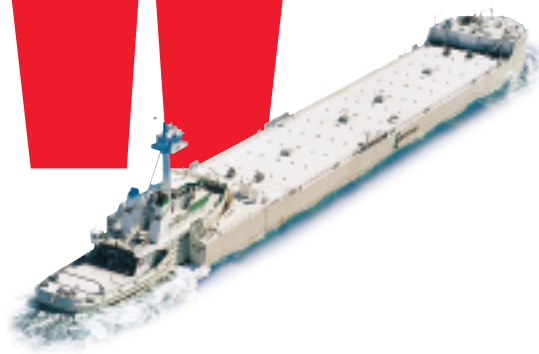




WHAT'S NEW



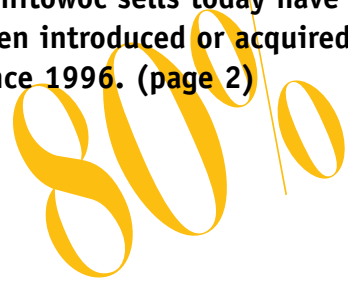
**In the past
four years,
Manitowoc has
transformed
itself with
new products,**

WE ARE

**new markets,
new standards
of performance,
and new
opportunities
for growth.**

New Products

Eighty percent of the products Manitowoc sells today have been introduced or acquired since 1996. (page 2)



In 1998, the Q Series was a major factor in boosting our ice machine sales by 20%. (page 10)

The new 777T truck crane, introduced in 1998, brings our market-leading lattice-boom crane technology to a new segment of the heavy construction and crane-rental markets. (page 16)



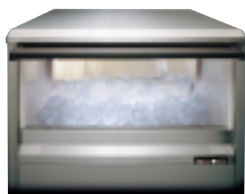
New self-unloading and ballasting systems will enhance the efficiency and performance of the Great Lakes fleet and provide new opportunities to expand our market-leading ship repair and maintenance business. (page 22)

New Markets

Since 1995, new products, acquisitions, and strategic alliances have dramatically expanded the size of the markets we serve. (page 7)



Acquisitions and joint ventures, including the 1998 purchase of a 50% interest in an Italian ice-machine manufacturer, give our foodservice group the resources to better serve global customers. (page 12)



The 1998 acquisition of USTC coupled with new product introductions by Manitex have made us one of the top suppliers of boom trucks. (page 16)



A new tank-barge contract expands our shipbuilding market beyond the Great Lakes. (page 22)



New Standards of Performance

Vision 2000 goals achieved nearly two years ahead of schedule			
	1998	1999	2000
80% of sales from new products since 1996	Achieved		
EVA accretive annually in all business segments	Achieved		
\$800 million in sales		Expect to Achieve	
Non-marine operations ISO-certified		Expect to Achieve	
25% of sales from international markets			Efforts Ongoing

Since 1995, we have added more than \$65 million in value to the company, based on EVA principles. (page 1)

In 1998, SerVend was one of three companies in the small business category to receive a site visit for the prestigious Malcolm Baldrige National Quality Award.

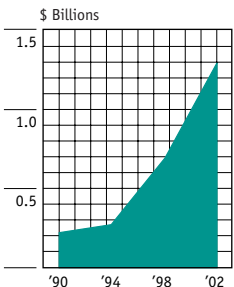


Since 1995, the majority of our non-marine operations have been certified to ISO 9001 standards.

ISO 9001

New Opportunities for Growth

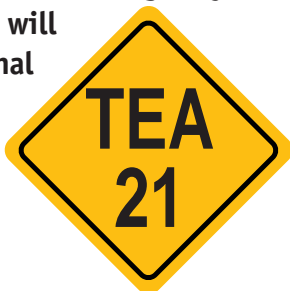
By the end of 2002, we plan to generate sales of \$1.3 billion. (page 3)



With the broadest and most innovative line of products in the foodservice industry, we can offer restaurants, convenience stores, and other foodservice customers high-value, single-source solutions to their food- and beverage-cooling requirements. (page 10)



Over the next five years, the new \$217 billion Federal Highway Bill, TEA-21, will spur additional boom truck and crane purchases. (page 16)



High traffic levels will increase pressure to modernize or upgrade the existing Great Lakes shipping fleet. (page 22)



Contents

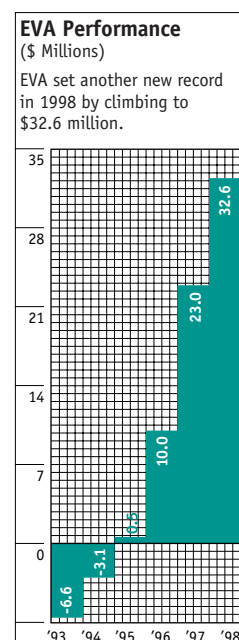
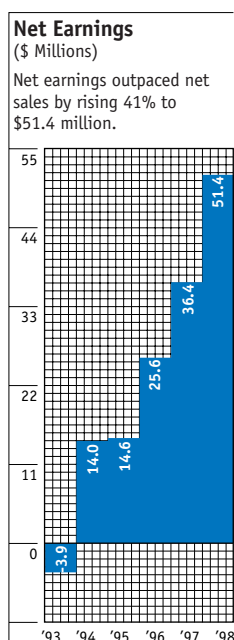
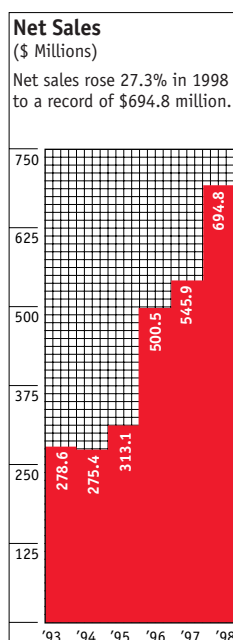
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Financial Highlights

		For the Years Ended December 31		
Thousands of dollars, except current ratio, shares, per share, return, employee, and shareholder data		1998	1997	Percent Change
For The Year	Net sales	\$694,822	\$545,864	27.3
	Earnings from operations	\$ 92,620	\$ 64,975	42.6
	Net earnings	\$ 51,380	\$ 36,423	41.1
	Net earnings as a percent of sales	7.4%	6.7%	10.4
Financial Position	EVA™ (Economic Value-Added)	\$ 32,606	\$ 23,032	41.6
	Total assets	\$481,014	\$396,368	21.4
	Working capital	\$ (7,235)	\$ (25,296)	(71.4)
	Current ratio	0.96	0.85	12.9
	Stockholders' equity	\$172,552	\$128,618	34.2
	Average shares outstanding	17,288,237	17,267,121	0.1
Per Share	Net earnings (basic)	\$ 2.97	\$ 2.11	40.8
	Net earnings (diluted)	\$ 2.95	\$ 2.09	41.1
	Dividends paid	\$.45	\$.45	—
	Net book value	\$ 9.97	\$ 7.45	33.8
Other Information	Property, plant and equipment—net	\$ 93,583	\$ 91,191	2.6
	Capital expenditures	\$ 11,678	\$ 12,040	(3.0)
	Depreciation	\$ 9,729	\$ 8,318	17.0
	Return on invested capital ⁽¹⁾	17.9%	16.9%	5.9
	Return on equity	29.8%	28.3%	5.3
	Return on assets	10.7%	9.2%	16.3
	Number of employees	3,305	3,086	7.1
	Number of shareholders	2,633	2,464	6.9

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

⁽¹⁾Equals an EVA measurement of operating profit after-tax divided by invested capital.



Proven, and improving...

- Record revenues of \$695 million, up 27%
- Record earnings of \$51 million, up 41%
- Record EVA of \$33 million, up 42%

Dear Fellow Shareholders:

What's new at Manitowoc? Plenty. New products are generating record sales. New acquisitions and joint ventures are giving us the range of solutions and global presence required to serve our customers. New advances in quality and productivity continue to reduce costs and improve customer satisfaction. We're energetically preparing to capitalize on new opportunities. We are achieving new levels of financial performance.

Nineteen ninety-eight was another year of record growth. Two years ahead of schedule we have reached most of the objectives that our former president and CEO, Fred Butler, set for the year 2000.

- We have added to the economic value of all of our business segments for the past three years.
- We already are producing 80% of our sales and earnings from products acquired or introduced since 1996.
- With 1998 revenues of \$695 million, we expect to reach our goal of \$800 million in sales a year earlier than planned.
- Not counting some of our most recent acquisitions, most of our major non-marine businesses already have been certified to ISO 9001 quality standards.
- Only our international growth has not exceeded our expectations. A difficult economic environment in the Asia-Pacific region has slowed our progress. But we still expect to

approach our year 2000 goal of \$200 million in sales and \$75 million in manufacturing outside the United States.

Now, the question is, what's next? We'll build on our proven strategies and strengths—we know they work. And we'll continue to improve our performance.

The opportunities have never been better. We enjoy the advantages of leadership in all three of our primary businesses. As our customers constantly seek to increase productivity, lower costs, and improve service, we can deliver the products they need to reach those goals, and we can do it faster and more efficiently than ever before. At a time when many companies are consolidating suppliers, the service and support capabilities we have built—and our ability to listen to our customers—differentiates us from our competitors. As national and regional markets evolve into a single, global economy, we are becoming a truly global company, with the resources to serve our customers wherever they do business.

Innovation, inside and out

To capitalize on these exciting opportunities, we're innovating inside our operations and out. One example is our new Q Series ice machines, which were introduced in 1997. Based on direct customer input, the Q Series combines a breakthrough design with European styling to deliver ice more reliably at a lower cost. Our new 777T 220-ton capacity truck crane accounted for half of all sales in its class even



before it entered full production. Meanwhile, Manitowoc Cranes' investment in new manufacturing technology is reducing the amount of time and labor required to produce key components and affords us the flexibility to build to our customers' schedules.

Since 1995, acquisitions and joint ventures have more than doubled the size of the markets we serve, and we'll continue to acquire well-managed companies that offer us access to new technology or markets. Our 1997 acquisition of SerVend demonstrates the success of that strategy. Combining our ice machines and SerVend's ice/beverage dispensers has dramatically increased the sales of these products while costs have been reduced. We expect the acquisitions we made in 1998 to be equally productive. Our acquisition of Purchasing Support Group, which provides parts and accessories for beverage dispensing systems, brings us closer to our goal of providing one-stop shopping for food- and beverage-cooling systems. Our acquisition of USTC, which manufactures boom trucks, rough-terrain forklifts, and material-handling equipment, gives us one of the top positions in the boom-truck market and expands our product lines.

We're preparing for a global economy. In China, our joint venture ice machine company reported its first profitable year in only its fourth year of operation. Our acquisition of a 50% interest in an Italian ice machine company gives us a manufacturing presence in Europe as well as a line of ice machines designed for European markets and developing countries. In India, a new strategic partner will soon begin producing walk-in refrigerators under license.

Quality as a way of life

We have transformed quality from a buzzword to a way of life, and it has dramatically improved our performance and reduced our costs. We expect to make even greater gains, both in quality and productivity, in the months ahead. Our ice machine business is now beginning to adopt demand flow manufacturing that will decrease cycle times and space requirements, improve inventory turns, enhance quality, and allow for more flexible production.

Manitowoc is stronger than at any time in its history, and while our success depends on teamwork, no one deserves more credit than Fred Butler, who retired in June. Having had the pleasure of working with Fred for the past four years, I know how much his vision, balanced perspective, and commitment to building value contributed to our success. We wish him the very best.

We expect good things to happen in 1999. In our foodservice business, favorable demographic trends, increasing international demand, and even stronger relationships with key customers, combined with more new products, will help keep sales strong. In our crane business, innovative engineering, a solid domestic economy, and a new highway bill are driving a wave of replacement purchases that shows little sign of weakening. Our marine business already has the leading position in the Great Lakes. Now we are beginning to serve customers elsewhere, while we develop the technology and expertise to modernize or replace the aging Great Lakes fleet.

We are setting—and working hard to reach—even more ambitious goals. By the end of the year 2002, we expect our sales to total \$1.3 billion. Strategic acquisitions will build our markets and strengthen all of our businesses. Each of our businesses, except our marine business, will be ISO certified. More than three-quarters of our sales will come from products or acquisitions we do not have today. We will create even greater value for our customers, shareholders, and employees.

A handwritten signature in dark ink, appearing to read "Terry D. Growcock".

Terry D. Growcock
President & Chief Executive Officer

A Conversation with Terry Growcock

Terry Growcock became Manitowoc's president and CEO in July, 1998, after serving as president of Manitowoc's Foodservice Group since 1995. Recently, he answered some of the most frequently asked questions about the company, its strategies, and its plans for the future.

Q. At a time when many companies are focusing their operations on a single market or line of business, Manitowoc operates in three diverse industries. Why?

A. All three businesses work for us. We know them well, they are all well managed, and they all return a solid profit. And like a three-legged stool, we're stable. While our crane business is performing extremely well, 60% of our sales are generated by our foodservice and marine operations, which aren't as cyclical. Our foodservice business produces steady growth that could help cushion the company if the crane business does experience a cyclical decline in its markets—not that we see that happening any time soon. Our marine business is one of the most capable and profitable in the United States and produces a predictable stream of earnings well in excess of its own capital requirements.

Does that mean that we'd never consider changing the mix? We don't anticipate any changes in the foreseeable future, but we should never say never. Our only permanent commitment is to increase value for shareholders. That is our reason for being.

Q. Manitowoc is managed according to Economic Value-Added, or EVA, principles. How does that contribute to the company's success?

A. EVA is technically complex, but it's based on a simple proposition: that the money it takes to run a business has a price, just as the money you borrow with a credit card does. EVA tells you how much value you create after deducting for the cost of your capital, whether it is used for acquisitions, new production, or any other purpose. We compensate senior executives and the majority of our salaried employees according to EVA principles, because it makes you think like an owner of the business. And it's not just a matter of reducing costs—EVA is a tool for growth. Our improved utilization of capital, higher sales, and improved margins all are a direct result of applying EVA.

Q. You became president and CEO in July. What's new with you in charge?

A. People can expect more of the same, but at a faster pace. What we've been doing over the past five years works, but it's like the Indy 500—to win, you have to keep going faster every year. We have to keep the pedal to the metal while we make sure that we don't hit the wall or get tangled up with those who do. EVA helps give us the discipline needed to stay in control.

Q. What would you like Manitowoc's employees to know?

A. Growth creates opportunity, at every level of the company. You can see that most clearly in our marine business—our new contract to build a tank barge for use by Mobil Oil enables us to offer long-term, full-time employment, not just winter-season repair work, to 250 people. We're likely to hire some additional workers too.

To continue to grow, we need to practice quality—it's fundamental to reaching our

goals. I don't mean just in terms of implementing quality programs, although those are important, but in thinking about and caring about what you do. Quality means working with your head and your heart as well as your hands. In all three of our businesses, it will make us unbeatable.

Q. What are your priorities for 1999?

A. We'll assimilate the acquisitions we made in 1998 and capitalize on the synergies they have with our existing businesses. We're going to set a schedule for certifying the remainder of our non-marine businesses to ISO standards. We're going to continue to fill the gaps in our product lines through new product development, joint ventures, or acquisitions. We'll be introducing a number of exciting new products, including the largest crane we have ever built, and another point-of-use ice machine concept. Early in the year, we'll complete our preparations to handle the Y2K millennium bug, so we can spend the remainder of the year testing the work.

Q. What are your concerns moving forward?

A. First, we have more opportunities than we have the resources to address them. The challenge is to use EVA principles and feedback from our markets to prioritize our actions so we can achieve the most for our investments and hard work.

Second, whether it arrives or not, we have to prepare for an economic slowdown. We have to be able to adjust our businesses to weaker market conditions and get ready to take advantage of the opportunities that will appear. We're making progress. All of our businesses have profit assurance plans that should help us continue to create value even if our sales

fall significantly from current levels. The consolidation of our businesses, greater outsourcing of non-core activities, and continuing efforts to improve our productivity will make us even stronger.

Last, but certainly not least, we have to make sure that we hear the voice of our customers. The success of our Q Series ice machines rests squarely on our understanding of our customers' needs and our ability to bring all of our resources—marketing, engineering, manufacturing, and service—together to meet those requirements. It's a model for profitable growth across all of our businesses. We'll listen to our customers, we'll give them solid reasons to buy our products, and we'll set ourselves apart.

Q. Why invest in Manitowoc?

A. Our performance, our vision, and our growth. We're a leader in sales, quality, and innovation in all three of our businesses. While our markets are diverse, they all share good prospects for the future. What's more, we know where we want to go. Year after year, we have proven our ability to set and reach ambitious goals through the internal development of our businesses and through acquisitions. As our sales show, we are delivering superior value to our customers, and as our earnings show, we're doing the same for our shareholders. We do what we say we'll do!



USTC "Tailgator" rough-terrain forklift

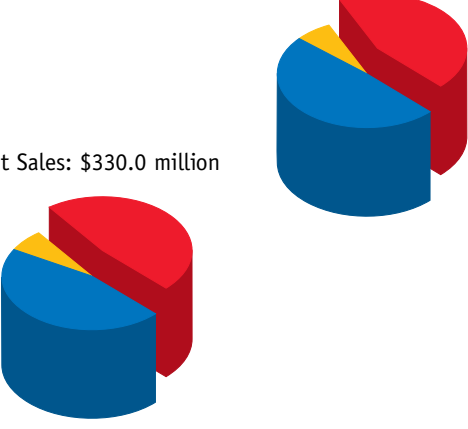
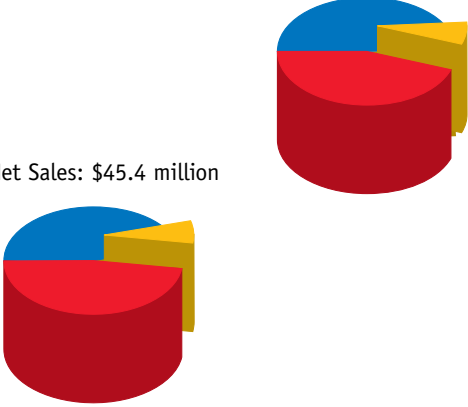


Manitowoc
At A Glance

Mission Statement:
Our mission is to continuously create value for our shareholders, employees, and customers by focusing our talents, energies, and resources to develop innovative, industry-leading products and services that reflect our core strengths and capabilities.

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/beverage dispensers, soft-drink dispensing valves, and commercial refrigeration equipment for the foodservice, lodging, convenience store, beverage, and bottling industries. It holds the number one position in high-capacity, lattice-boom crawler cranes for heavy construction, energy-related, duty-cycle, dockside, and crane-rental

applications and is one of America's leading producers of boom trucks and related material-handling equipment. Manitowoc is also the dominant provider of ship repair, conversion, and new construction services for the Great Lakes maritime industry.

Business Segment	1998 Results	Products & Services	Markets Served	Primary Competition	Key Advantages	Industry Outlook
Foodservice Equipment: Manitowoc Ice, Inc. Hangzhou Wanhua Refrigeration Co. Fabbrica Apparecchiature per la Produzione di Ghiaccia S.r.l. SerVend International, Inc. Kolpak Kolpak Manufacturing Co. McCall Refrigeration	<p>Operating Earnings: \$53.0 million</p> <p>Net Sales: \$319.5 million</p> 	<p>Commercial ice-cube machines, ice storage bins, ice/beverage dispensers, walk-in refrigerator/freezers, reach-in refrigerator/freezers, refrigerated undercounters and food prep tables, private label residential refrigerator/freezers, post-mix beverage dispensing valves, compressor racks, modular refrigeration systems.</p> <p>Brand Names Manitowoc, Kolpak, SerVend, McCall, Monogram, Flomatic, Compact, Icetronic, RDI</p>	<p>Foodservice, lodging, hospitality, health care, convenience stores, institutions and industry; soft-drink bottling and dispensing; commercial ice service.</p>	<p>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</p>	<ul style="list-style-type: none">■ Broad-line manufacturer with multi-national manufacturing and distribution.■ Largest domestic share of commercial ice-cube machine and foamed-in-place, walk-in refrigerator/freezer markets.■ Low-cost producer of commercial ice-cube machines and walk-in refrigerator/freezers.■ Recognized as the industry leader in ice-cube machine technology and innovation.■ Manufacturing operations in North America, Europe, and Asia.■ 80 distributors in 70 countries.	<ul style="list-style-type: none">■ Foodservice sales expected to reach \$354 billion by 1999 according to the National Restaurant Association.■ U.S. consumers eat one of every 2.5 meals away from home.■ Annual foodservice equipment growth is forecast at 3% in 1999 due to:<ul style="list-style-type: none">– an increasing international demand;– growth in the replacement and kiosk markets;– continuing growth of the U.S. economy.■ One out of every four U.S. retail outlets is an eating or drinking establishment.
Cranes and Related Products: Manitowoc Cranes, Inc. Manitex, Inc. USTC, Inc. Femco Machine Company Manitowoc Remanufacturing, Inc.	<p>Operating Earnings: \$48.1 million</p> <p>Net Sales: \$330.0 million</p> 	<p>Crawler- and truck-mounted lattice-boom cranes; hydraulically powered, telescopic boom trucks, rough-terrain forklifts, and material-handling equipment; crane rebuilding and remanufacturing services; aftermarket replacement parts for cranes and excavators; industrial repair and rebuilding services for metal-forming, scrapyard, and recycling equipment.</p> <p>Brand Names Manitowoc, Manitex, USTC, Femco</p>	<p>Heavy construction, general contracting, light commercial construction, energy exploration and production, infrastructure, equipment rental, duty-cycle, dockside, dredging, industrial, utility services, oilfield services, and material-handling applications.</p>	<p>Hitachi Construction Machinery Co. Kobelco Liebherr-Werk Ehingen Mannesman Dematic National Crane Sumitomo/Link-Belt Terex</p>	<ul style="list-style-type: none">■ Industry leader in new product development.■ First to offer easily mobilized, self-assembling, high-capacity, lattice-boom cranes.■ 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.■ All products backed by responsive worldwide parts and service support.■ Manitowoc cranes command the industry's highest resale value.	<ul style="list-style-type: none">■ U.S. construction equipment sales are expected to increase 9% in 1999 over 1998 according to CIMA's Outlook Survey.■ The federal highway bill, TEA-21, will fund \$217 billion of highway, interstate, and infrastructure construction during the next five years.■ Total U.S. construction put-in-place is expected to reach \$525 billion in 1999.■ The average high-capacity lift-crane is more than 25 years old and is technologically obsolete.■ An active replacement cycle affecting over 15,000 cranes has recently begun in North America.
Marine Operations: Bay Shipbuilding Co. Toledo Shiprepair Co. Cleveland Shiprepair Co.	<p>Operating Earnings: \$7.0 million</p> <p>Net Sales: \$45.4 million</p> 	<p>Inspection, maintenance, and repair of freshwater and saltwater vessels. 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 conversion services; plus automated cargo/ballasting systems. Also provides industrial repair and maintenance services for refineries, petrochemical facilities, power plants, and heavy industrials.</p>	<p>Great Lakes maritime market, both U.S. and Canadian fleets; inland waterway operators; and ocean-going vessels that transit the St. Lawrence Seaway and Great Lakes.</p>	<p>Fraser Shipyards, Inc. H. Hansen Industries Metro Machine Co. Port Weller Drydocks</p>	<ul style="list-style-type: none">■ 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.■ Operates the best-equipped facilities with the most experienced workforce of any U.S. Great Lakes shipyard.	<ul style="list-style-type: none">■ Continued increase in demand for ship repair, maintenance, conversion, and new construction services driven by:<ul style="list-style-type: none">– continued high utilization of the existing fleet;– lengthening of shipping season;– requests to automate the existing Great Lakes fleet to reduce shore time and operate more efficiently;– an aging Great Lakes fleet.

Key
■ Foodservice
■ Cranes
■ Marine

KOLPAK

Kolpak Walk-in Refrigerator

Location: Rowley, Massachusetts

Customer:
Off the Vine

Significance: Custom-designed walk-in refrigerator to serve the food storage and beverage cooling needs of this 3,500 sq. ft. gourmet deli.



What's New in Foodservice

- New Q Series ice machines have enabled Manitowoc Ice to capture greater market share, both domestically and internationally.
- Since introducing its Gen II drop-in drink dispenser in September, SerVend saw its sales of this equipment triple by year's end.
- The GE line of Monogram residential refrigerator/freezers, built by Kolpak Manufacturing, gained broader appeal and market share following the 1998 introduction of a new bottom-mount unit.

In Manitowoc's Foodservice segment, new products equal success in the marketplace. Designed with the help of the people who use them, the company's latest offerings deliver the efficient performance and bottom-line savings that restaurants, convenience stores, and other customers need to justify investing in new equipment.

Many of our new products are engineered to make work easier, a key advantage at a time of labor shortages in the foodservice industry. For example, McCall's new line of food prep equipment enables workers to handle frozen

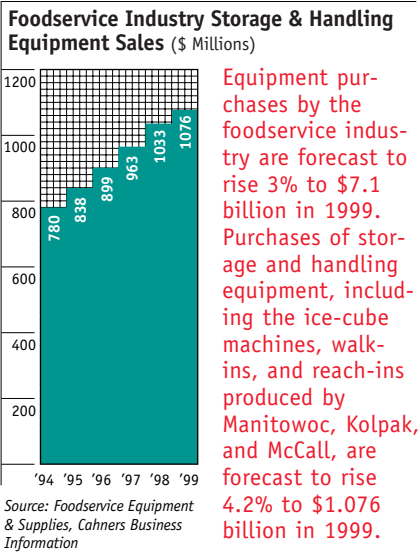
and non-frozen foods at the same workstation, thereby saving time and valuable kitchen space. In addition, McCall's entire line of reach-in refrigerator/freezers has been designed, sized, and configured to store an entire day's supply of refrigerated ingredients at the most convenient location within the kitchen. Not only does this facilitate food preparation, it increases kitchen efficiency and ensures all food items are safely stored in a high quality, fast recovery environment.

Q Series ice machines feature our patented self-cleaning and sanitizing technology as well as a number of ergonomic innovations that

simplify their maintenance, performance, and operation.

Other improvements help customers reduce the costs of building and running their facilities. A new, patented, point-of-use ice machine uses a roof-mounted cooling system to de-

liver ice where it's needed most—behind the counter, at drive up windows, in the dining area, or in all three locations. Built like mobile homes, Kolpak's expanded line of Express® walk-in refrigerator/freezers can be delivered to a customer's site, be installed, and put to work in four hours or less.



Equipment purchases by the foodservice industry are forecast to rise 3% to \$7.1 billion in 1999. 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 4.2% to \$1.076 billion in 1999.



Manitowoc
Q Series

Q210 Undercounter Ice Machine

Location: Yorktown Mall,
Lombard, Illinois

Customer:
Caribou Coffee

Significance: Ideal for kiosk and food court applications, Manitowoc's Q210 ice machine quickly captured a leading position in its size range following its 1998 introduction.

**Serving the
Convenience Store
Industry With
Innovative
Solutions in
Ice/Beverage
Equipment**

We've been equally effective in saving time and driving down costs inside our operations. Acquisitions have brought economies of scale in everything from engineering and purchasing to advertising and trade shows. Manufacturing operations have been consolidated to make the best use of our combined resources and concentrate our expertise. We also are spreading our best practices in safety, quality, engineering, purchasing, and other disciplines across the entire organization. The demand flow manufacturing practices now being implemented will increase inventory turns, decrease production cycles, and reduce floor space requirements at several of our foodser-

Mobil Oil Corporation's "On the Run"® convenience store operation includes over 300 locations throughout the United States and features SerVend ice/beverage dispensing equipment.

vice manufacturing operations.

Our growing size and scope benefit customers as well.

With a range of products that encompasses ice cube machines and dispensers, walk-in refrigerator/freezers, reach-in refrigerator/

freezers, ice-beverage dispensers, soft-drink dispensing valves, and refrigerated warehouse panel systems, we can supply restaurants and convenience stores nearly everything for the "cold side" of their facilities. Customers can find single-source solutions to their needs, simplified ordering and maintenance, plus uniform pricing and warranties, wherever they do business around the world. Customers also benefit from our market-leading service and support. In 1998, we trained approximately 13,000 technicians, sharing information about service and maintenance, while also collecting feedback from customers on the design and performance of our products.

We'll continue to grow. Our 1998 acquisition of F.A.G. of Milan, Italy, gives us a new line of lower capacity ice machines that are popular throughout Europe and in other markets where people use less ice than they do in North America.

A new alliance with Blue Star, a foodservice equipment manufacturer in India, will begin producing walk-in refrigerators and freezers in 1999 which will help us establish a stronger presence in Asia and the Middle East.

In short, we're giving our customers a world of reasons to choose Manitowoc.

SerVend
MDH 302

SerVend MDH-302 Ice/Beverage Fountain System

Locations: Over 300 Mobil "On the Run" locations throughout the United States.

Customer:
Mobil Oil Corporation

Significance: With more consumers preferring post-mix beverages, SerVend is uniquely positioned to supply the ice/beverage dispensing equipment that convenience stores like Mobil's "On the Run" concept require.





Manitowoc
2250

Manitowoc 2250 Series-3 Liftcrane

Location/Project: New Orleans, Louisiana/Construction of a new, 22,000-seat, \$80-million domed sports arena.

Customer:
Derr
Construction Co.

Significance: Manitowoc's 2250 was the only crane capable of erecting four 128-ton box girders at heights to 150' for the stadium's clear-span roof.

What's New
in Cranes

■ Manitowoc's new 220-ton 777T lattice-boom truck crane, which is easily roadable throughout North America, can be erected without the aid of an assist crane and be ready to work in a matter of hours.

■ Our 1998 acquisition of USTC gives us an even stronger position in the boom-truck market by providing customers with the industry's most complete range of products backed by outstanding service and support.

■ During 1998, Manitex continued its aggressive program of new product introductions

by launching the Model 22101S, the highest capacity boom truck ever mounted on a single rear-axle chassis, and the 38-ton Model 38100S, the highest capacity boom truck

in the Manitex "S" Series fleet.

Our cranes are designed for today's requirements—and tomorrow's. Engineers have recognized the advantages of assembling large structural components on the ground and then lifting them into place and are demanding

cranes with greater capacity. We're responding with the Model 21000, the largest mobile crane we have ever built, with a capacity of 1,000 tons. As a new \$217 billion, five-year highway bill spurs the construction of roads, bridges, and mass transit systems, contractors are looking for reliable boom trucks and crawler cranes that can help them compete for, and complete, new projects. Our new cranes, including the 300-ton Model 2250, feature faster set-ups, easier operation, and lower maintenance costs to help contractors and crane rental companies save time, control expenses, and earn more

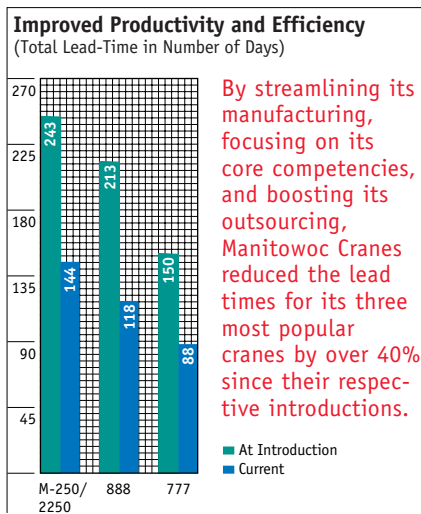
from their investments.

Features that once were optional on our boom trucks have now become standard, allowing us to streamline production, cut our costs, and add the new benefits without raising prices.

Engineers at Manitex and USTC also have proven themselves adept at meeting highly specialized require-



The Manitowoc 222 liftcrane offers an ideal combination of performance features and quick mobilization that will make it a popular choice on TEA-21 projects.



Manitowoc
777

Manitowoc 777 Liftcrane

Location/Project: Salt Lake City, Utah/
Interstate 15 Reconstruction

Customer:
Wasatch Constructors,
a joint venture of
Peter Kiewit Sons', Inc.,
Granite Construction Co.,
and MK Washington.

Significance: Recognized as the largest design/build project of its kind in U.S. history, the \$1.5-billion I-15 reconstruction effort, which is served by nine Manitowoc cranes including this Model 777, will be completed prior to the 2002 Winter Olympic Games.



New Products
Push Crane
Sales to
New Heights

ments, such as the rear-mount Model 938S line truck which was developed expressly for oil field applications.

The bottom-line benefits we offer—to all our customers—are driving a new wave of replacement purchases. And, we’re positioned to capitalize on the growing demand. In the past three years, delivery times for our large cranes have been cut nearly

in half. Outsourcing entire component packages, such

as engines and cabs, breaks production bottlenecks, increases throughput, and allows us to utilize our workers for higher value-added work. New production technologies, including a laser lacing cutter, new CNC machine tools, and advanced painting systems, are dramatically reducing production cycle times. In addition, blending the support and administrative operations of West Manitowoc into Manitowoc Cranes and reconfiguring the production operations at USTC will bring even greater economies and efficiencies.

These improvements, coupled with the consolidation of our large-crane operation, have increased sales per employee at

Manitowoc Cranes to almost \$350,000, more than three times higher than they were in 1994. Not only has this established Manitowoc Cranes as the industry’s low-cost producer, it helps position us to weather any future downturns in the industry. Our leadership in both cost and quality, across our product lines, makes us the best choice for customers interested in achieving long-term success and growth. Outstanding sales and service enhanced with a replacement parts policy that promises fast shipments and reasonable prices help guarantee high levels of customer satisfaction—and repeat business.



Trolley booms built by USTC provide a quick and effective means to handle brick, block, precast pipe, and other construction materials.

Increasingly, our customers are global. As customers in North America purchase new equipment, we are helping place their older cranes in foreign markets. At the same time, we’re serving large customers such as heavy construction contractors with cranes that are easier to transport, mobilize, and maintain than the models they replace. We’ll be there for our customers, wherever they do business.

Manitex
38100S

Manitex 38100S Boom Truck

Location/Project: Georgetown, Texas/Holiday Inn Express Motel

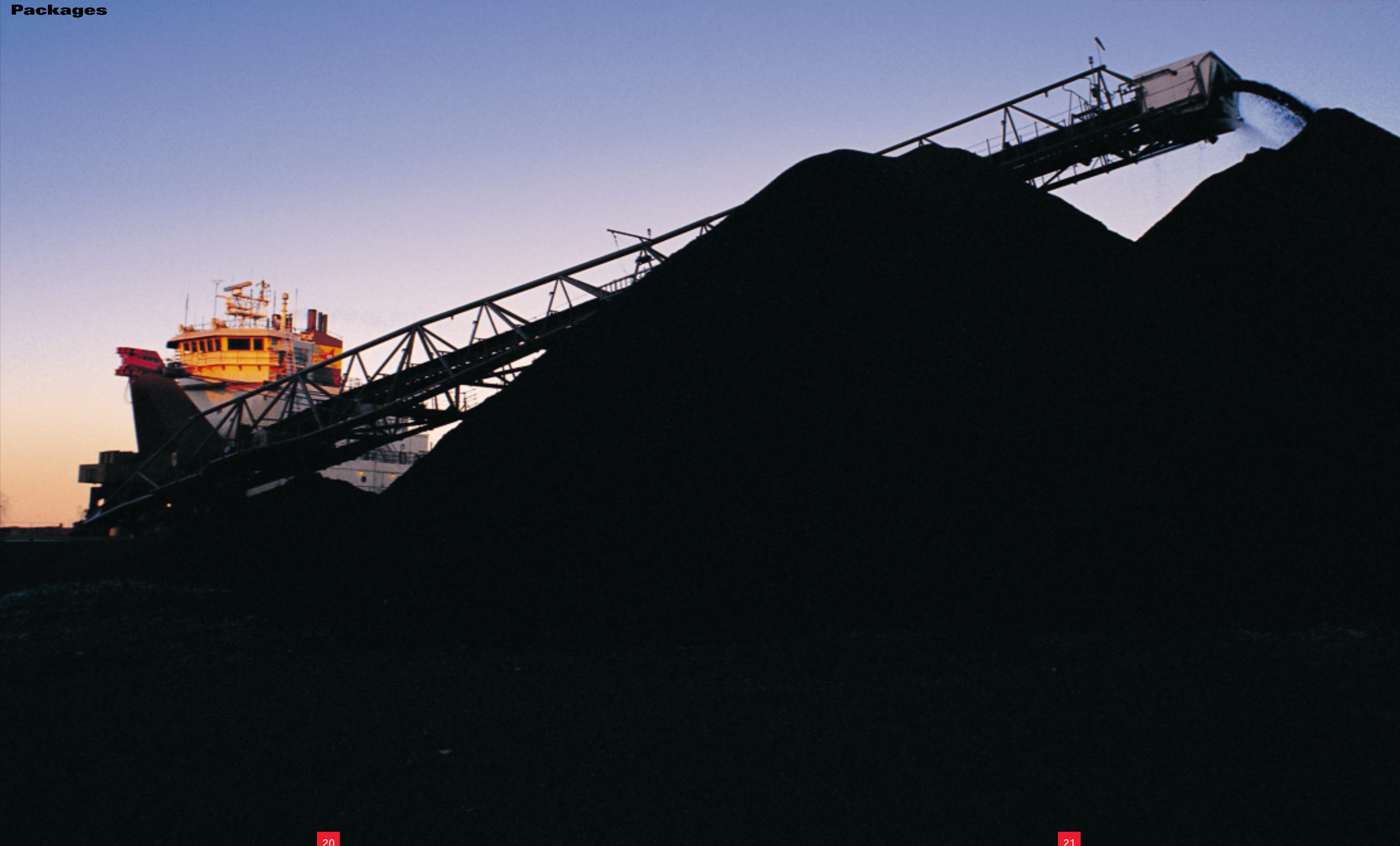
Customer:
 Stronghold
 Construction Co.

Significance: Rapid deployment, tip heights to 166’, and capacities to 38 tons make the Manitex 38100S ideal for many general construction and commercial building projects.



**Modernizing
the Great
Lakes Fleet
With Innovative
Automation
Packages**

Bay Ship-Building	Automated ballasting and cargo-handling system
	Location: Sturgeon Bay, Wisconsin
	Customer: Oglebay Norton
Significance: Installation of a fully computerized, automated ballasting and cargo-handling system will enable the <i>Fred R. White, Jr.</i> to reduce shore time and operate more efficiently in future sailing seasons.	



What's New in Marine Operations

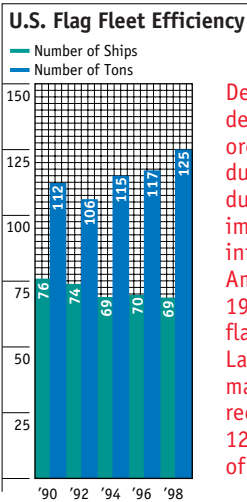
■ We're building a new 504-foot tank barge for use by Mobil Oil to deliver petroleum products to ports on the Atlantic Coast.

■ A new automated ballasting and cargo unloading system improves safety and productivity while allowing owners to maximize the efficiency of their vessels.

■ For the 1998-99 winter lay-up season, our shipyards provided maintenance and repair services to 34 of the 69 ships in the U.S.-flagged Great Lakes fleet.

At Bay Shipbuilding, we're profitably applying our experience to

serve a growing customer base. Our experience in double-hull construction, which helps safeguard the environment, made us the leading candidate to build a new ocean-going tank barge for use by Mobil Oil. Our proven success in tackling similar projects helped us win a contract to convert a straight-deck freighter into a bulk-commodity, self-unloading notch barge last year.



Despite the decline in iron ore shipments due to the dumping of imported steel into North America during 1998, the U.S.-flagged Great Lakes fleet matched 1997's record carriage of 125 million tons of bulk cargo.

Our customers also benefit from our experience in shipboard automation. Developed with a computer software designer and a technology integration company, our new ballasting and cargo-handling system (patent applied for) automates all phases of the loading and unloading process to improve safety, reduce shore time, and help protect the vessel's hull against excessive structural stress. The first such system is being installed on board the 636-foot *M/V Fred R. White, Jr.* this winter, and we expect to install similar systems on other ships in the months ahead.

Even as we've expanded our markets and our products, we have strengthened our relationships with long-time customers. Having constructed many of the vessels now in use on the Great Lakes, we're best qualified to maintain and modernize them. We're also taking on new projects. In 1998, we launched the *New York*, a 200-foot dipper dredge built for Great Lakes Dredge and Dock, which has commissioned 44 vessels from us since 1906. Few companies can match our long-term performance.

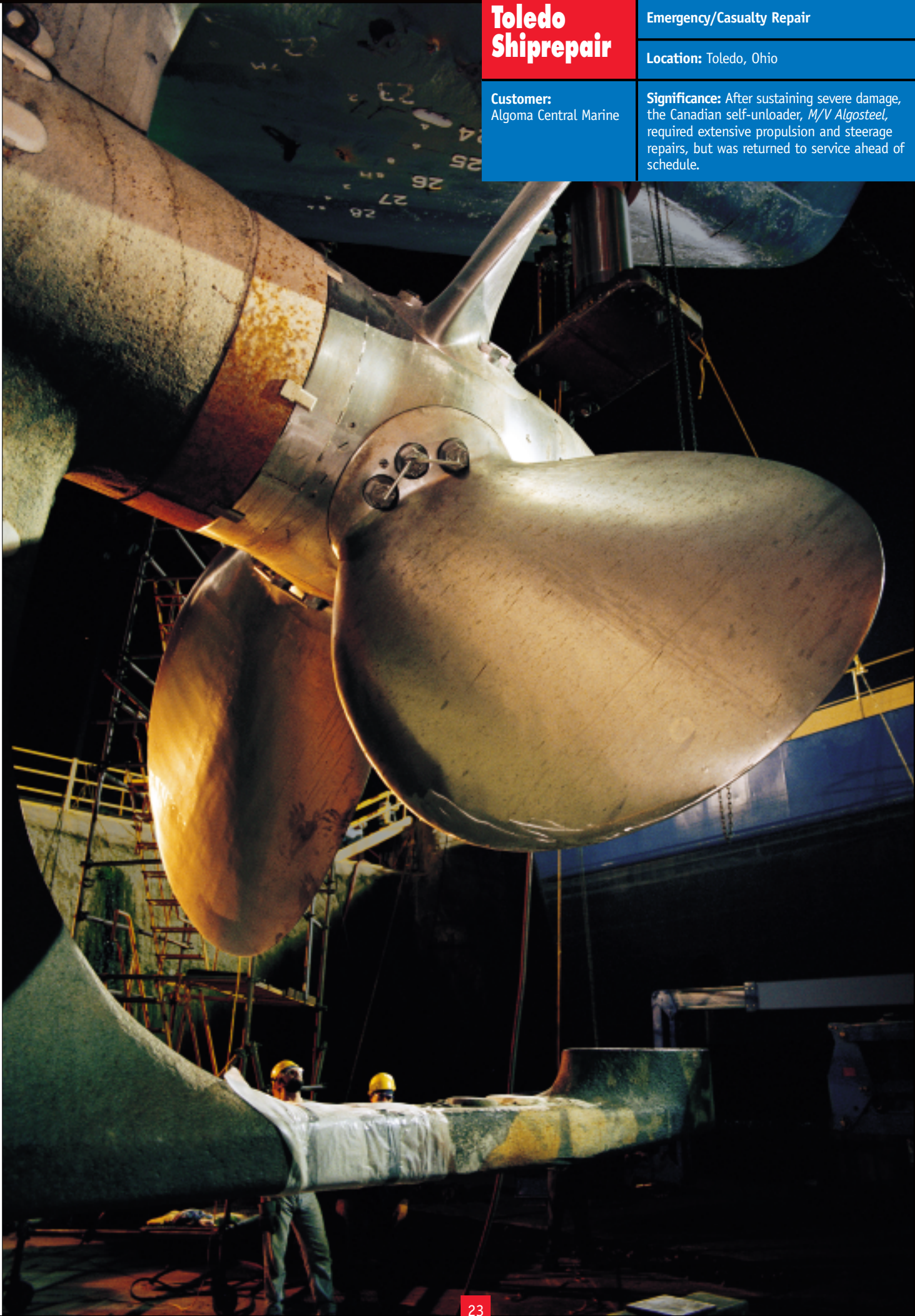
Toledo Shiprepair

Emergency/Casualty Repair

Location: Toledo, Ohio

Customer: Algoma Central Marine

Significance: After sustaining severe damage, the Canadian self-unloader, *M/V Algosteel*, required extensive propulsion and steerage repairs, but was returned to service ahead of schedule.



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 includes:

- One of the largest suppliers of ice-cube machines and walk-in refrigerator/freezers in the world—serving restaurants, hotels, and other institutions.
- 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 includes:

- Businesses with a leading share of the worldwide market for lattice-boom crawler cranes (over 150-ton capacity)—serving heavy-construction, crane-rental, dockside, and material-handling customers.
- Operations with a leading share of the North American boom-truck market—serving commercial, industrial, utility construction, and maintenance applications.

The Marine Group is:

- The leading provider of ship repair, maintenance, conversion, and construction services on the U.S. side of the Great Lakes.

Additional information on these business segments can be found on pages 6 through 23.

Note on Forward-Looking Statements Information in this report and in other company communications that are not historical facts are forward-looking statements, which are based on management's current expectations. These statements involve risks and uncertainties that could cause actual results to differ materially from what appears here.

Forward-looking statements include the company's description of plans and objectives for future operations, and the assumptions behind those plans. The words "anticipates," "believes," "intends," "estimates," and "expects," or similar expressions, usually identify forward-looking statements. In addition, goals established by Manitowoc should not be viewed as guarantees or promises of future performance. There can be no assurance the company will be successful in achieving its goals.

In addition to the assumptions and information referred to specifically in the forward-looking statements, other factors could cause actual results to be materially different from what is presented here. This includes a number of factors for each business segment.

The Foodservice Equipment Group — demographic changes affecting two-income families, general population growth, and household income; consolidation in the restaurant industry; the ability to serve 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.

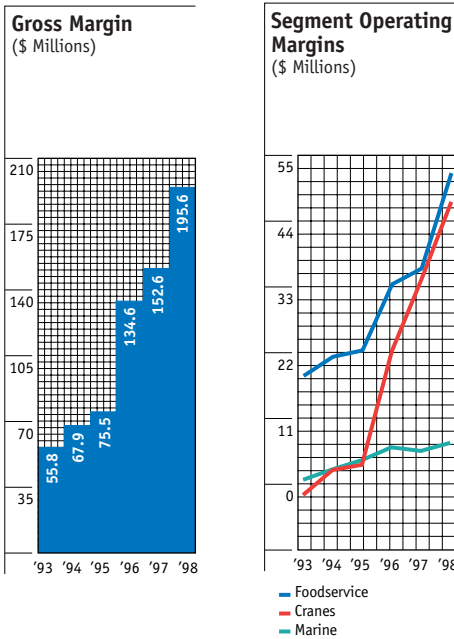
The Cranes and Related Products Group — market acceptance of innovative products; cyclicalities in the construction industry; growth in the world market for heavy cranes; the replacement cycle of technologically obsolete cranes; and demand for used equipment in developing countries.

The Marine Group — shipping volume fluctuations based on performance of the steel industry; five-year survey schedule; the replacement cycle of older marine vessels; the growth of existing marine fleets; and reducing seasonality through vessel construction and industrial maintenance.

Corporate — changes in laws or regulations; successful integration of acquisitions; competitive pricing; domestic and international economic conditions; interest rate risk; the ability of Manitowoc's customers and suppliers to meet Year 2000 compliance; and any unanticipated Year 2000 issues.

Long-Term Goals Manitowoc has established and will work to achieve these goals by 2002:

- Reach \$1.3 billion in sales, with the increase coming from an estimated 50/50 split between internal and external growth.
- Continue to make global expansion a key priority.
- Supplement its base businesses with strategic acquisitions.
- Generate 80% of revenues from new products and models introduced since 1998.
- Generate a consistently improving EVA (Economic Value-Added) in each business unit for all continuing operations.
- Pursue ISO quality certification for all non-marine operations.



Market Conditions: North America The North American economy was stable for the foodservice industry throughout 1997 and 1998, while the crane and marine industries saw improvements in the latest year.

The Foodservice Equipment Group is benefiting from a number of long-term 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, convenience stores and chain retail stores; growth in health care facilities; and the continued recovery of the hotel and lodging industry. In the near-term, this group also benefited from a warmer than normal summer. Two long-term trends also support growth in the beverage dispensing niche market: higher quality, more attractive new products are speeding up the beverage dispenser replacement cycle, which generates 80% of this market's sales; and increased demand for self-serve fountain equipment by various quick-service industries. All of these factors kept demand for foodservice equipment strong in 1998 in nearly all North American markets. We expect this to continue in 1999.

The Cranes and Related Products Group experienced greater demand again in 1998. These businesses are expected to continue growing in the next several years due to increasing construction spending in the U.S.; the rebuilding of America's infrastructure (funded by the Transportation Equity Act [TEA-21]—the federal bill that provides \$217 billion for rebuilding roads/bridges over the next six years, which should increase demand for cranes, particularly boom trucks and smaller capacity crawler cranes); and the continuing replacement cycle for an aging large-capacity liftcrane fleet that is becoming technologically obsolete.

The Marine Group saw increased demand for its products and services as a result of record levels of shipping tonnage; the general economic strength of the heavy industry and manufacturing sectors; an interest in upgrading existing vessels and taking advantage of new automation equipment; and the aging of the Great Lakes fleet—averaging 38 years—which requires more maintenance and repair. In 1997, the Coast Guard changed its regulations and provided a one-year extension of the five-year mandatory dry-docking requirement. Ship owners must apply for the extension, and decisions are made on a ship-by-ship basis. This did not have a significant impact on the Marine Group during 1998. Demand was good at all three ship-repair facilities: Toledo and Cleveland, Ohio, and Sturgeon Bay, Wisconsin.

Market Conditions: International Manitowoc's international sales contributed 11.3% of total revenues in 1998.

The Foodservice Equipment Group experienced the strongest demand for its refrigeration products in the Southeast Asian market, with Taiwan and China contributing most of its international ice-cube machine sales in 1998. Europe also experienced steady growth during the year. International orders for refrigeration and ice-making equipment from hotel and restaurant chains are expected to be robust for the next two years. This is largely due to U.S. firms expanding into international markets and wanting to take their proven suppliers with them.

The Cranes and Related Products Group saw strong demand in Canada and signs of a revival in Europe.

Demand in Asia declined, due to a downturn in certain economies there.

The Marine Group's repair and maintenance sales come primarily from the U.S. While the North American Free Trade Agreement (NAFTA) eliminated tariffs, making U.S. shipyards more competitive with their Canadian counterparts, most Canadian shipping companies still choose to have their vessels serviced in their home country.

Results of Operations This table summarizes the relationship between components of operations as a percent of net sales for the last three years.

Percent of Net Sales	1998	1997	1996
Net sales	100.0	100.0	100.0
Cost of sales	71.8	72.0	73.1
Gross profit	28.2	28.0	26.9
Engineering, selling & administrative expenses	14.1	15.4	15.9
Amortization & other	0.8	0.7	0.8
Operating income	13.3	11.9	10.2
Interest & other income (expense)	(1.6)	(1.3)	(1.7)
Earnings before taxes	11.7	10.6	8.5
Income taxes	4.3	3.9	3.4
Net earnings	7.4	6.7	5.1

Net Sales — Consolidated net sales for 1998 increased 27.3% to \$694.8 million. Higher sales resulted from increased volume at Foodservice Equipment (sales up 29.3%) and Cranes and Related Products (up 27.1%), as both benefited from strong acceptance of new products and recent acquisitions. New products included "Q" Series ice machines for the Foodservice Equipment Group, and Models 888 and 777 lattice boom cranes for the Cranes and Related Products Group. The Marine Group also experienced a 16.0% sales improvement for the year, with strong demand for its repair and maintenance services and the construction of a large dipper dredge during 1998.

In 1997, net sales rose 9.1% to \$545.9 million from \$500.5 million in 1996. The improvement resulted from a 23.3% increase in Cranes and Related Products Group sales, due to strong demand for new products, and a 2.0% increase in Foodservice Equipment Group sales. Marine Group sales were down 17.7% because 1996 results included a barge construction project that was not replicated in 1997.

Gross Margins — Manitowoc continued to improve its gross margins: 28.2% in 1998 compared with 28.0% in 1997 and 26.9% in 1996. All three operations are contributing to this positive trend. The Foodservice Equipment Group is designing costs out of new products, consolidating its buying functions for greater purchasing power, and benefiting from more cost-effective manufacturing. The Cranes and Related Products Group is experiencing higher margins in the crawler crane and boom-truck businesses, due to increased productivity, lower labor costs, and the efficient use of outsourcing. The Marine Group is experiencing a mix in its shipyard activities that has a higher percentage of repair and service work, which have better margins.

Engineering, Selling and Administrative Expenses — At \$98.1 million in 1998, ES&A increased 16.5% from \$84.2 million in 1997, which was a 5.9% increase from \$79.6 million in 1996. However, ES&A continued to decrease as

a percentage of net sales: 14.1% in 1998 versus 15.4% in 1997 and 15.9% in 1996. ES&A costs increased at a slower rate than sales, even considering the effects of integrating a number of acquisitions. The focus on controlling expenses at the Cranes and Related Products Group and cost reductions at the Foodservice Equipment Group helped to slow increases in ES&A.

Operating Earnings — All three businesses improved their operating margins in 1998. This brought a 42.5% increase in Manitowoc's consolidated operating earnings, which reached \$92.6 million for 1998, compared with \$65.0 million in 1997 and \$50.9 million in 1996. Operating margins continue to grow, reaching 13.3% of sales in 1998 versus 11.9% and 10.2% in 1997 and 1996, respectively. Manitowoc anticipates increasing operating margins in our existing businesses in the Foodservice Equipment and Cranes and Related Products groups in 1999 and beyond, while maintaining the already strong margins at the Marine Group.

Income Taxes — The 1998 effective income tax rate was 36.9%, flat with 37.0% for 1997 and down from 39.7% in 1996. In the past two years, Manitowoc's effective tax rate benefited from a 1997 reorganization of its holding and operating company structure along segment lines.

Net Earnings — Higher sales, stronger margins and a stable effective tax rate led to record net earnings in 1998: \$51.4 million, or \$2.95 per diluted share. This represented a 41.1% increase compared with \$36.4 million, or \$2.09 per diluted share in 1997, which was a 42.0% increase over \$25.6 million, or \$1.48 per diluted share in 1996. Net earnings for 1998 did not grow as quickly as operating earnings primarily because of higher interest expense associated with acquisitions.

All per-share figures reflect the June 1997 and July 1996 three-for-two stock splits. Diluted shares outstanding for 1998 were 17.4 million. This compares to 17.4 million for 1997 and 17.3 million for 1996. The increase is due to the granting of stock options.

The Foodservice Equipment Group This segment generated 46.0% of total sales. Its revenues increased 29.3% to \$319.5 million, compared with \$247.1 million in 1997 and \$242.3 million for 1996. The main contributors to stronger sales in 1998 were (1) inclusion of the SerVend International acquisition for an entire year, which contributed 42.0% of the sales increase; and (2) strong performances from continuing operations, which generated 58.0% of the sales increase, led by the positive market reception for the new "Q" Series ice machines.

Results in 1997 were 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; (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 reduced inventories and consolidated its distribution centers; and (5) two months of SerVend operations.

We anticipate that Foodservice Equipment Group sales will continue to expand, driven by increasing demand for prepared foods, growth in small kiosk locations and quick-service restaurants, the replacement cycle for larger walk-in coolers, freezers and ice machines, and the expansion of restaurant chains into less developed markets outside the U.S.

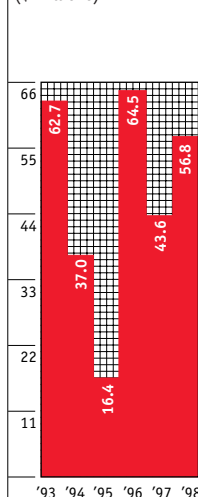
Foodservice Equipment Group operating earnings grew faster than sales in 1998, up 44.1% to \$53.0 million compared with \$36.7 million in 1997, and also higher than \$34.0 million in 1996. As a result, this segment generated 49.0% of total segment operating earnings in 1998, versus 47.6% in 1997 and 54.2% in 1996.

In 1998, operating margins increased to 16.6% from 14.9% and 14.0% in 1997 and 1996, respectively. This dramatic improvement came from (1) selling the Tonka operation, which was unprofitable; and (2) margin improvements at McCall and Manitowoc Ice. The rise in 1997's operating margin resulted from introducing the combined purchasing program, plant consolidations, and closing the former Shannon Group corporate offices.

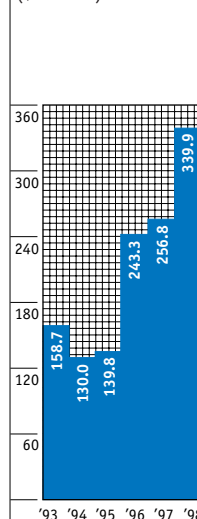
In the near term, we believe the Foodservice Equipment Group's greatest opportunities lie in (1) continuing to introduce new products, such as the next generation of the successful "Q" Series ice machines in 1999; (2) continuing to benefit from combined purchasing and improved manufacturing processes to help increase operating margins; and (3) successfully continuing the integration of the SerVend, F.A.G. and PSG acquisitions. Even if the foodservice industry experiences a downturn in 1999, we believe this segment will continue to grow, although at a slower pace.

Cranes and Related Products Group Strong sales from this segment made it Manitowoc's largest business segment for the second consecutive year, providing 47.5% of total revenues. At \$330.0 million, Cranes sales rose 27.1% over \$259.6 million for 1997, and also were higher than \$210.6 million in 1996. The most significant factor contributing to sales growth continued to be strong market acceptance of new products, such as Manitowoc Cranes' models 888 and 777. Products introduced in the past two years represented 50.0% of the order backlog (other than parts) at the end of 1998, and 34.3% of total Cranes and Related Products Group sales for the year. Other factors that contributed to the 1998 sales increase include the active replacement cycle for crawler cranes and increased orders from construction

Cash Flow from Operations
(\$ Millions)



Invested Capital
(\$ Millions)



contractors. Higher sales in 1997 resulted from demand for new products, including the Model 777 and Manitex's Millennium Series.

A number of industry trends support Cranes and Related Products' continued growth: (1) over 15,000 crawler cranes in use are more than 25 years old, and they are being replaced as contractors and rental companies are introduced to new models that are technologically advanced and easier to operate; (2) TEA-21 is expected to increase U.S. highway system spending for construction during the next five years; and (3) demand for cranes in developed and developing countries outside the U.S. is expected to increase over the long term.

Cranes and Related Products year-end backlogs decreased slightly to \$144.1 million at the end of 1998 compared with \$149.1 million for 1997, and were up from \$136.0 million for 1996. The decrease was due primarily to the faster order fill rates achieved during 1998, which meant the backlog was being worked off more quickly than in previous years. The 1998 backlog included 92.0% of orders for U.S. customers and 8.0% for international companies, primarily in Europe. (Asian customers represent 1.2% of the backlog at the end of 1998.)

Operating earnings for Cranes and Related Products grew 38.0% over 1997 levels, to \$48.1 million in 1998 versus \$34.9 million in 1997 and \$22.6 million in 1996. As a result, Cranes contributed 44.5% of Manitowoc's total segment operating earnings in 1998.

Operating margins continued their pattern of improvement: 14.6% in 1998, 13.4% in 1997, and 10.7% in 1996. Improved 1998 margins resulted from strong sales at each operation (spreading fixed costs over greater revenues), and higher margins at Manitowoc Cranes (including West-Manitowoc products) and at Manitex. Margins for the prior year improved due to higher sales and greater operating efficiencies resulting from earlier restructurings and plant closings.

Near-term growth opportunities for Cranes include (1) continued product development and market acceptance, such as the Model 21000—Manitowoc's largest crawler crane—to be introduced in 1999; (2) successfully integrating the USTC acquisition; and (3) consolidating West-Manitowoc into Manitowoc Cranes to reduce ES&A expenses.

The Marine Group This segment generated 6.5% of Manitowoc's 1998 net sales. At \$45.4 million, Marine revenues grew 16.0% from \$39.2 million in 1997, and declined from \$47.6 million in 1996. The latest year's results included revenue from building a dipper dredge (while not as large as the prior two years' barge conversions) and more small, higher margin service and construction projects. The 1997 figure included revenue from a large barge conversion, which was less than the construction of a self-unloading cement barge during 1996.

Marine operating earnings were \$7.0 million, up 23.5% from \$5.6 million in 1997, and an improvement over \$6.2 million in 1996. This segment contributed 6.5% of total segment operating earnings for the year. The higher margin projects mentioned earlier boosted Marine's 1998 operating margins to 15.4%, up from 14.4% and 13.0% in 1997 and 1996, respectively.

Marine's near-term growth opportunities include (1) more dry-dockings of 1,000-foot vessels scheduled for its Sturgeon Bay facility; (2) increased interest in upgrading existing vessels and taking advantage of new automation

equipment; and (3) new and potential construction projects, such as the Mobil Oil tug/barge combination scheduled for 1999.

Liquidity and Capital Resources Cash flows from operations increased 30.3% in 1998 to \$56.8 million, compared with \$43.6 million in 1997 and \$64.5 million in 1996. The improvement came primarily from higher net earnings in 1998. However, cash flows did not increase as much as earnings because of the greater need for working capital to fund growth in 1998. The primary investing and financing uses of cash in the latest year were (1) \$48.2 million for acquisitions; (2) \$66.6 million in debt payments; (3) \$11.7 million in capital expenditures, which focused on developing the "Q" Series ice machines and the acquisition of more efficient machinery and equipment across all business segments; and (4) \$7.8 million in dividend payments. Estimated capital expenditures for 1999 are in the \$14-18 million range.

At December 31, 1998, long-term debt was \$79.8 million, or 25.6% of total capitalization, compared with \$66.4 million in 1997, or 25.6%. At January 31, 1999, the company's total debt-to-capitalization ratio increased from 44.6% at the end of 1998 to 49.7% following the PSG acquisition.

Cash and marketable securities were \$12.4 million at the end of 1998, compared with \$13.6 million in 1997 and \$16.0 million in 1996.

Inventories increased to \$82.0 million at the end of 1998, compared with \$54.7 million at year-end 1997 and \$44.0 million for 1996. This was the result of the 27.3% higher sales the company experienced in 1998 and the acquisition of USTC. The working capital deficit was \$7.2 million compared with 1997's deficit of \$25.3 million, and a positive \$17.6 million in 1996.

Management believes that available cash, existing credit facilities, cash generated from operations, and access to public debt and equity markets will be adequate to fund Manitowoc's capital requirements for the foreseeable future.

Acquisitions Acquisitions are expected to contribute approximately 50% of Manitowoc's sales growth between 1998 and 2002. The company acquired three businesses over the past three years, and one in January of 1999, and continues to seek new acquisition candidates in each of its business segments.

On November 3, 1998, Manitowoc purchased Powerscreen USC Inc. (doing business as USTC, Inc.). USTC builds three proprietary product lines: boom-truck cranes, rough-terrain forklifts, and material-handling equipment. It had \$33 million in sales for its fiscal year ended March 31, 1998. Together with Manitex, the resulting operations are expected to become the number two competitor in the \$300 million market. Manitowoc funded the \$53.9 million purchase price with funds available from existing credit facilities.

On September 9, 1998, Manitowoc acquired a 50% ownership interest in Fabbrica Apparecchiature per Produzione di Ghiaccia S.r.L. (F.A.G.), and an option to purchase an additional 30% ownership over the next five years. This Milan, Italy-based company produces Icetronic and Compact brand ice makers and private label machines, with capacities between 22-132 pounds per day. It had \$4.0 million (U.S.) in revenues for 1997. The acquisition gives Manitowoc a manufacturing base in

Europe and broadens its product offering to include smaller models, which are more appropriate for European and developing markets. The \$2.5 million purchase price was funded through existing credit facilities.

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 acquisition helped Manitowoc enter this foodservice market niche. The \$72.9 million purchase price was funded through existing credit facilities.

In addition, on January 8, 1999, the company completed its acquisition of Purchasing Support Group (PSG). PSG is a systems integrator, with nationwide distribution of backroom equipment and support system components. It serves the beverage needs of restaurants, convenience stores and other outlets. PSG had over \$30 million in sales for 1998 and operates in the Northeast and Atlantic Coast regions, as well as in portions of Arizona, California, Florida, Georgia, and Nevada. This acquisition is expected to improve the distribution of Manitowoc's beverage dispensing equipment and open new markets. Manitowoc purchased PSG for a total of \$38.0 million in cash, with financing provided through its existing credit facilities.

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 costs to clean up the site are approximately \$30 million. Although liability is joint and several, the company's share of liability is estimated to be 11% of the total cleanup costs. To date, Manitowoc expensed a total of \$3.3 million in connection with this matter.

Quantitative and Qualitative Disclosure About Market Risk The company is exposed to market risks from changes in interest rates, commodities and, to a lesser extent, foreign exchange. To reduce such risks, the company selectively uses financial instruments and other proactive management techniques. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures, which prohibit the use of financial instruments for trading purposes.

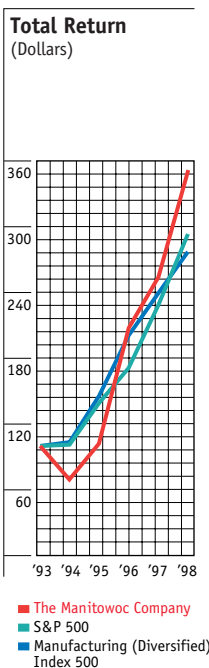
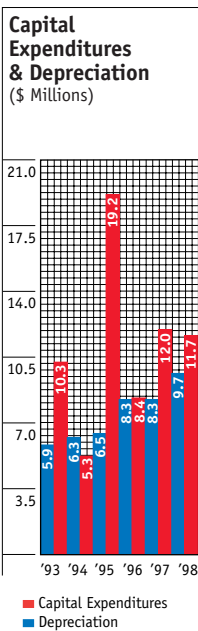
Discussions of the company's accounting policies and further disclosure relating to financial instruments is included in Notes 1 and 6 of notes to consolidated financial statements.

Interest Rate Risk — The company uses interest rate swaps to modify the company's exposure to interest rate movements by minimizing the effect of potential interest rate increases on floating rate debt in a rising interest rate environment. Under these agreements, the company contracts with a counter-party to exchange the differ-

ence between a fixed rate and a floating rate applied to the notional amount of the swap. The company's existing swap contracts range between two and four years in remaining duration at December 31, 1998. The interest payments or receipts from interest rate swaps are recognized in net income as adjustments to interest expense on a current basis. The company enters into swap agreements only with those financial institutions with high credit ratings which, in the opinion of management, limits the company's exposure to credit loss. At December 31, 1998, the company had outstanding two interest rate swap agreements with financial institutions having a total notional principal amount of \$22.6 million. The effect of these agreements on the company's interest rates during 1998 was not significant. The fair value of these interest rate swap agreements was a negative \$0.6 million at December 31, 1998. The interest rates under the swap agreements were 5.78% and 6.29% at December 31, 1998 and the weighted average interest rate for the floating rate debt was 6.28% at December 31, 1998.

Commodity Prices — The company is exposed to the fluctuation in market prices for such commodities as steel, copper, aluminum, and zinc. Each one of the company's business segments is subject to commodity price risk as the prices for raw materials change with movements in underlying commodity prices. Therefore, the company has established various programs to manage the negotiations of commodity prices. Some of these programs are centralized within business segments and other programs are specific to each business unit. In general, the company enters into contracts with its vendors to lock in commodity prices at various times and for various periods in order to limit near-term exposure to fluctuations in raw material prices.

Currency Risk — The company has limited exposure to foreign currency exchange fluctuations in certain of its European operations. Due to the relative stability of the European currencies exchanged and the immaterial amount of transactions processed, the company does not utilize foreign currency hedges to manage this limited foreign currency exchange rate exposure.



New Accounting Standards In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities." This new standard will be effective for the company's first quarter in the year 2000. It requires companies to record all derivative instruments on the balance sheet as assets or liabilities, measured at fair value. Any fair value changes will be recorded in net income or comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and if it is, the type of hedge transaction. The adoption of this statement is not anticipated to have a significant impact on the company's earnings or financial position.

Year 2000 Compliance The Year 2000 (or Y2K) issue is the result of computer systems and software products that are coded to accept two digits rather than four in their date code fields to define a year. A company's computer equipment and software devices with embedded technology that are time-sensitive may recognize a date using "00" as the year 1900 rather than 2000. This could result in a system failure or miscalculations causing disruptions of operations including, among other things, a temporary inability to process transactions, send invoices, or engage in other normal business activities.

The company has undertaken various initiatives intended to ensure its computer equipment and software will function properly with respect to Y2K and beyond. For this purpose, the term "computer equipment and software" includes systems commonly thought of as Information Technology (IT) systems—including accounting, data processing and telephone systems—as well as those that are not commonly thought of as IT systems—such as manufacturing equipment, company products, alarm systems, fax machines or other miscellaneous systems. Both IT and non-IT systems may contain embedded technology, which complicates Y2K identification, assessment, remediation, and testing efforts.

Based on its identification and assessment efforts to date, the company is in the process of converting, modifying, and upgrading its computer equipment and software to be Y2K compliant, as necessary. In addition, in the ordinary course of replacing computer equipment and software, the company attempts to get replacements that are Y2K compliant. Using both internal and external resources to identify and assess needed Y2K remediation, the company currently anticipates that its Y2K identification, assessment, remediation, and testing efforts, which began in 1996, will be completed by October 1999 and contingency plans will be developed, as necessary, to address unforeseen circumstances prior to the end of calendar year 1999. The company believes these efforts will be completed prior to any currently anticipated impact on its computer equipment and software. It also does not anticipate any significant disruption to its normal business operations to achieve this goal. The company estimates that as of December 31, 1998, it had completed about 80% of the initiatives it believes will be necessary to fully address potential Y2K issues.

The company also has made inquiries and gathered information on the Y2K compliance of its significant vendors, suppliers, dealers and distributors (excluding 1998 acquisitions). This was done in an attempt to determine the extent to which interfaces with these companies are vulnerable to Y2K issues, and whether the products and services purchased from or by these companies are Y2K compliant. As of December 31, 1998, the company received responses from approximately 70% of these third parties, and 96% of those that responded have provided written assurances that they expect to address their Y2K issues on a timely basis. A follow-up mailing to significant vendors, suppliers, dealers, and distributors that did not initially respond, or whose responses were deemed unsatisfactory by the company, will be completed in the first quarter of 1999. Although the company cannot assure Y2K compliance by its key suppliers, dealers, and distributors, no major part or critical operation of any company segment relies on a single source for raw materials, supplies, or services, and the company has multiple distribution channels for most of its products. Should the company discover that a vendor, supplier, or distributor will not be Y2K compliant, the company believes it will be able to find cost-competitive, alternative sources for these raw materials, supplies, or services and continue its production and distribution.

During 1998, the company engaged an independent expert to evaluate its Y2K identification, assessment, remediation, and testing efforts. As a result of this review, no significant changes to the company's existing Y2K conversion plan were necessary.

Beginning in the second half of 1997, through December 31, 1998, the company has spent about \$4.0 million to upgrade its systems, including Y2K issues. About \$1.5 million was spent in 1998. Estimated costs for scheduled system upgrades in 1999, including addressing Y2K concerns, will approximate \$0.5 million. These expenditures will be funded using cash flows from operations.

The costs of the company's Y2K conversion efforts and the dates by which it believes these efforts will be completed are based on management's best estimates. These were developed using many assumptions regarding future events, including continued availability of certain resources, third-party remediation plans, and other factors. There can be no assurance that these estimates will prove to be accurate, and actual results could differ materially from those currently anticipated.

The company believes that the Y2K issue will not pose significant operational problems for it. However, if all Y2K issues are not properly identified, or assessment, remediation and testing are not completed for Y2K problems that are identified, there can be no assurance that the Y2K issue will not have a material adverse affect on the company's relationships with customers, vendors, distributors, and others. In addition, there can be no assurance that the Y2K issues of other entities will not have a material adverse impact on the company's systems or results of operations.

**Eleven-Year Financial Summary and
Business Segment Information**

							Transition Period							
Thousands of dollars, except shares and per share data		Calendar 1998	Calendar 1997	Calendar 1996	Calendar 1995		1994 (1)	Fiscal 1994	Fiscal 1993	Fiscal 1992	Fiscal 1991	Fiscal 1990	Fiscal 1989	Fiscal 1988
Net Sales	Foodservice	\$319,457	\$247,057	\$242,317	\$113,814		\$ 44,996	\$ 93,171	\$ 81,424	\$ 74,175	\$ 73,944	\$ 74,612	\$ 74,431	\$ 72,986
	Cranes and related products	329,953	259,645	210,564	169,866		70,958	156,253	178,630	155,743	147,554	117,464	102,430	81,593
	Marine	45,412	39,162	47,584	29,469		7,952	25,956	18,504	16,471	14,689	33,752	23,735	17,710
	Total	\$694,822	\$545,864	\$500,465	\$313,149		\$123,906	\$275,380	\$278,558	\$246,389	\$236,187	\$225,828	\$200,596	\$172,289
	Gross margin	\$195,621	\$152,600	\$134,641	\$ 75,470		\$ 31,302	\$ 67,924	\$ 55,785	\$ 54,443	\$ 58,062	\$ 54,366	\$ 50,860	\$ 37,033
Earnings (Loss) From Operations	Foodservice	\$ 52,950	\$ 36,746	\$ 33,989	\$ 22,729		\$ 9,426	\$ 21,637	\$ 18,311	\$ 17,585	\$ 17,364	\$ 19,387	\$ 18,468	\$ 17,203
	Cranes and related products	48,116	34,878	22,582	3,179		870	2,275	(1,961)	(850)	7,602	5,490	3,454	(1,974)
	Marine	6,978	5,648	6,197	4,024		(799)	2,447	593	278	(973)	6,497	3,416	(15,921)
	General corporate	(10,543)	(8,903)	(7,678)	(6,530)		(3,981)	(5,274)	(5,296)	(6,545)	(5,734)	(6,094)	(5,623)	(4,744)
	Amortization	(4,881)	(3,394)	(3,000)	(250)		—	—	—	—	—	—	—	—
	Plant relocation costs	—	—	(1,200)	—		(14,000)	—	(3,300)	—	—	—	—	—
	Total	92,620	64,975	50,890	23,152		(8,484)	21,085	8,347	10,468	18,259	25,280	19,715	(5,436)
	Other income (expense)—net	(11,208)	(7,158)	(8,384)	(32)		169	1,494	582	1,104	2,233	5,077	4,527	4,187
	Earnings (loss) before taxes on income	81,412	57,817	42,506	23,120		(8,315)	22,579	8,929	11,572	20,492	30,357	24,242	(1,249)
	Accounting changes	—	—	—	—		—	—	(10,214)	—	—	—	—	—
	Provision (benefit) for taxes on income	30,032	21,394	16,863	8,551		(3,243)	8,536	2,612	3,315	5,060	9,327	7,344	(1,341)
	Net earnings (loss)	\$ 51,380	\$ 36,423	\$ 25,643	\$ 14,569		\$ (5,072)	\$ 14,043	\$ (3,897)	\$ 8,257	\$ 15,432	\$ 21,030	\$ 16,898	\$ 92
Other Financial Information	Cash from operations	\$ 56,814	\$ 43,587	\$ 64,514	\$ 16,367		\$ (330)	\$ 36,995	\$ 62,700	\$ 28,250	\$ 6,472	\$ 14,210	\$ (5,278)	\$ 3,658
	Invested capital (monthly averages):													
	Foodservice (2)	\$227,863	\$171,647	\$ 68,556	\$ 32,696		\$ 21,979	\$ 25,662	\$ 26,503	\$ 23,555	\$ 25,099	\$ 19,018	\$ 22,859	\$ 21,940
	Cranes and related products	96,031	67,596	73,246	85,082		81,800	86,288	112,120	137,839	133,777	118,097	99,147	76,335
	Marine	4,534	6,019	7,335	9,579		11,201	13,953	17,497	16,879	14,621	16,206	28,600	18,894
	General corporate (2)	11,476	11,512	94,166	12,409		4,818	4,052	2,581	2,025	3,051	6,314	7,656	14,151
	Total	\$339,904	\$256,774	\$243,303	\$139,766		\$119,798	\$129,955	\$158,701	\$180,298	\$176,548	\$159,635	\$158,262	\$131,320
Identifiable Assets	Foodservice (2)	\$254,506	\$249,384	\$ 90,937	\$ 90,126		\$ 27,828	\$ 31,460	\$ 29,526	\$ 25,608	\$ 28,019	\$ 24,168	\$ 26,074	\$ 27,449
	Cranes and related products	178,470	100,591	88,174	109,118		88,068	93,823	105,750	138,416	136,995	115,804	96,623	75,217
	Marine	7,023	6,426	10,648	11,369		13,233	16,726	16,720	19,253	18,009	22,683	32,451	24,049
	General corporate (2)	41,015	39,967	127,951	114,302		30,336	43,839	56,015	41,829	35,983	50,143	61,966	82,374
	Total	\$481,014	\$396,368	\$317,710	\$324,915		\$159,465	\$185,848	\$208,011	\$225,106	\$219,006	\$212,798	\$217,114	\$209,089
Long-Term Obligations	Long-term debt	\$ 79,834	\$ 66,359	\$ 76,501	\$101,180		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation	Foodservice	\$ 4,906	\$ 3,613	\$ 3,377	\$ 1,606		\$ 703	\$ 1,320	\$ 1,187	\$ 1,090	\$ 812	\$ 657	\$ 771	\$ 785
	Cranes and related products	4,085	4,044	4,260	4,162		2,288	4,211	3,875	4,053	3,691	2,895	2,953	3,000
	Marine	333	256	600	608		316	681	756	785	792	748	465	2,362
	General corporate	405	405	81	80		46	61	44	196	234	431	380	327
	Total	\$ 9,729	\$ 8,318	\$ 8,318	\$ 6,456		\$ 3,353	\$ 6,273	\$ 5,862	\$ 6,124	\$ 5,529	\$ 4,731	\$ 4,569	\$ 6,474
Capital Expenditures	Foodservice	\$ 7,415	\$ 6,847	\$ 5,110	\$ 4,568		\$ 3,011	\$ 2,300	\$ 2,152	\$ 1,099	\$ 2,797	\$ 748	\$ (169)	\$ 229
	Cranes and related products (3)	2,945	4,952	2,816	14,252		528	3,120	8,648	4,047	6,347	3,130	2,225	2,264
	Marine	1,174	233	343	383		109	(492)	(463)	500	113	197	108	1
	General corporate (3)	144	8	127	6		82	414	(39)	(508)	(2,955)	70	586	317
	Total	\$ 11,678	\$ 12,040	\$ 8,396	\$ 19,209		\$ 3,730	\$ 5,342	\$ 10,298	\$ 5,138	\$ 6,302	\$ 4,145	\$ 2,750	\$ 2,811
Per Share (4)	Basic	\$ 2.97	\$ 2.11	\$ 1.49	\$.84		\$ (.29)	\$.71	\$ (.18)	\$.36	\$.66	\$.91	\$.73	\$.00
	Diluted	2.95	2.09	1.48	.84		(.29)	.71	(.18)	.36	.66	.91	.73	.00
	Dividends	.45	.45	.45	.45		.22	.45	.45	.45	.45	.89	.35	.35
	Stockholders' equity	9.97	7.45	5.81	4.73		4.35	5.16	5.81	7.13	7.20	6.96	6.95	6.61
	Average shares outstanding:													
	Basic	17,288,237	17,267,121	17,267,035	17,267,561		17,426,748	19,657,337	21,958,622	23,221,907	23,222,237	23,222,811	23,253,899	23,917,734
	Diluted	17,416,711	17,397,686	17,329,232	17,271,179		17,426,748	19,657,337	21,958,622	23,221,907	23,222,237	23,222,811	23,253,899	23,917,734

(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 9 of notes to the consolidated financial statements.

Consolidated Statements of Earnings

		For the Years Ended December 31		
Thousands of dollars, except per share data		1998	1997	1996
Earnings	Net sales	\$694,822	\$545,864	\$500,465
	Costs and expenses:			
	Cost of sales	499,201	393,264	365,824
	Engineering, selling, and administrative expenses	98,120	84,231	79,551
	Amortization	4,881	3,394	3,000
	Plant relocation costs	—	—	1,200
	Total costs and expenses	602,202	480,889	449,575
	Earnings from operations	92,620	64,975	50,890
	Interest expense	(9,741)	(6,230)	(9,097)
	Interest and dividend income	117	190	394
	Other income (expense)	(1,584)	(1,118)	319
	Earnings before taxes on income	81,412	57,817	42,506
	Provision for taxes on income	30,032	21,394	16,863
Net earnings		\$ 51,380	\$ 36,423	\$ 25,643
Per Share Data	Basic	\$ 2.97	\$ 2.11	\$ 1.49
	Diluted	\$ 2.95	\$ 2.09	\$ 1.48

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

Manitowoc’s Chinese joint venture, which builds ice-cube machines with daily production capacities up to 100 kilos, attained profitability in 1998 in just its fourth year of operation.



Consolidated Balance Sheets

		As of December 31	
Thousands of dollars, except shares data		1998	1997
Assets			
Current Assets	Cash and cash equivalents	\$ 10,582	\$ 11,888
	Marketable securities	1,834	1,741
	Accounts receivable, less allowances of \$1,656 and \$1,882	69,504	59,237
	Inventories	81,978	54,701
	Prepaid expenses and other	5,297	2,662
	Future income tax benefits	21,682	15,287
	Total current assets	190,877	145,516
	Intangible assets—net	184,926	146,983
	Property, plant, and equipment—net	93,583	91,191
	Other assets	11,628	12,678
	Total assets	\$481,014	\$396,368
Liabilities and Stockholders' Equity			
Current Liabilities	Accounts payable and accrued expenses	\$123,534	\$ 96,540
	Current portion of long-term debt	10,968	15,400
	Short-term borrowings	48,500	49,100
	Product warranties	15,110	9,772
	Total current liabilities	198,112	170,812
Non-Current Liabilities	Long-term debt, less current portion	79,834	66,359
	Postretirement health benefits obligation	19,705	19,699
	Other liabilities	10,811	10,880
	Total non-current liabilities	110,350	96,938
Stockholders' Equity	Common stock (24,497,655 shares issued in 1998 and 1997)	245	245
	Additional paid-in capital	31,029	30,980
	Accumulated other comprehensive income	(212)	(192)
	Retained earnings	222,687	179,088
	Treasury stock, at cost	(81,197)	(81,503)
	Total stockholders' equity	172,552	128,618
	Total liabilities and stockholders' equity	\$481,014	\$396,368

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

McCall produces a wide variety of commercial refrigeration products, including reach-in refrigerators and freezers in sizes up to 72 cubic feet.



Consolidated Statements of Cash Flows

		For the Years Ended December 31		
Thousands of dollars		1998	1997	1996
Cash Flows From Operations	Net earnings	\$51,380	\$36,423	\$ 25,643
	Adjustments to reconcile net cash from operations:			
	Depreciation	9,729	8,318	8,318
	Amortization of goodwill	4,881	3,394	3,000
	Amortization of deferred financing fees	420	300	300
	Deferred income taxes	(5,748)	(3,172)	(4,383)
	Plant relocation costs	—	—	1,200
	Loss on sale of property, plant, and equipment	928	218	259
	Changes in operating assets and liabilities excluding effects of business acquisitions:			
	Accounts receivable	(6,120)	2,532	(2,865)
	Inventories	(18,662)	(6,006)	8,950
	Other current assets	(2,535)	(1,264)	909
	Non-current assets	483	842	324
	Current liabilities	24,064	2,492	23,432
	Non-current liabilities	(2,006)	(490)	(573)
	Net cash provided by operations	56,814	43,587	64,514
Cash Flows From Investing	Business acquisitions—net of cash acquired	(48,175)	(66,979)	(300)
	Capital expenditures	(11,678)	(12,040)	(8,396)
	Proceeds from sale of property, plant, and equipment	1,329	3,533	1,443
	Purchase of marketable securities—net	(94)	(84)	(99)
	Net cash used for investing	(58,618)	(75,570)	(7,352)
Cash Flows From Financing	Dividends paid	(7,781)	(7,722)	(7,674)
	Proceeds from long-term debt	75,000	—	15,000
	Payments on long-term debt	(65,957)	(11,606)	(38,704)
	Proceeds (payments) from short-term borrowings—net	(600)	49,100	(26,807)
	Debt acquisition costs	(521)	(290)	—
	Exercise of stock options	355	38	—
	Net cash provided by (used for) financing	496	29,520	(58,185)
	Effect of exchange rate changes on cash	2	(13)	310
	Net change in cash and cash equivalents	(1,306)	(2,476)	(713)
	Balance at beginning of year	11,888	14,364	15,077
	Balance at end of year	\$10,582	\$11,888	\$ 14,364
Supplemental Cash Flow Information	Interest paid	\$ 8,490	\$ 6,927	\$ 8,215
	Income taxes paid	\$37,108	\$21,449	\$ 19,319

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

Consolidated Statements of Stockholders' Equity and Comprehensive Income

		For the Years Ended December 31		
Thousands of dollars, except shares and per share data		1998	1997	1996
Common Stock— Shares Outstanding	Balance at beginning of year	17,269,175	11,511,357	7,674,468
	Three-for-two stock split	—	5,755,679	3,836,889
	Stock options exercised	39,694	3,296	—
	Stock swaps for stock option exercise	(4,291)	(1,157)	—
	Balance at end of year	17,304,578	17,269,175	11,511,357
Common Stock— Par Value	Balance at beginning of year	\$ 245	\$ 163	\$ 109
	Three-for-two stock split	—	82	54
	Balance at end of year	\$ 245	\$ 245	\$ 163
Additional Paid-In Capital	Balance at beginning of year	\$ 30,980	\$ 31,061	\$ 31,115
	Three-for-two stock split	—	(82)	(54)
	Stock options exercised	49	1	—
	Balance at end of year	\$ 31,029	\$ 30,980	\$ 31,061
Accumulated Other Comprehensive Income	Balance at beginning of year	\$ (192)	\$ 220	\$ (479)
	Other comprehensive income	(20)	(412)	699
	Balance at end of year	\$ (212)	\$ (192)	\$ 220
Retained Earnings	Balance at beginning of year	\$179,088	\$150,387	\$132,418
	Net earnings	51,380	36,423	25,643
	Cash dividends*	(7,781)	(7,722)	(7,674)
	Balance at end of year	\$222,687	\$179,088	\$150,387
Treasury Stock	Balance at beginning of year	\$ (81,503)	\$ (81,502)	\$ (81,502)
	Stock options exercised	448	37	—
	Stock swaps for stock option exercise	(142)	(38)	—
	Balance at end of year	\$ (81,197)	\$ (81,503)	\$ (81,502)
Comprehensive Income	Net earnings	\$ 51,380	\$ 36,423	\$ 25,643
	Other comprehensive income:			
	Foreign currency translation adjustment	(20)	(412)	699
	Comprehensive income	\$ 51,360	\$ 36,011	\$ 26,342

*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 notes to consolidated financial statements are an integral part of these financial statements.

Manitowoc Cranes will introduce its 1,000-ton capacity Model 21000, the largest crawler crane it has ever developed, during the first quarter of 1999.



Notes to Consolidated Financial Statements

(Thousands of dollars, except per share data)

1. Summary of Significant Accounting Policies

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.

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

Comprehensive Income The company adopted Statement of Financial Accounting Standard (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 item is the only item which requires inclusion in this statement. The company has reclassified the financial statements of prior years for the adoption of this statement.

Inventories Inventories are stated at the lower of cost or market as described in Note 4. Advance payments from customers are netted against inventories to the extent of related accumulated costs. Advance payments netted against inventories at December 31, 1998 and 1997 were \$1,242 and \$1,574, 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 according to 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 statement of earnings items. Resulting translation adjustments are

recorded directly to a separate component of stockholders’ equity referred to as other comprehensive income.

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 and improvements	40
Drydocks and dock fronts	15–27
Machinery, equipment and tooling	4–15
Computer hardware and software	5
Vehicles	4–5

Intangible Assets Intangible assets consist primarily of costs in excess of net assets of businesses acquired (see Note 11). 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, 1998 and 1997 of \$184,926 and \$146,983, respectively, are net of accumulated amortization of \$12,545 and \$7,244, 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 either the underlying instrument bears interest at a variable rate that reprices frequently or the interest rate approximates the market rate at December 31, 1998.

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 6).

Derivative Financial Instruments Derivative financial instruments are used by the company to manage risks associated with interest rate market volatility. Interest rate swap agreements are used to modify the company’s exposure to interest rate movements and reduce borrowing costs. For interest rate swap agreements, net interest payments or receipts are recorded as adjustments to interest expense on a current basis. In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” This statement is effective for the company’s 2000 financial statements. It requires all derivative instruments to be recorded on the balance sheet as assets or liabilities, at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or comprehensive income, depending on whether the derivative is designated as a part of a hedge transaction and if it is, the type of hedge transaction. The adoption of this statement is not anticipated to have a significant impact on the company’s earnings or financial position.

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 \$4,704 in 1998, \$4,412 in 1997, and \$3,502 in 1996.

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

Earnings per Share 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 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.

Reclassifications Certain reclassifications have been made to the financial statements of prior years to conform to the presentation for 1998.

2. Property, Plant and Equipment Property, plant and equipment is summarized at December 31 as follows:

	1998	1997
Land	\$ 3,207	\$ 3,133
Buildings	64,230	63,276
Drydocks and dock fronts	21,675	21,743
Machinery, equipment and tooling	118,230	111,919
Construction in progress	4,018	2,760
Total cost	211,360	202,831
Less accumulated depreciation	(117,777)	(111,640)
Property, plant and equipment—net	\$ 93,583	\$ 91,191

3. Marketable Securities Marketable securities at December 31, 1998 and 1997 included \$1.8 million and \$1.7 million, respectively, of securities which are available for sale. The difference between fair market value and cost for these investments was not significant in either year.

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

	1998	1997
Components:		
Raw materials	\$ 32,564	\$ 25,881
Work-in-process	27,882	22,331
Finished goods	42,304	27,972
Total inventories at FIFO cost	102,750	76,184
Excess of FIFO cost over LIFO value	(20,772)	(21,483)
Total inventories	\$ 81,978	\$ 54,701

Inventories are carried at the lower of cost or market using the first-in, first-out (FIFO) method for 47% and 60% of total inventory for 1998 and 1997, respectively. The remainder of the inventories are costed using the last-in, first-out (LIFO) method.

5. Accounts Payable and Accrued Expenses

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

	1998	1997
Trade accounts payable	\$ 43,603	\$34,070
Profit sharing and incentives	24,851	20,630
Income taxes payable	4,905	5,766
Customer progress payments	7,209	207
Accrued product liability	10,167	7,795
Miscellaneous accrued expenses	32,799	28,072
Total	\$123,534	\$96,540

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

	1998	1997
Term loan payable	\$10,479	\$75,390
Notes payable	75,000	—
Capital lease obligations	5,323	6,369
	90,802	81,759
Less current portion	10,968	15,400
	\$79,834	\$66,359

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 11). The Agreement was amended and restated on October 28, 1997 at the time of the SerVend acquisition and amended again on October 21, 1998. 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 \$48.5 million and \$49.1 million of borrowings under the revolving loan portion of the Agreement at December 31, 1998 and 1997, respectively.

The Agreement includes covenants the most restrictive of which require the maintenance of various debt and net worth ratios. Annual commitment fees at the end of 1998 were 0.15% 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, 1998 and 1997 was 6.28% and 6.50%, respectively. Payments of principal and interest for the term loan are due quarterly through September 30, 1999. Borrowings under the Agreement are not collateralized.

On April 2, 1998, the company privately placed with Prudential Insurance Company \$50 million in principal amount of Series A Senior Notes. On October 31, 1998, the company issued, also with Prudential Insurance Company, \$25 million in principal amount of Senior Shelf Notes (collectively referred to as the "Notes"). The company used the proceeds from the sale of the Notes to pay down existing borrowings under the term loan and finance its acquisition in 1998.

The Notes are not collateralized and bear interest at the fixed weighted average rate of 6.53%. The Notes mature in 12 years and require principal payments beginning in the eighth year after issuance. The agreement between the company and Prudential Insurance Company pursuant to which the Notes were issued (the "Note Agreement") includes covenants the most restrictive of which require the company to maintain certain debt ratios and levels of net worth. These covenants are no more restrictive than the covenants made by the company in connection with the aforementioned Credit Agreement.

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 debt. At December 31, 1998, the company had outstanding two interest rate swap agreements with financial institutions, having a total notional principal amount of \$22.6 million. The effect of these agreements on the company's interest rates during 1998 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 a negative \$0.6 million at December 31, 1998. 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:

1999	\$10,968
2000	691
2001	747
2002	246
2003	250
Thereafter	77,900
	\$90,802

7. Income Taxes Components of earnings before income taxes are as follows:

	1998	1997	1996
Earnings before income taxes:			
Domestic	\$81,081	\$58,706	\$41,702
Foreign	331	(889)	804
Total	\$81,412	\$57,817	\$42,506

The provision for taxes on income is as follows:

	1998	1997	1996
Current:			
Federal	\$32,251	\$22,307	\$17,743
State	3,424	1,973	3,190
Foreign	105	286	313
Total current	35,780	24,566	21,246
Deferred—Federal and state	(5,748)	(3,172)	(4,383)
Total deferred	(5,748)	(3,172)	(4,383)
Provision for taxes on income	\$30,032	\$21,394	\$16,863

The Federal statutory income tax rate is reconciled to the company's effective income tax rate as follows:

	1998	1997	1996
Federal income tax at statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.6	2.2	4.8
Non-deductible goodwill amortization	1.1	1.4	1.7
Tax-exempt FSC income	(1.1)	(1.9)	(1.3)
Adjustments to prior years' income tax accruals	—	(1.1)	(0.9)
Provision for tax on foreign income, net of foreign tax credits	—	1.5	0.2
Elimination of valuation allowance	(1.0)	—	—
Other	0.3	(0.1)	0.2
Provision for taxes on income	36.9%	37.0%	39.7%

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:

	1998	1997
Current deferred tax assets:		
Inventories	\$ 3,559	\$ 2,503
Accounts receivable	793	312
Product warranty reserves	4,567	3,715
Product liability reserves	3,988	3,074
Environmental reserves	194	59
Future customer discount reserves	742	655
Other employee-related benefits and allowances	4,616	2,985
Property, plant and equipment	1,205	599
Other	2,018	1,385
Future income tax benefits, current	\$ 21,682	\$15,287
Non-current deferred tax assets (liabilities):		
Property, plant and equipment	\$(10,040)	\$(8,337)
Postretirement benefits other than pensions	7,694	7,903
Deferred employee benefits	3,034	2,321
Severance benefits	1,167	1,098
Product warranty reserves	1,057	1,123
Environmental reserves	458	431
Net operating loss carryforwards	2,186	2,556
Other	11	—
Valuation allowance	—	(881)
Net future income tax benefits, non-current	\$ 5,567	\$ 6,214

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, 1998, the company has approximately \$16.3 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 at December 31, 1997, to reflect the estimated amount of deferred assets which may not be realized due to the possible limitation on the future use of certain state tax net operating loss carryforwards. During 1998, the company eliminated the valuation allowance to reflect certain tax strategies designed to utilize these net operating loss carryforwards.

8. 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

from the assumed conversions of the stock options in any of the years.

	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
	1998	1998	1997	1997	1996	1996
Basic EPS	17,288,237	\$2.97	17,267,121	\$2.11	17,267,035	\$1.49
Effect of Dilutive Securities—Stock Options	128,474		130,565		62,197	
Diluted EPS	17,416,711	\$2.95	17,397,686	\$2.09	17,329,232	\$1.48

9. Stockholders' Equity Authorized capitalization consists of 75 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 com-

mon stock, or if the company is merged with an acquiring person, subject to approval by the board of directors, 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.

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 company's three-for-two stock splits of its common stock on May 19, 1997 and July 2, 1996.

10. Stock Options The Manitowoc Company, Inc. Stock Plan (the "Plan") 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 for the years ended December 31, 1998, 1997 and 1996 are summarized as follows:

	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	1998	1998	1997	1997	1996	1996
Options outstanding, beginning of year	405,454	\$20.49	215,100	\$13.45	96,075	\$11.67
Options granted	139,600	\$45.81	193,650	\$28.17	119,025	\$14.89
Options exercised	(39,694)	\$12.50	(3,296)	\$11.67	—	—
Options forfeited	(98,689)	\$28.78	—	—	—	—
Options outstanding, end of year	406,671	\$27.95	405,454	\$20.49	215,100	\$13.45
Options exercisable, end of year	36,089		20,722		—	

The outstanding stock options at December 31, 1998, have a range of exercise prices of \$11.67 to \$45.81 per option. Options with exercise prices ranging between \$11.67 and \$14.89 per option have a remaining weighted average contractual life of 7.0 years; of such options, 15,224 options with an exercise price of \$11.67 per option are currently exercisable and 20,865 options with an exercise price of \$14.89 are currently exercisable. Options with an exercise price of

\$28.17 and \$48.12 per option have a remaining contractual life of approximately 8.4 years and 9.6 years, respectively; of such options, none are currently exercisable. The weighted average fair value at date of grant for options granted during 1998, 1997, and 1996 was \$17.65, \$9.44, and \$4.69 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:

	1998	1997	1996
Expected life (years)	7	7	7
Risk-free interest rate	5.8%	6.7%	6.8%
Expected volatility	31.9%	27.6%	25.4%
Expected dividend yield	1.5%	2.3%	2.4%

The company applies Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized in the statements of earnings. Had compensation cost been determined under an alternative method suggested by SFAS No. 123, "Accounting for Stock-Based Compensation," net income would have decreased \$547, \$263 and \$82 in 1998, 1997, and 1996, respectively; and diluted earnings per share would have been \$2.92, \$2.07 and \$1.48 in 1998, 1997, and 1996, respectively.

11. Acquisitions On November 3, 1998, the company acquired substantially all of the net business assets of U.S. Truck Crane, Inc. ("USTC"), from a subsidiary of UK-based Powerscreen International PLC. Located in York, Pennsylvania, USTC builds three proprietary product lines, including boom trucks, rough terrain forklifts, and other types of material handling equipment.

The aggregate consideration paid by the company for the net assets of USTC was \$53,927, which includes direct acquisition costs of \$337 and assumed liabilities of \$8,067. The purchase price paid for USTC is subject to a post-closing adjustment as set forth in the Purchase and Sale Agreement. The company has not recorded any adjustment to the purchase price based upon the post-closing adjustment at December 31, 1998. The acquisition of USTC was financed through a combination of the company's credit facilities under the Credit Agreement and its Note Agreement (see Note 6).

The acquisition of USTC has been recorded using the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair values 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 \$40,636, which includes \$38,736 of goodwill and is being amortized over a weighted average life of 38 years. The results of USTC's operations subsequent to the date of acquisition are included in the Consolidated Statements of Earnings for the year ended December 31, 1998.

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

	1998	1997
Net sales	\$723,178	\$575,332
Net earnings	\$ 52,476	\$ 36,837
Basic earnings per share	\$ 3.04	\$ 2.13
Diluted earnings per share	\$ 3.01	\$ 2.12

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 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 values of the assets acquired and the liabilities assumed. The excess of the cost over the fair value of the net assets acquired of \$57,596, is being amortized over a weighted 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 years ended December 31, 1998 and 1997.

The following unaudited information presents, on a pro forma basis, the SerVend acquisition as if it had occurred at the beginning of 1997:

Net sales	\$587,376
Net earnings	\$ 35,711
Basic earnings per share	\$ 2.07
Diluted earnings per share	\$ 2.05

On January 8, 1999, the company acquired all of the outstanding common stock of Purchasing Support Group ("PSG"), a four-member beverage service organization that was formed in 1997, for \$38.0 million in cash. The four companies which combined to form PSG are the Chandler Wingfield Co., Inc.; the Chester Paul Company; Funkhouser Associates, Inc.; and Larry Scott & Associates, Inc. Individually, each of the companies comprising PSG have been serving soft-drink bottling operations throughout the United States since the 1960's with a variety of equipment and services for beverage dispensing systems. The acquisition was financed through the company's existing credit facilities.

12. 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 1998 and 1997, \$127 and \$132 was charged against the reserve, respectively.

The company holds assets for sale which 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 certain of the assets mentioned above, determined through independent appraisals, is approximately \$3.5 million and is included in other assets at December 31, 1998. The company has reserved for the future holding costs, which are included in accounts payable and accrued expenses, consisting primarily of utilities, security, maintenance, property taxes and insurance. The company has also recorded reserves for potential environmental liabilities on the Peninsula location. During the years ended December 31, 1998, 1997 and 1996, \$(54), \$35 and \$1,100 was charged against these reserves, respectively.

13. 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 PRP's 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 costs to clean up the Site are approximately \$30 million. Although liability is joint and several, the company's percentage share of liability is estimated to be 11% of the total cleanup costs. Prior to December 31, 1996, the company accrued \$3.3 million in connection with this matter. Expenses recorded in 1998, 1997, and 1996 were insignificant. Remediation work at the Site has been completed, with only long-term pumping and treating of groundwater and Site maintenance remaining. The remaining estimated liability for this matter, included in other current and noncurrent liabilities at December 31, 1998, is \$1.1 million.

As of December 31, 1998, 25 product-related lawsuits were pending. Of these, one 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 for Cranes and Marine cases (\$0.1 million for Foodservice cases) and \$50.0 million limit on the insurer's contribution.

Product liability reserves included in accounts payable and accrued expenses at December 31, 1998, are \$10.2 million; \$5.2 million reserved specifically for the 25 cases referenced above, and \$5.0 million for claims incurred but not reported. These reserves were estimated using actuarial methods. The reserve for the one uninsured claim is insignificant. The highest current reserve for an insured claim is \$0.9 million. 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 and 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.

14. Retirement and Health Care Plans During 1998, the company adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," which revises disclosures about pensions and postretirement plans. This statement did not change the measurement or recognition of the company's plans, but resulted in additional disclosures.

The company provides retirement benefits through non-contributory 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 under these plans were \$12,909, \$10,371 and \$8,810, in 1998, 1997 and 1996, 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:

	1998	1997	1996
Service cost—benefits earned during the year	\$ 296	\$ 260	\$ 260
Interest cost on accumulated postretirement health benefit obligation	1,144	1,088	1,044
Amortization of actuarial gain	(127)	(197)	(136)
Net periodic postretirement health benefit cost	\$1,313	\$1,151	\$1,168

The following is a reconciliation of the change in the accumulated periodic postretirement health benefit obligation from January 1, 1997, through December 31, 1998, and a reconciliation of the postretirement benefit obligation to the accrued amount at December 31, 1998 and 1997:

	1998	1997
Benefit obligation, beginning of year	\$ 15,712	\$ 14,822
Service cost	296	260
Interest cost	1,144	1,088
Participant contributions	818	768
Actuarial loss	567	449
Benefits paid	(2,115)	(1,675)
Benefit obligation, end of year	\$ 16,422	\$ 15,712
Status of the plan, unfunded	\$16,422	\$15,712
Unrecognized net gain	3,283	3,987
Accrued benefit, end of year	\$19,705	\$19,699

The health care cost trend rate assumed in the determination of the accumulated postretirement benefit obligation is 6% in 1998, decreases 1.0% 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 \$2,180 at December 31, 1998, and the aggregate of the service and interest cost components of net periodic postretirement health benefit cost by \$229 for 1998. Decreasing the assumed medical trend rates by one percentage point in each year would decrease the accumulated postretirement health benefit obligation by \$1,789 at December 31, 1998, and the aggregate of the service and interest cost components of net periodic postretirement health benefit cost by \$215 for 1998.

The discount rate used in determining the accumulated postretirement health benefit obligation is 7.25% for 1998 and 1997. 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.

15. 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 \$2,848, \$3,390 and \$4,474 in 1998, 1997 and 1996,

respectively. Total minimum rental obligations under non-cancelable operating leases, as of December 31, 1998, aggregated \$20,160 and were payable as follows:

1999	\$3,110
2000	\$2,597
2001	\$2,157
2002	\$1,619
2003	\$1,517
Thereafter	\$9,160

16. Business Segments The company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in 1998. SFAS 131 supercedes SFAS 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the company's reportable segments. SFAS 131 also requires disclosure about products and services, geographical areas, and major customers. The segments reported by the company in prior years have not been changed by the adoption of this statement.

The company has three reportable segments: Foodservice Equipment ("Foodservice"), Cranes and Related Products ("Cranes"), and Marine Operations ("Marine").

Foodservice products consist primarily of commercial ice cube machines, dispensers, and related accessories, as well as commercial refrigerators and freezers and beverage dispensers. Foodservice distributes its products primarily in the United States, Southeast Asia, and Europe. Foodservice products serve the lodging, restaurant, health care, 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.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that certain expenses are not allocated to the segments. These unallocated expenses are corporate overhead, intangible amortization, interest expense and income taxes. The company evaluates segment performance based upon profit or loss before the aforementioned expenses.

The company is organized primarily on the basis of products and is broken down into 17 business units. Seven of the business units have been aggregated into the Foodservice segment; seven of the business units have been aggregated into the Cranes segment; and three of the business units make up the Marine segment.

Information about reportable segments and a reconciliation of total segment sales, profits and assets to the consolidated totals as of December 31,1998 and 1997 and for the years ending December 31, 1998, 1997 and 1996 are summarized on page 30. The following is sales and long-lived asset information by geographic area as of and for the years ended December 31:

	Sales			Long-Lived Assets	
	1998	1997	1996	1998	1997
United States	\$616,129	\$459,704	\$432,905	\$282,747	\$244,789
Other North America	16,881	8,309	9,461	—	—
Europe	36,917	23,345	9,608	5,548	4,146
Asia	12,920	27,235	32,564	1,842	1,917
Middle East	5,610	3,289	5,329	—	—
Central & South America	1,949	14,766	3,541	—	—
Africa	1,774	663	565	—	—
South Pacific & Carribean	2,642	8,553	6,492	—	—
	\$694,822	\$545,864	\$500,465	\$290,137	\$250,852

Foreign revenue is based upon the location of the customer. Revenue from no single foreign country was material to the consolidated sales of the company.

17. Subsequent Event

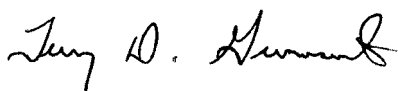
On February 17, 1999, the company's board of directors authorized a three-for-two stock split of the company's shares in the form of a 50% stock dividend payable beginning March 31,1999 to shareholders of record on March 1, 1999. The information in these financial statements has not

been restated to reflect this split. If the share data in these financial statements had been adjusted for the split, diluted earnings per share would have been \$1.97, \$1.39, and \$0.99 for 1998, 1997, and 1996, respectively.

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.



Terry D. Growcock
President & Chief Executive Officer



Robert R. Friedl
Senior Vice President & Chief Financial Officer

Report of Independent Public Accountants

To The Stockholders and Board of Directors of
The Manitowoc Company, Inc. and Subsidiaries

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows present fairly, in all material respects, the financial position of The Manitowoc Company, Inc. and its Subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for the years ended December 31, 1998, 1997 and 1996, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
January 26, 1999, except for information in
Note 17, for which the date is February 17, 1999.

Supplemental Quarterly
Financial Information
(unaudited)

The table below presents unaudited quarterly data for the years ended December 31, 1998 and 1997.

	1998				1997			
(Thousands of dollars, except per share data)	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$154,139	\$188,899	\$184,023	\$167,761	\$116,041	\$144,985	\$133,935	\$150,903
Gross margin	43,472	53,094	53,280	45,775	32,008	41,829	37,354	41,409
Net earnings	9,337	15,408	15,203	11,432	6,478	11,929	9,521	8,495
Per share amounts:*								
Basic earnings per share	.54	.89	.88	.66	.38	.69	.55	.49
Diluted earnings per share	.54	.88	.87	.66	.37	.69	.55	.49
Dividends per common share	.11	.11	.11	.11	.11	.11	.11	.11

*Per share data adjusted to reflect the 1997 three-for-two stock split.

Quarterly Common
Stock Price Range

	Year Ended December 31, 1998			Year Ended December 31, 1997			Year Ended December 31, 1996		
	High	Low	Close	High	Low	Close	High	Low	Close
1st Quarter	\$40.13	\$29.13	\$38.63	\$40.00	\$33.50	\$36.13	\$33.25	\$27.75	\$31.50
2nd Quarter	46.81	38.10	40.31	47.50	34.50	46.75	38.00	31.75	35.88
3rd Quarter	41.88	24.50	30.13	39.94	31.69	35.69	35.75	23.50	32.13
4th Quarter	44.38	24.69	44.38	38.19	29.50	32.50	43.88	31.50	40.50

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.

Business Unit
Management

Foodservice Equipment

Manitowoc Foodservice Group
Manitowoc, WI
George Devine
Group Vice President

Manitowoc Ice, Inc.
Manitowoc, WI
Tim Kraus
Executive Vice President
& General Manager

Kolpak
Franklin, TN
George Harvey
Executive Vice President
& General Manager

Kolpak Manufacturing Co.
Selmer, TN
Ron Jester
Executive Vice President
& General Manager

McCall Refrigeration
Franklin, TN
Denny Romer
Executive Vice President
& General Manager

SerVend International, Inc.
Sellersburg, IN
Greg Fischer
Executive Vice President
& General Manager

Flomatic International
Portland, OR
Paul Fischer
Executive Vice President
& General Manager

Hangzhou Wanhua Refrigeration Co., Ltd.
Hangzhou, PRC
Ning Wen
Executive Vice President
& General Manager

Fabbrica Apparecchiature per la Produzione di Ghiaccia S.r.l.
Milan, Italy
Philip Keener
Managing Director

Roberto Adamo
Managing Director

Cranes and Related Products

Manitowoc Cranes, Inc.
Manitowoc, WI
Ron Schad
Executive Vice President
& General Manager

Manitex, Inc.
Georgetown, TX
Joe Conway
Executive Vice President
& General Manager

USTC, Inc.
York, PA
Scott Rolston
Executive Vice President
& General Manager

Femco Machine Company
Punxsutawney, PA
Marty Lakes
Senior Vice President
of Operations

Manitowoc Remanufacturing, Inc.
Bauxite, AR
Tom Dale
Executive Vice President
& General Manager

North Central Crane & Excavator Sales Corp.
Mokena, IL
Bill O'Rourke
Executive Vice President
& General Manager

Manitowoc Europe Ltd.
Northampton, England
John Sheppard-Jones
Managing Director

Marine Operations

Manitowoc Marine Group
Sturgeon Bay, WI
Bruce Shaw
Group Vice President

Bay Shipbuilding Co.
Sturgeon Bay, WI
Bruce Shaw
President
& General Manager

Cleveland Shiprepair Co.
Cleveland, OH
Randy LaCrosse
Executive Vice President
& General Manager

Toledo Shiprepair Co.
Toledo, OH
Randy LaCrosse
Executive Vice President
& General Manager

Board of Directors



Left to right: Gilbert F. Rankin, Jr., Robert C. Stift, George T. McCoy, Robert S. Throop, Terry D. Growcock, James P. McCann, Guido R. Rahr, Jr., George E. Fischer, Dean H. Anderson

Gilbert F. Rankin, Jr., 66, former administrative director, College of Engineering, Cornell University, Ithaca, NY. Elected to Manitowoc's board in 1974. (1), (4)

Robert C. Stift, 57, chairman and chief executive officer of USI Diversified Products Co., since 1998, an industrial products manufacturer located in Hagerstown, MD. Previously, chairman and chief executive officer of Grove Worldwide (1992). Elected to Manitowoc's board in 1998.

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

Robert S. Throop, 61, 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. (2), (3), (4)

Terry D. Growcock, 53, president and chief executive officer, The Manitowoc Company, Inc. Elected to the board in 1998. (3)

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. (3), (4)

Guido R. Rahr, Jr., 70, 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)

George E. Fischer, 66, former chairman and president of SerVend International, Inc., a producer of ice/beverage dispensers headquartered in Sellersburg, IN. Previously, president and chief executive officer of TMC Management Company (1986); former secretary of the Governor's Executive Cabinet for the State of Kentucky (1983). Elected to Manitowoc's board in 1998.

Dean H. Anderson, 58, 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); also president and chief executive officer of Steego Corporation (1988). Elected to Manitowoc's board in 1992. (1), (2)

Committees

(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 provides the methodology for selection of new members of the board of directors and for nomination and selection of candidates, including the specifications, for the position of chief executive officer of the corporation.

Officers



Bottom row, left to right: Terry D. Growcock, Robert R. Friedl; Top row, left to right: E. Dean Flynn, Glen E. Tellock, Thomas G. Musial

E. Dean Flynn, 57, secretary since 1993. Previously, manager of corporate insurance (1990); assistant corporate secretary (1987); 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.

Terry D. Growcock, 53, president and chief executive officer, since 1998. Previously, president and general manager of Manitowoc Ice, Inc., (1996); also executive vice president of Manitowoc Equipment Works (1994). Prior to joining Manitowoc, Mr. Growcock served in numerous management and executive positions with Siebe plc and United Technologies.

Glen E. Tellock, 37, vice president of finance and treasurer since 1998. Previously, corporate controller (1992) and director of accounting (1991). Prior to joining Manitowoc, Mr. Tellock served as financial planning manager with the Denver Post Corporation and as audit manager for Ernst and Whinney.

Robert R. Friedl, 44, 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 for Telecom North, Inc.

Thomas G. Musial, 47, vice president of human resources since 1995. Previously, manager of human resources (1987) and personnel/industrial relations specialist (1976).

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.
- 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.

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.

- 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.
- Return on Equity** – Net earnings divided by stockholders' equity, a measurement of the amount earned on the shareholder's investment.
- Return on Invested Capital** – An EVA measurement of operating profit after-tax divided by invested capital, an indicator of how efficiently the company employs its assets.
- 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.

- 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 food-service 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 which it is mounted to.
- 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.

Investor Information

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

PricewaterhouseCoopers LLP
100 East Wisconsin Avenue
Suite 1500
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 4, 1999, in the ballroom of the Holiday Inn at 4601 Calumet Avenue, 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 44 of this annual report.

Manitowoc Shareholders

On December 31, 1998, 17,304,587 shares of Manitowoc common stock were outstanding. At such date, there were 2,633 shareholders of record.

Form 10-K Report

Each year, Manitowoc files its Annual Report on 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 1998, 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 the 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 1999 according to the following schedule:

1st Quarter – April 13, 1999
2nd Quarter – July 12, 1999
3rd Quarter – October 12, 1999
4th Quarter – January 25, 2000

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.

The Manitowoc Company, Inc.
500 South 16th Street
P.O. Box 66
Manitowoc, WI 54221-0066

