

**The  
Manitowoc  
Company,  
Inc.**

**2001  
Annual  
Report**

# Ready







**Ready to** 





# Adapt Innovate Grow

Cover: The U.S. Coast Guard Cutter JUNIPER, built by our Marinette Marine subsidiary, stands watch over New York Harbor.

Inside Front Cover: Potain Cranes, our largest acquisition ever, expands our product lines and presence in the global crane market.

Page 1: Manitowoc's new ice machines and beverage dispensers have enabled us to expand our market-leading positions within our primary end markets.

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# Financial Highlights

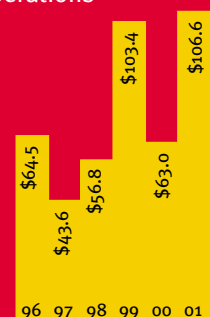
## Net Sales (\$ Millions)

Net sales rose over 27% to \$1.1 billion in 2001, and marked the seventh consecutive year of record revenues for Manitowoc.



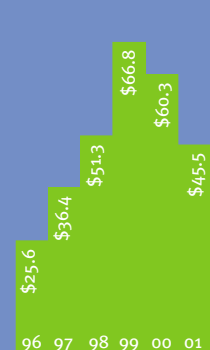
## Cash from Operations (\$ Millions)

Cash from operations set a new record in 2001, improving 69% to \$106.6 million to eclipse the previous record set in 1999.



## Net Earnings (\$ Millions)

Net earnings totaled \$45.5 million in 2001, the fourth highest level in Manitowoc's 100-year history.



	For the Years Ended December 31		
	2001	2000	% Change
<b>Thousands of dollars, except current ratio, shares, per share, return, employee, and shareholder data</b>			
<b>For the Year</b>			
Net sales	\$1,116,580	\$873,272	27.9%
Earnings from operations	\$ 118,379	\$112,652	5.1%
Net earnings	\$ 45,548	\$ 60,268	-24.4%
Net earnings as a percent of sales	4.1%	6.9%	-40.6%
<b>Financial Position</b>			
EVA	\$ 19,020	\$ 35,447	-46.3%
Total assets	\$1,080,812	\$642,530	68.2%
Current ratio	1.12	0.93	20.4%
Stockholders' equity	\$ 263,795	\$233,769	12.8%
Average shares outstanding (diluted)	24,548,463	25,122,795	-2.3%
<b>Per Share</b>			
Basic earnings per share before extraordinary loss	\$ 2.01	\$ 2.42	-16.9%
Extraordinary loss—net of income tax benefit	\$ (0.14)	\$ —	—
Basic earnings per share	\$ 1.87	\$ 2.42	-22.7%
Diluted earnings per share before extraordinary loss	\$ 1.99	\$ 2.40	-17.1%
Extraordinary loss—net of income tax benefit	\$ (0.13)	\$ —	—
Diluted earnings per share	\$ 1.86	\$ 2.40	-22.5%
Dividends paid	\$ 0.30	\$ 0.30	0.0%
Net book value	\$ 10.75	\$ 9.30	15.6%
<b>Other Information</b>			
Cash from operations	\$ 106,615	\$ 63,047	69.1%
Property, plant and equipment—net	\$ 175,384	\$ 99,940	75.5%
Capital expenditures	\$ 29,261	\$ 13,415	118.1%
Depreciation	\$ 20,471	\$ 9,872	107.4%
Business acquisitions	\$ 285,533	\$ 98,982	188.5%
Return on invested capital	10.3%	15.7%	-34.4%
Return on equity	17.3%	25.8%	-33.0%
Return on assets	4.2%	9.4%	-55.3%
Number of employees	6,124	4,405	39.0%
Number of shareholders	2,719	2,765	-1.7%



# Letter to Shareholders

## Always Ready

2001 was a challenging year in many ways. Even though we faced difficult conditions in our end markets, we continued to build value. We increased our share in all of our major markets. Sales topped \$1.1 billion, our seventh consecutive year of record revenues. And while net earnings fell to \$45.5 million, or \$1.86 per fully diluted share, they were still the fourth highest in our 100-year history. We generated more than \$106 million in cash from operations, providing the capital required to implement our strategies and repay debt. Equally important, we added \$19 million in economic value.

**Adapt** Our ability to succeed, even in challenging times like these, rests on our ability to adapt, to innovate, and to grow. At the first signs of a slowdown, we updated and then put into practice profit assurance plans, designed to lower costs and help maintain our margins. We reduced discretionary spending. We increased the use of such cost-saving measures as consignment inventories, which allow us to pay suppliers for their products as we use them. We also took the difficult step of sizing our operations to meet current levels of demand.

At the same time, we completed a number of strategic actions aimed at permanently removing costs. We rationalized our boom-truck product line and consolidated our boom-truck manufacturing operations at a single plant. The production of beverage-dispensing valves was consolidated at our main beverage equipment facility. Additional consolidations are underway.

**Innovate** While we watched every dollar, and will continue to do so, we did not reduce our efforts when it came to research and development. Innovation, in our products and our operations, is the lifeblood of this company. In fact, over 80% of the products we sell today have either been invented, redesigned, or acquired since 1998.

In 2001, we introduced or acquired more than 100 new products. As always, we emphasized the front end

of the development process. We spend a great deal of time listening to our customers, as well as to the distributors, specifiers, and users of our products, to identify their needs. We expend an equal amount of effort identifying the gaps in our product lines and developing products that help us enter new market categories.

The result is products that succeed in the marketplace. One example is our new Model 555 lattice-boom crawler crane. Introduced at the end of 2001, the 555 is the first of our cranes that is designed to metric standards—and the global market. A number of unique benefits, including simplified maintenance and operation, make it the crane of choice to replace some two to three thousand existing cranes. We had orders for nearly a year's worth of 555 production before the first unit was built.

That is just one example of many. Others include new foodservice products that meet the growing demand for improved sanitation and lower operating costs. A new line of ice machines that produce flake ice enables us to serve

*"Our ability to succeed, even in challenging times like these, rests on our ability to adapt, to innovate, and to grow."*

Terry D. Growcock  
President &  
Chief Executive Officer

healthcare facilities, supermarkets, and other new customers. With their sophisticated electronics and propulsion systems, the ships we are launching are among the most advanced ever built.

We continue to innovate inside our operations as well. In 2001, we finished converting all of our foodservice equipment manufacturing facilities to demand-flow systems that reduce floor space requirements and inventories of components, raw materials, and finished goods. New plate-cutting technology at our lattice-boom crane operation has helped drive down the time it takes to fabricate and assemble a crane to a matter of weeks. At our marine business, improved production methods have helped us deliver every one of 22 new Coast Guard vessels on budget and on schedule.

**Grow** Innovative technology is vital to our growth. But we are not stopping there. The new products and 15 acquisitions we have made since 1995 have helped us generate \$164 million in economic value for shareholders and improve our ability to weather downturns in our



markets. Our 2000 acquisition of Marinette Marine, for example, helped our marine business produce record sales and earnings in 2001, even though its traditional customers experienced a sharp drop in revenues.

We made another important acquisition in 2001. At cash paid of \$307 million, our purchase of Potain Cranes, which is based in France, is our single largest acquisition ever. It fit our acquisition standards to a “T.” Potain’s tower cranes complement our existing lattice-boom cranes, nearly double the size of our crane market, and give us the leading position in two of the three major segments of the global crane industry. Overnight, we dramatically increased our presence in global markets, and with crane production facilities on three continents, we can now reduce freight costs and make our products more competitive with those of local manufacturers.

### Looking Ahead

Aggressive cost controls allied with innovation, acquisition, and global expansion will help us make the most of a difficult environment. The challenges we face extend beyond a global recession to a number of specific issues. Declines in tourism and travel, even before the terrorist attacks of September 11, have hurt hotels, restaurants, and our foodservice business. Crane utilization and rental rates remain high, but a strong dollar has hampered margins. The troubles faced by U.S. steel manufacturers are echoing among the lake carriers served by our marine operations.

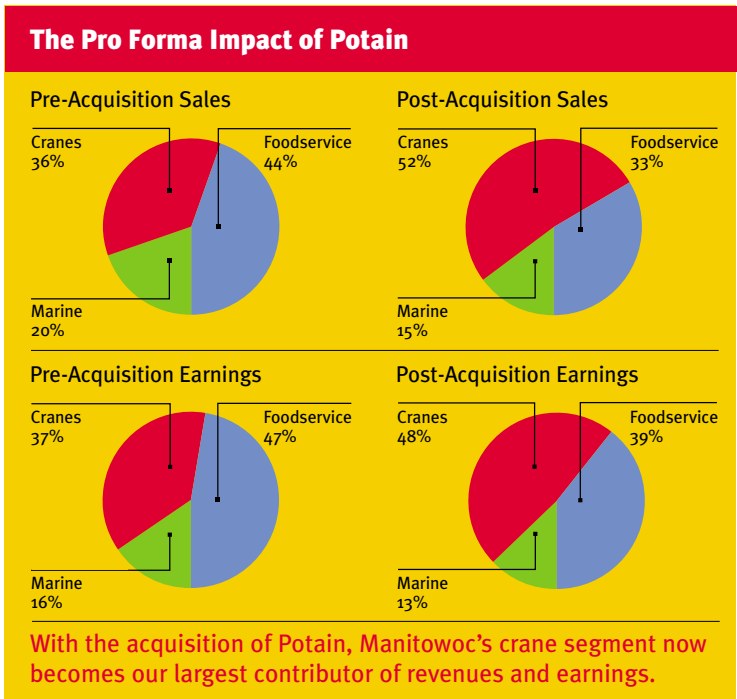
Conditions will remain challenging in our centennial year of 2002. Frankly, we expect little, if any, growth in our end markets. But we do expect to continue to increase our value. We will once again launch a record number of new products. Our efforts to manage and eliminate costs will help ensure the strongest possible financial performance. We will gain additional savings,

as well as important marketing advantages, by integrating our worldwide crane operations and expanding our combined global distribution network. Our ship construction business has an impressive list of orders, and we are actively competing for other major projects.

When the economy does turn around, we will be ready. Our diversification helps us manage risk and provides a broad platform for growth. The money we have invested in developing new products will build our markets and our brands and put us even farther ahead of our competition. Acquisitions add to our long-term economic value. Global expansion opens new opportunities. Higher volumes, combined with low-cost production, will translate into higher profits. We will benefit from the investments we are making today, just as we are now benefiting

from the expenditures made over the past several years.

What’s more, we have a 100-year tradition of prevailing through challenging times. From the Wright brothers’ first flight to the moon landing and beyond, few other companies survived more of the 20th century. Fewer still are as well prepared to lead the way into the 21st. Our core strategies have proven themselves, through good times and bad. And whether the products



are ice machines, walk-in refrigerators, cranes, or ships, we are known for building the very best. It is a reputation that has been earned one day at time, over many generations, by the thousands of people who have worked at Manitowoc. It is a tradition we can all be proud of.

Now, the objective is to carry that tradition forward. We will do it by emulating our largest Marine customer, the U.S. Coast Guard, whose motto is *semper paratus*, “always ready.” We will continue our tradition of leadership by being always prepared, always ready to adapt to new conditions, to innovate, and to grow. A century of progress is only the beginning.

Terry D. Growcock  
President & Chief Executive Officer

# Manitowoc at a Glance

**Corporate Mission**—Our mission is to continuously improve economic value for our shareholders.

**Corporate Scope**—The Manitowoc Company is a creator of market-leading engineered capital goods and support services for selected market segments which today include Cranes and Related Products, Foodservice, and Marine. This is Manitowoc's strength.

**Corporate Purpose**—The centerpiece of our efforts will continue to be high-quality customer-focused products and support services. Research, marketing, manufacturing, support services, and all related elements will generally be product-oriented. The company will use this in evaluating and guiding its business units.

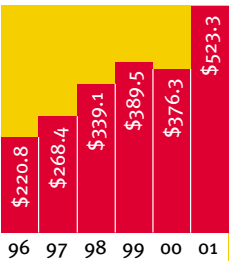
## Business Segment

### Cranes & Related Products:

Femco Machine Company, Inc.  
Manitowoc Boom Trucks, Inc.  
Manitowoc Cranes, Inc.  
Manitowoc Remanufacturing, Inc.  
Potain, S.A.S.

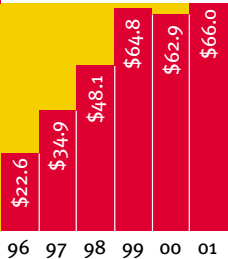
## Financial Results (\$ Millions)

### Net Sales



Crane segment sales and earnings for 2001 were enhanced by the acquisition of Potain.

### Operating Earnings



## Products & Services

Crawler- and truck-mounted lattice-boom cranes; top-slewing and self-erecting tower cranes; hydraulically powered telescopic boom trucks; crane rebuilding and remanufacturing services; aftermarket replacement parts for cranes and excavators; industrial repair and rebuilding services.

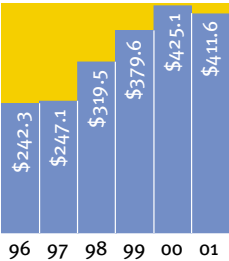
### Brand Names:

Manitowoc, Potain, CraneCARE, Femco

### Foodservice Equipment:

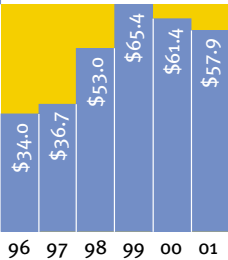
Diversified Refrigeration, Inc.  
Fabbrica Apparecchiature per la  
Produzione del Ghiaccio S.r.l.  
Harford Duracool, LLC  
Kolpak  
Kyees Aluminum  
Manitowoc Beverage Systems, Inc.  
Manitowoc (Hangzhou)  
Refrigeration Co., Ltd.  
Manitowoc Ice, Inc.  
McCall Refrigeration  
Multiplex Company, Inc.  
SerVend International, Inc.

### Net Sales



Despite prolonged market softness, Manitowoc's Foodservice segment posted solid results that outpaced the industry for 2001.

### Operating Earnings



Commercial ice-cube machines, ice flakers, and ice-storage bins; ice/beverage dispensers; long-draw soft-drink and beer dispensing systems; walk-in refrigerators and freezers; reach-in refrigerators and freezers; refrigerated undercounters and food-prep tables; private label residential refrigerator/freezers; post-mix beverage dispensing valves; cast aluminum cold plates; compressor racks and modular refrigeration systems; backroom beverage equipment distribution services.

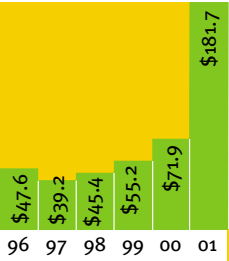
### Brand Names:

Manitowoc, SerVend, Multiplex, Kyees, Kolpak, Harford, McCall, Koolaire, RDI, Flomatic, Compact, Icetronic, Chill-Pak

### Marine Operations:

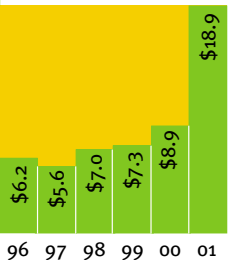
Bay Shipbuilding Co.  
Cleveland Shiprepair Company  
Marinette Marine Corporation  
Toledo Shiprepair Company

### Net Sales



Strong gains in sales and earnings by our Marine operations were driven by a full year of results from Marinette Marine.

### Operating Earnings



New construction services for government, military, research, and commercial vessels of all varieties, including self-unloading bulk carriers, double-hull tank barges, integrated tug/barges, and dredges. Inspection, maintenance, conversion, and repair of freshwater and salt-water vessels. Also provides industrial repair and maintenance services for refineries, power plants, and heavy industrials.



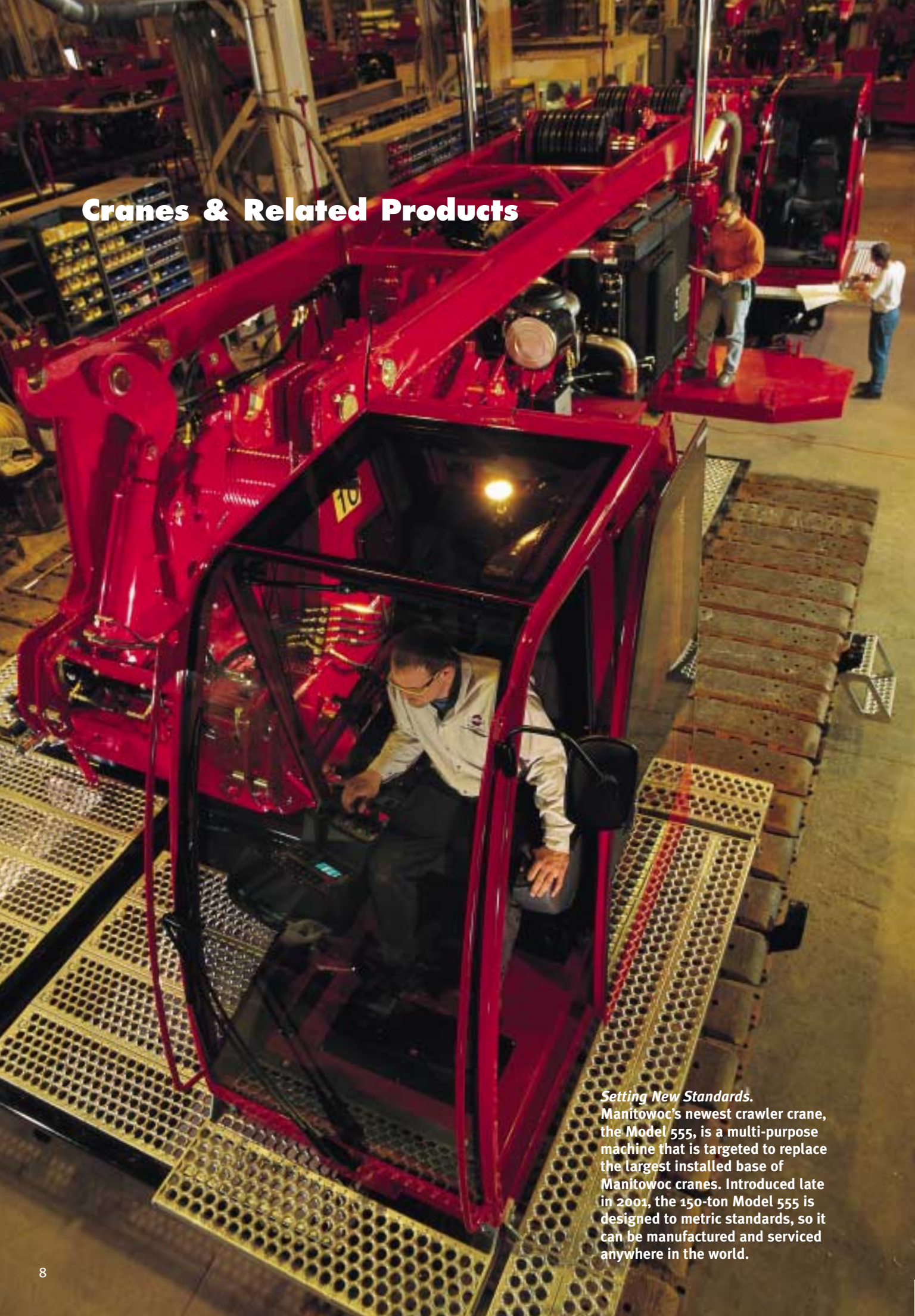
**Corporate Profile**—Manitowoc is the leading manufacturer of high-capacity, lattice-boom cranes and tower cranes for heavy construction, energy-related, infrastructure, commercial, and crane-rental applications. It is also one of America's leading producers of boom trucks. Additionally, Manitowoc is a leading manufacturer of ice machines, ice/beverage dispensers, soft-drink dispensing valves,

cast aluminum cold plates, and commercial refrigeration equipment for the foodservice, lodging, convenience-store, healthcare, beverage, and bottling industries. Manitowoc is also the dominant provider of shipbuilding and ship-repair services on the U.S. Great Lakes.

Markets Served	Primary Competition	Key Advantages	Industry Outlook
Heavy construction, general contracting, commercial construction, energy exploration and production, infrastructure, equipment rental, duty-cycle, dock-side, dredging, industrial, utility services, oilfield services, and material-handling applications.	<p><i>Lattice-boom Cranes:</i> Hitachi Kobelco Liebherr Mannesman Dematic Sumitomo/Link-Belt Terex</p> <p><i>Tower Cranes:</i> Comansa Gru Comedil Liebherr Peiner</p> <p><i>Boom Trucks:</i> National Crane Terex</p>	<ul style="list-style-type: none"> <li>Best recognized brands in the lattice-boom crane and tower crane industry.</li> <li>Leading share of lattice-boom and tower crane markets based on technological innovation, product performance, versatility, and reliability.</li> <li>Global manufacturing and distribution capabilities.</li> <li>A low-cost producer of high-capacity, lattice-boom crawler cranes.</li> <li>Manitowoc cranes command the industry's highest resale values.</li> <li>Large installed base of crawler cranes and tower cranes provides strong after-market opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Construction equipment sales are expected to increase 0.5% in the United States and 1.1% globally in 2002, according to the Association of Equipment Manufacturers annual outlook survey.</li> <li>U.S. Department of Commerce anticipates total construction put-in-place for 2002 will reach \$708.2 billion, led by energy and infrastructure projects.</li> <li>Utilization rates and crane rental rates remain strong across virtually all market sectors.</li> <li>The average high-capacity liftcrane is more than 25 years old and is technologically obsolete, which is driving an active replacement cycle for 15,000 cranes in North America. Crane replacement cycles in Europe, the Middle East, and Asia are likely to follow.</li> </ul>
Foodservice, lodging, hospitality, healthcare, convenience stores, institutions, and supermarkets; soft-drink bottling and dispensing; commercial ice service.	<p><i>Ice Machines:</i> Hoshizaki Scotsman</p> <p><i>Ice/Beverage Dispensers &amp; Dispensing Valves:</i> I.M.I. Cornelius Lancer</p> <p><i>Walk-in Refrigerator/Freezers:</i> American Panel Kysor/Needham Nor-Lake W. A. Brown</p> <p><i>Reach-in Refrigerator/Freezers:</i> Beverage Air Delfield Traulsen True Foodservice</p>	<ul style="list-style-type: none"> <li>Broad-line manufacturer with multi-national manufacturing and distribution.</li> <li>Largest domestic share of commercial ice-cube machine and walk-in refrigerator/freezer markets.</li> <li>A low-cost producer of commercial ice-cube machines and walk-in refrigerator/freezers.</li> <li>Recognized as the industry leader in ice-cube machine technology and innovation.</li> <li>Manufacturing operations in North America, Europe, and Asia.</li> <li>80 distributors in 70 countries.</li> </ul>	<ul style="list-style-type: none"> <li>According to the National Restaurant Association ("NRA"), restaurant industry sales are projected to reach a record \$407.8 billion in 2002, up 3.9% over 2001. Full-service and quick-service restaurants will generate over 65% of the industry's revenue gains in 2002.</li> <li>Based on NRA data, more than 46% of today's food dollar is spent away from home; approximately 44% of all adults are restaurant patrons on a typical day.</li> <li>Annual foodservice equipment and supply industry is forecast to exceed \$10 billion in 2002 due to: <ul style="list-style-type: none"> <li>more U.S. chain restaurants launching or expanding their international presence;</li> <li>continued high levels of remodeling and renovation by domestic chain restaurants;</li> <li>more women entering the workforce helping to create higher levels of disposable income.</li> </ul> </li> </ul>
Government, research, military, and dredging operations; U.S. and Canadian-flagged Great Lakes fleets; inland waterway operators; oceangoing vessels that transit the St. Lawrence Seaway and the Great Lakes.	Alabama Shipbuilding & Drydock Bender Shipbuilding & Repair Bollinger, Lockport & Larose Fraser Shipyards Friede Goldman Halter Port Weller Drydocks	<ul style="list-style-type: none"> <li>Adept at all phases of shipbuilding and ship repair for freshwater and saltwater vessels.</li> <li>Operates the best-equipped facilities with the most experienced workforce of any U.S. Great Lakes shipyard.</li> <li>Yards strategically located on the Great Lakes' major shipping lanes.</li> <li>Operates more than 60% of the U.S. drydocks serving the Great Lakes, including two of the three largest graving docks.</li> </ul>	<ul style="list-style-type: none"> <li>OPA-90 legislation requires that all vessels hauling petroleum in U.S. waters must be replaced with double-hull tonnage by 2015.</li> <li>Homeland security initiatives could result in a series of new vessels for the U.S. Coast Guard.</li> <li>Non-traditional "off-lakes" markets, which require vessels for dredging, commercial, and specialty applications, are continuing to grow.</li> <li>The U.S. and Canadian flag fleets continue to age; creates ongoing opportunities for dry docking, inspection, maintenance, and repair services.</li> </ul>



## Cranes & Related Products



### *Setting New Standards.*

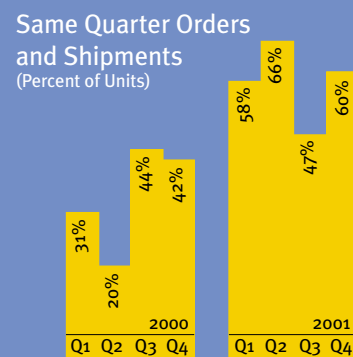
Manitowoc's newest crawler crane, the Model 555, is a multi-purpose machine that is targeted to replace the largest installed base of Manitowoc cranes. Introduced late in 2001, the 150-ton Model 555 is designed to metric standards, so it can be manufactured and serviced anywhere in the world.





Rob Giebel  
President

**Any Reason, Any Season. ▶**  
As Manitowoc continues to improve its processes and reduce its manufacturing times, customers are ordering their cranes much closer to the intended time they are needed on a project.



### Ready in Cranes

It's easy to be a leader when times are good. Our goal is to lead our markets all of the time. Industry-wide, crane sales have fallen from the peak achieved in 1999. Yet, we have continued to increase our market share—and to operate one of the most profitable companies in the industry.

We responded to the conditions we encountered in 2001 by getting closer to customers. We doubled the size of our sales staff and organized it into two divisions, which focus all of our product lines on either light or heavy lifting. We moved our product support organization from our headquarters out into the field. Our new joint service facility in Singapore, the only one of its kind in the industry, provides factory-direct parts, service, training, and support for customers in Asia.

We are helping our customers meet the challenges they are facing today.



◀ **Building Our Competitive Edge.** By building our crawler cranes and tower cranes closer to their intended end markets, we can cut costs and deliver products quicker. Shown here is a Potain mast section being fabricated at Manitowoc Cranes for the North American market.

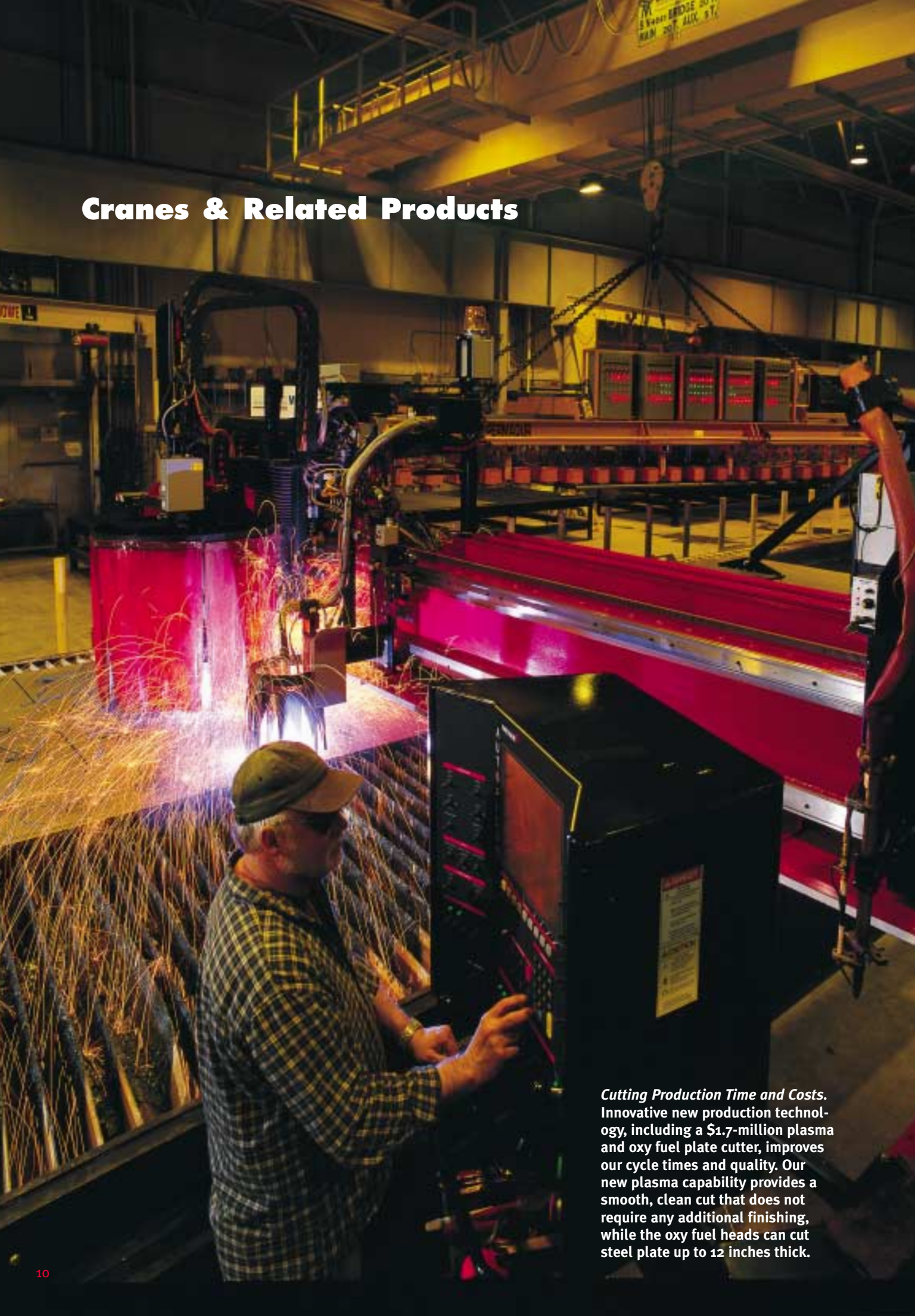
**Three Times Faster.** Fabricating the components for a high-capacity lattice-boom crane requires hundreds of individual welds. New robotic welding systems perform the task more than three times faster than it can be performed manually, with consistent, high-quality results. ▼



▲ **New Heights of Performance.** Potain's self-erecting tower cranes can be easily towed to any project site, then be quickly deployed in a matter of minutes to provide the vertical height and horizontal reach required for many commercial construction applications.



## Cranes & Related Products



*Cutting Production Time and Costs.* Innovative new production technology, including a \$1.7-million plasma and oxy fuel plate cutter, improves our cycle times and quality. Our new plasma capability provides a smooth, clean cut that does not require any additional finishing, while the oxy fuel heads can cut steel plate up to 12 inches thick.





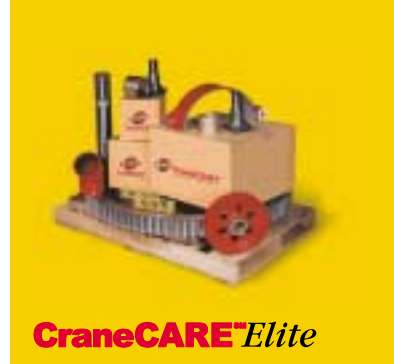
**Raising Standards. ▲**  
Manitowoc's crane simulator, the first of its kind in the industry, teaches operators how to lift and handle loads safely. Each year, more than 400 operators train in the simulator, which recreates the action and controls of a Manitowoc 2250.



**Designed for the Market. ►**  
Manitowoc Boom Trucks responded to changes in its market by consolidating its product lines and its operations and focusing on higher-value, high-capacity products. Consolidating two plants into one and reducing the product line from 48 models to eight reduces inventory costs, improves throughput, and makes it easier to distribute and service products.

### Doing More, Getting More

At a time when crane utilization rates are high, we can help both contractors and crane-rental companies keep their cranes in operation. New service maintenance kits, which provide everything needed to perform scheduled maintenance, are automatically shipped to customers at regular intervals, improving maintenance practices and reducing paperwork. New supply programs ship products such as wire rope directly from the manufacturers, so customers receive them more quickly. Every one of our new crane designs sets a



**The Mark of Quality. ▲**  
Our new CraneCARE<sup>sm</sup> Elite program provides aftermarket support, including OEM parts, field service, technical support, documentation, and computerized crane application programs, to leading crane dealers around the world.

new standard for ease of transportation, set-up, operation, and maintenance.

In addition to doing more for our customers, we've been getting more from our operations. Consolidating our boom-truck product line will reduce working capital, improve margins, and make it easier to serve our customers. New engineering systems allow us to construct cranes in cyberspace, to ensure the design is 100% accurate before it goes to the shop floor. Plasma-based steel-cutting technology has tripled the productivity of our plate-cutting operations.

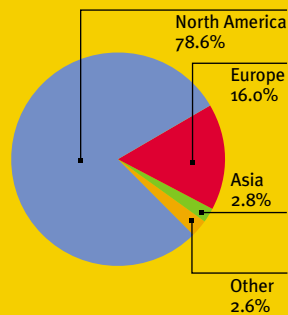
# Cranes & Related Products

*Extending Our Reach.*  
The first joint development project between Manitowoc Cranes and Potain resulted in the S282. This innovative crane concept combines the mobility of a boom truck with the advantages of a tower crane, including a four-story working height and an 82-foot reach — enough to place loads exactly where they are required inside a building under construction.

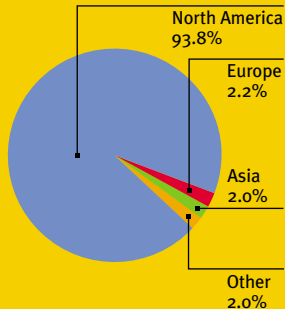




## 2001 Sales by Region



## 2000 Sales by Region



*Creating Geographic Diversity.* With the acquisition of Potain, more than 20% of Manitowoc's consolidated revenue now comes from the international marketplace.



## Changing the Industry

Improvements like these have enabled us to build cranes close to 30% faster than we could previously, which reduces costs and improves our ability to meet customers' needs. In fact, we've been able to build a heavy lift-crane to a customer's specifications and deliver it faster than foreign competitors have been able to ship their products here.

Our acquisition of Potain changes the industry. No other company offers two of the top brands, and no one else can match our combined resources.

We already have combined our sales and distribution operations, and we are working together to develop new products and leverage our combined purchasing power. Potain has 18 new products in development, many of which are aimed at the U.S. market, and we have begun to manufacture portions of Potain cranes at our Manitowoc, Wisconsin, facility. Together, our two companies already have seen the benefits of our combined distribution. We're building our lead.

*Raising Our Share.* ▲ Manitowoc's Model 2250 accounted for over 90% of the 300-ton capacity cranes sold worldwide in 2001. While industry-wide crane sales fell during the year, sales of the 2250 set a record, as strong demand for high-capacity cranes, especially from customers in the energy industry, drove its success.

## Virtually Perfect. ►

Our new Pro-E engineering system provides up-to-the-minute drawings, specifications, and changes that can be shared with suppliers electronically. Exploded-view drawings that once required weeks to develop now can be created in a few hours.





## Foodservice Equipment

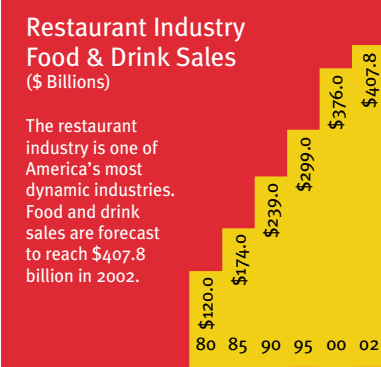
### *The Leader.*

The demand-flow production systems now in use across our foodservice equipment operations make the most of all of our resources, from raw material to labor hours. Flow manufacturing allows different products to be manufactured in any sequence on the same production line. Products can be built to order, not to forecast, reducing inventory costs and lead times, while improving quality and meeting our customers' requirements for on-time delivery.





**Tim Kraus  
President**



**Ready in Foodservice**

Our goal is to grow our business at double the rate of the industry. And when demand is down, we expect to trail the market by half. That's exactly what we're doing.

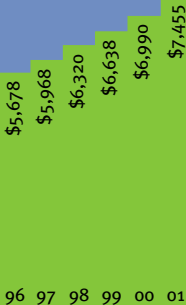
We expected sales to slow in 2001, so we prepared for it. We cut back on discretionary spending where we could without hurting our ability to serve our customers. Then, we began to reengineer our operations, to permanently reduce our costs and improve our margins. It's the beginning of a comprehensive operational excellence effort targeted to improve every aspect of our products and processes.

The transition to demand-flow manufacturing gave us a tremendous advantage. We build the products that were ordered yesterday, today, virtually eliminating inventories of finished products, while actually improving fill rates. We are seeing the benefits everyday.

We are building products better—and building better products. New product development efforts focus on the most attractive segments of today's market, including convenience stores and institutions.

### Disposable Personal Income (\$ Billions)

As disposable personal income continues to grow, Americans are dining out more frequently. On a typical day 44% of all adults are restaurant patrons.




**New Ways to Grow.** Manitowoc Ice expanded its product offering by launching a line of ice flakers in 2000. This year, it expanded that product offering by introducing an undercounter ice flaker. Flakers allow us to serve new groups of customers, including hospitals, delis, supermarkets, and a host of other foodservice applications. ►





## Foodservice Equipment



***Chilling Performance.*** Kolpak is America's leading producer of walk-in refrigerators and freezers. Each unit is custom built for its specific application, such as this commercial kitchen which produces thousands of meals each day at a casino in northern Minnesota.

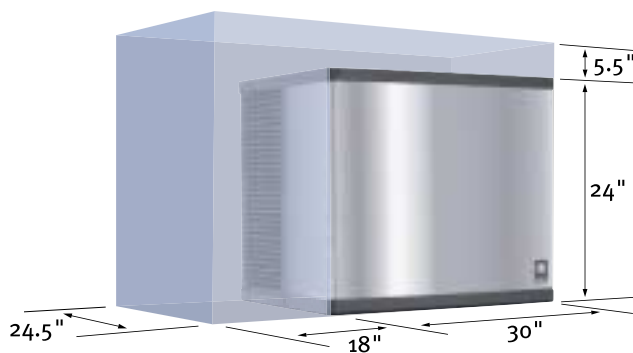


**Consolidation Pays Off.** ▲ During 2001, the Flomatic beverage valve operation, which was previously located in Oregon, was consolidated into SerVend. This consolidation became feasible after SerVend's implementation of demand-flow manufacturing.

### A Smaller Footprint

A new line of ice flakers gives us the products needed to serve supermarkets and healthcare facilities. New ice/beverage dispensers meet customers' needs by offering more ice in a smaller footprint, plus easier cleaning and sanitation. Our walk-in panel plants are extending their expertise by building structures for such non-foodservice applications as enclosures for generators and telecom equipment.

In spite of softness in the food-service market over the past 18 months, our long-term prospects are bright. In Europe and North America, the amount of money spent on food consumed away from home or purchased to-go continues to grow. And while the growth in some segments has slowed, other segments remain relatively strong. Many of our major quick-service restaurant chain customers are pursuing the opportunity to grow globally.



▲ **Smaller, Faster, Quieter, and More Profitable.** Manitowoc's Q-Series ice machines with patented CVD® technology not only produce more ice, more efficiently, but also occupy a smaller footprint to free floor space for more productive and profitable uses. In this shadowbox comparison, Manitowoc's Q1400C is not only 5.5" shorter and 18" narrower than a non-CVD Q1300 ice machine, but produces an additional 90 pounds of ice every day.

### Global Growth

We are laying the groundwork now and building the infrastructure for the future. As conditions improve, we expect to achieve superior rates of growth. Manufacturing, training, and service facilities in China and Europe plus a network of 80 distributors, in 70 countries, give us strong roots in global markets. We can serve customers wherever they do business. Innovative new products, including new walk-in refrigerators, a new line of European ice machines, a new line of under-counter ice dispensers, and many others, will extend our leadership. We will offer more reasons than ever to choose our products.



**A New Niche.** Product development efforts based on an in-depth analysis of our customers' needs help us identify new markets—and expand our product lines. During 2001, this included a -10°F reach-in freezer by McCall (left), a frozen-beverage dispensing system by Multiplex (center), and a quick-service QSV soft-drink dispensing system by SerVend (right).





## Marine Operations

*Launching the Finest.*  
Launched early in 2002, the U.S. Coast Guard Cutter OAK is the eleventh 225-foot Juniper-class seagoing buoy tender built by our Marinette Marine subsidiary. Late in 2001, Marinette was awarded an option to build two more seagoing buoy tenders, in addition to the three remaining under the previous contract. These technologically advanced vessels are designed to perform search and rescue, law enforcement, pollution response, and domestic ice-breaking missions as well as maintaining aids to navigation.





Tom Byrne  
President

**Ready in Marine**

The economic situation for the Great Lakes carriers continues to darken. The severe decline of the U.S. steel industry has drastically reduced shipments of iron ore and other materials. As a result, the demand for our traditional ship-repair and inspection services has also been affected.

Even so, our marine operations enjoyed a record year, in terms of both sales and earnings. We owe our strong performance to our 2000 acquisition of Marinette Marine. While our traditional repair business weakened in 2001, there was strong demand for our shipbuilding capabilities. We're not moving away from our tradi-

tional repair business—we're by far the largest ship-repair organization on the Great Lakes—but we have found new ways to serve our customers and to grow.









We are building more ships than at any time in our recent history, and looking beyond the Great Lakes. In 2001, we delivered a hopper dredge and three Coast Guard buoy tenders. Orders for new vessels, including two double-hull tank barges, three Staten Island ferries, a dump scow, two additional buoy tenders, and the new Great Lakes icebreaker, MACKINAW, give us a backlog that extends into 2005. New marketing efforts are expected to increase that figure even more.



**Continuous Improvement.**

Improvements in project management and production processes have helped improve productivity and increase throughput. Modular construction techniques allow ships to be assembled with virtually all of their electrical wiring, piping, and mechanical systems already in-place. When vessels are launched, they are more than 90% complete.

*Full Speed Ahead.*  
Our backlog of new ship construction projects stretches into 2005. More than 85% of the backlog represents government work for essential vessels. ▼

Vessel		Date Awarded	Anticipated Delivery
Double-Hull Tank Barges	VMS1 	6-19-2001	Third-quarter 2002
	VMS2 	8-14-2001	Fourth-quarter 2002
Great Lakes Icebreaker	GLIB 	10-15-2001	Third-quarter 2005
Coast Guard Buoy Tenders	WLB15 	11-21-2001	Second-quarter 2004
	WLB16 	11-21-2001	Third-quarter 2004
Staten Island Ferries	SIF1 	12-10-2001	Second-quarter 2003
	SIF2 	12-10-2001	Fourth-quarter 2003
	SIF3 	12-10-2001	Second-quarter 2004

## Marine Operations



### ***Innovation At Work.***

The Marine Transportation Study Act of 1999, which emphasized the need to invest in our nation's harbors and waterways, has spurred new interest in dredging. We have responded with a number of innovative, highly specialized vessels that have helped to build our business beyond the Great Lakes. Built at Sturgeon Bay and delivered in December, the self-propelled 5,000-cubic-meter LIBERTY ISLAND is the first new hopper dredge built in 20 years.



### *Building a Legend.*

The City of New York awarded Manitowoc the contract to build three new Staten Island ferries. The new Kennedy-class ferries will be 310 feet long, 70 feet wide, and are capable of transporting 4,400 passengers and 30 vehicles on each trip between Staten Island and Manhattan. Twin pilot houses plus state-of-the-art navigation and propulsion systems are complemented by a design reminiscent of the ferries that plied New York's harbors decades ago. ▼



### *Number One.* ▲

Manitowoc is the leading provider of ship services on the U.S. side of the Great Lakes. Operating over 60% of the U.S. Great Lakes' dry dock footage, including two of the three

largest graving docks, we're equipped to provide efficient casualty repairs, as well as scheduled maintenance, inspection, conversion, and new-vessel construction services.

### **Ahead of Schedule**

To handle the new projects, and take on even more, we are applying our total resources and investing to improve our processes and operations. For example, our Sturgeon Bay shipyard is building the new double-hulled tank barges that will be propelled by two tugs we are building in Marinette. Sophisticated project management and design engineering tools keep production on track and assure that all the parts of our vessels come together as they should. Improved welding and painting processes, coupled with modular construction techniques, have significantly improved our throughput. In fact, we have delivered vessels six months ahead of schedule.

Most of all, we build with quality. We have earned long-term relationships with customers like Great Lakes Dredge and Dock, which has ordered 50 vessels from us since 1906. Our project management teams work closely with the people who own and operate the ships we build. We view ourselves as their partners and we take care of each and every customer.

That's especially true for the Coast Guard. Whether it is search and rescue, homeland security, or law enforcement, the men and women of the Coast Guard go in harm's way every day. We are honored by their courage and devotion to duty, and are committed to building them the very best ships for their job. They deserve nothing less.

### *Looking Ahead.* ▲

The Oil Pollution Act of 1990 requires that all petroleum transported in U.S. waters must be carried in double-hulled vessels by 2015. Based in part on our previous success in building similar vessels, we were chosen to construct two articulated tug/barges, with double hulls, to transport petroleum along the West Coast.



# Manitowoc and EVA

**Building Value** Since 1993, we have managed our business according to EVA® principles. Doing so has helped us achieve superior performance, in good times and bad.

EVA, or Economic Value-Added, defines value creation as the return a business generates over and above its cost of capital. Building value means operating our business more efficiently without using additional capital, investing capital in projects that earn more than their cost of capital, or diverting capital from activities that do not meet the required cost of capital expectations.

In 2001, we did all three. Integrating recent acquisitions and making the most of our combined purchasing power helped our businesses operate more efficiently without additional capital investments. Capital expenditures, such as the purchase

of new plasma-cutting technology, quickly paid for themselves and produced superior returns. The consolidation of facilities allows us to allocate capital to our more strategic assets.

The financial discipline that is built into EVA helped us maintain our profitability in a challenging environment. EVA provides an objective benchmark for evaluating proposed investments and determining which offer the best opportunities to increase margins and reduce capital requirements. EVA helps ensure that revenues translate into earnings, and it encourages our employees to think like owners of the company—owners who are in the business for the long haul.

We believe so strongly in EVA that other than stock option grants, it is the only incentive plan at the Mani-

towoc Company. Currently, the majority of our managers and more than 76% of our entire domestic workforce are compensated, at least in part, based on our EVA performance. Ultimately, we would like all employees to receive incentive compensation or retirement plan contributions based on EVA results.

Our EVA performance in 2001 reflects the soft conditions in our end markets. We generated \$19 million of EVA in 2001, compared with \$35.4 million for 2000. The majority of the decrease was due to our reduction in



*"The financial discipline that is built into EVA helped us maintain our profitability in a challenging environment."*

Glen E. Tellock  
Senior Vice President  
& Chief Financial Officer

earnings. Nonetheless, we continue to invest in projects that will deliver returns greater than our cost of capital. Some of these projects include our acquisition of Potain, various manufacturing initiatives, capital expenditures, and

new product development. These investments, combined with a rebound in our end markets, will allow us to deliver superior results. Like owners, we're willing to invest for long-term success.

We have the freedom to make decisions like that thanks to our strong cash flows. Previous EVA-based investments provide the high margins and low costs that enable us to consistently generate cash. As we have done before, we will use our excess cash to pay down debt and to fund innovations, acquisitions, investments, and growth. We are confident we can achieve those objectives. In a tumultuous period, our stock price has remained relatively constant, and even edged upward at the end of the 2001. We believe this indicates we're doing the right things for our shareholders. We're preparing for the future.



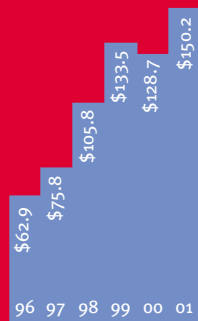
## Cumulative EVA Performance (\$ Millions)



Manitowoc generated \$19.0 million of EVA in 2001. Since 1995, it has created nearly \$164 million of economic value for its shareholders.

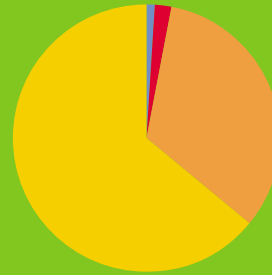
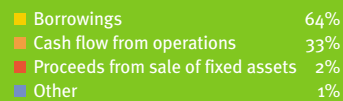
## EBITDA (\$ Millions)

Earnings before interest, taxes, depreciation, and amortization have more than doubled since 1996 and set a new record in 2001 by reaching \$150.2 million.



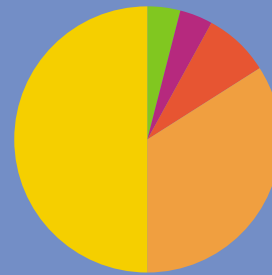
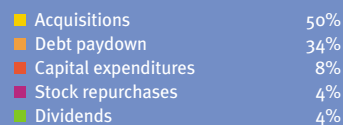
## Sources of Cash 1995–2001 (\$136 Billion)

Borrowings and cash flow from operations represented approximately \$1.3 billion of the cash Manitowoc sourced between 1995 and 2001.



## Uses of Cash 1995–2001 (\$136 Billion)

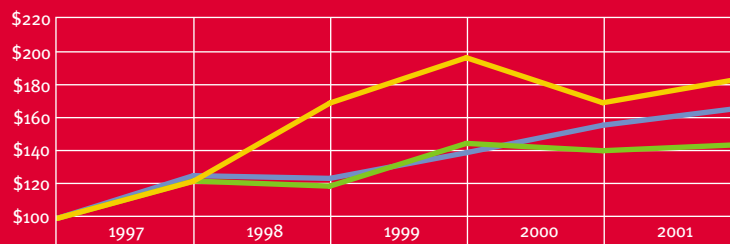
Acquisitions, debt paydown, and capital expenditures, which totaled approximately \$1.2 billion, represented the top three uses of Manitowoc's cash between 1995 and 2001.



## Manitowoc Total Return

(Base year = \$100, December 31, 1996)

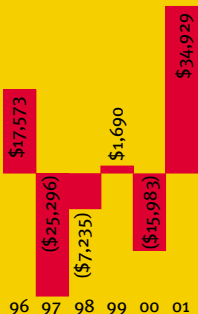
Manitowoc  
S&P Small Cap 600  
Russell 2000



Since 1996, Manitowoc's common stock has generated a total return that outpaces both the S&P Small Cap 600 and Russell 2000. Manitowoc is a component of both these well-known indices.

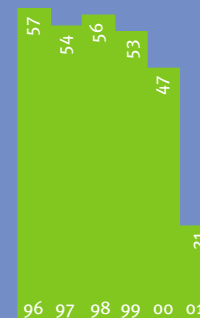
## Working Capital (\$ Millions)

As part of its focus on EVA, Manitowoc is always striving to reduce its working capital. In 2001, working capital increased primarily due to the Potain acquisition.



## Cash Gap (Days)

Manitowoc's continuing improvement in reducing its cash gap demonstrates its ability to manage working capital at its most efficient levels while still growing revenues.



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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes appearing in this annual report.

**Overview** The Manitowoc Company, Inc. (referred to as the “company,” “MTW,” “we,” “our,” and “us”) is a leading diversified, multi-industry manufacturer of engineered capital goods and support services for selected market segments which today include Cranes and Related Products, Foodservice Equipment, and Marine. The centerpiece of our efforts is and will continue to be to provide customer-focused, quality products and services to the markets we serve. Research, marketing, resource allocation, manufacturing, support services, and all related elements will generally be products oriented. We will do this in a manner designed to continuously improve economic value for our shareholders.

In the context of providing customer-focused, quality products and services to our customers and improving economic value for our shareholders, we have established the following goals to be achieved by the end of 2002.

## 2002 Goals

Reach \$1.3 billion in sales.
Generate 80% of revenues from new products/models introduced or acquired since 1998.
Be EVA® accretive in each business unit each year.
Supplement core businesses with strategic acquisitions.
Continue to make global expansion a key priority.
Pursue ISO quality certification for all non-marine operations.

On our way to realizing these goals, we are proud to report a few key achievements during 2001:

- We surpassed \$1 billion in sales for the first time in our 100-year history, enabling us to achieve our seventh consecutive year of record sales.
- During 2001, more than 80% of our revenues were generated from new products/models introduced or acquired since 1998.
- We achieved the fourth best earnings results in our history with earnings of \$45.5 million as earnings benefited from various initiatives over the last 18 months in all our segments.
- Cash from operations set a record, increasing 69% to \$106.6 million for the year.
- Despite the challenging economy, which impacted several of our end markets, we invested \$286 million in acquisitions, \$29.3 million in capital expenditures, and \$8.3 million in R&D to enhance our market positions.
- We completed the largest acquisition in the company's history. The acquisition of Potain S.A.S. (f/k/a Potain S.A.) (“Potain”) has expanded our crane product line offering as well as our manufacturing and distribution capabilities worldwide. This acquisition makes us one of the largest and most diverse lift-equipment providers in the world.
- We reduced our cash gap during the year from 47 days in 2000 to 21 days at the end of 2001.
- A total of \$19.0 million of EVA was generated during the year.

The following discussion and analysis covers the key drivers behind our results for 2001 and is broken down into four major sections. First, we provide an overview of our results of operations for the years 1999 through 2001 on a consolidated basis and by business segment. In later sections, we discuss our market conditions, outlook for 2002, new acquisitions, liquidity, financial condition, and our market risk management techniques. Lastly, we provide a discussion of contingent liability issues, impacts of accounting changes, and cautionary statements.

## Results of Operations

### Consolidated

In Thousands	2001	2000	1999
Net sales	\$1,116,580	\$873,272	\$824,339
Cost of sales	831,768	637,538	590,627
Gross profit	284,812	235,734	233,712
Engineering, selling & administrative expenses	153,879	114,901	107,369
Amortization of goodwill	12,554	8,181	7,392
Operating income	118,379	112,652	118,951
Interest expense	37,478	14,508	10,790
Other expense—net	1,212	2,024	2,155
Earnings before taxes and extraordinary loss	79,689	96,120	106,006
Income taxes	30,817	35,852	39,222
Earnings before extraordinary loss	\$ 48,872	\$ 60,268	\$ 66,784
Extraordinary loss—net of tax	3,324	—	—
Net earnings	\$ 45,548	\$ 60,268	\$ 66,784

Net sales increased 27.9% in 2001 to \$1.1 billion from \$873.3 million in 2000. Excluding the impact of the acquisitions of Potain and Marinette Marine Corporation (“Marinette Marine”), consolidated net sales decreased 8.3% in 2001 compared to 2000. Net sales in 2000 increased 5.9% compared to 1999, primarily as a result of acquisitions.

Prior to 2000, we reported chassis revenues and expenses on a net basis as a component of net sales. During 2000, we began separating the revenue and expense components and reporting them as components of net sales and cost of sales, respectively. We made this change as a part of the implementation of Emerging Issues Task Force (EITF) No. 99-19, “Reporting Revenues Gross as a Principal versus Net as an Agent.” As a result, net sales and cost of sales were increased in the Cranes segment by \$18.8 million in 1999.

Gross profit as a percent of sales decreased in 2001 to 25.5% from 27.0% in 2000 and 28.4% in 1999. This decline in 2001 versus 2000 was the result of lower volumes in our Crane and Foodservice segments, inherently lower margins across Potain's entire product line, and increased project work versus repair work in our Marine segment. The 2000 decrease in gross margin versus 1999 was due to decreased volumes, inefficiencies caused by investments in manufacturing process improvements, and lower margins on businesses acquired in 2000 and 1999.

Engineering, selling, and administrative expenses (“ES&A”) showed a slight increase during 2001 to 13.8% of net sales versus 13.2% of net sales in 2000 and 13.0% of net sales in 1999. This increase is due to lower sales volumes in the Crane and Foodservice segments, the acquisition of Potain, which has a less flexible cost structure, and higher than normal quotation activity within our Marine segment. Despite our completion and assimilation of the Potain acquisition, we have successfully maintained our ES&A ratio due to our flexible cost structure and our ability to control costs in light of lower volumes. The aggressive cost control efforts we initiated early in 2001 successfully combined to significantly reduce or maintain our ES&A in our other businesses.

We were able to maintain the ES&A ratio in 2000 because of the flexibility of our cost structure, which enabled us to control costs in light of lower volumes in all three of our segments. We successfully maintained this cost ratio during 2000 despite the fact that we completed and began assimilating five acquisitions totaling almost \$100 million and investigated others.



Goodwill amortization of \$12.6 million during 2001 increased 53.5% over the \$8.2 million reported in 2000. Amortization expense in 2000 increased 10.7% over the \$7.4 million recorded in 1999. This increase in amortization expense in 2001 and 2000 is the result of the additional acquisition goodwill recognized on acquisitions completed since the beginning of 1999. As a percentage of net sales, amortization expense has remained constant at approximately 1% each year since 1999.

Our operating earnings in 2001 of \$118.4 million, or 10.6% of sales, increased 5.1% versus the \$112.7 million, or 12.9% of sales, reported for 2000. The decline in 2001 operating margin was primarily due to lower operating margins of businesses acquired in late 2000 and 2001, as well as lower sales volumes at many of our core businesses in 2001 versus 2000. Operating earnings for 2000 were 5.3% lower than the \$119.0 million, or 14.4% of sales, reported for 1999. The decline in 2000 operating margin versus 1999 was primarily due to lower sales volumes in the Crane and Foodservice segments and increased project work in the Marine segment.

Interest expense during 2001 of \$37.5 million was 158.3% higher than the \$14.5 million recorded during 2000. The interest expense recorded in 2000 was 34.5% higher than the \$10.8 million recorded in 1999. The increase in interest expense during 2001 was the result of funding the Potain acquisition and related higher amortization of deferred financing costs incurred to refinance existing indebtedness and bank fees. The 2000 increase was due to the combination of the additional debt incurred to fund acquisitions and to buyback 1.9 million shares of our stock. The effective interest rate paid on all outstanding debt as of December 31, 2001, 2000, and 1999 was 6.7%, 6.9%, and 6.7%, respectively. We controlled our exposure to interest rate increases over this period in three ways. First, we made effective use of interest rate hedges on variable rate debt. Second, we benefited from our favorable fixed rate borrowings. Third, we effectively used alternative borrowing vehicles outside our credit facility, such as euro-denominated senior subordinated notes which act as a natural hedge against our European operations, to control our currency and interest rate exposure. (See the section below titled Risk Management for further information).

The 2001 effective income tax rate was 38.7%, compared to 37.3% in 2000 and 37.0% in 1999. The increase in our effective income tax rate over this three-year period is due to increasing amounts of nondeductible goodwill amortization expense arising from acquisitions and our increased exposure to higher tax rates in foreign countries.

## Sales and Operating Profits

### *Cranes and Related Products Segment*

In Thousands	2001	2000	1999
Net sales	\$523,266	\$376,250	\$389,510
Operating income	\$ 66,028	\$ 62,876	\$ 64,840
Operating margin	12.6%	16.7%	16.6%

Crane segment net sales rose 39.1% to \$523.3 million in 2001 compared to 2000 levels. This increase was due exclusively to the Potain acquisition. Excluding the impact of acquisitions in 2001, sales were off 12.4%, a decrease primarily driven by weak economic conditions in our end markets. Sales of lower-capacity cranes (under 100-ton crawlers and boom trucks) were down over 30% from the prior year while the larger end of the market was relatively flat.

The 3.4% decrease in Crane segment sales in 2000 was due to decreased domestic sales volumes in our lattice-boom crawler crane business of lower-tonnage units. In addition, our boom-truck business also experienced decreased sales volumes combined with a shift in boom-truck sales mix toward lower-tonnage units.

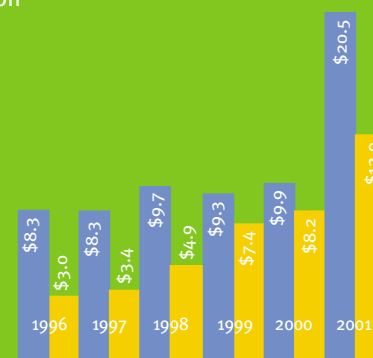
Operating income in the Crane segment increased 5.0% in 2001 primarily due to the Potain acquisition. However, on an internal basis without the impact of Potain, operating income declined

## Depreciation and Amortization

(\$ Millions)

Depreciation expense more than doubled in 2001, while amortization climbed by 58%, with both figures reflecting the impact of the Potain acquisition.

Depreciation  
Amortization



27.7% on lower sales volumes, increased pricing pressure (especially in lower-tonnage units), sluggish economies in the U.S. and certain European markets, and the consolidation of our boom-truck facilities into the Georgetown, Texas, facility. Overall gross margins declined during 2001 primarily due to lower sales volumes in all of the segment's businesses and inherently lower margins across Potain's entire product line. ES&A margins increased slightly due to the less flexible cost structure of Potain, increased investments to improve engineering systems, and product development initiatives. We believe the introduction of five new platforms in 2001, which was unprecedented in our industry, along with our commitment to continuous product development, will be key drivers to future growth.

Operating income in the Crane segment decreased 3.0% in 2000 primarily due to lower sales volumes and the shift of product sales mix in the boom-truck business toward lower-tonnage units. Operating margins remained consistent in 2000 with 1999 levels primarily due to the offset of decreased gross margins and improved ES&A margins. Gross margins declined during 2000 primarily due to lower sales volumes in all of the segment's businesses, the shift in boom-truck product sales mix toward lower-tonnage units, and competitive pricing pressures experienced by the boom-truck business. ES&A margins improved during 2000 as the segment continued to take advantage of cost reduction synergies within the boom-truck business and cost reduction initiatives implemented among all Crane segment businesses.

### *Foodservice Equipment Segment*

In Thousands	2001	2000	1999
Net sales	\$411,637	\$425,080	\$379,625
Operating income	\$ 57,942	\$ 61,368	\$ 65,372
Operating margin	14.1%	14.4%	17.2%

Foodservice segment net sales declined 3.2% in 2001 to \$411.6 million compared to 2000 levels. Organic sales growth for the Foodservice segment in 2001 was down 5.2% versus 2000 levels. This decline was primarily driven by the softness in the beverage industry, as our ice and refrigeration units outperformed the market and completed the year at sales levels comparable to 2000.

The 12.0% increase in net sales in 2000 to \$425.1 million versus \$379.6 million in 1999 was due exclusively to acquisitions. Organic sales growth for the Foodservice segment in 2000 was flat versus 1999 levels.

The 5.6% decrease in operating income during 2001 compared to 2000 was due to sales volume decreases in our businesses, primarily in the beverage industry. However, during the second half of 2001, we achieved consecutive quarterly improvements with operating margins exceeding the comparable quarters for the prior year in spite of a decline in sales. This favorable earnings-to-sales ratio highlights our process improvement and cost-reduction initiatives, coupled with higher-margin new product launches within the last year. The decrease in operating margin in 2000 was due to volume decreases in both the beverage industry and refrigeration industry compounded by the historically lower operating margins of acquired businesses.

# Management's Discussion and Analysis of Results of Operations and Financial Condition (continued)

## Marine Segment

In Thousands	2001	2000	1999
Net sales	\$181,677	\$71,942	\$55,204
Operating income	\$ 18,924	\$ 8,902	\$ 7,297
Operating margin	10.4%	12.4%	13.2%

Marine segment revenues increased 152.5% in 2001 versus 2000. Before considering the impact of Marinette for a full year in 2001, sales decreased 2.0%. Reported sales growth during 2001 was due to the acquisition of Marinette Marine in November 2000, offset by decreased repair revenues at our traditional facilities during the year.

Revenues increased 30.3% during 2000 versus 1999 due to increased project and repair revenues and the acquisition of Marinette Marine in November 2000.

The Marine segment reported a 112.6% improvement in operating income during 2001 versus 2000 levels, again due to the acquisition of Marinette Marine. However, the operating margin declined to 10.4%, down almost 200 basis points from the 2000 level, due to a larger portion of the revenues coming from lower-margin projects versus higher-margin repairs.

Marine segment operating income increased 22.0% during 2000 versus 1999 levels due to the acquisition of Marinette Marine in November 2000 and the additional project and repair volumes experienced during the year. Operating margins declined during the year due to the continued shift of revenues toward project work, and the decline was exacerbated by the acquisition of Marinette Marine. Marinette Marine's ship construction backlog activities make up the bulk of our planned business in the next few years at lower margins than our traditional repair business.

## General Corporate Expenses

In Thousands	2001	2000	1999
Net sales	\$1,116,580	\$ 873,272	\$824,339
Corporate expense	\$ (11,961)	\$ (12,313)	\$ (11,166)
Percent of sales	-1.1%	-1.4%	-1.4%

Corporate expenses during 2001, 2000, and 1999 were consistent as a percent of net sales at 1.1% in 2001, 1.4% in 2000, and 1.4% in 1999.

The 10.3% increase in corporate expenses during 2000 was primarily due to the fact that there was approximately \$0.8 million of expenses in 2000 related to costs incurred on unrealized acquisitions.

## Domestic Market Conditions

Many experts reported that the United States economy sank into a recession in March 2001. We started seeing a downturn in the crane and foodservice markets in the latter half of 2000. The September 11 attacks are said to have had a lasting impact on the tourism and construction industries, among many others. Because our businesses are affected by these and other industries that were negatively affected by this year's events, we experienced weakening market conditions in all three of our business segments.

Credit tightening in the second half of 2001, as well as a weakened employment picture, led to declines in commercial building projects, especially in the hotel industry. At the same time, some expansion has been reported for highways, bridges, electrical power plants, and schools. While there have been reports of expectations of a strengthening economy in 2002 in some areas, we do not anticipate recovery in the short term for the travel and lodging sectors. This means that hotel construction may not see a resurgence this year.

The timing and speed of the economic recovery in the United States is still hotly debated. The projections for an economic upturn have ranged from as early as the first quarter of 2002 to as late as 2003. Despite this uncertainty, we believe that we are well positioned to take advantage of a recovery when it occurs.

**Cranes**—The United States market slowdown that took place in the latter half of 2000 continued to affect our 2001 sales. Sales of lower capacity (less than 100 tons) crawler cranes and boom trucks saw the biggest declines. Larger capacity crawler cranes continued to have good demand, and our development of new products helped to reduce the impact of the decline in the overall market. In this environment, we maintained market share in the U.S. across our lattice-boom product line and in our ongoing boom-truck product lines.

During 2001 we consolidated our boom-truck business to adjust our manufacturing capacities, better focus our product lines, and improve our cost position in this business.

Overall crane fleet utilization appears to remain relatively high. One of the market factors that limited our ability to generate revenues was the difficulty our customers experienced in obtaining financing. While we do not currently offer financing for our customers, we have taken steps to assist and actively pursue third-party financing alternatives for them.

**Foodservice**—The industry slowdown that began in the third quarter of 2000 continued through 2001. By industry estimates, the demand for foodservice equipment in 2001 was off 10% to 15% on a year-over-year basis. In the ice machine industry—where reliable data is available—domestic cuber shipments were off in 2001 by 10%. However, our business units fared better than the industry and gained share in each of the major categories. The gain was primarily driven by aggressive new product introduction programs.

The recession and events in the late third and fourth quarters damaged the traditional quick-service and lodging industry segments more seriously than most other segments. Although both of these industry segments were already showing signs of late market maturity, they were affected significantly by the sudden decline in travel. The upscale and fine dining industry segments, while a smaller portion of the overall market, were particularly sensitive to the general economy and employment levels and suffered as well.

On the positive side, new-store construction in the casual dining, convenience store, and institutional markets remains comparatively strong. Upscale sandwich shops also enjoy a growing demand supported by aging baby-boomers looking for "healthier" lunch venues.

We believe the fundamentals of the market remain solid and there are some early signs that the economy is starting to stabilize. We expect the market to remain flat throughout 2002.

**Marine**—The Marine segment continues its growth led by the focus on new construction projects. The integration of Marinette Marine has enabled the Marine segment to compete nationally for projects of varying scopes in both the governmental and commercial markets. During this first year of our "new" Marine segment following the acquisition of Marinette Marine, we successfully obtained contracts to build 11 new vessels. These projects will stretch out into 2005.

We believe the fundamentals of these vessel construction markets are currently quite solid, and we believe they will support continued growth within our Marine segment. The demand for



vessels compatible with the capacities of our shipyards and our experience base continues to accelerate. We expect the demand for our ship-repair services will decline in the coming year as our customers face increasing competition and economic pressure in the domestic markets for their products and services. We expect the U.S. steel industry to continue to struggle against foreign imports, thereby reducing cargo-carrying requirements on the Great Lakes.

International Market Conditions

As a result of our efforts to become more global in our existing businesses, demonstrated in part by the acquisition of Potain by our Crane segment during the second quarter of 2001, we are now affected more than ever by non-domestic world economies. The economies of Europe and Asia in particular affected our international performance during 2001 and likely will continue to impact us going forward.

Within Europe the majority of our sales occur in France, Germany, and the United Kingdom. In Asia, we participate primarily in the economies of Southeast Asia. During 2001, the economies of Europe were flat to moderately down as compared to prior years, due primarily to the continued recession in Germany, Europe’s largest economy. The Southeast Asian economy continued to struggle coming off its crisis of 1999. The uncertainties that plagued the U.S. economy were exacerbated by the uncertainties in the international and foreign economies during the year. These circumstances affected all of our businesses, especially in the Crane and Foodservice segments.

*Cranes*—For the crawler crane portion of our Crane segment, the international market remained relatively flat. Our overall crane segment historically has derived about 90% of its revenue from sales within the U.S. Our May 2001 acquisition of Potain changed the landscape of our overall revenue mix. Including the tower crane business of Potain, our revenue mix changed to 60% from sales inside the U.S. and 40% from sales outside the U.S. The markets in France and Spain were steady in 2001, while the markets in Italy and China grew. Overall, European growth was hampered by a significant decline in the German market in 2001. The integration of Potain has positioned us well to take advantage of providing global lifting solutions.

*Foodservice*—Our Foodservice segment international sales were down from prior year. This follows double digit growth for the previous three years. The major factors that negatively affected our foodservice businesses included the continued strength of the U.S. dollar, the global economic recession, and the breakout of “mad cow” disease that slowed quick-service restaurant expansion programs in Europe.

We anticipate that international new-store construction in the quick-service restaurant segment will continue to outpace domestic construction activity. The economic and beef quality issues have slowed the quick-service restaurant expansion programs and have caused participants in that industry to reevaluate certain markets in terms of investment priority. We anticipate the foodservice markets in Europe and Asia will recover to previous growth levels in late 2002. China is attracting special attention in the foodservice industry due to continued robust economic conditions. We believe growth in the foodservice market in Latin America, with few exceptions, will be delayed until economic conditions improve.

In response to the strong U.S. dollar, we are shifting more attention to supplying product from our Italian and Chinese manufacturing operations. Our China subsidiary, which manufactures ice machines, is particularly well positioned to meet the needs of the fast growing quick-service restaurant and hospitality industries there. This operation is also strategic as a source of supply for the entire Asia/Pacific region.

Capital Expenditures (\$ Millions)

To support its future growth, Manitowoc invested approximately \$21.2 million in process and manufacturing improvements during 2001. The remaining \$8.1 million represents our investment in Potain’s fleet of rental cranes.



SG&A as a Percent of Sales (Percent of Sales)

SG&A increased slightly in 2001 due to lower volumes in the Crane and Foodservice segments, the acquisition of Potain, and higher than normal quotation activity in our Marine segment.



*Marine*—The Marine segment continues to be primarily focused in the United States, although during the past year we prepared proposals for some potential foreign work. We continue to respond to inquiries regarding research, ferry, patrol, and defense profiles, and we will evaluate these opportunities as they arise. We also continue to effectively and quickly complete emergency repairs for foreign flag vessels moving through the Great Lakes utilizing our strategically placed and efficient shipyards.

Gross Profit (\$ Millions)

In 2001, Manitowoc’s gross profit set a record for the eighth consecutive year, climbing to \$284.8 million, up nearly 21% from the previous record of \$235.7 million in 2000.



Outlook

Statements regarding our outlook for 2002 are forward-looking statements as referred to on page 34 of this report titled, “Cautionary Statements About Forward-Looking Information.” This outlook is based upon our current expectations and involve risks and uncertainties that could cause the actual results for 2002 to differ materially from these estimates. Please refer to the aforementioned section regarding forward-looking statements for a more detailed list of the risk factors involved in achieving these projections.

Specific 2002

We project that our sales growth for 2002 will be in the high single to low double-digit range, including the effects of our first full year of revenue from Potain. We anticipate the crane market will be down 5% to 10% in 2002 versus 2001 due to continued softness in our end markets as well as uncertainty surrounding customers’ access to financial capital. However, we believe that our internal Crane segment growth will be slightly better than the market due to new-product introductions. We expect the Crane segment decline will be offset by gains in the Foodservice and Marine segments. We expect gains in the Foodservice segment will be driven by new-product development and additional market share gain. Our projected revenue increases in the Marine segment are based on current construction contracts.

On a consolidated basis, we expect gross margins to increase to a range between 26% and 27%. We project gross margins in our Cranes to increase to between 24% and 25%; Foodservice to between 28% and 29%; while we expect Marine segment gross margins to decline to between 23% and 24%. The operational improvements made in 2000 and 2001, such as the consolidation of our boom-truck and certain beverage facilities and reductions in workforce within the Crane and Foodservice segments, likely will be somewhat offset by a shift toward lower gross margin project work in the Marine segment.

Assuming we meet our stated projections, we anticipate that selling, engineering, and administrative expenses, as a percent of sales, will increase in 2002 due to a full-year for Potain, along with increased employee-related benefits in each of the segments. Therefore, based on improved consolidated gross margins but slightly higher SG&A, we expect that operating margins for all three segments will improve slightly.

## Management's Discussion and Analysis of Results of Operations and Financial Condition (continued)

We project interest expense for 2002 will be approximately \$11 million per quarter, while other expense should be comparable to 2001 totals. In addition, we estimate the 2002 effective tax rate at between 39% and 40%.

Depreciation for the year is projected at nearly \$25 million. In addition, due to the change in accounting for goodwill under Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," our preliminary estimate of amortization in 2002 is about \$2 million.

As a result of all of this, we expect cash from operations to once again exceed \$100 million. With scheduled debt pay-downs our debt-to-capital ratio at the end of 2002 should be under 60%. However, as in 2001, we will use excess cash flows in 2002 to pay down debt. As a result, we believe our debt-to-capital levels could be less than 50% by the end of 2003.

Taking into consideration the new accounting rules for goodwill amortization, the current First Call consensus per share earnings estimates for our common stock in 2002 range from a low of \$2.46 to a high of \$2.60. Based on our visibility, current economic assumptions, and our internal analysis, we believe these projections are reasonable.

We are not depending on an economic upturn to drive our results. Instead, we continue to focus on new-product development, operational improvements, and cost-cutting initiatives to improve our bottom line. However, should our end markets see a rebound in 2002, we are poised to take advantage of the change.

We believe our focus on EVA and cash management are tremendous advantages. This gives us the flexibility to be opportunistic at a time when others in our industries may not have such capability.

### *Special Considerations and Risks*

Our businesses, primarily in our Crane and Marine segments, participate in cyclical markets with the Crane businesses being more susceptible to this cyclicity. The Foodservice businesses are more greatly impacted by seasonality. Historically, sales of products that we manufacture and sell have been subject to cyclical variations caused by changes in economic conditions. In particular, our Crane segment is impacted by the strength of the economy generally, interest rates, and other factors that may have an effect on construction activity. During periods of expansion in construction activity, we have typically benefited from increased demand for our products.

Conversely, during recessionary periods, we have been adversely affected by reduced demand for our products. The U.S. construction and travel industries experienced downturns during 2001, which adversely impacted our customers and suppliers. We cannot predict whether this downturn will continue or perhaps become even more severe, so we attempt to manage our businesses through these periods of uncertainty by concentrating on our core activities, continuing to introduce new and innovative products, maintaining high levels of customer service, managing our costs, and maintaining focus on EVA results. We believe that these points of focus will help us to maintain profitability during the downturns as well as prepare us to take full advantage of any future recovery.

Other external factors which we consider, evaluate, and develop actions to mitigate, but the root of which are out of our control, include but are not limited to the following:

- We participate in industries that are intensely competitive. Our revenues can be adversely affected from time to time by our efforts to respond to that competition and to develop strategies to combat competition. We believe that our product design, quality of products, and services provide counter-measures which help to mitigate this risk.

- Price increases in some of our raw materials and sources of supply could negatively affect our costs in the future. We attempt to mitigate this risk with our global manufacturing and material sourcing leverage, strategies that cause many suppliers to view us as a preferred customer and allow us to effectively negotiate competitive prices and terms.
- We increasingly manufacture and sell our products outside the United States, which may present additional risks to our business. These international operations are generally subject to various risks, including political, religious and economic instability, local labor market conditions, local government regulations, and differences in business practices, to name a few. While these risks are significant, we believe that our management teams, as well as the relative stability of the international locations in which we operate, help us to mitigate our exposure to these items and to anticipate new issues on a timely basis.

In light of these and other factors that affected our performance in 2001 and that likely will affect us in 2002 and beyond, we believe that our diversified business model will continue to prove its worth as the strengths and weaknesses of our businesses balance each other through the cyclical and seasonal trends as well as cushion us against unfavorable external influences associated with one particular country or region.

### **Acquisitions**

Our growth in 2001 versus 2000 was mainly due to the acquisitions that we made during these years. Over the past three years, we have completed nine acquisitions (the acquisition of Potain in 2001 being the largest in our history) and continue to seek new strategic acquisition candidates in each of our segments that meet our acquisition criteria. All of the following acquisitions were funded with cash from our existing or refinanced credit facilities and recorded using the purchase method of accounting. Each of these acquisitions has been included in our Consolidated Statements of Earnings beginning with the date of acquisition.

Growth through acquisition is dependent upon many factors, which may impact our ability to continue this trend. A portion of our external growth strategy is dependent upon our ability to identify and effectively negotiate suitable acquisitions and to obtain financing for future acquisitions on satisfactory terms. In addition, the success of this strategy is heavily dependent upon our ability to successfully integrate the acquired businesses, operate them profitably, and accomplish our strategic objectives underlying these acquisitions. We attempt to address these challenges by adhering to a structured acquisition assessment and integration process, and by employing appropriate internal resources and experienced personnel to assist us in accomplishing our objectives.

**2001 Acquisitions**—On May 9, 2001, we completed the acquisition of Potain from its former parent company, Legris Industries S.A., by purchasing for cash all of the outstanding capital stock of Potain. Potain, founded in 1928, is a leading designer, manufacturer, and supplier of tower cranes for the building and construction industry, with a worldwide market share at nearly 30%. Potain had total revenues in 2000 of approximately 287 million euro (approximately \$264 million) and assets at the end of 2000 equal to approximately 273 million euro (approximately \$256 million). This acquisition broadens our Crane segment product line and establishes us as a leading global manufacturer of tower cranes, a market segment in which we have not previously participated.



It also significantly increases our Crane segment sales derived outside of North America, provides us with manufacturing capacity in Europe and Asia, and adds significantly to our distribution network throughout the world.

The aggregate consideration paid for Potain was \$424.8 million, which includes \$307.1 million paid in cash, and includes direct acquisition costs of \$3.7 million, assumed liabilities of \$138.8 million, the payment of a post-closing adjustment of \$3.6 million in February 2002, and is less cash acquired of \$28.4 million. The preliminary estimate at December 31, 2001 of the excess of cost over fair value of the net assets acquired is \$203.3 million. This amount will be allocated to specific intangible assets during the first half of 2002. Based upon a third party appraisal report, the preliminary allocation is as follows: \$53.0 million to trademarks and tradenames with an indefinite life; \$17.5 million to patents with a 15-year life; \$8.8 million to engineering drawings with a 15-year life; \$5.0 million to in-place distribution network with an indefinite life; and the remaining \$119.0 million to goodwill with an indefinite life. The final determination of goodwill will be dependent upon the finalization of a third party appraisal of tangible and other intangible assets to be completed in 2002.

During 2001, we also completed the acquisitions of certain assets of a German-based telescopic personnel platform lift company, assets of a terminated Singapore-based crane equipment distribution company, and assets of a local contractor for the Marine segment. The total aggregate consideration paid for these acquisitions was \$2.5 million, which includes direct acquisition costs and assumed liabilities, less cash acquired.

**2000 Acquisitions** — On November 20, 2000, we completed the acquisition of Marinette Marine, a builder of mid-sized commercial, research, and military vessels located in Marinette, Wisconsin. Marinette had total revenues in 1999 of approximately \$100 million. We paid an aggregate price of \$66.7 million for all the outstanding shares of the company, which includes cash paid of \$48.1 million, the receipt of a post-closing working capital adjustment from seller of \$0.9 million in September 2001, is net of \$18.6 million of cash acquired and includes \$1.4 million for direct acquisition costs and the assumption of \$17.2 million of liabilities. The excess of the purchase price over the fair value of the net assets acquired is \$50.0 million.

On April 7, 2000, we acquired substantially all the net business assets of Harford Duracool, LLC of Aberdeen, Maryland, a manufacturer of walk-in refrigeration equipment, for an aggregate price of \$21.2 million, which includes direct acquisition costs of \$0.5 million, assumed liabilities of \$1.4 million, and the payment of a post-closing working capital adjustment of \$0.3 million. Harford had sales of approximately \$17.0 million in 1999. The excess of the purchase price over the estimated fair value of the net assets acquired is \$15.0 million.

We completed the acquisition of all of the outstanding stock of Multiplex Company, Inc., of St. Louis, Missouri, on March 31, 2000, by means of a merger transaction. Multiplex, which had sales of approximately \$31.0 million in 1999, is a manufacturer of beverage-dispensing equipment. We acquired Multiplex for an aggregate purchase price of \$20.5 million, which is net of \$3.7 million of cash acquired and includes \$0.4 million of acquisition costs and \$5.3 million of assumed liabilities. The excess of the purchase price over the estimated fair value of the net assets acquired is \$12.7 million.

During 2000, we completed other smaller acquisitions whose total aggregate consideration paid was \$18.2 million, which is net of cash received and includes direct acquisition costs of \$0.2 million and assumed liabilities of \$2.8 million.

**1999 Acquisitions** — We acquired Kyees Aluminum, Inc., a leading manufacturer of cooling components for all of the major suppliers

## R&D Expense (\$ Millions)

Manitowoc has been able to successfully drive its end markets with an ongoing stream of new products. In 2001, its research and development expense totaled \$8.3 million.



of fountain soft-drink beverage dispensers, on April 9, 1999. Based in La Mirada, California, Kyees is a technology leader in the manufacture of cold plates—a key component used to chill soft drinks in dispensing equipment. The aggregate purchase price paid for Kyees was \$28.5 million, which is net of \$1.0 million cash acquired and includes direct acquisition costs of \$0.3 million, assumed liabilities of

\$2.2 million, and the payment of a \$1.3 million post-closing working capital adjustment. The excess of the purchase price paid over the estimated fair value of the net assets acquired is \$24.1 million.

On January 11, 1999, we completed the acquisition of Purchasing Support Group, which was later renamed Manitowoc Beverage Systems, Inc. (“MBS”). MBS is a beverage systems integrator, with nationwide distribution of backroom equipment and support system components serving the beverage needs of restaurants, convenience stores, and other outlets. The aggregate purchase price paid for MBS was \$43.7 million, which is net of cash acquired of \$0.8 million and includes direct acquisition costs of \$0.5 million and assumed liabilities of \$5.9 million. The excess of the purchase price over the estimated fair value of the net assets acquired is \$34.0 million.

## Liquidity and Capital Resources

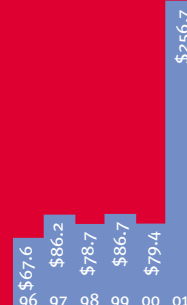
Cash flows from operations of \$106.6 million during 2001 was up 69% from \$63.0 million in 2000, and up 3% from the \$103.4 million reported in 1999. The following table summarizes our sources and uses of cash during 2001.

In Thousands	2001
<b>Sources of cash</b>	
Net earnings	\$ 45,548
Noncash adjustments to income <sup>1</sup>	39,180
Borrowings/refinancing	501,234
Proceeds from sale of fixed assets	10,219
Exercises of stock options	183
Changes in operating assets and liabilities	21,887
Total	\$618,251
<b>Uses of cash</b>	
Business acquisitions	\$285,533
Capital expenditures	29,261
Repayment/refinancing of debt	265,316
Dividends	7,358
Debt issuance costs	21,023
Other	162
Total	608,653
<b>Net cash flow</b>	<b>\$ 9,598</b>

<sup>1</sup> Noncash adjustments made to arrive at cash provided by operations include depreciation, amortization, deferred income taxes, deferred financing fees, extraordinary loss, and gain on sale of fixed assets.

## International Shipments (\$ Millions)

Manitowoc's acquisition of Potain lessened its traditional dependency on the U.S. market and broadened its opportunities throughout the world. As a result, international sales climbed nearly 225% in 2001.



## Management's Discussion and Analysis of Results of Operations and Financial Condition (continued)

During 2001 there was a net increase of \$269.7 million in our outstanding borrowings under our existing credit facilities to \$488.6 million at December 31, 2001, from \$218.9 million at December 31, 2000. As a result, our debt-to-capital ratio at the end of 2001 reached 64.9% versus 48.4% at the end of 2000. This increase in 2001 was driven primarily by the funding of the Potain acquisition. In connection with the Potain acquisition, we refinanced our then existing revolving credit facility of \$106.8 million and notes payable of \$75.0 million. We also incurred \$21.0 million in financing fees and \$5.5 million in prepayment penalties. The acquisition and refinancing was completed via the use of a new \$475 million Senior Credit Facility and the issuance of 175 million euro (approximately \$156 million at May 9, 2001) 10<sup>3</sup>/<sub>8</sub>% Senior Subordinated Notes. We borrowed a total of \$390 million on May 9, 2001 under the Senior Credit Facility at the closing of the Potain acquisition. These borrowings were comprised of \$40.0 million under the revolver portion of the facility and \$350 million under the term loan portion. This left a remaining borrowing capacity of \$85 million under the Senior Credit Facility at May 9, 2001. At December 31, 2001 availability under the credit facility was \$93.3 million.

A total of \$29.3 million was spent during 2001 for capital expenditures. The following table summarizes 2001 capital expenditures and depreciation by segment.

In Thousands	Capital Expenditures	Depreciation
Cranes and related products	\$17,189	\$11,723
Foodservice equipment	7,307	7,082
Marine	2,908	998
Corporate	1,857	668
Total	\$29,261	\$20,471

We continue to fund capital expenditures to improve the cost structure of the business, to invest in new processes and technology, and to maintain high-quality production standards. The level of capital expenditures in the Crane and Marine segments significantly exceeded depreciation for the year. Capital expenditures in the Crane segment included \$8.1 million of cranes put into the Potain rental fleet during the year, while net book value of \$4.5 million of cranes were sold out of the fleet (total proceeds of \$6.4 million). In addition, our domestic lattice-boom crawler crane facility invested in new production equipment and upgraded other existing equipment during the year to improve its production processes. With the addition of Marinette Marine for a full year in 2001, the Marine segment invested in production equipment and information technology infrastructure to improve production efficiency and capacity, as well as to improve the sharing of information.

We expect that the trend in capital expenditures in 2002 will approximate depreciation levels, at least during the first part of the year while we limit capital spending during a period of economic uncertainty. As a result, total capital expenditures for all three segments (including Potain for an entire year) should range between \$25 million and \$30 million for 2002.

The change in working capital, net of the affects of acquisitions, was a decrease of \$21.9 million. The details of these changes are reflected in the Consolidated Statements of Cash Flows. The primary drivers of the decrease were the following:

- A \$16.8 million decrease in accounts receivable primarily due to decreases in the Crane and Marine segments, slightly offset by an increase in the Foodservice segment due to limits on the use of our accounts receivable factoring program in that segment. The decrease in the Crane segment is due to improvements at our lattice-boom and boom-truck businesses. The decrease in the Marine segment is due to the timing of billings and revenue recognition on our long-term construction contracts.

- A \$25.6 million decrease in inventory due to considerable decreases in all three of our segments. Inventory in the Crane segment decreased approximately \$18.6 million due to continued production cycle time improvements and better matching of production and demand mix at our lattice-boom crawler crane unit, as well as our emphasis on inventory reductions at Potain subsequent to our acquisition. Foodservice inventories decreased approximately \$6.4 million due to the ongoing benefits from the conversion to demand-flow manufacturing process, as well as lower production volumes. Our consolidated twelve-month rolling inventory turnover ratio of approximately 7.5 turns at December 31, 2001, was almost one whole turn better than the ratio at the end of 2000.
- A \$7.8 million increase in income taxes payable at the end of 2001 was a result of the low level of income taxes payable at the end of 2000 due to the timing of tax payments made in the prior year.
- A \$29.4 million increase in other non-current assets due primarily to a \$16 million increase in reimbursable tooling at our refrigeration contract manufacturing company to support our customer's new product introductions and product upgrade initiatives.

In an attempt to improve EVA, we will continue to focus on maximizing our cash flows from operations in order to maintain working capital employed in our businesses at the minimum level required for efficient operations. As a result, we expect that our 2002 cash from operations will again exceed \$100 million.

Cash and marketable securities were \$25.7 million at December 31, 2001, compared with \$16.0 million at the end of 2000. Of the total amount on hand at the end of 2001, \$18.4 million was held by our foreign operations in Europe.

In April 2001, Standard & Poor's assigned a double-'B' corporate credit rating to our company, a double-'B' rating to our Senior Credit Facility, and a single-'B'-plus rating to our Senior Subordinated Notes, all with a stable outlook. Also in April 2001, Moody's Investors Service assigned a Ba2 rating to our Senior Credit Facility and a B2 rating to our Senior Subordinated Notes with a positive outlook. These credit ratings have been maintained since the initiation of coverage by these two agencies. We do not believe that any future adjustments to these ratings would have a significant direct impact on our liquidity.

Both the Senior Credit Facility and the Senior Subordinated Notes contain customary affirmative and negative covenants. In general, the covenants contained in the Senior Credit Facility are more restrictive than those of the Senior Subordinated Notes. Among other restrictions, these covenants require us to meet specified financial tests, including various debt and cash flow ratios, which become more restrictive over time. These covenants also limit our ability to redeem or repurchase the Senior Subordinated Notes, incur additional debt, make acquisitions, merge with other entities, pay dividends or make distributions, repurchase our stock, lend money or make advances, create or become subject to liens, and make capital expenditures. The Senior Credit Facility also contains cross-default provisions whereby certain defaults under any other debt agreement would result in a default under the Senior Credit Facility. We are in compliance with these covenants at December 31, 2001 and based upon our current outlook, we do not believe there will be a noncompliance issue with regard to these obligations in 2002.

Our debt position increases our vulnerability to general adverse industry or economic conditions and results in a substantial portion of our cash flow from operations being used for the payment of interest on our debt and making scheduled principal payments.



This could potentially limit our ability to respond to market conditions or take advantage of future business opportunities. Our ability to service our debt is dependent upon many factors, some of which are not subject to our control, such as general economic, financial, competitive, legislative, and regulatory factors. In addition, our ability to borrow additional funds under the Senior Credit Facility in the future will depend on our meeting the financial covenants contained in the credit agreement, even after taking into account such new borrowings.

The Senior Credit Facility or other future facilities will be used for funding future acquisitions, seasonal working capital requirements, capital expenditures, and other investing and financing needs. We believe that our available cash, credit facility, cash generated from future operations, and access to debt and equity markets will be adequate to fund our capital and debt financing requirements for the foreseeable future.

### Euro Conversion

On January 1, 1999, certain members of the European Union established fixed conversion rates between their existing national currencies and a single new currency, the euro. For a three-year transition period, transactions were conducted in both the euro and national currencies. Effective January 1, 2001, the euro became the official currency of those member countries and their national currencies are being phased out over various periods during the first half of 2002. After June 30, 2002, the euro will be the sole legal tender of the participating countries. The adoption of the euro is affecting a multitude of financial systems and business applications within our businesses and those of third parties with whom we do business.

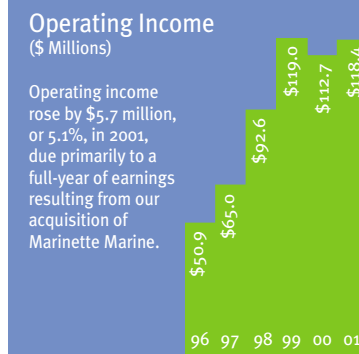
We have operations in many and have product sales in most of the countries participating in the euro conversion. Our businesses, especially our European businesses, are implementing pre-established plans to address the information system issues and the potential business implications of converting to a common currency in many European countries. As a part of this process, we have evaluated our information systems and have converted to recent releases of system software, where necessary, that accommodate the euro conversion. We believe we have modified, or are in the process of appropriately modifying, our business activities to accommodate this conversion and transition to the euro. Our costs to accommodate the euro conversion to date have not been material and we believe that future conversion costs will also not be significant.

The use of a common currency throughout most of Europe should permit us, our suppliers, and our customers to more readily compare the prices of the products in the markets we serve. We expect this will lead to more uniform pricing of our products in countries within the European Union. The effects of these trends on our businesses will depend on the competitive situations that exist in the various regional markets in which we participate and potential actions that may or may not be taken by our competitors, customers, or suppliers. While these uncertainties make it difficult for us to predict the impact of the euro conversion on our overall operations, we do not expect that it will have a material impact on our operations, cash flows, or financial condition.

### Risk Management

We are exposed to market risks from changes in interest rates, commodities, and changes in foreign currency exchange. To reduce these risks, we selectively use financial instruments and other proactive management techniques. We have clearly defined policies and procedures that govern our authorization and execution of all hedging transactions. These policies and procedures prohibit the use of financial instruments for trading purposes or speculation.

For a more detailed discussion of our accounting policies and the financial instruments that we use, please refer to Notes 1 and 5 of the Notes to the Consolidated Financial Statements.



### Interest Rate Risk

We use interest rate swaps to modify our exposure to interest rate movements. This helps us minimize the adverse effect of interest rate increases on floating rate debt. Under these swap agreements, we contract with a counter-party to exchange the difference between a fixed rate and floating rate applied to the notional amount of the swap.

The fair values of swaps are recorded in the Consolidated Balance Sheets, with changes in fair value recorded in the accumulated other comprehensive income (loss) account within shareholders' equity. The interest payments or receipts from interest rate swaps are recognized in net income as adjustments to interest expense on a current basis. Interest rate swaps expose us to the risk that the counter-party may be unable to pay amounts it owes us under the swap agreement. To manage this risk, we enter into swap agreements only with financial institutions that have high credit ratings. At year-end 2001, we had outstanding two interest rate swap agreements with separate financial institutions with notional principal amounts of \$161.5 million and \$12.5 million, interest rates of 7.05% and 8.92%, and maturity dates of August 2004 and October 2002, respectively. The aggregate fair value of these swap agreements was negative \$3.2 million at December 31, 2001. Our earnings exposure related to adverse movements in interest rates is primarily derived from our outstanding floating rate debt instruments that are indexed to a short-term international bank lending rate. A 10% increase or decrease in the average cost of our variable rate debt would result in a change in pre-tax interest expense (net of impact of interest rate swaps) of approximately \$0.7 million. This amount was calculated assuming the year-end rate of interest on our variable rate debt was constant throughout the year.

### Commodity Prices

We are exposed to fluctuating market prices for commodities, including steel, copper, and aluminum. Each of our business segments is subject to the effects of changing raw material costs caused by movements in underlying commodity prices. We have established programs to manage the negotiations of commodity prices. Some of these programs are centralized within business segments, and others are specific to a business unit. In general, we enter into contracts with our vendors to lock in commodity prices at various times and for various periods to limit our near-term exposure to fluctuations in raw material prices. We do not believe that this exposure is material to our company.

### Currency Risk

Our operations consist of manufacturing in the U.S., France, Germany, Italy, Portugal, and China. International sales, including those sales that originated outside of the U.S., were approximately 23% of our total sales for 2001, with the largest percentage (16%) being sales into various European countries. Although the vast majority of our international sales which originate within the U.S. are denominated in U.S. dollars, with the acquisition of Potain, we have become more exposed to transactional and translational foreign exchange risk in 2001 as compared to prior years.

### Operating Margins Before Amortization (Percent)

Through cost-cutting initiatives, purchasing synergies, manufacturing improvements, and volume gains, Manitowoc's operating margins could return to their historic highs over the next 24 to 36 months.



## Management's Discussion and Analysis of Results of Operations and Financial Condition (continued)

Regarding transactional foreign exchange risk, we enter into limited forward exchange contracts to reduce the earnings and cash flow impact of nonfunctional currency denominated receivables and payables, predominantly between our euro-denominated operations and their customers outside the euro zone. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. We also periodically hedge anticipated transactions, primarily at firm order date for orders to be sold into non-euro-denominated locations, with forward exchange contracts. These forward exchange contracts are designated as cash flow hedges in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." At December 31, 2001, we have outstanding \$1.7 million of forward exchange contracts hedging outstanding firm orders and \$9.1 million of forward exchange contracts hedging underlying accounts receivable. The aggregate fair value of these contracts is negative \$1.6 million at December 31, 2001 and they mature at various dates through July 2002. A 10% appreciation or depreciation of the underlying functional currency at December 31, 2001, would not have a significant impact on our financial position or results of operations. This is because any gains or losses under the foreign exchange contracts hedging accounts receivable balances would be offset by equal gains or losses on the underlying receivables. Any gains or losses under the foreign exchange contracts hedging outstanding firm orders would not have a significant impact due to the relatively immaterial amount of contracts outstanding.

Our primary translational exchange risk exposure at December 31, 2001 was with the euro, which is the functional currency of Potain and of certain smaller manufacturing operations within our Foodservice segment. To a much lesser extent, we are also exposed to translational risk with our other foreign operations, primarily in China. Our euro-denominated 175 million Senior Subordinated Notes due in 2011 naturally hedge a significant amount of the translational risk with our operations in Europe. In addition, a large amount of the translational risk with our Chinese operations is naturally hedged with locally denominated debt service. The currency effects of these foreign-denominated debt obligations are reflected in the accumulated other comprehensive income (loss) account within shareholders' equity, where they offset the translational impact of an equal amount of similarly foreign-denominated net assets of our European and Chinese operations. A 10% appreciation or depreciation of the value of the euro to the U.S. dollar at December 31, 2001, would have the impact of increasing or decreasing the outstanding debt balance on our Consolidated Balance Sheet by \$15.4 million. This impact would be offset by gains or losses on our net investments in foreign subsidiaries whose functional currency is the euro.

At December 31, 2001, there is also a portion of our foreign currency translational exposure that is not hedged. As a result, fluctuations in currency exchange rates can affect our shareholders' equity. Amounts invested in non-U.S. based subsidiaries are translated into U.S. dollars at the exchange rate in effect at year-end.

The resulting translation adjustments are recorded in shareholders' equity as cumulative translation adjustments. The cumulative translation adjustment component of shareholders' equity at December 31, 2001, is a negative \$1.9 million, or approximately 1% of total shareholders' equity. Using year-end exchange rates, the total amount invested in foreign operations at December 31, 2001, was approximately \$319.1 million, of which approximately \$172.1 million was naturally hedged with local, non-U.S. dollar debt.

### *Risk Management Outlook*

We continually evaluate our risk management strategies due to changes in our businesses, the economy, and the markets that we serve. We anticipate that our risk management strategies in 2002 will be similar to those employed during 2001 but to a larger extent. This is due to increases in cross-border transactions, greater purchasing levels and leverage, and changes in our overall debt position and interest rates.

### **Environmental, Health, and Safety Matters**

Our global operations are governed by laws addressing the protection of the environment, workers safety, and health. Under various circumstances, these laws impose civil and criminal penalties and fines, as well as injunctive and remedial relief, for noncompliance. They also may require remediation at sites where company-related substances have been released into the environment.

We have expended substantial resources globally, both financial and managerial, to comply with the applicable laws and regulations, and to protect the environment and our workers. We believe we are in substantial compliance with such laws and regulations and we maintain procedures designed to foster and ensure compliance. However, we have been, and may in the future be subjected to formal or informal enforcement actions or proceedings regarding noncompliance with such laws or regulations, whether or not determined to be ultimately responsible, in the normal course of business. Historically, these actions have been resolved in various ways with the regulatory authorities without material commitments or penalties to the company.

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 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. The latest estimates indicate that the total cost to clean up the site is approximately \$30 million. Although liability is joint and several, we have estimated our share of the liability at 11% of the total cleanup costs. As of December 31, 2001, we have expensed \$3.3 million in connection with this matter. To comply with our portion of the annual cleanup costs, the amounts we have spent each year from 1999 through 2001 have not been material.



## Critical Accounting Policies

The Consolidated Financial Statements include accounts of the company and all its subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying consolidated financial statements and related footnotes. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Although we have listed a number accounting policies below which we believe to be most critical, we also believe that all of our accounting policies are important to the reader. Therefore, please refer also to the Notes to the Consolidated Financial Statements beginning on page 42 for a more detailed description of these and other accounting policies of the company.

**Revenue Recognition** — Revenue is generally recognized and earned when all the following criteria are satisfied with regard to a specific transaction: persuasive evidence of an arrangement exists, the price is fixed and determinable, collectibility of cash is reasonably assured and delivery has occurred or services have been rendered. Revenues under long-term contracts, including contracts with the U.S. Government, are recognized using the percentage-of-completion method of accounting. Under this method, revenues are recognized upon achievement of performance milestones or based on the ratio of costs incurred to estimated total costs at completion, and costs are expensed as incurred.

**Allowance for Doubtful Accounts** — Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Our estimate for the allowance for doubtful accounts related to trade receivables includes two estimates. First, we evaluate specific accounts where we have information that the customer may have an inability to meet its financial obligations. In these cases, we use our judgement, based upon the best available facts and circumstances, and record a specific reserve for that customer against amounts due, to reduce the receivable to the amount that is expected to be collected. These specific reserves are evaluated and adjusted periodically as facts and circumstances change. Second, a general reserve is established for all customers based upon pre-established percentages to specific aging categories. These percentages are applied to the outstanding receivable balance based upon the amount of time the receivable is past its due date. These percentages were established based upon historical collection and write-off experience and are specific to the different countries and regions in which our customers do business.

### *Inventories and Related Reserve for Obsolete and Excess Inventory*

Inventories are valued at the lower of cost or market using both the first-in, first-out (“FIFO”) method and the last-in, first-out (“LIFO”) method and are reduced by a reserve for excess and obsolete inventories. The estimated reserve is based upon pre-established percentages applied to specific aging categories of inventory. These categories are evaluated based upon historical usage, estimated future usage, and sales requiring the inventory. These percentages were established based upon historical write-off experience.

## Invested Capital (\$ Millions)

As Manitowoc continues to grow, it prudently manages its invested capital using EVA principles to ensure optimum shareholder returns.



**Product Liability** — We are subject in the normal course of business to product liability lawsuits. To the extent permitted under applicable law, our exposure to losses from these lawsuits is mitigated by insurance with self-insured retentions per occurrence of \$0.1 million for Potain tower crane accidents; \$1.0 million for all other crane accidents; \$1.0 million for foodservice equipment accidents occurring during 1990 to 1996; and \$0.1 million for foodservice equipment accidents occurring during 1997 to present. Our insurer’s annual contribution for product liability losses is limited to \$50 million. We record product liability reserves for our self-insured portion of any pending or threatened product liability actions. Our reserve is based upon two estimates. First, we track the population of all outstanding pending and threatened product liability cases to determine an appropriate case reserve for each based upon our best judgement and the advice of legal counsel. These estimates are continually evaluated and adjusted based upon changes to the facts or circumstances surrounding the case. Second, we obtain a third party actuarial analysis to determine the amount of additional reserve required to cover incurred but not reported product liability issues and to account for possible adverse development of the established case reserves (collectively referred to as “IBNR”). This actuarial analysis is performed twice annually and our IBNR reserve for product liability is adjusted based upon the results of that analysis. We have established a position within the actuarially determined range at which we will record the IBNR reserve to ensure consistency in the amount reported between periods.

## Debt to Capital (Percent)

Manitowoc’s strong cash generation capability has enabled it to quickly pay down debt. Assuming no additional acquisitions, we are projecting a debt-to-capital ratio in the 40% to 50% range by the end of 2003.



## New Accounting Pronouncements

In June 2001, The Financial Accounting Standards Board (“FASB”) issued SFAS No. 141, “Business Combinations,” and No. 142, “Goodwill and Other Intangible Assets,” effective for fiscal years beginning after December 15, 2001. These statements eliminate the pooling-of-interests method of accounting for business combinations and require goodwill and intangible assets with indefinite lives to no longer be amortized but to instead be tested for impairment at least annually. Other intangible assets with determinable lives will continue to be amortized over their useful lives. We will apply the new rules on accounting for goodwill and other intangible assets effective January 1, 2002. Subject to final analysis, we expect application of the non-amortization provisions of SFAS No. 142 to result in a positive effect on net income of approximately \$6.4 million (\$0.26 per diluted share) in 2002. We also expect to complete the first of the required impairment tests of goodwill and indefinite-lived intangible assets during the first half of 2002.

## Management's Discussion and Analysis of Results of Operations and Financial Condition (continued)

According to SFAS No. 142, impairment of goodwill is measured according to a two-step approach. In the first step, the fair value of a reporting unit, as defined by the statement, is compared to the carrying amount of the reporting unit, including goodwill. If the carrying amount exceeds the fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. In the second step, the implied fair value of the goodwill is estimated as the fair value of the reporting unit less the fair values of all the other tangible and intangible assets of the reporting unit. If the carrying amount of the goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill.

According to SFAS No. 142, impairment of indefinite-lived intangible assets are measured according to a one-step approach, which compares the estimated fair value of the intangible asset to its carrying amount. If the carrying amount of the intangible asset exceeds the estimated fair value, an impairment loss is recognized in an amount equal to that excess.

According to this statement, any impairment loss recognized as a result of its initial application will be reported as resulting from a change in accounting principle. We are in the process of measuring fair values of our SFAS No. 142 reporting units to determine the amount of impairment losses, if any, using a valuation date of January 1, 2002. We are unable at this time to estimate the effect of these tests on our earnings or financial position.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets," and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation. SFAS No. 144 addresses accounting and reporting for the impairment or disposal of long-lived assets, superseding SFAS No. 121 and Accounting Principles Board Opinion No. 30. SFAS No. 143 and No. 144 are effective for us in the first quarters of 2003 and 2002, respectively. We do not believe they will have a material effect on our consolidated financial statements.

### Cautionary Statements About Forward-Looking Information

Statements in this report and in other company communications that are not historical facts are forward-looking statements, which are based upon our current expectations. These statements involve risks and uncertainties that could cause actual results to differ materially from what appears within this annual report.

Forward-looking statements include descriptions 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. Any and all projections of future performance, including, without limitation, all of those set forth in the section captioned "Outlook," are forward-looking statements. In addition, our goals should not be viewed as guarantees or promises of future performance. There can be no assurance that we will be successful in achieving these goals.

In addition to the assumptions, uncertainties, and other information referred to specifically in the forward-looking statements, a number of factors relating to each business segment could cause actual results to be significantly different from what is presented in this annual report. Those factors include, without limitation, the following:

*Cranes* — market acceptance of new and innovative products; cyclical nature of the construction industry; the effects of government spending on construction-related projects within the United States and abroad; growth in the world market for our crane product offering; the replacement cycle of technologically obsolete cranes; and the demand for used equipment in developing countries.

*Foodservice* — market acceptance of new and innovative products; demographic information affecting two-income families and general population growth; household income; weather; consolidations within restaurant and foodservice equipment industries; global expansion of customers; the ice-cube machine replacement cycle in the United States; specialty foodservice market growth; future strength of the beverage industry; new-product introductions; and the demand for quick-service restaurants and kiosks.

*Marine* — shipping volume fluctuations based on performance of the steel industry; weather and water levels on the Great Lakes; trends in government spending on new vessels; five-year survey schedule; the replacement cycle of older marine vessels; growth of existing marine fleets; consolidation of the Great Lakes marine industry; frequency of vessel casualties on the Great Lakes; and the level of construction and industrial maintenance.

*Corporate (including factors that may affect all three segments)* — changes in laws and regulations throughout the world; the ability to finance, complete, and successfully integrate acquisitions, strategic alliances, and joint ventures; competitive pricing; changes in domestic and international economic and industry conditions; changes in the interest rate environment; risks associated with growth; foreign currency fluctuations; worldwide political risk; pressure of additional financial leverage resulting from the Potain acquisition; and success in increasing manufacturing efficiencies.



## Supplemental Quarterly Financial Information (unaudited)

Thousands of dollars, except per share data	2001				2000			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales <sup>1</sup>	\$229,351	\$298,234	\$301,011	\$287,984	\$205,853	\$243,566	\$214,531	\$209,322
Gross profit	56,030	79,774	78,138	70,870	55,717	71,066	55,657	53,294
Earnings before extraordinary loss	9,870	17,935	12,439	8,628	14,913	22,606	12,299	10,450
Net earnings	9,870	14,611	12,439	8,628	14,913	22,606	12,299	10,450
Per share amounts:								
Basic earnings per share before extraordinary loss	0.41	0.74	0.51	0.36	0.58	0.91	0.50	0.43
Basic earnings per share	0.41	0.60	0.51	0.36	0.58	0.91	0.50	0.43
Diluted earnings per share before extraordinary loss	0.40	0.73	0.51	0.35	0.57	0.91	0.50	0.42
Diluted earnings per share	0.40	0.60	0.51	0.35	0.57	0.91	0.50	0.42
Dividends per common share <sup>2</sup>	0.075	—	—	0.225	0.075	0.075	0.075	0.075

<sup>1</sup>Net sales for 2000 have been restated to reflect the adoption of EITF 99-19. The amounts reclassified were \$3,684; \$4,279; and \$3,863 for the third, second, and first quarters of 2000, respectively.

<sup>2</sup>In February 2001, the board of directors adopted a resolution to pay cash dividends annually rather than quarterly, the amount and timing of which will be decided at its regular fall meeting each year.

## Quarterly Common Stock Price Range

Year Ended December 31	2001			2000			1999		
	High	Low	Close	High	Low	Close	High	Low	Close
1st Quarter	\$30.94	\$23.00	\$24.80	\$32.63	\$24.56	\$27.50	\$30.33	\$24.21	\$27.92
2nd Quarter	29.50	22.30	29.50	34.88	26.75	26.75	42.00	27.00	41.63
3rd Quarter	29.50	22.40	24.24	30.88	19.00	19.75	43.75	32.56	34.13
4th Quarter	32.84	23.00	31.10	31.06	17.63	29.00	35.63	26.00	34.00

The company's common stock is traded on the New York Stock Exchange.

The share prices shown above have been adjusted for the April 1, 1999 three-for-two stock split.

## Eleven-Year Financial Summary

Thousands of dollars, except shares and per share data		Calendar			
		2001	2000	1999	1998
<b>Net Sales</b>	Cranes and related products <sup>2</sup>	\$ 523,266	\$376,250	\$389,510	\$339,051
	Foodservice equipment	411,637	425,080	379,625	319,457
	Marine	181,677	71,942	55,204	45,412
	Total	\$1,116,580	\$873,272	\$824,339	\$703,920
	Gross profit	\$ 284,812	\$235,734	\$233,712	\$195,621
<b>Earnings (Loss) From Operations</b>	Cranes and related products	\$ 66,028	\$ 62,876	\$ 64,840	\$ 48,116
	Foodservice equipment	57,942	61,368	65,372	52,950
	Marine	18,924	8,902	7,297	6,978
	General corporate	(11,961)	(12,313)	(11,166)	(10,543)
	Amortization	(12,554)	(8,181)	(7,392)	(4,881)
	Plant relocation costs	—	—	—	—
	Total	118,379	112,652	118,951	92,620
	Other income (expense)—net	(38,690)	(16,532)	(12,945)	(11,208)
	Earnings (loss) before taxes on income	79,689	96,120	106,006	81,412
	Accounting changes	—	—	—	—
	Provision (benefit) for taxes on income	30,817	35,852	39,222	30,032
	Earnings before extraordinary loss	48,872	60,268	66,784	51,380
	Extraordinary loss—net of income tax benefit	(3,324)	—	—	—
<b>Other Financial Information</b>	Net earnings (loss)	\$ 45,548	\$ 60,268	\$ 66,784	\$ 51,380
	Cash from operations	\$ 106,615	\$ 63,047	\$103,371	\$ 56,814
	Invested capital (monthly averages):				
	Cranes and related products	\$ 345,610	\$137,562	\$123,757	\$ 96,031
	Foodservice equipment <sup>3</sup>	330,376	312,842	274,378	227,863
	Marine	10,018	14,976	3,416	4,534
	General corporate <sup>3</sup>	61,262	14,885	11,520	11,476
	Total	\$ 747,266	\$480,265	\$413,071	\$339,904
<b>Identifiable Assets</b>	Cranes and related products	\$ 577,920	\$171,867	\$165,974	\$178,470
	Foodservice equipment <sup>3</sup>	368,363	359,196	314,982	254,506
	Marine	77,291	75,757	10,162	7,023
	General corporate <sup>3</sup>	57,238	35,710	39,122	41,015
	Total	\$1,080,812	\$642,530	\$530,240	\$481,014
<b>Long-Term Obligations</b>	Long-term debt	\$ 446,522	\$137,668	\$ 79,223	\$ 79,834
<b>Depreciation</b>	Cranes and related products	\$ 11,723	\$ 2,915	\$ 3,661	\$ 4,085
	Foodservice equipment	7,082	6,168	4,861	4,906
	Marine	998	437	415	333
	General corporate	668	352	384	405
	Total	\$ 20,471	\$ 9,872	\$ 9,321	\$ 9,729
<b>Capital Expenditures</b>	Cranes and related products <sup>4</sup>	\$ 17,189	\$ 2,883	\$ 3,536	\$ 2,945
	Foodservice equipment	7,307	8,883	8,974	7,415
	Marine	2,908	1,481	1,165	1,174
	General corporate <sup>4</sup>	1,857	168	39	144
	Total	\$ 29,261	\$ 13,415	\$ 13,714	\$ 11,678
<b>Per Share<sup>5</sup></b>	Basic earnings per share:				
	Basic earnings per share before extraordinary loss	\$ 2.01	\$ 2.42	\$ 2.57	\$ 1.98
	Extraordinary loss	(0.14)	—	—	—
	Basic earnings per share	\$ 1.87	\$ 2.42	\$ 2.57	\$ 1.98
	Diluted earnings per share:				
	Diluted earnings per share before extraordinary loss	\$ 1.99	\$ 2.40	\$ 2.55	\$ 1.97
	Extraordinary loss	(0.13)	—	—	—
	Diluted earnings per share	\$ 1.86	\$ 2.40	\$ 2.55	\$ 1.97
	Dividends per share	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
	Average shares outstanding:				
	Basic	24,269,807	24,891,387	25,991,711	25,932,356
	Diluted	24,548,463	25,122,795	26,200,666	26,125,067

<sup>1</sup> 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.

<sup>2</sup> Net sales for calendar years 1999, 1998, 1997, and 1996 have been restated to reflect the adoption of Emerging Issues Task Force (EITF) 99-19, "Reporting Revenues Gross as a Principal versus Net as an Agent." The impact of this restatement was to reclassify costs formerly reported as a component of net sales to cost of goods sold. The amounts reclassified were \$18,848, \$9,098, \$8,771, and \$10,257 for 1999, 1998, 1997, and 1996, respectively. Amounts prior to 1996 have not been restated, as the effects are not significant.



			Transition Period <sup>1</sup>		Fiscal			
			1994		1994	1993	1992	1991
1997	1996	1995						
\$268,416	\$220,821	\$169,866	\$ 70,958	\$156,253	\$178,630	\$155,743	\$147,554	
247,057	242,317	113,814	44,996	93,171	81,424	74,175	73,944	
39,162	47,584	29,469	7,952	25,956	18,504	16,471	14,689	
\$554,635	\$510,722	\$313,149	\$123,906	\$275,380	\$278,558	\$246,389	\$236,187	
\$152,600	\$134,641	\$ 75,470	\$ 31,302	\$ 67,924	\$ 55,785	\$ 54,443	\$ 58,062	
\$ 34,878	\$ 22,582	\$ 3,179	\$ 870	\$ 2,275	\$ (1,961)	\$ (850)	\$ 7,602	
36,746	33,989	22,729	9,426	21,637	18,311	17,585	17,364	
5,648	6,197	4,024	(799)	2,447	593	278	(973)	
(8,903)	(7,678)	(6,530)	(3,981)	(5,274)	(5,296)	(6,545)	(5,734)	
(3,394)	(3,000)	(250)	—	—	—	—	—	
—	(1,200)	—	(14,000)	—	(3,300)	—	—	
64,975	50,890	23,152	(8,484)	21,085	8,347	10,468	18,259	
(7,158)	(8,384)	(32)	169	1,494	582	1,104	2,233	
57,817	42,506	23,120	(8,315)	22,579	8,929	11,572	20,492	
—	—	—	—	—	(10,214)	—	—	
21,394	16,863	8,551	(3,243)	8,536	2,612	3,315	5,060	
36,423	25,643	14,569	(5,072)	14,043	(3,897)	8,257	15,432	
—	—	—	—	—	—	—	—	
\$ 36,423	\$ 25,643	\$ 14,569	\$ (5,072)	\$ 14,043	\$ (3,897)	\$ 8,257	\$ 15,432	
\$ 43,587	\$ 64,514	\$ 16,367	\$ (330)	\$ 36,995	\$ 62,700	\$ 28,250	\$ 6,472	
\$ 67,596	\$ 73,246	\$ 85,082	\$ 81,800	\$ 86,288	\$112,120	\$137,839	\$133,777	
171,647	68,556	32,696	21,979	25,662	26,503	23,555	25,099	
6,019	7,335	9,579	11,201	13,953	17,497	16,879	14,621	
11,512	94,166	12,409	4,818	4,052	2,581	2,025	3,051	
\$256,774	\$243,303	\$139,766	\$119,798	\$129,955	\$158,701	\$180,298	\$176,548	
\$100,591	\$ 88,174	\$109,118	\$ 88,068	\$ 93,823	\$105,750	\$138,416	\$136,995	
249,384	90,937	90,126	27,828	31,460	29,526	25,608	28,019	
6,426	10,648	11,369	13,233	16,726	16,720	19,253	18,009	
39,967	127,951	114,302	30,336	43,839	56,015	41,829	35,983	
\$396,368	\$317,710	\$324,915	\$159,465	\$185,848	\$208,011	\$225,106	\$219,006	
\$ 66,359	\$ 76,501	\$101,180	\$ —	\$ —	\$ —	\$ —	\$ —	
\$ 4,044	\$ 4,260	\$ 4,162	\$ 2,288	\$ 4,211	\$ 3,875	\$ 4,053	\$ 3,691	
3,613	3,377	1,606	703	1,320	1,187	1,090	812	
256	600	608	316	681	756	785	792	
405	81	80	46	61	44	196	234	
\$ 8,318	\$ 8,318	\$ 6,456	\$ 3,353	\$ 6,273	\$ 5,862	\$ 6,124	\$ 5,529	
\$ 4,952	\$ 2,816	\$ 14,252	\$ 528	\$ 3,120	\$ 8,648	\$ 4,047	\$ 6,347	
6,847	5,110	4,568	3,011	2,300	2,152	1,099	2,797	
233	343	383	109	(492)	(463)	500	113	
8	127	6	82	414	(39)	(508)	(2,955)	
\$ 12,040	\$ 8,396	\$ 19,209	\$ 3,730	\$ 5,342	\$ 10,298	\$ 5,138	\$ 6,302	
\$ 1.41	\$ 0.99	\$ 0.56	\$ (0.19)	\$ 0.48	\$ (0.12)	\$ 0.24	\$ 0.44	
—	—	—	—	—	—	—	—	
\$ 1.41	\$ 0.99	\$ 0.56	\$ (0.19)	\$ 0.48	\$ (0.12)	\$ 0.24	\$ 0.44	
\$ 1.40	\$ 0.99	\$ 0.56	\$ (0.19)	\$ 0.48	\$ (0.12)	\$ 0.24	\$ 0.44	
—	—	—	—	—	—	—	—	
\$ 1.40	\$ 0.99	\$ 0.56	\$ (0.19)	\$ 0.48	\$ (0.12)	\$ 0.24	\$ 0.44	
\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.15	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	
25,900,682	25,900,553	25,901,342	26,140,122	29,486,006	32,937,933	34,832,861	34,833,356	
26,096,529	25,993,848	25,906,769	26,140,122	29,486,006	32,937,933	34,832,861	34,833,356	

<sup>3</sup> In 1997, as part of the corporate restructuring, the Shannon acquisition goodwill was transferred to the Foodservice segment.

<sup>4</sup> During 1991, certain assets were transferred from general corporate to the Cranes and Related Products segment.

<sup>5</sup> Per share data and average shares outstanding have been adjusted to reflect the three-for-two stock splits which occurred in 1999, 1997, and 1996.

## Consolidated Statements of Earnings

Thousands of dollars, except per share data	For the Years Ended December 31		
	2001	2000	1999
<b>Earnings</b>			
Net sales	\$1,116,580	\$873,272	\$824,339
Costs and expenses:			
Cost of sales	831,768	637,538	590,627
Engineering, selling and administrative expenses	153,879	114,901	107,369
Amortization of goodwill	12,554	8,181	7,392
Total costs and expenses	998,201	760,620	705,388
Earnings from operations	118,379	112,652	118,951
Interest expense	(37,478)	(14,508)	(10,790)
Other expense—net	(1,212)	(2,024)	(2,155)
Earnings before taxes on income and extraordinary loss	79,689	96,120	106,006
Provision for taxes on income	30,817	35,852	39,222
Earnings before extraordinary loss	48,872	60,268	66,784
Extraordinary loss—net of income tax benefit	(3,324)	—	—
Net earnings	\$ 45,548	\$ 60,268	\$ 66,784
<b>Per Share Data</b>			
Basic earnings per share:			
Basic earnings per share before extraordinary loss	\$ 2.01	\$ 2.42	\$ 2.57
Extraordinary loss—net of income tax benefit	(0.14)	—	—
Basic earnings per share	\$ 1.87	\$ 2.42	\$ 2.57
Diluted earnings per share:			
Diluted earnings per share before extraordinary loss	\$ 1.99	\$ 2.40	\$ 2.55
Extraordinary loss—net of income tax benefit	(0.13)	—	—
Diluted earnings per share	\$ 1.86	\$ 2.40	\$ 2.55

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



## Consolidated Balance Sheets

Thousands of dollars, except share data	As of December 31	
	2001	2000
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 23,581	\$ 13,983
Marketable securities	2,151	2,044
Accounts receivable, less allowances of \$8,295 and \$3,037	141,211	88,231
Inventories	123,056	91,178
Deferred income taxes	28,346	20,592
Other	12,745	7,479
Total current assets	331,090	223,507
Intangible assets—net	525,695	308,751
Property, plant and equipment—net	175,384	99,940
Other non-current assets	48,643	10,332
Total assets	\$1,080,812	\$ 642,530
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 236,131	\$ 144,713
Current portion of long-term debt	31,087	270
Short-term borrowings	10,961	81,000
Product warranties	17,982	13,507
Total current liabilities	296,161	239,490
<b>Non-Current Liabilities</b>		
Long-term debt, less current portion	446,522	137,668
Postretirement health and other benefit obligations	23,071	20,341
Other non-current liabilities	51,263	11,262
Total non-current liabilities	520,856	169,271
Commitments and contingencies		
<b>Stockholders' Equity</b>		
Common stock (36,746,482 shares issued)	367	367
Additional paid-in capital	31,670	31,602
Accumulated other comprehensive loss	(3,937)	(2,569)
Retained earnings	372,623	334,433
Treasury stock, at cost (12,693,397 and 12,487,019 shares, respectively)	(136,928)	(130,064)
Total stockholders' equity	263,795	233,769
Total liabilities and stockholders' equity	\$1,080,812	\$ 642,530

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

## Consolidated Statements of Cash Flows

Thousands of dollars, except per share data	For the Years Ended December 31		
	2001	2000	1999
<b>Cash Flows From Operations</b>			
Net earnings	\$ 45,548	\$ 60,268	\$ 66,784
Adjustments to reconcile net earnings to cash provided by operating activities:			
Depreciation	20,471	9,872	9,321
Amortization	12,888	8,181	7,392
Amortization of deferred financing fees	3,204	672	637
Extraordinary loss on early extinguishment of debt, net of income tax benefit	3,324	—	—
Deferred income taxes	1,667	7,148	(592)
(Gain) loss on sale of property, plant and equipment	(2,374)	274	557
Changes in operating assets and liabilities, excluding effects of business acquisitions:			
Accounts receivable	16,725	(6,568)	14,057
Inventories	25,565	6,402	(4,169)
Other current assets	6,872	(17)	3,389
Non-current assets	(29,435)	777	(2,935)
Current liabilities	1,445	(25,452)	9,914
Non-current liabilities	715	1,490	(984)
Net cash provided by operations	106,615	63,047	103,371
<b>Cash Flows From Investing</b>			
Business acquisitions—net of cash acquired	(285,533)	(98,982)	(62,104)
Capital expenditures	(29,261)	(13,415)	(13,714)
Proceeds from sale of property, plant and equipment	10,219	3,481	6,491
Purchase of marketable securities	(107)	(121)	(89)
Net cash used for investing	(304,682)	(109,037)	(69,416)
<b>Cash Flows From Financing</b>			
Proceeds from long-term debt	345,116	—	—
Proceeds from senior subordinated notes	156,118	—	—
Payments on long-term debt	(161,889)	(1,093)	(11,090)
(Payments) proceeds from revolver borrowings—net	(78,727)	83,319	(16,200)
(Payments) proceeds from issuance of commercial paper—net	(24,700)	24,700	—
Debt acquisition costs	(21,023)	—	(574)
Dividends paid	(7,358)	(7,507)	(7,799)
Treasury stock purchases	—	(49,752)	—
Exercises of stock options	183	339	1,241
Net cash provided by (used for) financing	207,720	50,006	(34,422)
Effect of exchange rate changes on cash	(55)	(130)	(18)
Net increase (decrease) in cash and cash equivalents	9,598	3,886	(485)
Balance at beginning of year	13,983	10,097	10,582
Balance at end of year	\$ 23,581	\$ 13,983	\$ 10,097
<b>Supplemental Cash Flow Information</b>			
Interest paid	\$ 29,717	\$ 11,837	\$ 10,137
Income taxes paid	\$ 29,306	\$ 36,632	\$ 41,327

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

## Consolidated Statements of Stockholders' Equity and Comprehensive Income

Thousands of dollars, except shares and per share data	For the Years Ended December 31		
	2001	2000	1999
<b>Common Stock—Shares Outstanding</b>			
Balance at beginning of year	24,259,463	26,088,369	17,304,578
Treasury stock purchases	—	(1,882,900)	—
Three-for-two stock split	—	—	8,652,289
Stock options exercised	21,799	68,919	144,177
Stock swaps for stock options exercised	(3,736)	(14,925)	(12,675)
Stock held by Rabbi Trust	(224,441)	—	—
Balance at end of year	24,053,085	24,259,463	26,088,369
<b>Common Stock—Par Value</b>			
Balance at beginning of year	\$ 367	\$ 367	\$ 245
Three-for-two stock split	—	—	122
Balance at end of year	\$ 367	\$ 367	\$ 367
<b>Additional Paid-In Capital</b>			
Balance at beginning of year	\$ 31,602	\$ 31,476	\$ 31,029
Three-for-two stock split	—	—	(122)
Stock options exercised	68	126	569
Balance at end of year	\$ 31,670	\$ 31,602	\$ 31,476
<b>Accumulated Other Comprehensive Loss</b>			
Balance at beginning of year	\$ (2,569)	\$ (814)	\$ (212)
Other comprehensive loss:			
Foreign currency translation adjustments	656	(1,755)	(602)
Derivative instrument fair market value adjustment—net of income tax benefit of \$1,318	(2,024)	—	—
Balance at end of year	\$ (3,937)	\$ (2,569)	\$ (814)
<b>Retained Earnings</b>			
Balance at beginning of year	\$ 334,433	\$ 281,672	\$222,687
Net earnings	45,548	60,268	66,784
Cash dividends (\$0.30 per share in all years)	(7,358)	(7,507)	(7,799)
Balance at end of year	\$ 372,623	\$ 334,433	\$281,672
<b>Treasury Stock</b>			
Balance at beginning of year	\$ (130,064)	\$ (80,525)	\$ (81,197)
Treasury stock purchases	—	(49,752)	—
Stock options exercised	227	675	1,088
Stock swaps for stock options exercised	(112)	(462)	(416)
Stock held by Rabbi Trust	(6,979)	—	—
Balance at end of year	\$ (136,928)	\$ (130,064)	\$ (80,525)
<b>Comprehensive Income</b>			
Net earnings	\$ 45,548	\$ 60,268	\$ 66,784
Other comprehensive loss:			
Foreign currency translation adjustments	656	(1,755)	(602)
Derivative instrument fair market value adjustment—net of income tax benefit of \$1,318	(2,024)	—	—
Comprehensive income	\$ 44,180	\$ 58,513	\$ 66,182

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



# Notes to Consolidated Financial Statements

(Table information in thousands of dollars, except per share data)

## 1. Summary of Significant Accounting Policies

**Operations** The Manitowoc Company, Inc. and its subsidiaries (collectively referred to as the “company”) are diversified industrial manufacturers with leading positions in their three principle markets: cranes; foodservice equipment; and marine. The company’s crane business is principally conducted through its subsidiaries: Manitowoc Cranes, Inc., Potain S.A.S. (f/k/a Potain S.A.) (“Potain”), Manitowoc Boom Trucks, Inc., Femco Machine Company, Inc., and Manitowoc Remanufacturing, Inc. The company’s foodservice business is principally conducted through its subsidiaries: Manitowoc Ice, Inc., SerVend International, Inc., Multiplex Company, Inc., Manitowoc Beverage Systems, Inc., KMT Refrigeration, Inc. (Kolpak and McCall), Diversified Refrigeration, Inc., Harford Duracool LLC, and Manitowoc Hangzhou, as well as its partially owned subsidiary, Fabbrica Apparecchiature per la Produzione del Ghiaccio S.r.l. (“FAG”). The company’s marine business is principally conducted through its subsidiaries: Manitowoc Marine Group LLC (Bay Shipbuilding Co., Toledo Shiprepair Co., Cleveland Shiprepair Co.) and Marinette Marine Corporation.

**Principles of Consolidation and Presentation** The consolidated financial statements include the accounts of the company and its wholly and majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The financial statements of the company have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Cash Equivalents and Marketable Securities** All short-term investments purchased with an original maturity of three months or less are considered cash equivalents. Marketable securities at December 31, 2001 and 2000, included \$2.2 million and \$2.0 million, respectively, of securities which are considered “available for sale.” The difference between fair market value and cost for these investments was not significant in either year.

**Inventories** Inventories are valued at the lower of cost or market. Approximately 79% and 57% of the company’s inventories at December 31, 2001 and 2000, respectively, were computed using the first-in, first-out (“FIFO”) method. The remaining inventories were computed using the last-in, first-out (“LIFO”) method. If the FIFO inventory valuation method had been used exclusively, inventories would have increased by \$19.6 million and \$21.6 million at December 31, 2001 and 2000, respectively. Finished goods and work-in-process inventories include material, labor, and manufacturing overhead costs. Customer advance payments, which are netted against inventories to the extent of related accumulated costs, were not significant in either year.

**Intangible Assets** Intangible assets at December 31, 2001 and 2000 consist primarily of costs in excess of net assets of businesses acquired (goodwill). Historically, intangible assets have been amortized using the straight-line method over their estimated beneficial lives, not to exceed 40 years. Subsequent to an acquisition, the company annually evaluates whether later events and circumstances occurred that indicated the remaining estimated useful life of intangibles may warrant revision or that the remaining balance of intangibles may not be recoverable. When factors indicated that

intangibles should be evaluated for possible impairment, the company used an estimate of the related business’ undiscounted net cash flows over the remaining life of the intangibles in measuring whether the intangibles were recoverable. Intangible assets at December 31, 2001 and 2000, are net of accumulated amortization of \$47.3 million and \$29.4 million, respectively.

In June 2001, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations” and No. 142, “Goodwill and Other Intangible Assets,” to establish accounting and reporting standards for business combinations, goodwill and intangible assets. SFAS No. 141 discontinued the use of the “pooling-of-interest” method of accounting for business combinations completed after June 30, 2001. According to SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the statement. Other intangible assets will continue to be amortized over their useful lives. The company adopted the new rules for accounting for goodwill and other intangible assets on January 1, 2002. Subject to final analysis, the company expects application of the non-amortization provision of the statement to increase operating earnings by approximately \$10.5 million and net income by approximately \$6.4 million (\$0.26 per diluted share) in 2002.

According to SFAS No. 142, impairment of goodwill is measured according to a two-step approach. In the first step, the fair value of a reporting unit, as defined by the statement, is compared to the carrying amount of the reporting unit, including goodwill. If the carrying amount exceeds the fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. In the second step, the implied fair value of the goodwill is estimated as the fair value of the reporting unit less the fair values of all the other tangible and intangible assets of the reporting unit. If the carrying amount of the goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill.

According to SFAS No. 142, impairment of indefinite-lived intangible assets, other than goodwill, are measured according to a one-step approach, which compares the estimated fair value of the intangible asset to its carrying amount. If the carrying amount of the intangible asset exceeds the estimated fair value, an impairment loss is recognized in an amount equal to that excess.

The company is in the process of performing the first of the required impairment tests of goodwill and indefinite-lived intangible assets using a valuation date of January 1, 2002. The company has not yet determined what the effect of these tests will be on the company’s earnings or financial position in future periods.

**Property, Plant and Equipment** Property, plant and equipment is depreciated over the estimated useful lives of the assets primarily using the straight-line depreciation method. Expenditures for maintenance, repairs, and renewals of relatively minor items are charged to expense as incurred. Renewals of significant items that substantially extend the capacity or useful life of an asset are capitalized. The cost and accumulated depreciation for property, plant and equipment sold, retired, or otherwise disposed of are relieved from the accounts, and resulting gains or losses are reflected in income.

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
Furniture and fixtures	10
Computer hardware and software	3–5

Property, plant and equipment also includes cranes under operating lease with others. Equipment under lease to others includes equipment leased directly to the customer and equipment for which the company has guaranteed a residual value or made a buyback commitment. The amount of rental equipment included in property, plant and equipment for which the company has guaranteed a residual value or made a buyback commitment amounted to \$13.4 million, net of accumulated depreciation at December 31, 2001. Leased equipment transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic life of 80 months for equipment leased directly to the customer. For equipment involved in financing arrangements, the equipment is depreciated over the life of the underlying arrangement so that the net book value at the end of the period equals the buyback amount or the residual value amount.

**Other Non-Current Assets** Other non-current assets include tooling assets and other project start-up costs of \$23.0 million and \$6.7 million at December 31, 2001 and 2000, respectively. These assets and costs are used in the development and production of certain refrigeration equipment produced under contract with a third party. These costs are reimbursed by the customer according to the contract on a per unit sold basis with quarterly minimum reimbursements required in order to ensure reimbursement of all of the costs and tooling for a particular product over a period of time. At the end of the reimbursement period the tooling belongs to the customer.

**Impairment of Long-lived Assets** Property, plant, and equipment, other long-term assets, and goodwill and other intangible assets (prior to January 1, 2002 for goodwill and other intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. Such analyses necessarily involve significant judgement.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets," and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation. SFAS No. 144 addresses accounting and reporting for the impairment or disposal of long-lived assets, superseding SFAS No. 121 and Accounting Principles Board Opinion No. 30. SFAS No. 143 and No. 144 are effective for us in the first quarters of 2003 and 2002, respectively. The company does not believe that the implementation of these statements will have a material effect on its consolidated financial statements.

**Financial Instruments** The carrying amounts reported in the Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, accounts payable, and variable rate debt approximated fair value at December 31, 2001 and 2000. The fair value of the company's 10<sup>3</sup>/<sub>8</sub>% Senior Subordinated Notes was approximately \$160.4 million at December 31, 2001. The aggregate fair values of interest rate swaps and foreign currency forward exchange contracts at December 31, 2001 and 2000, were negative \$3.3 million and negative \$1.6 million, respectively. These fair values are the amounts at which they could be settled, based on internal estimates and estimates obtained from financial institutions.

**Warranties** Estimated warranty costs are recorded in cost of sales at the time of sale of the warranted products based on historical warranty experience for the related product or estimates of projected losses due to specific warranty issues on new products. These estimates are reviewed periodically and are adjusted based on changes in facts, circumstances, or actual experience.

**Environmental Liabilities** The company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Such accruals are adjusted as information develops or circumstances change. Costs of long-term expenditures for environmental remediation obligations are not discounted to their present value.

**Postretirement Benefits Other Than Pensions** The expected cost of postretirement benefits is recorded during the years that the employees render service. The obligation for these benefits and the related periodic costs are measured using actuarial techniques and assumptions, including an appropriate discount rate. Actuarial gains and losses are deferred and amortized over future periods.

**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 accumulated other comprehensive income.

**Derivative Financial Instruments** Derivative financial instruments are used by the company to manage risks associated with interest rate market volatility and fluctuating foreign exchange rates. Interest rate swap agreements are used to help manage the company's exposure to interest rate movements on floating rate debt. Foreign exchange rate hedge contracts are used to reduce the company's exposure to fluctuations in the value of foreign currencies. On January 1, 2001, the company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was amended by SFAS No. 137 and SFAS No. 138 (collectively referred to as SFAS No. 133). As a result of the adoption of SFAS No. 133, the company recognizes all derivative financial instruments in the consolidated financial statements at 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 and qualifies as part of a hedge transaction and if so, the type of hedge transaction. For interest rate swap agreements, net interest payments or receipts are recorded as adjustments to interest expense on a current basis. These activities are subject to established policies that, among other matters, prohibit the use of derivative financial instruments for trading or speculative purposes.

The adoption of SFAS No. 133 did not impact the Consolidated Statement of Earnings for 2001 and did not have a material impact on the Consolidated Balance Sheet.

**Deferred Revenue, Buyback Commitments and Guaranteed Residual Values** Prior to the acquisition, Potain entered into transactions with customers that provided for residual value guarantees and buyback commitments. These transactions have been recorded as operating leases. Net proceeds received in connection with the initial transactions have been recorded as deferred revenue and are being amortized to income on a straight-line basis over a period equal to that of the customer's third party financing agreement. The deferred revenue included in other non-current liabilities at December 31, 2001, was \$17.7 million.

If all buyback commitments outstanding were satisfied at December 31, 2001, the total cash cost to the company would be \$14.2 million. These buyback commitments are not recorded and expire at various times through February 2006. The potential buyback amounts at expiration of these commitments, which are different than the current year-end amounts, are as follows:

2002	\$3,536
2003	763
2004	2,012
2005	2,429
2006	169
	<u>\$8,909</u>

## Notes to Consolidated Financial Statements (continued)

(Table information in thousands of dollars, except per share data)

The company also has outstanding \$1.6 million of guarantees on residual values of equipment sold through a third party financing company. These commitments are not recorded and expire at various times throughout 2002.

In case of exercise of these guarantees or buyback commitments, the company would either take title to the used machinery or actively participate in the remarketing of the equipment, the sale of which could mitigate the company's ultimate loss.

**Revenue Recognition and Long-Term Contracts** Revenue is generally recognized and earned when all the following criteria are satisfied with regard to a specific transaction: persuasive evidence of an arrangement exists, the price is fixed or determinable, collectibility of cash is reasonably assured, and delivery has occurred or services have been rendered. Revenues under long-term contracts, including contracts with the U.S. Government, are recorded using the percentage-of-completion method of accounting. Revenues under these fixed-price long-term contracts are recorded upon the achievement of performance milestones, or based on the ratio of costs incurred to estimated total costs at completion, and costs are expensed as incurred. Amounts representing contract change orders, claims, or other items are included in revenue only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

Amounts related to long-term contracts accounted for according to the percentage-of-completion method included in the Consolidated Balance Sheets at December 31 were as follows:

	2001	2000
Amounts billed included in accounts receivable	\$2,563	\$12,800
Recoverable costs and accrued profit on progress completed—not billed, included in other current assets	\$7,728	\$1,125
Amounts billed in excess of sales, included in accounts payable and accrued expenses	\$8,405	\$5,084

Recoverable costs and accrued profit on progress completed but not billed relate to amounts not billable at the balance sheet date. It is anticipated that such amounts will be billed in the first quarter of the subsequent year. Amounts billed but not paid pursuant to retainage contract provisions, which are due upon completion of the contracts, are not significant.

**Research and Development** Research and development costs are charged to expense as incurred and amounted to \$8.3 million, \$6.7 million and \$6.9 million in 2001, 2000, and 1999, respectively. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for as contract costs.

**Income Taxes** The company utilizes the liability method to recognize deferred tax assets and liabilities for the expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, deferred tax assets and liabilities are determined based on the temporary 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. Valuation allowances are provided for deferred tax assets where it is considered more likely than not that the company will not realize the benefit of such assets.

**Earnings Per Share** Basic earnings per share is computed by dividing net earnings by the weighted average number of common 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. Shares of common stock held by the Rabbi Trust are not considered outstanding for computing basic earnings per share.

**Comprehensive Income** Comprehensive income includes, in addition to net income, other items that are reported as direct adjustments to stockholders' equity. Currently, these items are foreign currency translation adjustments and the change in fair value of certain derivative instruments.

**Concentration of Credit Risk** Credit extended to customers through trade accounts receivable potentially subject the company to risk. This risk is limited due to the large number of customers and their dispersion across various industries and many geographical areas. However, a significant amount of receivables are with large companies in the foodservice and beverage industries, distributors and contractors in the construction industry, customers servicing the U.S. steel industry, and the U.S. Government. The company currently does not foresee a significant credit risk associated with these receivables.

**2. Property, Plant and Equipment** The components of property, plant and equipment at December 31 are summarized as follows:

	2001	2000
Land	\$12,396	\$3,888
Buildings and improvements	113,943	75,430
Drydocks and dock fronts	19,916	21,389
Machinery, equipment, and tooling	179,856	116,950
Furniture and fixtures	13,308	4,628
Computer hardware and software	22,856	11,710
Rental cranes	50,096	—
Construction in progress	8,575	3,876
Total cost	420,946	237,871
Less accumulated depreciation	(245,562)	(137,931)
Property, plant and equipment—net	\$175,384	\$99,940

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

	2001	2000
Raw materials	\$44,302	\$33,935
Work-in-process	35,517	32,914
Finished goods	62,798	45,880
Total inventories at FIFO cost	142,617	112,729
Excess of FIFO cost over LIFO value	(19,561)	(21,551)
Total inventories	\$123,056	\$91,178



**4. Accounts Payable and Accrued Expenses** Accounts payable and accrued expenses at December 31 are summarized as follows:

	2001	2000
Trade accounts payable	\$113,098	\$ 64,269
Employee related expenses	27,552	13,964
Income taxes payable	11,752	—
Profit sharing and incentives	10,080	23,280
Customer progress payments	6,997	877
Accrued product liability	10,580	8,432
Miscellaneous accrued expenses	56,072	33,891
Total	\$236,131	\$144,713

**5. Debt** Debt at December 31 is summarized as follows:

	2001	2000
Senior credit facility:		
Term loan A	\$128,000	\$ —
Term loan B	174,125	—
Revolving credit facility	5,900	—
Senior subordinated notes (175 million euro)	154,227	—
Revolver borrowings	—	115,600
Notes payable	—	75,000
Commercial paper	—	24,719
Industrial revenue bonds	3,371	3,619
Other	22,947	—
Total debt	488,570	218,938
Less current portion	(42,048)	(81,270)
Long-term debt	\$446,522	\$137,668

To finance the acquisition of Potain in May 2001 and replace its existing credit facilities, the company entered into a \$475 million Senior Credit Facility ("Senior Credit Facility") maturing in May 2007 and issued 175 million euro (approximately \$156 million at May 9, 2001) of its 10<sup>3</sup>/<sub>8</sub>% Senior Subordinated Notes ("Senior Subordinated Notes") due May 2011. The company recorded an after-tax extraordinary charge of \$3.3 million (\$5.5 million before income taxes) in May 2001 to record the write-off of deferred financing costs and penalties incurred related to the prepayment of its notes payable with proceeds from its Senior Credit Facility.

The Senior Credit Facility is comprised of term loans aggregating \$350 million and a \$125 million revolving credit facility. Term Loan A requires quarterly principal payments of \$7.5 million from June 2002 through May 2006. Term Loan B requires quarterly principal payments of \$0.4 million through March 2006 and \$33.3 million from June 2006 through May 2007. During 2001, the company made prepayments of principal under Term Loan A of \$29.5 million, which reduces the required principal payments in 2002. Substantially all domestic, tangible, and intangible assets of the company and its subsidiaries are pledged as collateral under the Senior Credit Facility.

Borrowings under the Senior Credit Facility bear interest at a rate equal to the sum of a base rate or a Eurodollar rate plus an applicable margin, which is based on the company's consolidated total leverage ratio, as defined by the Senior Credit Facility. The weighted average interest rate for the Term Loan A was 5.03% at December 31, 2001. The interest rates for the Term Loan B and revolving credit facility at December 31, 2001, were 4.85% and 6.38%, respectively. The annual commitment fee in effect at the end of 2001 on the unused portion of the revolving credit facility was 0.5%.

The Senior Subordinated Notes are unsecured obligations of the company, ranking subordinate in right of payment to all senior debt of the company and are unconditionally, jointly, and severally guaranteed by all of the company's domestic subsidiaries (see Note 15). Interest on the Senior Subordinated Notes is payable semiannually in May and November of each year. The Senior Subordinated Notes can be redeemed in whole or in part by the company for a premium after May 15, 2006. In addition, the company may redeem for a pre-

mium at any time prior to May 15, 2004, up to 35% of the face amount of the Senior Subordinated Notes with the proceeds from one or more public equity offerings.

Both the Senior Credit Facility and the Senior Subordinated Notes contain customary affirmative and negative covenants. In general, the covenants contained in the Senior Credit Facility are more restrictive than those of the Senior Subordinated Notes. Among other restrictions, these covenants require the company to meet specified financial tests, including various debt and cash flow ratios which become more restrictive over time. These covenants also limit the company's ability to redeem or repurchase the Senior Subordinated Notes, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, repurchase capital stock, lend money or make advances, create or become subject to liens, and make capital expenditures. The Senior Credit Facility also contains cross-default provisions whereby certain defaults under any other debt agreements would result in a default under the Senior Credit Facility. The company is in compliance with these covenants at December 31, 2001.

As of December 31, 2001, the company also had outstanding \$22.9 million of other indebtedness assumed as a result of the acquisition of Potain with a weighted average interest rate of 4.92%. This debt includes \$6.5 million of outstanding bank debt in China, \$9.1 million of bank overdrafts, and \$7.3 million of capital lease obligations and other miscellaneous debt.

Industrial revenue bonds relate to the company's obligations on two properties located in Tennessee and Indiana. These obligations are due in monthly or annual installments including principal and interest at rates of 1.9% and 10.0%, respectively, at December 31, 2001. These obligations mature at various dates through 2004.

The company enters into interest rate swap agreements to reduce the impact of changes in interest rates on its floating rate debt. As of December 31, 2001, the company had outstanding two interest rate swap agreements with financial institutions, having notional principal amounts of \$161.5 million and \$12.5 million. These swaps fix interest paid by the company for debt equaling the notional values of the swaps at 7.05% and 8.92%, and mature in August 2004 and October 2002, respectively. The fair value of these arrangements, which represents the costs to settle these contracts, approximates a loss of \$1.9 million (net of income taxes) at December 31, 2001.

The aggregate scheduled maturities of outstanding debt obligations in subsequent years are as follows:

2002	\$ 42,048
2003	34,295
2004	37,046
2005	34,095
2006	117,736
Thereafter	223,350
	\$488,570

On May 28, 1999, the company entered into an accounts receivable factoring arrangement with a bank. The company factored \$180.5 million and \$148.0 million in accounts receivable to the bank under this arrangement during 2001 and 2000, respectively. According to the Senior Credit Facility, the maximum amount of accounts receivable that can be outstanding at any one time under this arrangement, net of amounts collected from customers, was \$45.0 million through December 30, 2001, and is \$25.0 million thereafter. The company's factoring liability, net of cash collected from customers, was \$17.8 million and \$23.1 million at December 31, 2001 and 2000, respectively. The cash flow impact of this arrangement is reported as cash flows from operations in the 2001 and 2000 Consolidated Statements of Cash Flows. Under this arrangement, the company is required to purchase from the bank the first \$0.5 million and amounts greater than \$1.0 million of the aggregate uncollected receivables during a twelve-month period.

## Notes to Consolidated Financial Statements (continued)

(Table information in thousands of dollars, except per share data)

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

For the Years Ended December 31	2001	2000	1999
Earnings (loss) before income taxes:			
Domestic	\$63,253	\$94,220	\$106,234
Foreign	16,436	1,900	(228)
Total	\$79,689	\$96,120	\$106,006

The provision for taxes on income is as follows:

For the Years Ended December 31	2001	2000	1999
Current:			
Federal	\$16,845	\$24,418	\$36,715
State	3,887	3,081	3,291
Foreign	2,573	252	(192)
Total current	23,305	27,751	39,814
Deferred:			
Federal and state	5,519	8,101	(592)
Foreign	1,993	—	—
Total deferred	7,512	8,101	(592)
Provision for taxes on income	\$30,817	\$35,852	\$39,222

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

For the Years Ended December 31	2001	2000	1999
Federal statutory income tax rate	35.0%	35.0%	35.0%
State income taxes, net of			
federal income tax benefit	2.1	2.3	2.2
Non-deductible goodwill amortization	4.2	1.7	1.4
Tax-exempt FSC income	(0.9)	(0.9)	(1.2)
Provision for tax on foreign income,			
net of foreign tax credits	(0.2)	(0.3)	(0.1)
Accrual adjustment	(2.1)	(0.4)	(1.1)
Other items	0.6	(0.1)	0.8
Effective income tax rate	38.7%	37.3%	37.0%

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 taxes at December 31 is as follows:

	2001	2000
Current deferred income tax assets:		
Inventories	\$ 6,037	\$ 6,037
Accounts receivable	1,458	1,035
Product warranty reserves	4,977	4,553
Product liability reserves	3,199	3,245
Other employee-related benefits and allowances	4,963	4,474
Other	7,712	1,248
Deferred income tax assets, current	\$ 28,346	\$ 20,592
Non-current deferred income tax assets (liabilities):		
Property, plant and equipment	\$(17,513)	\$(17,510)
Postretirement benefits, other than pensions	7,781	7,853
Deferred employee benefits	3,741	4,938
Severance benefits	1,055	1,069
Product warranty reserves	1,298	1,205
Net operating loss carryforwards	9,322	1,976
Less valuation allowance	(3,951)	—
Other	(6,876)	1,862
Net deferred income tax assets (liabilities), non-current	\$ (5,143)	\$ 1,393

The company does not provide for income taxes which would be payable if undistributed earnings of foreign subsidiaries 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, 2001, the company had approximately \$52.1 million of state net operating loss carryforwards, which are available to reduce future state tax liabilities and expire on various dates between 2013 and 2016. The company has federal net operating losses of \$1.0 million available to reduce federal taxable income which expire in 2003. The company also has \$21.1 million foreign net operating loss carryforwards, which are available to reduce income in certain foreign jurisdictions and expire on various dates through 2006. A valuation allowance of approximately \$4.0 million was recorded at December 31, 2001, to reflect the estimated amount of deferred assets which may not be realized due to the possible limitation on future use of certain foreign net operating loss carryforwards.

### 7. Earnings Per Share The following is a reconciliation of the average shares outstanding used to compute basic and diluted earnings per share before extraordinary loss.

	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
For the Years Ended December 31	2001	2001	2000	2000	1999	1999
Basic EPS	24,269,807	\$2.01	24,891,387	\$2.42	25,991,711	\$2.57
Effect of dilutive securities—stock options	278,656		231,408		208,955	
Diluted EPS	24,548,463	\$1.99	25,122,795	\$2.40	26,200,666	\$2.55

**8. 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 four-ninths of a Right 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 company's common stock. In the event a person or group actually acquires 20% or more of the common stock, or if the company is merged with an acquiring person, subject to approval by the board of directors, each full 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.

In March 2001 and September 2001, the company paid dividends to shareholders of \$.075 and \$.225, respectively. Beginning in 2002, the company will pay only an annual dividend. The amount and timing of this annual dividend will be determined by the board of directors at its regular fall meeting each year.

Currently, the company has authorization to purchase up to 2.5 million shares of common stock at management's discretion. As of December 31, 2001, the company had purchased approximately 1.9 million shares at a cost of \$49.8 million pursuant to this authorization. The company did not purchase any shares of its common stock during 2001.

**9. Stock Options** The company maintains two stock plans, The Manitowoc Company, Inc. Stock Plan and The Manitowoc Company, Inc. Non-Employee Director Stock Plan, for the granting of stock options as an incentive to certain employees and to non-employee members of the board of directors. Under these plans, stock options to acquire up to 2.5 million (employees) and 0.187 million (non-employee directors) 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 under these plans for the years ended December 31, 2001, 2000, and 1999 are summarized as follows:

	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
For the Years Ended December 31	2001	2001	2000	2000	1999	1999
Options outstanding, beginning of year	1,311,379	\$21.79	611,881	\$21.94	610,006	\$18.63
Options granted	95,250	28.46	934,900	21.20	221,557	25.58
Options exercised	(21,799)	13.50	(68,919)	11.97	(144,177)	11.50
Options forfeited	(110,975)	24.50	(166,483)	23.13	(75,505)	25.84
Options outstanding, end of year	1,273,855	\$22.19	1,311,379	\$21.79	611,881	\$21.94
Options exercisable, end of year	203,939	\$22.11	120,906	\$19.53	47,444	\$15.58

The outstanding stock options at December 31, 2001, have a range of exercise prices of \$7.78 to \$33.06 per option. The following

table shows the options outstanding and exercisable by range of exercise prices at December 31, 2001:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Prices
\$7.78-\$9.93	32,173	1.6	\$ 9.41	32,173	\$ 9.41
\$18.78-\$25.57	1,061,443	8.0	21.30	113,001	21.33
\$28.56-\$33.06	180,239	7.0	29.71	58,765	30.57
	1,273,855	7.7	\$22.19	203,939	\$22.11

The weighted average fair value at date of grant for options granted during 2001, 2000, and 1999 was \$11.65, \$8.86, and \$9.56 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:

	2001	2000	1999
Expected life (years)	7	7	7
Risk-free interest rate	5.2%	5.5%	5.0%
Expected volatility	33.6%	34.0%	30.9%
Expected dividend yield	1.1%	1.0%	1.3%

The company applies Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized in the Consolidated Statements of Earnings for stock options. Had compensation cost been determined under an alternative method suggested by SFAS No. 123, "Accounting for Stock-Based Compensation," net income would have decreased \$2.0 million, \$1.3 million, and \$0.9 million in 2001, 2000, and 1999, respectively; and diluted earnings per share would have been \$1.78, \$2.35, and \$2.52 in 2001, 2000, and 1999, respectively.

**10. 2001 Acquisitions** On May 9, 2001, the company acquired from Legris Industries S.A., all of the outstanding capital stock of Potain. Potain is a leading designer, manufacturer, and supplier of tower cranes for the building and construction industry. The aggregate consideration paid was \$424.8 million, which includes \$307.1 million paid in cash, direct acquisition costs of \$3.7 million, assumed liabilities of \$138.8 million, the payment of a post-closing interim income adjustment of \$3.6 million in February 2002, and is less cash acquired of \$28.4 million.

The preliminary estimate at December 31, 2001 of the excess of the cost over the fair value of the net assets acquired is \$203.3 million. During 2001 from the date of acquisition, this amount was classified as goodwill and amortized over a 40-year life. The company is currently in the process of completing its valuations of the tangible and intangible assets acquired as a result of this acquisition and determining the impact on intangible asset amortization under SFAS No. 142, "Goodwill and Other Intangible Assets." During the first half of 2002, the excess cost over fair value for this



## Notes to Consolidated Financial Statements (continued)

(Table information in thousands of dollars, except per share data)

acquisition will be allocated to specific intangible assets. Based upon a third party appraisal report, the preliminary allocation is as follows: \$53.0 million to trademarks and tradenames with an indefinite life; \$17.5 million to patents with a 15-year life; \$8.8 million to engineering drawings with a 15-year life; \$5.0 million to an in-place distribution network with an indefinite life; and the remaining \$119.0 million to goodwill with an indefinite life. The final determination of goodwill will be dependent upon finalization of a third party appraisal of the tangible and other intangible assets to be completed in 2002.

During 2001, the company also completed the acquisitions of certain assets of a German-based telescopic personnel platform lift company, assets of a terminated Singapore-based crane equipment distribution company, and assets of a local electrical contractor for the Marine segment. The total aggregate consideration paid by the company for these acquisitions was \$2.5 million, which includes direct acquisition costs and assumed liabilities, less cash acquired.

The following unaudited pro forma financial information for the years ended December 31, 2001 and 2000 assumes the 2001 acquisition of Potain occurred as of January 1 of each year.

	2001	2000
Net sales	\$1,229,946	\$1,230,843
Earnings before extraordinary loss	\$ 44,965	\$ 49,614
Net earnings	\$ 41,641	\$ 49,614
Basic earnings per share		
before extraordinary loss	\$ 1.85	\$ 1.99
Basic earnings per share	\$ 1.72	\$ 1.99
Diluted earnings per share before		
extraordinary loss	\$ 1.83	\$ 1.97
Diluted earnings per share	\$ 1.70	\$ 1.97

**2000 Acquisitions** On November 20, 2000, the company purchased all of the issued and outstanding shares of MMC Acquisition Company, the parent of Marinette Marine Corporation ("Marinette Marine"). Marinette Marine, located in Marinette, Wisconsin, operates one of the largest shipyards on the U.S. Great Lakes. Marinette Marine is currently under a contract to build a series of oceangoing buoy tenders for the United States Coast Guard, and presently employs approximately 800 people and features complete in-house capabilities for all shipbuilding disciplines.

The aggregate consideration paid by the company for Marinette Marine was \$66.7 million, which includes \$48.1 million paid in cash, direct acquisition costs of \$1.4 million, assumed liabilities of \$17.2 million, the receipt of a post-closing working capital adjustment in September 2001 of \$0.9 million, and is less cash acquired of \$18.6 million. The excess of the cost over the fair value of the net assets acquired is \$50.0 million. This excess was amortized over a weighted average life of 38 years.

On April 7, 2000, the company acquired substantially all of the net business assets of Harford Duracool, LLC ("Harford"). Harford is a leading manufacturer of walk-in refrigerators and freezers and maintains a 67,000-square-foot manufacturing facility in Aberdeen, Maryland. Its primary distribution channels are foodservice equipment dealers and commercial refrigeration distributors and its products range in size from 200 to 60,000 cubic feet. Harford also manufactures a line of modular, temperature-controlled structures for other niche markets.

The aggregate consideration paid by the company for the assets of Harford was \$21.2 million, which includes direct acquisition costs of \$0.5 million, assumed liabilities of \$1.4 million, and the payment of a post-closing working capital adjustment in Sep-

tember 2000 of \$0.3 million. The excess of the cost over the fair value of the net assets acquired is \$15.0 million. This excess was amortized over a weighted average life of 35 years.

On March 31, 2000, the company acquired all of the issued and outstanding shares of Multiplex Company, Inc. (Multiplex). Multiplex is headquartered in St. Louis, Missouri, where its production facility is located and has operations in Frankfurt, Germany, and Glasgow, UK. Multiplex manufactures soft-drink and beer dispensing equipment as well as water purification systems and supplies leading quick-service restaurants, convenience stores, and movie theatres. In addition, Multiplex designs and builds custom applications to meet the needs of customers with requirements that cannot be met by conventional dispensing equipment.

The aggregate consideration paid by the company for the shares of Multiplex was \$20.5 million, which is net of cash acquired of \$3.7 million and includes direct acquisition costs of \$0.4 million and assumed liabilities of \$5.3 million. The excess of the cost over the fair value of the net assets acquired is \$12.7 million. This excess was amortized over a weighted average life of 37 years.

During 2000, the company completed other smaller acquisitions whose total aggregate consideration paid was \$18.2 million, which is net of cash received and includes direct acquisition costs of \$0.2 million and assumed liabilities of \$2.8 million.

**1999 Acquisitions** On April 9, 1999, the company acquired all of the issued and outstanding shares of Kyees Aluminum, Inc., a leading supplier of cooling components for the major suppliers of fountain soft-drink beverage dispensers. The aggregate consideration paid by the company was \$28.5 million, which is net of cash acquired of \$1.0 million and includes direct acquisition costs of \$0.3 million, assumed liabilities of \$2.2 million, and the payment of a post-closing net worth adjustment during the third quarter of 1999 of \$1.3 million. The excess of the cost over the fair value of the net assets acquired is \$24.1 million. This excess was amortized over a weighted average life of 38 years.

On January 11, 1999, the company acquired all of the issued and outstanding shares of Purchasing Support Group LLC ("PSG"), a four-member beverage service organization. The new operation, renamed Manitowoc Beverage Systems, Inc. ("MBS"), provides full-service parts, components, and dispenser systems support to bottlers in the beverage industry. MBS is made up of companies that have been serving soft-drink bottling operations throughout the United States since the 1960s with a variety of equipment services for beverage dispensing systems. MBS operates in the Northeast, Atlantic Coast, Southeast, Central, and Western United States.

The aggregate consideration paid by the company for the issued and outstanding shares of the four member companies of PSG was \$43.7 million, which is net of cash acquired of \$0.8 million and includes direct acquisition costs of \$0.5 million and assumed liabilities of \$5.9 million. The excess of the cost over the fair value of the net assets acquired is \$34.0 million. This excess was amortized over a weighted average life of 38 years.

The results of operations of each of the aforementioned acquisitions have been included in the Consolidated Statements of Earnings since the date acquired. Each acquisition was recorded utilizing the purchase method of accounting which allocates the acquisition cost based upon the fair values of assets acquired and liabilities assumed. During 2002, goodwill amortization related to these acquisitions will cease with the adoption of SFAS No. 142.

**11. Contingencies and Significant Estimates** The United States Environmental Protection Agency (“EPA”) has identified the company as a Potentially Responsible Party (“PRP”) under the Comprehensive Environmental Response Compensation and Liability Act (“CERCLA”), liable for the costs associated with investigating and cleaning up contamination at the Lemberger Landfill Superfund Site (the “Site”) near Manitowoc, Wisconsin.

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

Recent estimates indicate that the remaining costs to clean up the Site are nominal. However the ultimate allocations of cost for the Site is not yet final. Although liability is joint and several, the company’s percentage share of liability is estimated to be 11% of the total cleanup costs. Prior to December 31, 1996, the company accrued \$3.3 million in connection with this matter. Expenses charged against this reserve during 2001, 2000, and 1999 were not significant. Remediation work at the Site has been substantially completed, with only long-term pumping and treating of groundwater and Site maintenance remaining. The company’s remaining estimated liability for this matter, included in other current and non-current liabilities at December 31, 2001, is \$1.0 million.

As of December 31, 2001, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retentions of \$0.1 million for Potain Crane accidents; \$1.0 million for all other Crane accidents; \$1.0 million for Foodservice accidents occurring during 1990 to 1996; and \$0.1 million for Foodservice accidents occurring during 1997 to present. The insurer’s annual contribution is limited to \$50.0 million.

Product liability reserves included in accounts payable and accrued expenses at December 31, 2001, are \$10.6 million; \$4.0

million reserved specifically for the cases referenced above, and \$6.6 million for claims incurred but not reported which were estimated using actuarial methods. As of December 31, 2001, the highest current reserve for an insured claim is \$1.0 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.

At December 31, 2001 and 2000, the company had reserved \$24.8 million and \$18.8 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheet. Certain warranty and other related claims involve matters in dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue can arise which is beyond the scope of the company’s historical experience.

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

At December 31, 2001, the company is contingently liable under bid, performance, and specialty bonds, primarily for the Marine segment, totaling approximately \$178.7 million and open standby letters of credit issued by the company’s banks in favor of third parties totaling \$34.0 million at December 31, 2001.

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, and the liabilities accrued with respect to such matters, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on the consolidated financial statements of the company.

## 12. Employee Benefit Plans

**Savings and Investment Plans** The company sponsors a defined contribution savings plan that allows substantially all employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan-specific guidelines. The plan requires the company to match 100% of the participants contributions up to 3% and match an additional 50% of the participants contributions between 3% to a maximum of 6% of a participant’s compensation. The company also provides retirement benefits through noncontributory deferred profit sharing plans covering substantially all employees. Company contributions to the plans are based upon formulas contained in such plans. Total costs incurred under these plans were \$10.6 million, \$14.9 million and \$14.3 million, in 2001, 2000, and 1999, respectively.

**Postretirement Health and Other Benefit Plans** The company provides certain pension, health care and death benefits for eligible retirees and their dependents. The pension benefits are funded, while the health care and death benefits are not funded but are paid as incurred. Eligibility for coverage is based on meeting certain years of service and retirement qualifications. These benefits may be subject to deductibles, co-payment provisions, and other limitations. The company has reserved the right to modify these benefits.

The tables that follow contain the components of the periodic benefit cost for 2001, 2000, and 1999, respectively, and the reconciliation of the changes in the benefit obligation, the changes in plan assets and the funded status as of December 31, 2001. Acquisition-related changes for 2001 presented in the table relate to the acquisition of Potain in May 2001. Data presented in the table that relate to acquisitions for 2000 relate to the November 2000 acquisition of Marinette Marine.

The components of the periodic benefit cost are as follows:

For the Years Ended December 31	Pension			Postretirement Health and Other		
	2001	2000	1999	2001	2000	1999
Service cost—benefits earned during the year	\$ 324	\$ 33	\$—	\$ 547	\$ 409	\$ 395
Interest cost on projected benefit obligation	1,005	98	—	1,667	1,521	1,325
Expected return on assets	(1,059)	(128)	—	—	—	—
Amortization of transition amount	—	—	—	83	3	—
Amortization of prior service cost	—	(12)	—	—	—	—
Amortization of actuarial gain	4	3	—	—	—	—
Net periodic benefit cost	\$ 274	\$ (6)	\$—	\$2,297	\$1,933	\$1,720

## Notes to Consolidated Financial Statements (continued)

(Table information in thousands of dollars, except per share data)

The following is a reconciliation of the changes in the benefit obligation, the changes in plan assets, and the funded status as of December 31, 2001 and 2000, respectively.

	Pension		Postretirement Health and Other	
	2001	2000	2001	2000
<b>Change in Benefit Obligation</b>				
Benefit obligation, beginning of year	\$10,445	\$ —	\$ 22,209	\$ 19,091
Service cost	324	33	547	409
Interest cost	1,005	98	1,667	1,521
Acquisition	7,802	10,481	145	482
Participant contributions	—	—	795	796
Actuarial changes	(489)	(106)	7,723	2,509
Benefits paid	(751)	(61)	(3,193)	(2,599)
Benefit obligation, end of year	18,336	10,445	29,893	22,209
<b>Change in Plan Assets</b>				
Fair value of plan assets, beginning of year	12,052	—	—	—
Actual return on plan assets	1,264	128	—	—
Acquisitions	5,445	12,051	—	—
Employer contributions	245	—	2,398	1,803
Participant contributions	—	—	795	796
Benefits paid	(751)	(61)	(3,193)	(2,599)
Actuarial changes	(1,189)	(66)	—	—
Fair value of plan assets, end of year	17,066	12,052	—	—
Funded status	(1,270)	1,607	(29,893)	(22,209)
Unrecognized (gain) loss	1,599	1,261	9,442	1,688
Unrecognized transition obligation	—	—	212	306
Prepaid/(accrued) benefit cost	\$ 329	\$ 2,868	\$(20,239)	\$(20,215)
<b>Amounts Recognized in the Consolidated Balance Sheet at December 31:</b>				
Prepaid benefit cost	\$ 329	\$ 2,868	\$ —	\$ —
Accrued benefit liability	—	—	(20,239)	(20,215)
Net amount recognized	\$ 329	\$ 2,868	\$(20,239)	\$(20,215)
<b>Weighted-Average Assumptions</b>				
Discount rate	7.75%	7.75%	7.24%	7.25%
Expected return on plan assets	9.00%	9.00%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

The health care cost trend rate assumed in the determination of the accumulated postretirement benefit obligation is 12% for 2001 declining to 5% in 2008. Increasing the assumed health care cost trend rate by one percentage point in each year would increase the accumulated postretirement health benefit obligation by \$4.5 million at December 31, 2001, and would increase the aggregate of the service and interest cost components of net periodic postretirement health benefit cost by \$0.3 million for 2001. Decreasing the assumed health care cost trend rate by one percentage point in each year would decrease the accumulated postretirement health benefit obligation by \$3.7 million at December 31, 2001, and would decrease the aggregate of the service and interest cost components of net periodic postretirement health benefit costs by \$0.6 million for 2001.

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

The company maintains a supplemental executive retirement plan ("SERP") for certain executive officers of the company and its subsidiaries that is unfunded. Expense related to the plans of

\$1.2 million and \$0.6 million was recorded in fiscal 2001 and 2000, respectively. Amounts accrued as of December 31, 2001 and 2000, related to the plans were \$1.8 million and \$0.6 million, respectively.

The company has a deferred compensation plan that enables certain key employees and non-employee directors to defer a portion of their compensation or fees on a pre-tax basis. The company matches contributions under this plan at a rate equal to an employee's profit sharing percentage plus one percent. Deferrals and company contributions are placed in a Rabbi Trust which restricts the company's use and access to the funds but which are also subject to the claims of the company's general creditors. The company has consolidated the assets and liabilities of the Rabbi Trust within its accounts in 2001. Company stock held by the Rabbi Trust has been recorded as treasury stock in accordance with the requirements for diversified plans. The recognition of this plan in the company's financial statements results in a \$7.0 million increase in treasury stock and a \$7.1 million increase in other non-current assets, representing the fair value of the plan's diversified investments at December 31, 2001. In addition, a \$14.1 million liability is included in other non-current liabilities and represents the company's liability to participants under this plan at December 31, 2001.



**13. 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 \$15.9 million, \$8.5 million, and \$4.8 million in 2001, 2000, and 1999, respectively. Future minimum rental obligations under noncancelable operating leases, as of December 31, 2001, are payable as follows:

2002	\$16,302
2003	\$14,655
2004	\$12,077
2005	\$10,630
2006	\$ 9,362
Thereafter	\$23,146

**14. Business Segments** The company identifies its segments using the “management approach,” which 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.

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

Cranes’ products consist primarily of lattice-boom crawler cranes; tower cranes; truck-mounted hydraulic cranes; rough-terrain forklifts; and material-handling equipment. Cranes also specializes in industrial machinery repair and rebuilding services as well as crane rebuilding and remanufacturing services. Cranes distributes its products in North America (primarily the United States), Europe, Southeast Asia, and the Middle East. Cranes’ operations serve the construction, energy, and mining industries and are mainly impacted by the level of activities related to heavy construction and infrastructure projects around the world.

Foodservice products consist primarily of commercial ice-cube machines; ice/beverage dispensers; walk-in and reach-in refrigerators and freezers; refrigerated undercounter and food preparation tables; private label residential refrigerators and freezers; back-room beverage equipment; and distribution services. Foodservice sells its products primarily in the United States, Europe, Southeast Asia, and in the Middle East. Foodservice products serve the lodging, restaurant, health care, convenience store and soft-drink

bottling markets, which are impacted by demographic changes and business cycles.

Marine provides ship repair, maintenance, conversion, and construction services to foreign and domestic vessels operating on the Great Lakes. Marine is also a leading provider of Great Lakes and oceangoing mid-sized commercial, research, and military vessels. 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 asset 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 20 business units. Eleven of the business units have been aggregated into the Foodservice segment; five of the business units have been aggregated into the Cranes segment; and four business units make up the Marine segment.

Information about reportable segments and a reconciliation of total segment assets to the consolidated totals as of December 31, 2001 and 2000, and total segment sales and profits to the consolidated totals for the years ending December 31, 2001, 2000, and 1999 are summarized on page 36.

Sales and long-lived asset information by geographic area as of and for the years ended December 31 are as follows:

	Sales			Long-Lived Assets	
	2001	2000	1999	2001	2000
United States	\$ 859,871	\$793,843	\$737,616	\$470,024	\$410,596
Other North America	17,333	25,132	25,213	—	—
Europe	179,085	17,375	32,246	272,410	5,468
Asia	31,264	17,393	11,174	5,575	2,959
Middle East	6,905	5,479	2,113	—	—
Central and South America	6,468	4,873	4,073	1,216	—
Africa	6,180	3,277	5,890	—	—
South Pacific & Caribbean	6,872	5,900	6,014	—	—
Australia	2,602	—	—	497	—
Total	\$1,116,580	\$873,272	\$824,339	\$749,722	\$419,023

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.

## Notes to Consolidated Financial Statements (continued)

(Table information in thousands of dollars, except per share data)

**15. Subsidiary Guarantors** The following tables present 2001 condensed consolidating financial information for (a) the parent company, The Manitowoc Company, Inc. ("Parent"); (b) on a combined basis, the guarantors of the Senior Subordinated Notes, which include all the domestic wholly owned subsidiaries of the company ("Subsidiary Guarantors"); and (c) on a combined basis, the wholly and partially owned foreign subsidiaries of the company (primarily Potain) which do not guarantee the Senior Subordinated Notes ("Non-Guarantor Subsidiaries"). Separate financial statements

of the Subsidiary Guarantors are not presented because the guarantors are unconditionally, jointly, and severally liable under the guarantees, and the company believes such separate statements or disclosures would not be useful to investors. The company has not presented consolidating financial information for 2000 and 1999 because the Parent has no operations and only minor independent assets in either year, and the direct and indirect Non-Guarantor Subsidiary amounts are considered minor in those years.

### Condensed Consolidating Statement of Earnings

For the Year Ended December 31, 2001 (In Thousands)	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$903,858	\$212,722	\$ —	\$1,116,580
Costs and expenses:					
Cost of sales	—	666,349	165,419	—	831,768
Engineering, selling and administrative	11,962	115,135	26,782	—	153,879
Amortization expense	336	8,870	3,348	—	12,554
Total costs and expenses	12,298	790,354	195,549	—	998,201
Earnings (loss) from operations	(12,298)	113,504	17,173	—	118,379
Other income (expense):					
Interest expense	(26,937)	(8,743)	(1,798)	—	(37,478)
Management fee income (expense)	13,803	(13,803)	—	—	—
Other expense—net	(1,004)	(877)	669	—	(1,212)
Total other income (expense)	(14,138)	(23,423)	(1,129)	—	(38,690)
Earnings (loss) before taxes on income, equity in earnings of subsidiaries and extraordinary loss	(26,436)	90,081	16,044	—	79,689
Provision (benefit) for taxes on income	(10,904)	37,155	4,566	—	30,817
Earnings before equity in earnings of subsidiaries and extraordinary loss	(15,532)	52,926	11,478	—	48,872
Equity in earnings of subsidiaries	64,404	—	—	(64,404)	—
Earnings (loss) before extraordinary loss	48,872	52,926	11,478	(64,404)	48,872
Extraordinary loss on debt extinguishment, net of income tax benefit of \$2,216	(3,324)	—	—	—	(3,324)
Net earnings (loss)	\$ 45,548	\$ 52,926	\$ 11,478	\$ (64,404)	\$ 45,548

### Condensed Consolidating Balance Sheet

As of December 31, 2001 (In Thousands)	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 4,456	\$ 141	\$ 18,984	\$ —	\$ 23,581
Marketable securities	2,151	—	—	—	2,151
Accounts receivable	43	67,159	74,009	—	141,211
Inventories	—	67,005	56,051	—	123,056
Deferred income taxes	18,873	—	9,473	—	28,346
Other	203	10,271	2,271	—	12,745
Total current assets	25,726	144,576	160,788	—	331,090
Intangible assets—net	19,150	300,445	206,100	—	525,695
Property, plant and equipment—net	5,038	98,634	71,712	—	175,384
Other non-current assets	7,125	26,417	15,101	—	48,643
Equity in affiliates	943,466	—	—	(943,466)	—
Total assets	\$1,000,505	\$ 570,072	\$453,701	\$(943,466)	\$1,080,812
<b>Liabilities and Stockholders' Equity</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 18,853	\$ 126,447	\$ 90,831	\$ —	\$ 236,131
Current portion long-term debt	24,558	—	6,529	—	31,087
Short-term borrowings	5,900	—	5,061	—	10,961
Product warranties	—	13,575	4,407	—	17,982
Total current liabilities	49,311	140,022	106,828	—	296,161
<b>Non-Current Liabilities:</b>					
Long-term debt, less current portion	435,165	—	11,357	—	446,522
Postretirement and other health benefit obligations	1,003	19,129	2,939	—	23,071
Intercompany payable/(receivable)—net	231,140	(238,568)	7,428	—	—
Other non-current liabilities	20,091	5,068	26,104	—	51,263
Total non-current liabilities	687,399	(214,371)	47,828	—	520,856
<b>Stockholders' Equity</b>	263,795	644,421	299,045	(943,466)	263,795
Total liabilities and stockholders' equity	\$1,000,505	\$ 570,072	\$453,701	\$(943,466)	\$1,080,812

### Condensed Consolidating Statement of Cash Flows

For the Year Ended December 31, 2001 (In Thousands)	Parent	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by (used in) operations	\$ (54,029)	\$ 9,751	\$ 150,893	\$ 106,615
<b>Cash Flows from Investing:</b>				
Business acquisitions—net of cash acquired	—	(954)	(284,579)	(285,533)
Capital expenditures	(1,857)	(14,058)	(13,346)	(29,261)
Proceeds from sale of property, plant, and equipment	—	662	9,557	10,219
Purchase of marketable securities	(107)	—	—	(107)
Intercompany investments	(163,535)	—	163,535	—
Net cash used for investing	(165,499)	(14,350)	(124,833)	(304,682)
<b>Cash Flows from Financing:</b>				
Proceeds from long-term debt	345,116	—	—	345,116
Proceeds from senior subordinated notes	156,118	—	—	156,118
Payments on long-term debt	(159,632)	—	(2,257)	(161,889)
(Payments) proceeds from revolver borrowings—net	(75,100)	—	(3,627)	(78,727)
(Payments) proceeds from issuance of commercial paper—net	(24,700)	—	—	(24,700)
Debt acquisition costs	(21,023)	—	—	(21,023)
Dividends paid	(257)	—	(7,101)	(7,358)
Exercises of stock options	183	—	—	183
Net cash provided by (used for) financing	220,705	—	(12,985)	207,720
Effect of exchange rate changes on cash	—	—	(55)	(55)
Net increase (decrease) in cash and cash equivalents	1,177	(4,599)	13,020	9,598
Balance at beginning of year	3,279	4,740	5,964	13,983
Balance at end of year	\$ 4,456	\$ 141	\$ 18,984	\$ 23,581



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## Management's Report on Consolidated Financial Statements


The Manitowoc Company, Inc. management is responsible for the integrity of the consolidated financial statements and other information included in this annual report and for ascertaining that the data fairly reflect the company's financial position and results of operations. The company prepared the consolidated statements in accordance with generally accepted accounting principles appropriate in the circumstances, and such statements necessarily include amounts that are based on best estimates and judgements with appropriate considerations given to materiality.

The company maintains an internal accounting system designed to provide reasonable assurance that company assets are safeguarded from loss or unauthorized use or disposition and that transactions are executed in accordance with

management's authorization and are properly recorded to permit the preparation of the financial statements in accordance with generally accepted accounting principles.

To further safeguard company assets, the company has established an audit committee composed of directors who are neither officers nor employees of the company. The audit committee is responsible for reviewing audit plans, internal controls, financial reports, and accounting practices and meets regularly with the company's internal auditors and independent accountants, both of whom have open access to the committee.

The company's independent accountants, PricewaterhouseCoopers LLP, audited the company's consolidated financial statements and issued the opinion below.



Terry D. Growcock  
President & Chief Executive Officer



Glen E. Tellock  
Senior Vice President & Chief Financial Officer


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## Report of Independent 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. 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 auditing standards generally accepted in the United States of America, 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 our opinion.



PricewaterhouseCoopers LLP  
Milwaukee, Wisconsin  
January 25, 2002

## Business Unit Management

<b>Cranes &amp; Related Products</b>	<p><b>Manitowoc Cranes, Inc.</b> Manitowoc, WI Bruce Collins General Manager</p> <p><b>Manitowoc Boom Trucks, Inc.</b> Georgetown, TX Brad Rogers General Manager</p> <p><b>Manitowoc Remanufacturing, Inc.</b> Bauxite, AR Mike Wood Vice President &amp; General Manager</p>	<p><b>Potain SAS</b> Ecully, France Jean-Yves Bouffault Executive Vice President &amp; Chief Executive Officer</p> <p><b>Femco Machine Company, Inc.</b> Punxsutawney, PA Randy LaCrosse Vice President &amp; General Manager</p>
<b>Foodservice Equipment</b>	<p><b>Manitowoc Ice, Inc.</b> Manitowoc, WI Dan Brandl Vice President &amp; General Manager</p> <p><b>Manitowoc (Hangzhou) Refrigeration Co., Ltd.</b> Hangzhou, PRC Ning Wen Vice President &amp; General Manager</p> <p><b>Fabbrica Apparecchiature per la Produzione del Ghiaccio, S.r.l.</b> Milan, Italy Roberto Adamo Managing Director</p> <p><b>SerVend International, Inc.</b> Sellersburg, IN John Hartsworm Vice President &amp; General Manager</p> <p><b>Multiplex Company, Inc.</b> St. Louis, MO Wally Kisling, Jr. Vice President &amp; General Manager</p>	<p><b>Manitowoc Beverage Systems, Inc.</b> Holland, OH Steve Rafac Executive Vice President &amp; General Manager</p> <p><b>Kyees Aluminum</b> La Mirada, CA Rick Kyees General Manager</p> <p><b>Kolpak</b> Parsons, TN Steve Clayton General Manager</p> <p><b>Harford Duracool, LLC</b> Aberdeen, MD Dick Lemen General Manager</p> <p><b>McCall Refrigeration</b> Parsons, TN Steve Clayton General Manager</p> <p><b>Diversified Refrigeration, Inc.</b> Selmer, TN Gerald Senion General Manager</p>
<b>Marine</b>	<p><b>Bay Shipbuilding Co.</b> Sturgeon Bay, WI Patrick O'Hern Vice President &amp; General Manager</p> <p><b>Cleveland Shiprepair Company</b> Cleveland, OH Patrick O'Hern Vice President &amp; General Manager</p>	<p><b>Marinette Marine Corporation</b> Marinette, WI Tom Byrne President</p> <p><b>Toledo Shiprepair Company</b> Toledo, OH Patrick O'Hern Vice President &amp; General Manager</p>

## Corporate Officers and Business Segment Management

**Terry D. Growcock**, 56, 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.



**Thomas G. Musial**, 50, senior vice president of human resources and administration since 2000. Previously, vice president of human resources and administration (1995), manager of human resources (1987), and personnel/industrial relations specialist (1976).



**Carl J. Laurino**, 40, treasurer since 2001. Previously, assistant treasurer (2000). Prior to joining Manitowoc, Mr. Laurino spent 15 years in the commercial banking industry with Firststar Bank Wisconsin, Associated Bank N.A., and Norwest Bank.



**Timothy J. Kraus**, 48, vice president since 2000. Also president and general manager of Manitowoc's Foodservice Group. Previously, general manager of Manitowoc's Ice/Beverage Group (1999), executive vice president and general manager of Manitowoc Ice, Inc. (1998), vice president of sales and marketing (1995), and national sales manager (1989). Prior to joining Manitowoc, Mr. Kraus was president of Universal Nolin.



**Glen E. Tellock**, 40, senior vice president and chief financial officer since 2000. Previously, vice president and chief financial officer (1999), vice president of finance and treasurer (1998), 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.



**Maurice D. Jones**, 42, general counsel and secretary since 1999. Prior to joining Manitowoc, Mr. Jones was a partner in the law firm of Davis & Kuelthau, S.C., and served as legal counsel for Banta Corporation.



**Robert A. Giebel, Jr.**, 42, vice president since 2000. Also president and general manager of Manitowoc's Crane Group. Prior to joining Manitowoc, Mr. Giebel served as vice president and general manager of P&H MinePro Services and as president and chief executive officer of Unit Rig, a division of Terex Corporation.



**Thomas J. Byrne**, 64, vice president since 2000. Also president and general manager of Manitowoc's Marine Group. Previously, Manitowoc Company's vice president of business development (1998). Prior to joining Manitowoc, Mr. Byrne served as vice president and general manager for the Robertshaw division of Siebe Automotive N.A., as vice president of operations for Hamilton Industries, plus senior management positions with The Stanley Works and White Consolidated Industries.





## Board of Directors

**Dean H. Anderson**, 61, president and owner of Dynamic Specialties, Inc., Houston, TX, an equipment and systems specialist serving factories and the process automation industry. Previously, senior vice president—strategic development (1997) of ABB Vetco Gray Inc.; president (1990) of Foster Valve Corporation; also president and chief executive officer (1988) of Steego Corporation. Elected to Manitowoc's board in 1992.<sup>1, 2</sup>



**Daniel W. Duval**, 65, retired vice chairman, president, and chief executive officer of Robbins & Myers, Inc., a global manufacturer of specialized fluid management products and systems headquartered in Dayton, OH. Previously, president and chief operating officer of Midland-Ross Corp. Also a director of Arrow Electronics, Inc., Melville, NY; ABC-NACO, Inc., Downers Grove, IL; and National City Bank, Cleveland, OH. Appointed to Manitowoc's board in 2000.<sup>1, 3</sup>



**James P. McCann**, 71, retired vice chairman, president, and chief operating officer of Bridgestone/Firestone, Inc., a global 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.<sup>3</sup>



**Gilbert F. Rankin, Jr.**, 69, retired director of administration, operations, and facilities, College of Engineering, Cornell University, Ithaca, NY. Elected to Manitowoc's board in 1974.<sup>1, 3</sup>



**Robert S. Throop**, 64, retired chairman and chief executive officer of Anthem Electronics, Inc., a distributor of electronic products headquartered in San Jose, CA. Also a director of The Coast Distribution System, Inc., Morgan Hill, CA, and Azerity (formerly Intelic Software Solutions, Inc.), San Jose, CA. Elected to Manitowoc's board in 1992.<sup>2, 3</sup>



**Virgis W. Colbert**, 62, executive vice president, since 1997, of Miller Brewing Company, Milwaukee, WI, a leading beer brewer and producer. Since 1979, Mr. Colbert has held several operational and management positions with Miller Brewing. Also a director of Delphi Automotive Systems Corporation, Troy, MI, and Weyco Group, Inc., Milwaukee, WI. Appointed to Manitowoc's board in 2001.<sup>1</sup>



**Terry D. Growcock**, 56, president and chief executive officer of The Manitowoc Company. Elected to Manitowoc's board in 1998.



**James L. Packard**, 59, chairman, president, and chief executive officer, since 1986, of Regal-Beloit Corporation, Beloit, WI, a worldwide manufacturer of mechanical power transmission equipment, electric motors, controls, and power generators. Also a director of Clarcor, Inc., Rockford, IL. Appointed to Manitowoc's board in 2000.<sup>2</sup>



**Robert C. Stift**, 60, retired chairman, president, and chief executive officer of Strategic Industries, LLC, Hagerstown, MD, a manufacturer of industrial and consumer products. Previously, chairman and chief executive officer (1999) of Lighting Corporation of America; chairman and chief executive officer (1998) of USI Diversified Products Company; also chairman and chief executive officer (1992) of Grove Worldwide. Elected to Manitowoc's board in 1998.<sup>1, 2</sup>



<sup>1</sup>Audit Committee

<sup>2</sup>Compensation & Benefit Committee

<sup>3</sup>Nominating Committee & Corporate Governance Subcommittee

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### 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 calculated by multiplying the stock price times the number of shares.

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

**Cash Gap** – A working capital measure that is equal to accounts receivable days sales outstanding plus inventory days less accounts payable days outstanding.

**Cost of Capital** – A weighted average of the after-tax cost of equity and borrowed funds.

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

**Earnings per Share (basic)** – Calculated by dividing the reported earnings available to common stockholders (net income) by the weighted average shares outstanding.

**Earnings per Share (diluted)** – Calculated by dividing the reported earnings available to common stockholders (net income) by the weighted average shares outstanding, including the assumption of the exercise of all potentially dilutive securities such as stock options. Diluted earnings per share are always less than or equal to basic earnings per share.

**EVA® (Economic Value-Added)** – A financial measure to determine if a company is creating or depleting value for its shareholders. EVA is calculated by taking after-tax operating profits and subtracting a capital charge. Manitowoc uses this measure to evaluate its performance, to drive its decision-making, to incentivize management, and to evaluate acquisition opportunities.

**Outsourcing** – Contracting with an outside supplier to provide a service or function that could be performed within the company.

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

**Return on Equity** – Net earnings divided by stockholders' equity, a measurement of the amount earned on the shareholder's investment.

**Return on Invested Capital** – A measurement of after-tax operating profit divided by invested capital, an indicator of how efficiently the company employs its assets.

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

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### Industry Terms

**Boom Truck** – A hydraulic telescopic crane mounted to a commercial truck chassis. A boom truck differs from a truck crane because it can haul up to several thousand pounds of payload on its cargo deck.

**Cold Plate** – An integral component of an ice/beverage dispenser that consists of a cast aluminum block and stainless steel tubing that cools syrup and carbonated water to an ideal serving temperature as these liquids flow through the cold plate to the beverage-dispensing valve.

**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 process that must be performed every five years to satisfy stringent maritime regulations developed by the U.S. Coast Guard, the American Bureau of Shipping, and other regulatory agencies.

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

**Hopper Dredge** – A fully powered vessel that excavates underwater material using powerful suction devices. Dredged material is then stored onboard the vessel for transportation to an approved disposal site, or can be pumped onboard dump scows or split-hull barges.

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

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

**Lattice Boom** – A fabricated, high-strength steel structure that usually has four chords and tubular lacings. Lattice booms typically weigh less and provide higher lifting capacities than telescopic booms of similar lengths.

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

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

**Telescopic Boom** – A box-section boom, consisting of multiple telescopic sections that are extended or retracted to a desired length, using hydraulic or mechanical means.

**Tower Crane** – Refers to the category of cranes that feature a variable-length vertical tower and a fixed-length horizontal jib. Tower cranes are available in top-slewing and self-erecting configurations and are commonly used on commercial construction, high-rise, and infrastructure projects.

**Truck Crane** – Refers to either a hydraulic telescopic or lattice-boom crane that is mounted on a rubber-tired carrier and is capable of traveling at highway speeds from one project to the next.

**Walk-in** – A large, foamed-in-place, refrigerated structure, frequently used in restaurants, that can be equipped with cooling or freezing systems for longer 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 Accountants

PricewaterhouseCoopers LLP  
100 East Wisconsin Avenue  
Suite 1500  
Milwaukee, WI 53202

## Stock Transfer Agent and Registrar

First Chicago Trust Company  
A division of EquiServe  
P.O. Box 2500  
Jersey City, NJ 07303-2500  
Telephone: 800-519-3111

## Annual Meeting & Related Information

The annual meeting of Manitowoc Company shareholders will be held at 9:00 a.m., CDT, Tuesday, May 7, 2002, 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, 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 35 of this annual report. Shares of Manitowoc's common stock have been publicly traded since 1971.

## Manitowoc Shareholders

On December 31, 2001, there were 24,053,085 shares of Manitowoc common stock outstanding. On that date, there were 2,719 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 this Annual Report to Shareholders.

A copy of Form 10-K, as filed with the Securities and Exchange Commission for 2001, may be obtained by any shareholder, without charge, upon written request to:

Maurice D. Jones  
General Counsel & Secretary  
The Manitowoc Company, Inc.  
P.O. Box 66  
Manitowoc, WI 54221-0066

## Dividends

Manitowoc has paid continuous dividends, without interruption, since 1971. On February 14, 2001, Manitowoc changed from a quarterly dividend determination to an annual dividend determination. At its regular fall meeting each year, the board of directors will determine the amount and timing of the company's dividend.

## 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 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 Manitowoc pays for all fees associated with stock purchases under these plans.

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

Manitowoc also participates in the Own Your Share of America and the Low-Cost Stock Ownership Plans as offered and administered by the National Association of Investors Corporation.

## Investor Inquiries

Security analysts, portfolio managers, individual investors, and media professionals seeking information about Manitowoc are encouraged to visit our web site, or contact the following individuals:

### Analysts & Portfolio Managers:

Glen E. Tellock  
Senior Vice President & Chief Financial Officer  
Telephone: 920-683-8122  
Telefax: 920-683-8138

### Media Inquiries:

Steven C. Khail  
Director of Investor Relations & Corporate Communications  
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 2002 according to the following schedule. However, dates are subject to change. Please check our web site, to confirm earnings announcement dates.

1st Quarter—April 17, 2002  
2nd Quarter—July 18, 2002  
3rd Quarter—October 22, 2002  
4th Quarter—To be announced

## Join MTW on the Internet

Manitowoc provides a variety of information about its businesses, products, and markets at its web site address: [www.manitowoc.com](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  
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