inspection and maintenance process that must be performed every five years to satisfy stringent maritime regulations developed by the U.S. Coast Guard, American Bureau of Shipping, and other regulatory agencies.

Graving Dock – An in-ground concrete structure in which ships can be constructed or repaired. Because a graving dock is equipped with pumps and watertight gates, it can be flooded so ships can float in, then be pumped dry so crews can work on those portions of the ship that are normally underwater.

Ice/Beverage Dispenser – A foodservice appliance that dispenses ice and soft drinks for self-serve applications in quick-service restaurants and convenience stores.

Kiosk – A limited-menu, walk-up, quick-service restaurant that sells various food items usually prepared off-premise.

Lattice Boom – A fabricated structure usually consisting of four chords and tubular lacings. Lattice booms are typically lighter in weight than similar-length telescopic booms. In addition, lattice booms generally provide higher lifting capacities than telescopic booms in most situations.

Luffing Jib – A fabricated structure similar to, but smaller than, a lattice boom. Mounted at the tip of a lattice boom, luffing jibs can readily adjust their angles of operation, a capability that is not possible with conventional fixed-jib attachments.

Reach-in – A refrigerated cabinet, typically used in foodservice applications, for short-term storage of perishable items at safe-keeping temperatures prior to preparation or serving.

RINGER – Manitowoc's patented heavy-lift attachment that dramatically improves the reach, capacity, and lift dynamics of the basic crane to which it is mounted.

Self-Unloading Vessel – Refers to the fleet of vessels operating on the Great Lakes that are equipped with cargo-hold conveyors and lattice discharge booms that enable these vessels to offload their bulk cargoes, such as iron ore, coal, or cement, without requiring dockside assist equipment.

Telescopic Boom – A box-section boom, composed of several overlapping sections, that is extended or retracted to a desired length by hydraulic or mechanical means.

Tug/Barge – A new form of Great Lakes bulk cargo transportation that consists of a non-powered notch barge that is pushed by a high horsepower diesel tug.

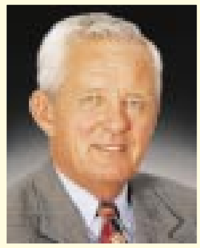
Walk-in – A large, foamed-in-place, refrigerated structure often found in restaurants that can be equipped with cooling or freezing systems for long-term storage of foodservice items prior to preparation.

Officers and Directors

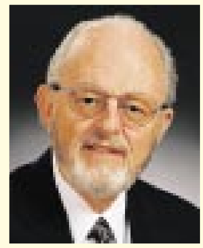
Board of Directors

Dean H. Anderson, 57, senior vice president—strategic development of ABB Vetco Gray Inc., since 1995, an oilfield equipment manufacturer headquartered in Houston, TX. Previously, president of Foster Valve Corporation (1990); president and chief executive officer of Steego Corporation (1988). Elected to Manitowoc's board in 1992. (1)

Fred M. Butler, 62, president and chief executive officer, The Manitowoc Company, Inc. Elected to board in 1990. Also a director of Gehl Company, West Bend, WI. (3)



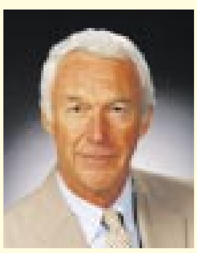
George E. Fischer, 65, former chairman and president of SerVend International, Inc., a producer of ice/beverage dispensers headquartered in Sellersburg, IN. Previously, served as president and chief executive officer of TMC Management Company (1986); former Secretary of the Governor's Executive Cabinet for the State of Kentucky (1983). Appointed to Manitowoc's board in 1998. (1)



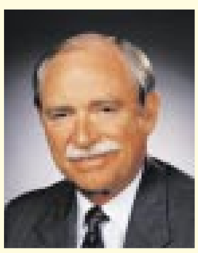
James P. McCann, 68, former vice chairman, president, and chief operating officer of Bridgestone/Firestone, Inc., a tire and rubber manufacturer headquartered in Nashville, TN. Previously, executive vice president (1989) of North American Tire for Bridgestone/Firestone, Inc.; former president and chief executive officer (1988) of Bridgestone U.S.A., Inc. Elected to Manitowoc's board in 1990. (1), (3), (4)

George T. McCoy, 78, former chairman and chief executive officer of Guy F. Atkinson Co., a diversified construction services company headquartered in San Bruno, CA. Elected to Manitowoc's board in 1986. (1), (2), (3)

Guido R. Rahr, Jr., 69, chairman of the board of Rahr Malting Co., since 1993, a producer of barley malt headquartered in Minneapolis, MN. Previously served as Rahr's chairman and chief executive officer (1987). Elected to Manitowoc's board in 1980. (1)



Gilbert F. Rankin, Jr., 65, former administrative director, College of Engineering, Cornell University, Ithaca, NY. Elected to Manitowoc's board in 1974. (1), (2), (4)



Robert S. Throop, 60, former chairman and chief executive officer of Anthem Electronics, Inc., a manufacturer/distributor of electronic products headquartered in San Jose, CA. Also a director of Arrow Electronics, Inc., Melville, NY, and The Coast Distribution System, San Jose, CA. Elected to Manitowoc's board in 1992. (1), (2), (4)

(1) Audit Committee is a committee of non-company directors who review the scope and timing of the company's audit as performed by its independent public accountants. Also reviews the company's management policies and procedures that relate to internal auditing and accounting controls.

(2) Compensation & Benefit Committee determines the compensation of the company's officers, reviews management's recommendations for compensation of other key personnel, and administers the company's EVA Plan.

(3) Executive Committee discharges certain responsibilities of the board of directors when the board is not in session. Is also charged with reviewing and making recommendations concerning proposed corporate transactions.

(4) Nominating Committee develops the specifications and methodology for identifying and selecting candidates for the position of chief executive officer of the company.

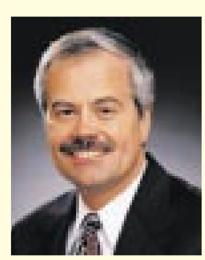
Officers

Fred M. Butler, 62, president and chief executive officer since 1990. Previously, senior vice president and chief operating officer (1989); and manager of administration (1988). Prior to joining Manitowoc, Mr. Butler served Guy F. Atkinson Co., and its subsidiaries, for 29 years in numerous managerial and executive positions.

Robert R. Friedl, 43, senior vice president and chief financial officer since 1996. Previously, vice president and chief financial officer (1992); vice president of finance (1990); and assistant treasurer (1988). Prior to joining Manitowoc, Mr. Friedl served as chief financial officer with Coradian Corp., and was co-founder, vice president of finance, and treasurer of Telecom North, Inc.

E. Dean Flynn, 56, secretary since 1993. Previously, assistant corporate secretary (1987); manager of corporate insurance (1990); and legal assistant (1985). Formerly served the Wabco division of Dresser Industries, Inc., in numerous managerial positions for 23 years, departing as manager of legal affairs in 1985.

Philip D. Keener, 46, treasurer since 1990. Prior to joining Manitowoc, Mr. Keener served as assistant treasurer of Farley Industries, Inc., and in various financial capacities at Northwest Industries, Inc.



Thomas G. Musial, 46, vice president-human resources since 1995. Previously, manager of human resources (1987) and personnel/industrial relations specialist (1976).

Philip L. FitzGerald, 51, vice president international business development since 1997. Previously, general manager of The Shannon Group (1996). Prior to joining Manitowoc, Mr. FitzGerald served as president of Bridgestone/Firestone Manufacturing Co.; vice president of manufacturing of Bridgestone U.S.A.; and international operations manager for Fort Howard Corporation.

Corporate Headquarters
The Manitowoc Company, Inc.
500 South 16th Street
P.O. Box 66
Manitowoc, WI 54221-0066
Telephone: 920-684-4410
Telefax: 920-683-8129

Independent Public Accountants
Coopers & Lybrand L.L.P.
411 East Wisconsin Avenue
Milwaukee, WI 53202

Stock Transfer Agent and Registrar
First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, NJ 07303-2500

Annual Meeting
The annual meeting of Manitowoc shareholders will be held at 9:00 am, CDT, Tuesday, May 5, 1998, on the third floor of the company's corporate offices at 500 South 16th Street, Manitowoc, WI. We encourage shareholders to participate in this meeting in person or by proxy.

Stock Listing
Manitowoc's common stock is traded on the New York Stock Exchange and is identified by the ticker symbol MTW. Current trading volume, share price, dividends, and related information can be found in the financial section of most daily newspapers.

Quarterly common stock price information for our three most-recent fiscal years can be found on page 38 of this annual report.

Manitowoc Shareholders
On December 31, 1997, 17,269,175 shares of Manitowoc common stock were outstanding. At such date, there were 2,464 shareholders of record.

Form 10-K Report
Each year, Manitowoc files its Annual Report of Form 10-K with the Securities and Exchange Commission. Most of the financial information contained in that report is included in the Annual Report to Shareholders.

A copy of Form 10-K, as filed with the Securities and Exchange Commission for 1997, may be obtained by any shareholder, without charge, upon written request to:

E. Dean Flynn, Secretary
The Manitowoc Company, Inc.
P.O. Box 66
Manitowoc, WI 54221-0066

Dividends
Common stock dividends are usually considered in conjunction with quarterly meetings of Manitowoc's board of directors.

Dividend Reinvestment And Stock Purchase Plan
The Dividend Reinvestment and Stock Purchase Plan provides a convenient method to acquire additional shares of Manitowoc stock through the investment of quarterly dividends. Shareholders may also purchase shares by investing cash as often as once a month in varying amounts from $10 up to a maximum of $60,000 each calendar year.

Participation is voluntary, and all fees associated with stock purchases under these plans are paid for by Manitowoc.

To receive an information booklet and enrollment form, please contact our stock transfer agent and registrar, First Chicago Trust Company of New York.

Investor Inquiries
Security analysts, portfolio managers, individual investors, and media professionals seeking information about Manitowoc are encouraged to contact the following:

Analysts & Portfolio Managers:
Robert R. Friedl, Senior Vice President & CFO
Telephone: 920-683-8136
Telefax: 920-683-8138

Media Inquiries:
Steven C. Khail, Corporate Communications Manager
Telephone: 920-683-8128
Telefax: 920-683-8138

General Inquiries:
Joan Risch, Shareholder Relations
Telephone: 920-683-8150
Telefax: 920-683-8138

Quarterly Earnings
Manitowoc is planning to announce its quarterly earnings for calendar 1998 according to the following schedule:

1st Quarter – April 9, 1998
2nd Quarter – July 13, 1998
3rd Quarter – October 12, 1998
4th Quarter – January 26, 1999

Join MTW on the Internet
Manitowoc provides a variety of information about its businesses, products, and markets at its website address:
http:\\www.manitowoc.com

Equal Opportunity
Manitowoc believes that a diverse workforce is required to compete successfully in today's global markets. The company provides equal employment opportunities in its global operations without regard to race, color, age, gender, religion, national origin, or physical disability.

Manitowoc's 1997 annual report is printed on recycled and recyclable paper using soy-based inks.

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