

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

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the fiscal year ended December 31, 2003

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

For the transition period from to

Commission File Number
1-11978

The Manitowoc Company, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin
(State or other jurisdiction
of incorporation)

**2400 South 44th Street,
Manitowoc, Wisconsin**

39-0448110
(I.R.S. Employer
Identification Number)

54221-0066

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(Address of principal executive offices)

(Zip Code)

(920) 684-4410

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, \$.01 Par Value

(Title of Each Class)

Common Stock Purchase Rights

New York Stock Exchange

(Name of Each Exchange on Which Registered)

Securities Registered Pursuant to Section 12(g) of the Act:

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

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

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

The Aggregate Market Value on June 30, 2003, of the registrant's Common Stock held by non-affiliates of the registrant was \$581,443,342 based on the closing per share price of \$22.01 on that date.

The number of shares outstanding of the registrant's Common Stock as of February 25, 2004 the record date for determining shareholders entitled to vote at the Annual Meeting as well as the most recent practicable date, was 26,702,306.

Restatement

The company hereby amends its Form 10-K (Items 1, 6, 7, 7A, 8, 9A, and 15) for the year ended December 31, 2003. This amendment corrects items in the company's Consolidated Balance Sheets, Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss), and related notes that relate to the accounting treatment of goodwill and other intangibles associated with the Registrant's foreign acquisitions, as described below.

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

The cumulative impact of the error increases the company's intangible asset balance and currency translation adjustment balance within shareholders' equity by \$57.6 million and \$23.5 million as of December 31, 2003 and 2002, respectively. This change has no impact on the company's historical Consolidated Income Statements or Statements of Cash Flows, its financial debt covenants in prior years, or its previous intangible asset impairment analyses under SFAS No. 142, Goodwill and Other Intangible Assets. This change increases (decreases) comprehensive income by \$34.0 million, \$23.9 million and \$(0.4) million for the years ended December 31, 2003, 2002 and 2001, respectively.

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement, to be prepared and filed for the Annual Meeting of Shareholders, dated April 1, 2004 (the 2004 Proxy Statement), are incorporated by reference in Part III of this report.

See Index to Exhibits.

PART I

Item 1. Business

GENERAL

Founded in 1902, we are a diversified industrial manufacturer with leading positions in our three principal markets: Cranes and Related Products (Crane), Foodservice Equipment (Foodservice) and Marine. We have over a 100-year tradition of providing high-quality, customer-focused products and support services to our markets worldwide. For the year ended December 31, 2003 we had net sales of \$1.6 billion.

Our Crane business is a global provider of engineered lift solutions, offering one of the broadest lines of lifting equipment in our industry. We design, manufacture and market a comprehensive line of crawler cranes, mobile telescopic cranes, tower cranes, and boom trucks. Our Crane products are marketed under the Manitowoc, Potain, Grove, and National, brand names and are used in a wide variety of applications, including energy, petrochemical and industrial projects, infrastructure development such as road, bridge and airport construction, commercial and high-rise residential construction, mining and dredging.

Our Foodservice business is a leading broad-line manufacturer of cold side commercial foodservice products. We design, manufacture and market full product lines of ice making machines, walk-in and reach-in refrigerators/freezers, fountain beverage delivery systems and other foodservice refrigeration products for the lodging, restaurant, healthcare, convenience store, soft-drink bottling and institutional foodservice markets. Our Foodservice products are principally marketed under the Manitowoc, Kolpak, SerVend, Multiplex, Harford-Duracool, McCall, Flomatic, Koolaire, and Icetronic brand names.

Our Marine segment provides new construction, shiprepair and maintenance services for freshwater and saltwater vessels from four shipyards on the U.S. Great Lakes. Marine is also a 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 operations, and ocean going vessels that transit the Great Lakes and St. Lawrence Seaway.

Our principal executive offices are located at 2400 South 44th Street, Manitowoc, Wisconsin 54221-0066.

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS

The following is financial information about the Crane, Foodservice and Marine segments for the years ended December 31, 2003, 2002 and 2001. The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K, except that certain expenses are not allocated to the segments. These unallocated expenses are corporate overhead, amortization expense of intangible assets with definite lives, interest expense, curtailment gain, and income taxes. The company evaluates segment performance based upon profit and loss before the aforementioned expenses. Restructuring costs separately identified in the Consolidated Statement of Earnings are included as reductions to the respective segment's operating earnings for each year below.

The table below has been restated for the impact of changes in foreign exchange rates on the company's goodwill and other intangible assets. See Note 1, "Restatement" in the Notes to the Consolidated Financial Statements for information about the restatement of the asset balances.

	2003		2002		2001
Net sales from continuing operations:					
Crane	\$ 962,808	\$	674,060	\$	391,109
Foodservice	457,000		462,906		411,637
Marine	151,048		219,457		181,677
Total	\$ 1,570,856	\$	1,356,423	\$	984,423
Operating earnings from continuing operations:					
Crane	\$ 24,437	\$	55,613	\$	62,654
Foodservice	65,927		56,749		57,942
Marine	4,750		19,934		18,924
Corporate	(19,210)		(15,171)		(11,961)
Amortization expense	(2,919)		(2,001)		(11,074)
Curtailment gain	12,897				
Operating earnings from continuing operations	\$ 85,882	\$	115,124	\$	116,485
Capital expenditures					
Crane	\$ 25,028	\$	19,116	\$	17,032
Foodservice	5,005		4,107		7,307
Marine	735		1,490		2,908
Corporate	1,209		8,283		1,857
Total	\$ 31,977	\$	32,996	\$	29,104
Total assets:					
Crane (as restated)	\$ 1,151,751	\$	1,046,294	\$	577,523
Foodservice	290,586		320,840		368,363
Marine	91,519		93,983		77,291
Corporate	126,293		139,529		57,238
Total (as restated)	\$ 1,660,149	\$	1,600,646	\$	1,080,415

PRODUCTS AND SERVICES

We sell our products categorized in the following business segments:

Business Segment	Percentage of 2003 Net Sales	Key Products	Key Brands
Cranes and Related Products	61.3%	Lattice Boom Cranes: which include crawler and truck mounted lattice-boom cranes; Tower Cranes: which include luffing, topless, hammer head, and self erecting tower cranes; Mobile Telescopic Cranes: including rough terrain cranes, all-terrain cranes, truck mounted cranes and industrial cranes; Mountable Telescopic Cranes: which include telescopic boom trucks and articulated boom cranes; Parts and Service: which include replacement parts, crane rebuilding and remanufacturing services.	Manitowoc Potain Grove National
Foodservice Equipment	29.1%	Commercial ice-cube machines, ice flakers, and storage bins; ice/beverage dispensers; long-draw soft-drink and beer dispensing systems; walk-in refrigerators and freezers; reach-in refrigerators and freezers; refrigerated under-counters 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.	Manitowoc SerVend Multiplex Kolpak Harford-Duracool McCall Koolaire Flomatic Icetric
Marine	9.6%	New construction services for commercial, government, military, and research vessels of all varieties, including United States Coast Guard cutters, ice breakers, ferries, patrol boats, self-unloading bulk carriers, double-hull tank barges, integrated tug/barges and dredges; inspection, maintenance and repair of freshwater and saltwater vessels; also provides industrial repair and maintenance services for refineries, power plants and heavy industrials.	

Cranes and Related Products

Our Crane segment designs and manufactures a diversified line of crawler and truck mounted lattice-boom cranes, which we sell under the Maniwoc name for use by the energy, petrochemical, construction, mining, pulp and paper and other industries. Our Crane segment also designs and manufactures a diversified line of top slewing and self erecting tower cranes, which we sell under the Potain name, for use in construction and other industries primarily in the Americas, Europe, Middle East, Africa, and Asia. We also design and manufacture mobile telescopic cranes used in commercial and industrial applications, which we sell and market under the Grove name in the Americas, Europe, Middle East, Africa, and Asia. We design and manufacture a comprehensive line of hydraulically powered telescopic and articulated boom trucks, which we sell under the National brand name utilized by contractors engaged in the industrial, commercial, public works and residential construction, railroad and oil field service industries. We specialize in crane rebuilding and remanufacturing services. Many of our customers purchase one crane together with several attachments to permit use of the crane in a broader range of lifting applications and other operations. Various crane models combined with available options have lifting capacities up to 1,433 U.S. tons and excavating capacities ranging from 3 to

15 cubic yards. During 2003, we formed an alliance with Kobelco Construction Machinery Company, a large Japanese construction equipment manufacturer.

Lattice-boom Cranes. Under the Manitowoc brand name we design and manufacture lattice-boom crawler cranes. Lattice-boom cranes consist of a lattice-boom, which is a fabricated, high-strength steel structure that has four chords and tubular lacings, mounted on a base which is either crawler or truck mounted. Lattice-boom cranes weigh less and provide higher lifting capacities than a telescopic boom of similar length. The lattice-boom sections, together with the crane base, are transported to and erected at a project site.

We currently offer twelve models of lattice-boom cranes with lifting capacities ranging from approximately 80 to 1,433 tons, which are used to lift material and equipment in a wide variety of applications and end markets, including heavy construction, bridge and highway, duty cycle and infrastructure and energy related projects. These cranes are also used by the crane rental industry, which serves all of the above industries.

Lattice-boom crawler cranes may be classified according to their lift capacity low capacity and high capacity. Low capacity crawler cranes with 150-ton capacity or less are often utilized for general construction and duty cycle applications. We offer four models in this crane category: the Model 111, an 80-ton capacity, self erecting crawler crane; the Model 222, a 100-ton capacity, self erecting crawler crane; the Model 1015, a 120-ton capacity, self erecting foundation crane; and the Model 555, a 150-ton capacity, lift crane.

High capacity crawler cranes with greater than 150-ton capacity are utilized to lift materials in a wide variety of applications and are often utilized in heavy construction, energy-related, stadium construction, petrochemical work, and dockside applications. We offer six high-capacity models: the Model 777, a 200-ton capacity, self erecting crawler crane; the Model 888, a 230-ton capacity, self erecting crawler crane; the Model 999, a 275-ton capacity, self erecting crawler crane; the Model 2250, a 300-ton capacity, self erecting crawler crane; the Model 18000, a 660-ton capacity liftercrane; and the Model 21000, a 1,000-ton capacity liftercrane.

We also manufacture two lattice-boom, self erecting truck cranes: the M-2250T, a 300-ton capacity crane and the Model 777T, a 220-ton capacity crane. These cranes serve the same markets as our high capacity crawler cranes. They differ from their crawler counterparts only in that they are mounted on a truck rather than a crawler and can travel at highway speeds.

Crawler Crane Attachments. Manitowoc Cranes offers customers various attachments that provide our cranes with greater capacity in terms of height, movement and lifting. Our principal attachments are: MAX-ER attachment, luffing jibs, tower attachments and RINGER attachments. The MAX-ER is a trailing, counterweight, heavy-lift attachment that dramatically improves the reach, capacity and lift dynamics of the basic crane to which it is mounted. It can be transferred between cranes of the same model for maximum economy and occupies less space than competitive heavy-lift systems. A luffing jib is a fabricated structure similar to, but smaller than, a lattice-boom. Mounted at the tip of a lattice-boom, a luffing jib easily adjusts its angle of operation permitting one crane with a luffing jib to make lifts at additional locations on the project site. It can be transferred between cranes of the same model to maximize utilization. A RINGER attachment is a high-capacity lift attachment that distributes load reactions over a large area to minimize ground-bearing pressure. It can also be more economical than transporting and setting up a larger crane.

Tower Cranes. Under the Potain brand name we designs and manufactures tower cranes utilized primarily in the building and construction industry. Tower cranes offer the ability to lift and place material more quickly and accurately than other types of lifting machinery without utilizing substantial square footage on the ground. Tower cranes include a stationary vertical tower and a horizontal jib with a counterweight, which is placed near the top of the vertical tower. A load carrying cable runs through a trolley which is on the jib, enabling the load to move along the jib. The jib rotates 360 degrees, which compensates for the crane's inability to move, thus increasing the crane's work area. Operators are primarily located where the jib and tower meet, which provides superior visibility above the worksite. We offer a complete line of tower crane products, including top slewing, luffing jib, toplless, self erecting, and special cranes for dams, harbors and other large building projects. Top slewing cranes are the most traditional form of tower cranes.

Top slewing tower cranes have a tower and multi-sectioned horizontal jib. Suspension cables supporting the jib extend from the tower. These cranes rotate from the top of their mast and can increase in height with the project. Top slewing cranes are transported in separate pieces and assembled at the construction site in one to three days depending on the height. We offers over 50 models of top slewing tower cranes with lifting capabilities ranging between 40 and 2,000 meter-tons. These cranes are generally sold to large building and construction groups, as well as rental companies.

Luffing jib tower cranes, which are a type of top slewing crane, have an angled rather than horizontal jib. Unlike other tower cranes which have a trolley that controls the lateral movement of the load, luffing jib cranes move their load by changing the angle of the jib. These cranes are transported in separate pieces and assembled at the construction site in one to three days depending on the height. The cranes are utilized primarily in urban areas where space is constrained or in situations where several cranes are installed close together. We currently offers 11 models of luffing jib tower cranes with maximum jib lengths of 23 meters.

Self erecting tower cranes are generally trailer-mounted and unfold from four sections, two for the tower and two for the jib. The smallest of Potain's models unfolds in less than 8 minutes; larger models erect in a few hours. Self erecting cranes rotate from the bottom of their mast. We offers 26 models of self erecting cranes with lifting capacities ranging between 10 and 80 meter-tons which are utilized primarily in light construction and residential applications.

Mobile Telescopic Cranes. Under the Grove brand name we designs and manufactures 24 models of mobile telescopic cranes utilized primarily in industrial, commercial and construction applications, as well as in maintenance applications to lift and move material at job sites. Mobile telescopic cranes consist of a telescopic boom mounted on a wheeled carrier. Mobile telescopic cranes are similar to lattice-boom cranes in that they are designed to lift heavy loads using a mobile carrier as a platform, enabling the crane to move on and around a job site without typically having to re-erect the crane for each particular job.

Additionally, many mobile telescopic cranes have the ability to drive between sites, while some are even permitted on public roadways. We currently offer the following four types of mobile telescopic cranes capable of reaching tip heights of 410 feet and lifting capacities up to 550 tons: (i) rough terrain, (ii) all-terrain, (iii) truck mounted, and (iv) industrial.

Rough terrain cranes are designed to lift materials and equipment on rough or uneven terrain. These cranes cannot be driven on highways, and, accordingly, must be transported by truck to a work site. We produce under the Grove brand name 8 models of rough terrain cranes capable of tip heights of up to 237 feet and maximum load capacities of up to 130 tons.

All-terrain cranes are versatile cranes designed to lift materials and equipment on rough or uneven terrain and yet are highly maneuverable and capable of highway speeds. We produce under the Grove brand name 9 models of all-terrain cranes capable of tip heights of up to 410 feet and maximum load capacities of up to 550 tons.

Truck mounted cranes are designed to provide simple set-up and long reach high capacity booms and are capable of traveling from site to site at highway speeds. These cranes are suitable for urban and suburban uses. We produce under the Grove brand name 3 models of truck mounted cranes capable of tip heights of up to 237 feet and maximum load capacities of up to 90 tons.

Industrial cranes are designed primarily for plant maintenance, storage yard and material handling jobs. We produce under the Grove brand name 4 models of industrial cranes capable of tip heights of up to 74 feet and maximum load capacities of up to 15 tons.

Boom Trucks. After the divestiture of Manitowoc Boom Trucks, Inc. in 2002, we currently offer our hydraulic and articulated boom truck products under the National Crane product line. A boom truck is a hydraulically powered telescopic crane or articulated crane mounted on a truck chassis. Telescopic cranes are used primarily for lifting material and personnel on a job site, while articulated cranes are utilized primarily to load and unload truck beds at a job site. We currently offer 12 models of telescoping and 14 models of articulating cranes capable of reaching maximum heights of 175 feet and with lifting capacity up to 40 tons.

Backlog. The year-end backlog of crane products includes orders that have been placed on a production schedule, and those orders that we have accepted and that we expect to be shipped and billed during the next year. Manitowoc's backlog of unfilled orders for Cranes and Related Products at December 31, 2003 approximated \$213.2 million, as compared with \$133.8 million at December 31, 2002.

Foodservice Equipment

Our Foodservice segment designs, manufactures and markets commercial ice-cube and flaker machines and storage bins; walk-in refrigerators and freezers; reach-in refrigerators and freezers; refrigerated undercounters and food preparation tables; private label residential refrigerators/freezers; ice/beverage dispensers; post-mix beverage dispensing valves; cast aluminum cold plates; long draw beer dispensing systems; compressor racks and modular refrigeration systems; and backroom beverage equipment distribution services. Products are sold under

the brand names Manitowoc, Kolpak, SerVend, Multiplex, Harford-Duracool, McCall, Flomatic, Koolaire, and Icetronic.

Commercial Ice Cube Machines, Ice Flaker Machines and Storage Bins. Ice machines are classified as either self-contained or modular machines and can be further classified by size, capacity and the type of ice they produce. There are two basic types of ice made by ice machines: cubes and flakes. Machines that make ice cubes, the most popular type of machine, are used by the foodservice industry for drinks, ice displays and salad bars. Flake ice is used to a great extent in processing applications, such as keeping meats and seafood fresh, as well as in medical facilities for use in ice packs.

Our subsidiary Manitowoc Ice Inc. manufactures 22 models of commercial ice machines, serving the foodservice, convenience store, healthcare, restaurant and lodging markets. Our ice machines make ice in cube and flake form, and range in daily production capacities from 45 to 2,000 pounds.

The ice cube machines are either self-contained units, which make and store ice, or modular units, which make, but do not store, ice. We offer the world's only commercial ice making machines with patented cleaning and sanitizing technology. This feature eliminates the downtime and labor costs associated with periodic cleaning of the water distribution system. All units feature patented technology with environmentally friendly hydrofluorocarbon refrigerants. We also manufacture the patented QuietQube ice cube machines, which feature CVD, or cool vapor defrost, technology, operate heat-free, are 75% quieter than non-CVD units and produce more ice in a smaller footprint. These QuietQube machines are ideally suited for use in new restaurants, which often feature more open designs, and for use with the self-service beverage systems increasingly found in quick service restaurants and convenience stores. Our ice machines are sold throughout North America, Europe and Asia.

Walk-in Refrigerators and Freezers. We manufacture under the brand names Kolpak and Harford-Duracool modular and fully assembled walk-in refrigerators, coolers and freezers for restaurants, institutions, commissaries and convenience stores. Walk-in refrigerators and freezers are large, insulated storage spaces fitted with refrigeration systems. Most walk-ins are custom-made from modular insulated panels constructed with steel or aluminum exteriors and foamed-in-place urethane insulation. Refrigerator/blower units are installed in order to maintain an even temperature throughout the refrigerated space. Walk-ins come in many models with various types of doors, interior shelving, and viewing windows. Units range in size from 200 to 60,000 cubic feet. We also produce a complete line of express or pre-assembled walk-ins.

Reach-in Refrigerators and Freezers. Reach-in refrigerators and freezers are typically constructed from stainless steel and have a thick layer of insulation in the walls, doors and floor. The cabinets have one to three doors, made of either glass or steel, and come in a variety of sizes with storage capabilities up to 72 cubic feet. Although reach-ins resemble household refrigerators, commercial versions utilize few plastic parts, incorporate larger compressor units and do not usually combine refrigerator and freezer compartments in the same unit. These design features stem from the needs of end-users and heavy duty usage of most reach-ins. For example, in contrast to the typical household refrigerator, commercial reach-ins may be opened and closed hundreds of times per day, placing mechanical strain on the structure and greatly increasing the cooling load on the refrigeration system. We produce under our McCall and Koolaire brands over 60 self-contained upright and under-counter refrigeration equipment units, including a full line of reach-ins and refrigerated food preparation equipment for restaurants, institutions and commissaries. We make over 50 standard models of reach-ins plus custom-built units.

Dispensers and Products. Our subsidiary Manitowoc Beverage Equipment Inc. produces ice-cube dispensers, beverage dispensers, ice/beverage dispensers, post-mix dispensing valves and cast aluminum cold plates and related equipment for use by quick service restaurants, convenience stores, bottling operations, movie theaters, and the soft-drink industry. Ice cube dispensers come in the form of floor and countertop models with storage capacities ranging from 45 to 310 pounds, while ice/beverage dispensers include traditional combination ice/beverage dispensers, drop-in dispensers and electric countertop units. Dispensing systems are manufactured for the dispensing of soda, water and beer. Soda systems include remote systems that produce cold carbonated water and chill incoming water and syrup prior to delivery to dispensing towers. Beer systems offer technically advanced remote beer delivery systems which are superior by design, allow increased yields, provide better under-bar space utilization and allow multiple stations to operate from one central unit.

Our subsidiary Manitowoc Beverage Systems, Inc., or MBS, is a systems integrator with nationwide distribution of beverage dispensing and backroom equipment and support system components. MBS serves the needs of major beverage and bottler customers, restaurants, convenience

stores and other outlets and provides our customers with one point of contact for their beverage dispenser and backroom equipment needs. It operates throughout the United States, with locations in Ohio, California, and Virginia.

Backlog. The backlog for unfilled orders for our Foodservice segment at December 31, 2003 and 2002 was not significant because orders are generally filled within 24 to 48 hours.

Marine

We operate four shipyards located in Sturgeon Bay, Wisconsin; Marinette, Wisconsin; Toledo, Ohio; and Cleveland, Ohio. Our Marinette facility is a leading builder of mid-sized commercial, research and military vessels in the U.S. Marinette Marine operates one of the largest shipyards in the Great Lakes and offers complete in-house capabilities for all shipbuilding disciplines. Our shipyard in Sturgeon Bay consists of approximately 55 acres of waterfront property. Four of those acres, which connect two operating areas of the shipyard, are leased under a long term ground lease. Our Sturgeon Bay facilities include approximately 295,000 square feet of enclosed manufacturing and office space, a 140-foot by 1,158-foot graving dock, a 250-foot graving dock, and a 600-foot, 7,000-ton, floating dry-dock. We also lease shipyard facilities at Toledo and Cleveland for our Marine segment. These facilities include waterfront land, buildings, and 800-foot and 550-foot graving docks.

The year-end backlog for our Marine segment includes new project work to be completed over a series of years and repair and maintenance work presently scheduled which will be completed in the next year. At December 31, 2003, the backlog for our Marine segment approximated \$338 million, compared to \$189 million one year ago. The backlog is primarily made up of new vessel construction projects and does not include options for additional vessels yet to be awarded.

Raw Materials and Supplies

The primary raw material that we use is structural and rolled steel, which is purchased from various domestic and international sources. We also purchase engines and electrical equipment and other semi- and fully-processed materials. Our policy is to maintain, wherever possible, alternate sources of supply for our important materials and parts. We maintain inventories of steel and other purchased material. We have been successful in our goal to maintain alternative sources of raw materials and supplies, and therefore are not dependent on a single source for any particular raw material or supply.

Patents, Trademarks, and Licenses

We hold in excess of 300 patents pertaining to our Crane and Foodservice products, and have presently pending applications for additional patents in the United States and foreign countries. In addition, we have various registered and unregistered trademarks and licenses that are of material importance to our business. While we believe our ownership of this intellectual property is adequately protected in customary fashions under applicable law, no single patent, trademark or license is critical to our overall business.

Seasonality

Typically, the second and third quarters represent our best quarters for our consolidated financial results. In our Crane segment, summer represents the main construction season. Customers require new machines, parts, and service in advance of that season. Since the summer brings warmer weather, there is also an increase in the use and replacement of ice machines, as well as new construction and remodeling within the foodservice industry. As a result, distributors build inventories during the second quarter for the increased demand. With respect to our Marine segment, the Great Lakes shipping industry's sailing season is normally May through November. Thus, barring any emergency groundings, the majority of repair and maintenance work is performed during the winter months and the work is typically completed during the first and second quarter of the year. As a result of our acquisition of Marinette marine and the overall increase in new construction project work in our Marine segment, the seasonality of our traditional repair and maintenance work is less extreme as new construction projects are performed throughout the year.

Competition

We sell all of our products in highly competitive industries. We compete in each of our industries based on product design, quality of products and services, product performance, maintenance costs, and price. Several of our competitors have greater financial, marketing, manufacturing and distribution resources than we do. We believe that we benefit from the following competitive advantages: leading market positions, strong brand names, a reputation for quality products and service, an established network of global distributors, broad product line in the markets we serve, and a commitment to engineering design and product innovation. However, we cannot assure you that our products and services will

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continue to compete successfully with our competitors or that we will be able to retain our customer base or improve or maintain our profit margins on sales to our customers. The following table sets forth our primary competitors in each of our business segments:

Business Segment	Products	Primary Competitors
Cranes and Related Products	Lattice-Boom Crawler Cranes	Hitachi; Kobelco; Liebherr; Sumitomo/Link-Belt; and Terex/Demag
	Tower Cranes	Comensa; Gru Comedil; Liebherr; and Peiner
	Mobile Telescopic Cranes	Liebherr; Link-Belt; Terex/Demag; and Tadano
	Boom Trucks	Terex; Manitex

Geographic Areas

Long-lived Assets in the table below have been restated for the impact of changes in foreign exchange rates on the company's goodwill and other intangible assets. See Note 1, "Restatement" in the Notes to the Consolidated Financial Statements for information about the restatement.

Net sales from continuing operations and long-lived asset information by geographic area as of and for the years ended December 31 are as follows:

	Net Sales			Long-Lived Assets	
	2003	2002	2001	2003 (as restated)	2002 (as restated)
United States	\$ 902,486	\$ 912,328	\$ 751,071	\$ 498,729	\$ 493,869
Other North America	13,173	25,711	17,333		
Europe	477,001	296,597	155,728	503,874	449,306
Asia	84,066	68,390	31,264	9,610	9,454
Middle East	59,881	18,885	6,905		
Central and South America	10,883	7,410	6,468	711	853
Africa	7,906	7,291	6,180		
South Pacific and Caribbean	2,989	13,275	6,872		
Australia	12,471	6,536	2,602	1,136	
Total	\$ 1,570,856	\$ 1,356,423	\$ 984,423	\$ 1,014,060	\$ 953,482

PART II

Item 6. SELECTED FINANCIAL DATA

The following selected historical financial data have been derived from the Consolidated Financial Statements of The Manitowoc Company, Inc. The data should be read in conjunction with these financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations. The information presented reflects all business units other than Manitowoc Boom Trucks, Femco Machine Company, Inc., North Central Crane and the Aerial Work Platform businesses, which were either sold or closed during 2004, 2003 and 2002 and are reported in discontinued operations in the accompanying Consolidated Financial Statements. The results of all businesses acquired or divested during the time periods presented are included in the table from their acquisition date or up to their divestiture date.

Identifiable assets in the table below have been restated for the impact of changes in foreign exchange rates on the company's goodwill and other intangible assets. See Note 1, "Restatement" in the Notes to the Consolidated Financial Statements for information about the restatement.

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The Manitowoc Company, Inc
SIX YEAR FINANCIAL SUMMARY

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

	2003	2002	2001	2000	1999	1998
Net sales						
Cranes and Related Products	\$ 962,808	\$ 674,060	\$ 391,109	\$ 240,027	\$ 245,569	\$ 243,024
Foodservice Equipment	457,000	462,906	411,637	425,080	379,625	319,457
Marine	151,048	219,457	181,677	71,942	55,204	45,412
Total	1,570,856	1,356,423	984,423	737,049	680,398	607,893
Gross profit	332,734	321,337	270,598	215,071	209,693	179,415
Earnings From Operations						
Cranes and Related Products	24,437	55,613	62,654	52,383	51,586	41,004
Foodservice Equipment	65,927	56,749	57,942	61,368	65,372	52,950
Marine	4,750	19,934	18,924	8,902	7,297	6,978
Corporate	(19,210)	(15,171)	(11,961)	(12,313)	(11,166)	(10,543)
Amortization expense	(2,919)	(2,001)	(11,074)	(6,721)	(5,932)	(3,421)
Curtailement gain	12,897					
Total	85,882	115,124	116,485	103,619	107,157	86,968
Interest expense	(56,901)	(51,963)	(37,408)	(12,809)	(10,780)	(9,694)
Loss on debt extinguishment	(7,300)		(5,540)			
Other income (expense) - net	314	1,918	(1,268)	(2,039)	(1,972)	(1,465)
Earnings from continuing operations before income taxes	21,995	65,079	72,269	88,771	94,405	75,809
Provision for taxes on income	3,959	23,429	27,875	33,020	34,930	27,966
Earnings from continuing operations	18,036	41,650	44,394	55,751	59,475	47,843
Discontinued operations:						
Earnings (loss) from discontinued operations, net of income taxes	(2,440)	105	1,154	4,517	7,309	3,536
Loss on sale or closure of discontinued operations, net of income taxes	(12,047)	(25,457)				
Cumulative effect of accounting change, net of income taxes		(36,800)				
Net earnings (loss)	\$ 3,549	\$ (20,502)	\$ 45,548	\$ 60,268	\$ 66,784	\$ 51,379
Cash Flows						
Cash flow from operations	\$ 150,863	\$ 94,539	\$ 106,615	\$ 63,047	\$ 103,371	\$ 56,814
Identifiable Assets (as restated)						
Cranes and Related Products	\$ 1,151,751	\$ 1,046,294	\$ 577,523	\$ 171,867	\$ 165,974	\$ 178,470
Foodservice Equipment	290,586	320,840	368,363	359,196	314,982	254,506
Marine	91,519	93,983	77,291	75,757	10,162	7,023
Corporate	126,293	139,529	57,238	35,710	39,122	41,015
Total	\$ 1,660,149	\$ 1,600,646	\$ 1,080,415	\$ 642,530	\$ 530,240	\$ 481,014
Long-term Obligations						
Long-term debt	\$ 567,084	\$ 623,547	\$ 446,522	\$ 137,668	\$ 79,223	\$ 79,834
Depreciation						
Cranes and Related Products	\$ 36,776	\$ 24,226	\$ 10,926	\$ 2,118	\$ 2,613	\$ 2,729
Foodservice Equipment	6,474	7,071	7,082	6,168	4,861	4,906
Marine	1,027	1,165	998	437	415	333
Corporate	1,160	615	668	352	384	405
Total	\$ 45,437	\$ 33,077	\$ 19,674	\$ 9,075	\$ 8,273	\$ 8,373
Capital Expenditures						
Cranes and Related Products	\$ 25,028	\$ 19,116	\$ 17,032	\$ 2,117	\$ 3,221	\$ 2,153
Foodservice Equipment	5,005	4,107	7,307	8,883	8,974	7,415
Marine	735	1,490	2,908	1,481	1,165	1,174
Corporate	1,209	8,283	1,857	168	39	144
Total	\$ 31,977	\$ 32,996	\$ 29,104	\$ 12,649	\$ 13,399	\$ 10,886
Per Share						
Basic earnings (loss) per share:						
Earnings from continuing operations	\$ 0.68	\$ 1.65	\$ 1.83	\$ 2.24	\$ 2.29	\$ 1.84
Earnings (loss) from discontinued operations, net of income taxes	(0.09)	0.00	0.05	0.18	0.28	0.14

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Loss on sale or closure of discontinued operations, net of income taxes		(0.45)	(1.01)				
Cumulative effect of accounting changes, net of income taxes			(1.46)				
Net earnings (loss)	\$	0.13	\$ (0.82)	\$ 1.87	\$ 2.42	\$ 2.57	\$ 1.98
Diluted earnings (loss) per share:							
Earnings from continuing operations	\$	0.68	\$ 1.62	\$ 1.81	\$ 2.22	\$ 2.27	\$ 1.83
Earnings (loss) from discontinued operations, net of income taxes		(0.09)	0.00	0.05	0.18	0.28	0.14
Loss on sale or closure of discontinued operations, net of income taxes		(0.45)	(0.99)				
Cumulative effect of accounting change, net of income taxes			(1.43)				
Net earnings (loss)	\$	0.13	\$ (0.80)	\$ 1.86	\$ 2.40	\$ 2.55	\$ 1.97
Average shares outstanding:							
Basic		26,575,450	25,192,562	24,269,807	24,891,387	25,991,711	25,932,356
Diluted		26,702,852	25,781,801	24,548,463	25,122,795	26,200,666	26,125,067

1) Certain information above for years 1998 through 2003 has been restated to show the discontinued operation presentation of Manitowoc Boom Trucks, Inc. North Central Crane and Excavator Sales Corp, and the Aerial Work Platform businesses. See Note 5 to the consolidated financial statements.

2) Effective January 1, 2002, the company adopted SFAS No. 142, Goodwill and Other Intangible Assets. See Note 8 to the consolidated financial statements.

3) The company acquired certain businesses during 2002 and 2001. See Note 4 to the consolidated financial statements. The company acquired three businesses in 2000, two businesses in 1999, and one business in 1998.

4) See Note 1, Restatement in the Notes to the Consolidated Financial Statements for information about restatement of the identifiable assets as of December 31, 2003, 2002, and 2001.

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

Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in this Form 10K/A Amendment No. 1.

OVERVIEW

Manitowoc is a diversified, multi-industry manufacturer of cranes, foodservice equipment and mid-size commercial and military ships. The centerpiece of our efforts is and will continue to be to provide customer-focused, quality products and services to the markets we serve, with the goal to continuously improve economic value for our shareholders. We report in three segments, Crane, Foodservice and Marine.

The following discussion and analysis covers key drivers behind our results for 2003 and is broken down into three major sections. First, we provide an overview of our results of operations for the years 2001 through 2003 on a consolidated basis and by business segment. Next we discuss our market conditions, acquisitions, liquidity and capital resources, and our risk management techniques. Finally, we provide a discussion of contingent liability issues, critical accounting policies, impacts of future accounting changes, and cautionary statements.

All dollar amounts, except per share amounts, are in thousands of dollars throughout the tables included in this Management Discussion and Analysis of Financial Conditions and Results of Operations unless otherwise indicated.

During the second quarter of 2004, we completed the sale of Delta Manlift SAS (Delta). In 2003, we decided to discontinue the scissor-lift and boom-lift product segments, to close the Potain GmbH facility in Dillingen, Germany (Liftlux) and to discontinue US Manlift production at the Shady Grove, Pennsylvania facility. The Delta, Liftlux and US Manlift businesses together constituted our aerial work platform (AWP) business. In addition, we sold the assets of North Central Crane & Excavator Sales Corporation (North Central Crane). In 2002, we sold Manitowoc Boom Trucks, Inc. (Manitowoc Boom Trucks) and determined to divest from Femco Machine Company, Inc. (Femco), which sale and divestiture occurred in 2003. The following discussion and analysis reflects the treatment of all of these operations as discontinued in accordance with SFAS No. 144. See Selected financial data and Reconciliation of adjusted to historical financial data for further information on our historical and adjusted results.

We have restated certain items under the Risk Management section of this Management's Discussion and Analysis of Financial Condition and Results of Operations to reflect the adjustments to cumulative translation adjustment component of stockholder's equity at December 31, 2003. See Note 1, Restatement in the Notes to the Consolidated Financial Statements for further information.

RESULTS OF CONSOLIDATED OPERATIONS

	Year Ended December 31,		
	2003	2002	2001
	(Amounts in thousands of dollars)		
Net sales	\$ 1,570,856	\$ 1,356,423	\$ 984,423
Costs and expenses:			
Cost of sales	1,238,122	1,035,086	713,825
Engineering, selling and administrative expenses	246,741	192,603	143,039
Amortization expense	2,919	2,001	11,074
Restructuring and plant consolidation costs	10,089	11,609	
Curtailment gain	(12,897)		
Total costs and expenses	1,484,974	1,241,299	867,938
Earnings from operations	85,882	115,124	116,485
Other expenses:			
Interest expense	(56,901)	(51,963)	(37,408)
Loss on debt extinguishment	(7,300)		(5,540)
Other income (expense), net	314	1,918	(1,268)
Total other expenses	(63,887)	(50,045)	(44,216)
Earnings from continuing operations before income taxes	21,995	65,079	72,269
Provision for taxes on income	3,959	23,429	27,875
Earnings from continuing operations	18,036	41,650	44,394
Discontinued operations:			
Earnings (loss) from discontinued operations, net of income taxes	(2,440)	105	1,154
Gain (loss) on sale or closure of discontinued operations, net of income taxes	(12,047)	(25,457)	
Cumulative effect of accounting change, net of income taxes		(36,800)	
Net earnings (loss)	\$ 3,549	\$ (20,502)	\$ 45,548

Year ended December 31, 2003 compared to 2002

Consolidated net sales increased 15.8% in 2003 to \$1.6 billion from \$1.4 billion in 2002. This increase in sales was due to the acquisition of Grove on August 8, 2002. Grove was included in our consolidated financial results for a full year in 2003 versus just under five months in 2002. Consolidated net sales for 2003 were also impacted by a further downturn in the US crawler crane market that began in 2002. The decline in the domestic crawler crane market was partially offset in the Crane segment by modest improvements in tower and mobile telescopic crane sales in parts of Europe and Asia. Consolidated net sales in 2003 were also negatively impacted in our Marine segment from customer deferrals of new construction projects and a union strike in the first quarter. In addition, our 2003 consolidated net sales were bolstered by the impact that the stronger euro had on the global consolidation of our US dollar denominated financial statements.

Gross margin decreased in 2003 to 21.2% from 23.7% in 2002. This decline was due to reduced margins in our Crane and Marine segments, offset by a gross margin improvement in our Foodservice segment. Crane segment gross margin declined 4.4 percentage points during 2003 as a result of the following items: (i) the loss of our ability to spread fixed costs over a comparable base of revenue due to the decline in production volumes in our domestic crawler crane business; (ii) a shift in product mix toward smaller mobile

telescopic cranes; (iii) worldwide price competition in our Crane segment; and (iv) lower historical margins for the Grove product line. Foodservice segment gross margin increased 1.5 percentage points during 2003 as the result of facility consolidations and operational improvements. Marine segment gross margin declined 0.5 percentage points during 2003 due to the following: (i) the change in mix of new construction project work toward projects in their earlier stages; (ii) customer deferrals of new project awards during the year; and (iii) the impact of the strike at Marinette during the first quarter of the year. The strengthening of the euro versus the US dollar in 2003 caused our manufacturing costs to increase at our European manufacturing facilities when converted to US dollars in our consolidated financial statements. In addition, all of our segments experienced increased healthcare and insurance costs during 2003 versus 2002.

ES&A increased during 2003 to 15.7% of net sales versus 14.2% of net sales in 2002. This percentage increase was due to lower sales volumes in the Crane and Marine segments, a larger volume of new project quotation activity within our Marine segment, the impact of the exchange rate between the US dollar and the euro in 2003 versus 2002, and higher corporate expenses. The increase in corporate expenses in 2003 is the result of growth due to recent acquisitions, corporate assumption of certain staff responsibilities previously handled by acquired companies and 2003 increases in health and insurance costs. In addition, during 2003, we invested in the development and introduction of new products within both our Crane and Foodservice segments. Our investment in new products resulted in increases in research and development spending as well as additional engineering costs. During 2003, the Crane segment introduced 15 new products, while the Foodservice segment introduced 25 new products. Offsetting these increases in ES&A costs, the total ES&A expenses were less in the Foodservice and Marine segments in 2003 than they were in 2002 by 1.4% and 4.3%, respectively. All three of our segments took several actions to control and reduce certain ES&A expenses in 2003 and future years. These actions included the continued consolidation of Crane segment facilities in Europe, closure of our National Crane facility in Waverly, Nebraska, consolidating support functions and consolidations of certain of our beverage equipment distribution facilities.

Amortization expense of \$2.9 million during 2003 increased 45.9% over the \$2.0 million reported in 2002. This increase in amortization expense in 2003 was the result of a full year of amortization of patents acquired in the Grove acquisition during the third quarter of 2002 and the increased US dollar translation of amortization expenses denominated in euros.

Throughout 2003, we completed certain restructuring activities primarily within our Crane segment as a continuation of the Grove acquisition in 2002 as well as other initiatives to reduce our overall fixed cost structure.

We recorded a total of \$10.1 million in restructuring costs during 2003. Of this amount, \$3.5 million was the result of the write-down of the values of certain properties in the US and Europe that were made redundant as a result of our integration and reorganization activities. Our European crane operations also recognized \$2.5 million in restructuring costs associated with the closure of certain facilities and the relocation of inventory, equipment and people to other facilities. We also recorded \$3.0 million in restructuring costs associated with the closure of our National Crane production facility and the relocation of the production of our National Boom Truck product line. In addition, our Foodservice segment recorded \$1.0 million in restructuring costs associated with the closure of its ice-machine production facility in Italy to be relocated to China and the disposal of our Multiplex facility in St. Louis, Missouri.

During 2003, we recognized a \$12.9 million curtailment gain as the result of certain amendments to our postretirement health benefit plan, which will reduce the amount of certain benefits participants will receive in future years.

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After taking all of the above matters into account, our consolidated operating earnings from continuing operations for the year ended December 31, 2003 were \$85.9 million, which was 25.4% lower than 2002. Consolidated operating earnings in 2003 were 5.5% of net sales compared to 8.5% of net sales in 2002.

Interest expense during 2003 of \$56.9 million was 9.6% higher than the \$52.0 million recorded during 2002. This increase in 2003 is due to a full year's worth of interest expense related to the 10 1/2% senior subordinated notes due 2012. These notes were issued in August 2002 to complete the Grove acquisition. In addition, the increase in the euro versus US dollar exchange rate caused increased expense associated with our euro-denominated 10 3/8% senior subordinated notes due 2011. The weighted average interest rate paid on all outstanding debt at December 31, 2003 was 7.9% as compared to 7.0% at December 31, 2002.

During 2003, we paid down \$109.6 million of outstanding term debt due to strong cash flows. Only \$46.3 million of our 2003 debt payments were required during the year. The remaining \$63.3 million of debt reduction in 2003 was prepayments. During 2003, we incurred \$7.3 million in costs resulting from these prepayments, of which \$5.9 million was due to the write-off of deferred financing fees, and \$1.4 million was costs incurred to unwind certain interest rate swaps.

The 2003 effective income tax rate for continuing operations was 18.0%, compared to 36.0% in 2002. The decrease in our effective tax rate in 2003 was due to the impact of certain global tax planning initiatives as well as the impact of fixed permanent book-tax differences on significantly lower pre-tax income.

Discontinued operations include the results of operations of Femco, North Central Crane and our AWP business and the costs associated with the sale or closure of these businesses. In addition, discontinued operations include the cost associated with the final purchase price adjustment from the sale of Manitowoc Boom Trucks in 2002. The AWP business which was discontinued included our Delta subsidiary, which was sold in the second quarter of 2004, the Liftflux product line and facility located in Dillingen, Germany, our scissor-lift and boom-lift product categories and our US Manlift product line. During 2003, we recorded a \$14.8 million charge (\$12.0 million net of tax) related to the decision to exit these AWP product categories and facilities and the sale of North Central Crane. This total charge is made up of the following items: (i) \$3.5 million for early termination of a facility lease contract; (ii) \$3.9 million for the write-down of certain inventory to its estimated realizable value; (iii) \$1.4 million for employee severance; (iv) \$4.9 million for the recognition of a goodwill impairment charge in the AWP reporting unit in the second quarter of 2003; and (v) \$1.1 million for other asset impairment charges and estimated costs to close these operations.

Year ended December 31, 2002 compared to 2001

Consolidated net sales for the year ended December 31, 2002 increased 37.8% to \$1.4 billion, from just under \$1.0 billion for the same period in 2001. A significant portion of this increase is the result of the acquisitions in our Crane segment. Results for 2002 included a partial year of Grove, which we completed on August 8, 2002, and a full year of Potain, which was acquired on May 9, 2001. During 2002, Foodservice segment net sales increased 12.5% and Marine segment sales increased 20.8% versus the prior year. The Foodservice increase was due to increased volumes in our ice and beverage businesses during the second half of 2002, as well as increased sales volumes in our private label residential refrigerator product throughout the year. The sales increase in our Marine segment was due to strong new construction activity versus the prior year, including several US Coast Guard buoy tenders and the start up of production on one of three Staten Island ferries and a Great Lakes ice breaker for the US Coast Guard.

Gross margin decreased in 2002 to 23.7% from 27.5% in 2001. Gross margin in the Crane segment declined 5.4 percentage points in 2002 versus 2001. Cost of sales for 2002 includes a fourth quarter charge of \$3.3 million associated with selling acquired Grove inventory at fair market value rather than actual production costs. Future periods will not be affected by similar charges because all of the write-up to fair value of the acquired inventory was reflected through costs of sales in 2002. The decline in gross margin in 2002 versus 2001 also resulted from lower volumes in our Crane segment and historically lower gross margins from the Grove product lines. Gross margin in the Foodservice segment decreased approximately 1.3 percentage points in 2002. The gross margin in our Marine segment decreased 3.9 percentage points in 2002 versus 2001. This decrease is primarily the result of a continued shift in the mix of revenues to lower-margin project work versus higher-margin repair work. In addition, all of our segments were impacted by higher healthcare costs in 2002.

ES&A expenses increased \$49.6 million for the year ended December 31, 2002, compared to 2001. The majority of this increase was the result of the acquisition of Grove in August 2002, the acquisition of Potain in May 2001 and increased healthcare costs across all segments. These three items accounted for approximately \$46.8 million of the \$49.6 million increase. The remainder of the increase was primarily the result of increased engineering expenses in the Crane and Foodservice segments for new product development and increases in corporate expense as corporate assumed certain staff responsibilities previously handled in the business units of the acquired companies. As a percent of sales, ES&A decreased slightly to 14.2% of net sales in 2002 versus 14.5% for the year ended December 31, 2001. We took several actions in 2002 to control ES&A expense in the current and future years. These actions include consolidation of the Multiplex operation within the Foodservice segment and implementing a reorganization plan in the Crane segment following the Grove acquisition.

Amortization expense decreased \$9.1 million for the year ended December 31, 2002, compared to the year ended December 31, 2001. This decrease is the result of our adoption of SFAS No. 142. Under the new rules, goodwill and other intangible assets deemed to have indefinite lives are no longer amortized, but are subject to at least annual impairment tests at each reporting unit.

We adopted these new accounting rules for goodwill and other intangible assets on January 1, 2002. Under the transitional provisions of SFAS No. 142, we identified our reporting units, performed impairment tests on the net goodwill and other intangible assets associated with each of the reporting units using a valuation date of January 1, 2002, and determined that a transitional goodwill impairment charge of \$51.0 million (\$36.8 million net of income tax) was required. This impairment related to our reporting units as follows: Beverage Group (Foodservice segment) \$33.1 million and Manitowoc Boom Trucks (Crane segment) \$17.9 million. This charge was based upon current economic conditions in those industries. The impairment charge was recorded as a cumulative effect of accounting change in our consolidated statement of earnings in the first quarter of 2002 in accordance with the transitional provisions of SFAS No. 142. Under previous accounting requirements, no goodwill impairment would have been recorded on January 1, 2002.

During the first quarter of 2002, we recorded a charge of \$3.9 million in connection with the consolidation of our Multiplex operations into our other Foodservice operations. We took these actions to streamline our cost structure and utilize available capacity. The charge included \$2.8 million to write down the building and land, which was held for sale, to estimated fair market value less cost to sell; \$0.7 million for the write-down of certain equipment; and \$0.4 million related to severance and other employee related costs.

During the fourth quarter of 2002, we recorded a \$7.7 million charge associated with the completion of certain integration activities related to the Grove acquisition and certain other restructuring activities in the Crane segment. This charge included \$4.0 million related to severance and other employee related costs for headcount reductions at various Manitowoc Crane and Potain facilities; \$2.7 million related to the write-down of certain property, plant and equipment; and \$1.0 million related to lease termination costs.

After taking all of these matters into account, consolidated operating earnings for the year ended December 31, 2002, were \$115.1 million, or 8.5% of net sales. This compares with \$116.5 million, or 11.8% of net sales, for the year ended December 31, 2001.

Interest expense increased \$14.6 million for the year ended December 31, 2002, compared to the same period in 2001. This increase was due to additional interest expense related to the 10¹/₂% senior subordinated notes due 2012, which were issued in August 2002 to complete the Grove acquisition; additional amortization of debt issue costs related to these notes; and a full year of interest expense and amortization of debt issue costs related to the debt incurred for the Potain acquisition in

May 2001. The weighted-average interest rate paid on all outstanding debt as of December 31, 2002 was 7.0%. The 2002 effective tax rate was 36.0% compared to 38.7% in 2001. The effective rate for 2002 approximated the combined domestic federal and state statutory rate reduced by lower foreign effective rates. The lower effective rate reflects the benefits of our global tax planning initiatives and the reduction of non-deductible goodwill amortization associated with our adoption of SFAS No. 142.

Discontinued operations include the results of operations of our AWP business, Femco, Manitowoc Boom Trucks and the costs associated with the sale or closure of these businesses. Our discontinued AWP business included Delta, the Liftlux product line and facility, our scissor-lift and boom-lift product categories and our US Manlift product line. In connection with the Grove acquisition, the United States Department of Justice raised concerns about a possible reduction in competition in the US boom truck market that could result from the acquisition. In order to address these concerns, Manitowoc and Grove agreed with the Department of Justice that, following the completion of the Grove acquisition, we would divest of either Manitowoc Boom Trucks or National Crane Corporation (Grove's boom truck business). On December 17, 2002, we entered into an agreement with Quantum to sell all of the outstanding stock of Manitowoc Boom Trucks. The Department of Justice approved the sale on December 30, 2002, and it was completed on December 31, 2002. The sales resulted in a loss of approximately \$32.9 million (\$23.3 million net of income taxes), which has been recorded in gain (loss) on sale or closure of discontinued operations.

In addition, during the fourth quarter of 2002 we finalized our decision to offer Femco for sale. Femco was the Crane segment's aftermarket replacement parts and industrial repair business. After the Grove acquisition, it was determined that Femco was not a core business to the Crane segment. Femco was sold in February 2003.

During December 2002, we recorded a \$3.4 million (\$2.1 million net of income taxes) charge related to the decision to divest of Femco. Of the charge, \$2.2 million related to recording the net assets of Femco at fair value less cost to sell based on internal estimates. In addition, we performed an impairment analysis of the Femco goodwill in accordance with SFAS No. 142, and determined that the entire \$1.2 million of goodwill was impaired. The cumulative \$3.4 million charge was recorded in discontinued operations. At December 31, 2002, the assets and liabilities of Femco were recorded as held for sale in other non-current assets and liabilities, respectively, in our consolidated balance sheet.

ANNUAL SALES AND OPERATING EARNINGS BY SEGMENT

Operating earnings reported below by segment are reduced by the amount of expenses relating to restructurings and plant consolidations; these expenses were separately identified, and thus operating earnings did not reflect such expenses, in the Results of Consolidated Operations table above.

Crane

Net sales, operating earnings and operating margin of the Crane segment reflect the operations of AWP, North Central Crane, Manitowoc Boom Trucks and Femco as discontinued. See Reconciliation of adjusted to historical financial data.

	2003	2002		2001
	amounts in thousands			
Net sales	\$ 962,808	\$ 674,060	\$ 391,109	
Operating earnings	24,437	55,613	62,654	
Operating margin	2.5%	8.3%	16.0%	

Year ended December 31, 2003 compared to 2002

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Net sales in the Crane segment increased 42.8% in 2003 compared to 2002. This increase was primarily due to our acquisition of Grove on August 8, 2002. A full year of Grove sales is included in the Crane segment results for 2003. Grove's net sales for the period from January 1, 2003 through August 8, 2003 were \$311.1 million compared to zero in 2002 prior to its acquisition. Crane segment net sales in 2003

were also impacted by the continued and further downturn in the US crawler crane market that began for us in 2002. This decline in the crawler crane market was partially offset by modest improvements in tower and mobile telescopic crane sales in parts of Europe and Asia. In addition, the strengthening of the euro as compared to the US dollar during 2003 resulted in an increase in the US dollar equivalent for sales denominated in euro versus the prior year. Crane segment backlog stood at \$213.2 million at December 31, 2003, versus \$133.8 million at December 31, 2002.

Crane segment operating earnings decreased \$31.2 million in 2003 versus 2002, which represents an operating margin decrease of 5.8 percentage points. A portion of the decrease is attributable to the inclusion of \$9.1 million in restructuring costs as a reduction of Crane operating earnings in 2003 versus \$7.7 million in 2002. These 2003 costs included \$3.5 million for write-down of certain properties to their net realizable value. Approximately \$3.0 million in restructuring costs related to the consolidation of our Waverly, Nebraska production into Shady Grove, and \$2.5 million for the completion of our restructuring activities associated with our Potain workforce and facilities in Europe. Crane segment operating earnings were also negatively impacted by the following: (i) lower volumes in our domestic crawler crane business; (ii) a shift in product mix in the mobile telescopic product category to smaller capacity units; (iii) worldwide price competition across all product categories; and (iv) lower historical gross margins from the Grove product line.

Year ended December 31, 2002 compared to 2001

Net sales in the Crane segment increased 72.3% to \$674.1 million in 2002 compared to 2001. This increase was primarily due to our acquisition of Grove in August 2002 and a full year of Potain sales in 2002. Grove's net sales since the date of acquisition and Potain's net sales from January 1, 2002 through May 9, 2002 were \$218.4 million and \$78.0 million, respectively. The Crane segment experienced a dramatic slowdown in the third quarter of 2002, which continued into the fourth quarter led primarily by decreased volumes in the crawler crane product category and the domestic market. During the first half of 2002, our crane sales outperformed the market and remained relatively stable compared to the overall industry, which was declining at a rate exceeding 10%. Beginning in the third quarter, our sales declined closer to industry rates. Crane segment backlog stood at \$133.8 million at December 31, 2002, versus \$54.8 million at December 31, 2001. The increase is primarily due to the acquisition of Grove during 2002. Excluding Grove, the Crane segment backlog stood at \$48.9 million at December 31, 2002. The decrease in backlog, excluding Grove, is due to the weakened economic conditions that slowed the sales of our crawler cranes.

Crane segment 2002 operating earnings of \$55.6 million include a reduction of \$7.7 million for restructuring costs. This represents a 7.7% reduction in operating earnings in 2002 compared to 2001. Crane segment operating earnings in 2002 also include the full year impact of Potain operating earnings and the impact of Grove operating earnings since the date of acquisition. In addition, during the fourth quarter of 2002, the Crane segment recognized a \$3.3 million charge for selling acquired Grove inventory at fair market value rather than actual production costs. The remaining decrease in Crane segment operating earnings in 2002 compared to 2001 occurred primarily as the result of the lower crawler crane production levels due to the sales decline discussed above.

Foodservice

	2003	2002	2001
	amounts in thousands		
Net sales	\$ 457,000	\$ 462,906	\$ 411,637
Operating earnings	65,927	56,749	57,942
Operating margin	14.4%	12.3%	14.1%

Year ended December 31, 2003 compared to 2002

Foodservice segment net sales decreased 1.3% in 2003 compared to 2002. This decrease was the result of lower overall industry shipments in the segment's ice and beverage businesses. For the full year, industry shipments of ice machines were down approximately 5%. Despite these industry trends, the segment's ice business reflected increased sales in 2003 compared to 2002, increasing our market share.

Beverage equipment sales in 2003 showed negative comparisons to 2002 due to a major chain new equipment rollout that occurred in the fourth quarter of 2002 that did not reoccur in 2003. Our private label residential refrigerator division net sales in 2003 remained flat compared to 2002. New product introductions by our Foodservice segment bolstered 2003 sales results with the introduction of 25 new products, including the initial rollout of its new S Series ice machine product during the fourth quarter of the year.

Foodservice segment operating earnings increased 16.2% in 2003 versus 2002 despite the slight decline in net sales. The significant improvement in operating earnings was due to the strength of the ice business sales, facility consolidation, continued operational improvements across all of the divisions and lower restructuring costs in 2003 (\$1.0 million) compared to 2002 (\$3.9 million). The 2003 restructuring costs included \$0.7 million for closure of our Italian ice-machine production facility and movement of production to China. The remaining restructuring costs were recorded as a result of the additional loss on final disposition of the segment's Multiplex production facility located in St. Louis, Missouri. In summary, the 2003 operating earnings increase of 16.2% far outpaced the 2003 net sales decline of 1.3% due to favorable mix of sales, operational improvements and facility consolidation.

Year ended December 31, 2002 compared to 2001

Foodservice segment net sales increased 12.5% to \$462.9 million in 2002 compared to 2001 levels. This increase was primarily due to increased sales of ice and beverage products throughout the second half of the year, as well as increases in our private label residential refrigeration product throughout the year, while sales of commercial refrigeration products remained flat. We attributed this to commercial refrigeration's dependency on new-store construction, which has been slower to recover compared with the replacement, expansion and remodeling activity that boosted ice and beverage equipment. For the full year, industry shipments of ice machines were up approximately 5%. New products played a key roll in our 2002 sales growth as several of our Foodservice businesses had major new product introductions during the year.

Operating earnings of the Foodservice segment decreased \$1.2 million, or 2.1%, in 2002 compared to 2001. This decrease was primarily due to a \$3.9 million restructuring charge taken by the Foodservice segment during 2002 for the consolidation of our Multiplex operations into other Foodservice operations. This improvement in the Foodservice segment's operating margin was due to growth and related margin contributions in our ice, beverage and residential refrigerator operations, further cost reduction benefits from implementation of manufacturing operational improvements across all the segment's businesses and consolidations within our beverage and refrigeration operations.

Marine

	2003	2002	2001
	amounts in thousands		
Net sales	\$ 151,048	\$ 219,457	\$ 181,677

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Operating earnings	4,750	19,934	18,924
Operating margin	3.1%	9.1%	10.4%

Year ended December 31, 2003 compared to 2002

Marine segment net sales decreased 31.2% in 2003 versus 2002. This decrease was due in part to the impact of the 44-day union strike at Marinette in the first quarter of 2003. The strike slowed ship construction progress. The impact of customer deferrals of awarding new construction contracts in the second half 2003 also contributed to the decrease. In addition, several ships that were scheduled to dock at our facilities on the Great Lakes in the fourth quarter of 2003 were rescheduled for winter dry docking until the first quarter of 2004 as many of these boats remained active longer than expected.

Operating earnings in the Marine segment decreased \$15.2 million, or 76.2% in 2003 compared to 2002. The reasons for this decline are the following: (i) the change in mix of new construction project work toward newer projects and more commercial construction contracts; (ii) customer deferrals of new project awards during the year; (iii) the impact of the first quarter strike at Marinette on project construction progress and efficiency; and (iv) additional costs incurred in 2003 on bidding for new project contracts. These negative pressures on operating earnings were offset slightly by an increase in ship repair activities during 2003 compared to 2002.

Year ended December 31, 2002 compared to 2001

New construction activity was strong throughout the year and resulted in Marine segment net sales increasing 20.8% to \$219.5 million in 2002 compared to 2001. Our 2002 new-construction projects included several buoy tenders and a Great Lakes icebreaker for the US Coast Guard, in addition to the start up of construction on the first of three Staten Island ferries for the City of New York.

Operating earnings increased approximately \$1.0 million for the year ended December 31, 2002 compared to the same period in 2001 due primarily to new-construction growth. Operating margins in 2002 decreased approximately 1.3 percentage points compared to 2001. We have experienced a decline in demand for higher-margin repair work for more than two years, primarily due to issues affecting the steel industry, low water levels on the Great Lakes and general domestic economic conditions.

General corporate expenses

	2003	2002		2001
	amounts in thousands			
Corporate expenses	\$ 19,210	\$ 15,171	\$ 11,961	
% of net sales	1.2%	1.1%	1.2%	

Year ended December 31, 2003 compared to 2002

Corporate expenses increased 26.6% in 2003 versus 2002, but remained flat as a percentage of net sales at 1.2%. The reasons for the \$4.0 million increase year-over-year include additional personnel and related benefits resulting from our growth and the assumption of certain staff responsibilities previously handled by acquired companies, costs of compliance with new governmental regulations, certain reserves for litigation and additional depreciation expense.

Year ended December 31, 2002 compared to 2001

Despite increasing 26.8% in 2002, corporate expenses remained constant as a percentage of net sales. This reflects both the growth from acquisition and corporate assumption of certain staff responsibilities previously handled in the field.

Market Conditions and Outlook

During 2003, nearly 70 percent of our Crane segment revenues and 40 percent of our consolidated net sales were from international markets. The increases were the result of strategies to diversify our geographic base and product offering during the continued downturn in the U.S. crane market, especially for the crawler crane products. While penetration in global markets is helpful to us, it also adds complexity and susceptibility to global risks and issues. Specifically, the issues of the strengthening Euro versus the U.S. Dollar throughout 2003, and the impact of worldwide steel market activities on the costs of steel for our manufacturing processes, impacted us during the year and will continue to provide challenges and opportunities in 2004. With the end of the war in Iraq, certain markets have now become available to us that were not available in past years, but continued unrest in Iraq and the Middle East in general, have stymied significant immediate growth in that region. The U.S. economy appears to have hit the bottom in our end markets. We are seeing preliminary signs of recovery in the U.S., while certain European and Asian economies also appear to be strengthening.

Although the signs appear to be favorable, we are cautiously optimistic about the strength and significance of the U.S. or any global economic recovery. We have not planned for any significant recoveries in 2004 and we will continue to protect our market shares and improve our cost structures so that we increase our benefits when the economies do rebound. Because of our efforts to become more global in our Crane and Foodservice businesses, we continue to be affected now more than ever by non-domestic world economies. The economies of Europe and Asia, in particular, affect our international performance.

We believe that our diversified business model in terms of global presence and broad product offerings proved beneficial to us in 2003 and will continue to provide stability to our company into the future. The strength of our Foodservice segment performance in 2003 helped to offset relatively weaker performances in our Crane and Marine segments. Diversification within our segments also proves beneficial. In our Crane segment, stronger international performance, particularly in some parts of Europe and Asia, helped to lessen the continued impact of a weak North American crawler crane market.

Cranes and Related Products The Crane market continued its decline during 2003. With the exception of the Chinese market, most of our global markets were down in 2003. The continued decline in the North American crane market was most pronounced, especially the crawler crane market, which declined by over 50 percent from 2002. Pricing has been competitive on a global basis. Declining market prices accelerated in the second half of 2003. As we head into 2004. However, we believe that the decline in volumes and prices, in general, has now stabilized.

During 2003, we grew market share in most product segments in North America and Europe. In addition, we grew market share in many of our Asian markets and made inroads in South America. We are investing in infrastructure in Asia so that we can continue to grow faster in that market place. During 2003, we also formed an alliance with Kobelco Construction Machinery Company, a large Japanese construction equipment manufacturer. We continue to invest in new products and product support. In 2003, we introduced 15 new products in the Crane segment, which is the most that the Crane segment has introduced in one year.

Looking into 2004, we expect volumes to be flat to slightly up from 2003 on worldwide basis. We believe that we have seen the bottom of the market, but at this point we are not seeing any significant signs of a recovery. In addition, we believe we will continue to see a relatively strong Euro through 2004, as well as increased costs of some commodities such as steel. We have plans to adapt to these conditions. In this environment we plan to protect our market share by providing our customers with what we believe is the best value in the industry. We will also work to grow our market share globally by leveraging the strength of our brand names and expanded product offering.

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In 2004 we plan to introduce 16 new models. We will also continue to expand our global reach. One way to achieve this expansion is through the strategic positioning of our sales and product support infrastructure in Asia. In addition, our global sales force is cross selling our entire product line. Our recent acquisitions of Potain and Grove have given us a broad product offering and worldwide distribution and product support. We believe these factors will help us grow market share in 2004. In addition, we made great strides in 2003 to streamline our cost structure. We have essentially completed the integration of Grove,

including the rationalization of our AWP business, and the consolidation of our North American boom-truck production into our Shady Grove facility. These consolidation and restructuring efforts have resulted in annual savings of \$36 million over our 2002 cost base. We believe that our growth strategy is solid and supported by the diversification of our global manufacturing and distribution presence. We will continue to attack our markets geographically, rather than by product line.

Foodservice Equipment In 2003, the Foodservice segment introduced more than 25 new products. We believe these new product introductions helped us to outperform our industries during 2003 as we held sales steady in generally declining markets. During 2003, we believe that our key markets hit the bottom of their cycles. We believe these markets are beginning to improve. During the last quarter of 2003, we experienced positive trends in year-over-year, same-store sales improvements in many of our customers' segments, including the quick-serve segment. In addition, we are seeing continued strengthening in the full-service and quick-casual dining segments, and rising lodging rates in the lodging industry. Industry experts generally predict a two to two-and-a-half percent growth in foodservice equipment and supply sales for 2004.

The same factors that drove our strong operating performance in 2003 will continue to drive our business in 2004. As the market improves, we expect to outperform the industry on the top line due to our wide range of new products that were introduced in 2003 and that continue to be rolled out in 2004. Our strategy is to generate eighty percent of revenues from products introduced in the previous five years. We also will continue to invest in foreign markets during 2004. We plan to build a new engineering and manufacturing operations center in China. Our plan is to relocate our existing operation to a new, larger and more high-tech facility, which will include manufacturing space, global procurement, and other global/regional centers of excellence. Initially, we will manufacture ice machines and beverage equipment in this facility, but plan to expand to manufacture other products for this region.

Marine The Marine segment had a difficult year in 2003 due to a number of factors, some of which were internal, but most of which were external. One of the factors which hurt this segment during 2003 was the impact of the first quarter strike at Marinette Marine. Although we believe that the outcome was favorable to all parties, the resolution took longer than we had hoped. This labor action not only impacted our first quarter operating results, but had a ripple effect on our business through the remainder of 2003. The larger issue that impacted the Marine segment in 2003 was the industry conditions that caused many of our customers to defer the award of major shipbuilding contracts until late in the year. We believe the primary causes of these deferrals were our customers' uncertainty about the state of the U.S. economy, as well as their inability to secure financing for these high dollar value projects.

Once our customers began to award new construction projects later in the year, our Marine segment won nearly all the major contracts that it bid on during the year. Therefore, we go into 2004 with a full slate of work in our shipyards. In addition, with a number of these contracts, we could land additional work through changes to the project scope and options for follow-on contracts. Furthermore we bid on three new contracts in January 2004. Even though we experienced the delay in contract awards through much of 2003, we are starting to see greater numbers of contracts out for bid at this point in 2004 as compared to the same period in 2003. We are also working intently on two major contracts that will be announced in 2004. One is the next phase of the U.S. Navy's Littoral Combat Ship (LCS) project, which will involve construction of a prototype vessel, which we expect will be awarded in the second quarter of 2004. We have been selected as a finalist, with our partners, Lockheed Martin, Gibbs & Cox, and Bollinger Shipyards, for the LCS project. Furthermore, we are one of three companies in the running for a 180-vessel Response Boat Medium (RBM) contract, which the U.S. Coast Guard is expected to award in August 2004.

The improving U.S. economy is helping buoy our shipbuilding business. We are beginning to see more impact on ship construction demand due to the OPA-90 legislation, as all current U.S. waterway oil hauling vessels will begin to be phased out in 2004, and must be replaced with

double-hull vessels. Another positive sign is that charter rates are beginning to increase worldwide, which means additional revenue for commercial customers that can be used to build new vessels. Despite these positive economic indicators, however, there are two key issues which will impact our end markets in 2004. The first issue continues to be the ability of our customers to find and secure adequate financing to support their new ship construction

initiatives. The second issue will be the financial strength of a portion of our non-governmental customer base, which is negatively impacted by the poor financial condition and outlook for U.S. steel manufacturers and customers in the supply chain for those companies. Our Marine segment plans to continue to pursue new construction activities, provide superior repair and maintenance support to our customers, and work with other shipyards to provide integrated solutions to our mutual customers as the need arises.

ACQUISITIONS

Our growth in 2003, 2002 and 2001 was mainly due to our acquisitions in these years. Over the past five years we have completed eleven acquisitions. All of them were recorded using the purchase method of accounting. Each of these acquisitions is included in our consolidated statements of earnings beginning with the date of acquisition.

The success of our acquisition strategy is 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.

2002 Acquisitions On August 8, 2002 we acquired all of the outstanding common shares of Grove. The results of Grove's operations have been included in our consolidated statements of earnings since that date. Grove is a leading provider of mobile telescopic cranes, truck-mounted cranes, boom trucks and aerial work platforms for the global market. Grove's products are used in a wide variety of applications by commercial and residential building contractors as well as by industrial, municipal and military end users. Grove's products are marketed to independent equipment rental companies and directly to end users under the brand names Grove Crane and National Crane.

We view Grove as a strategic fit with our crane business for a number of reasons. Grove is a global leader in the mobile telescopic crane industry, specifically in all-terrain and rough-terrain mobile telescopic cranes. We did not offer these types of cranes prior to the acquisition, so Grove filled this void in our product offering. Coupled with our entrance into the tower crane product line with the acquisition of Potain in 2001, Grove enables us to offer customers four major crane categories, namely crawler cranes, tower cranes, mobile telescopic cranes and boom trucks. With the addition of Grove, we are able to offer customers equipment and lifting solutions for virtually every construction application. We also believed that the combination of Potain and Grove would provide opportunities to capitalize on their respective strengths in systems, technologies and manufacturing expertise, and that this combination would create natural synergies in our worldwide distribution and service network.

The aggregate purchase price paid for Grove was \$277.8 million. This included the issuance of \$70.0 million of our common stock, the assumption of \$202.4 million of Grove debt outstanding as of August 8, 2002 and direct acquisition costs of \$5.4 million. In exchange for the outstanding shares of Grove common stock, we issued approximately 2.2 million shares of our common stock out of treasury with an average market price of \$32.34 per share. The number of shares issued at the close of the transaction was calculated based on the average closing price of our common stock for the ten consecutive trading days ending on and including the second day prior to the closing of the transaction. In addition, we assumed all of Grove's outstanding liabilities (approximately \$477.8 million including the outstanding debt), contingencies and commitments. Substantially all of the assumed debt was refinanced.

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The purchase consideration paid in excess of the fair values of the assets acquired and liabilities assumed was allocated first to the identifiable intangible assets with the remaining excess accounted for as goodwill. We obtained third party valuations of identifiable intangible assets acquired. Based upon the appraisal report of identifiable intangible assets, the allocation was as follows: \$26.0 million to trademarks and tradenames with an indefinite life; \$11.9 million to an in-place distributor network with an indefinite life; \$7.1 million to patents with a weighted-average 10-year life; and the remaining \$63.1 million to goodwill.

The \$63.1 million of goodwill is included in the Crane segment. None of this amount is deductible for tax purposes. We also obtained third party valuations of the fair value of inventory and property, plant and equipment acquired. Based upon the appraisal reports of these assets, we increased the value of inventory and property, plant and equipment by \$3.3 million and \$1.1 million, respectively. The \$3.3 million fair value adjustment to inventory was charged to cost of goods sold during the fourth quarter of 2002 as the related inventory items were sold. The \$1.1 million fair value adjustment to property, plant and equipment is being depreciated over the estimated remaining useful lives of the property, plant and equipment.

During 2003, we completed the purchase accounting related to the Grove acquisition and we recorded \$30.2 million of purchase accounting adjustments to the August 8, 2002 Grove opening balance sheet. The purchase accounting adjustments related to the following: \$13.2 million to finalize the accounting for deferred income taxes, related primarily to the Grove non-US operations; \$12.4 million for consolidation of the National Crane facility located in Nebraska to the Grove facility located in Pennsylvania; \$2.1 million, \$0.5 million and \$1.5 million for additional accounts receivable, inventory and warranty reserves, respectively; \$0.9 million related to severance and other employee related costs for headcount reductions at the Grove facilities in Europe; \$2.0 million of curtailment gain as a result of the closing of the National Crane facility located in Nebraska and its impact on pension obligations (reduction of goodwill); and \$1.6 million for other purchase accounting related items.

During 2002, we also completed certain restructuring and integration activities relating to the Grove acquisition. We recorded a charge totaling \$12.1 million related to these restructuring and integration activities during 2002. Of this amount, \$4.4 million was recorded in the opening balance sheet of Grove and \$7.7 million was recorded as a charge to earnings during the fourth quarter of 2002. The \$4.4 million recorded in the opening balance sheet related to severance and other employee related costs for headcount reductions at Grove facilities.

On April 8, 2002, we purchased the remaining 50% interest in our joint venture Manitowoc Foodservice Europe (f/k/a Fabbrica Apparecchiature per la Produzione del Ghiaccio Srl), a manufacturer of ice machines based in Italy. The aggregate cash consideration paid by us for the remaining interest was \$3.4 million and resulted in \$2.6 million of additional goodwill. The \$2.6 million of goodwill is included in the Foodservice segment and is not deductible for tax purposes. During the second quarter of 2003, we recorded \$0.7 million of purchase accounting adjustments to the April 8, 2002 opening balance sheet.

2001 Acquisitions On May 9, 2001, we acquired 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 \$425.2 million, which includes \$307.1 million paid in cash, direct acquisition costs of \$4.1 million (\$0.4 million incurred during 2002), assumed liabilities of \$138.8 million, the payment of a post-closing purchase price adjustment of \$3.6 million in February 2002, and is less cash acquired of \$28.4 million.

During 2002, we made certain purchase accounting adjustments for the Potain acquisition resulting in a reduction in goodwill of approximately \$11.3 million. The primary purchase accounting adjustments recorded during 2002 were to adjust the book value of property, plant and equipment acquired to fair value based on an appraisal report, adjustment of deferred tax assets and to record a \$8.1 million liability associated with certain restructuring and integration activities.

In addition, during 2002 a portion of the excess of the cost over fair value of the net assets acquired in the Potain acquisition was allocated to specific other intangible assets. Based upon an appraisal report, the allocation was as follows: \$53.0 million to trademarks and tradenames with an indefinite life; \$17.5 million to patents with a weighted-average 15-year life; \$8.8 million to engineering drawings with a weighted-average 15-year life; \$5.0 million to an in-place distribution network with an indefinite life; and the remaining \$118.2 million to goodwill.

During the fourth quarter of 2003, we made a \$1.0 million dollar adjustment to the Potain opening balance sheet for the reversal of the valuation allowance against an acquired net operating loss carryforward.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations for the year ended December 31, 2003 was \$150.9 million compared to \$94.5 million for the year ended December 31, 2002. This was applied to capital spending, dividends and a reduction in debt. We had \$47.2 million in cash and short term investments along with \$96.4 million of unused availability under the terms of the Revolving Credit portion of our Senior Credit Facility at December 31, 2003.

On November 6, 2003, the company completed the sale of \$150.0 million of 7 1/8% Senior Notes due 2013 (Senior Notes due 2013). The Senior Notes due 2013 are unsecured senior obligations ranking prior to the company's Senior Subordinated Notes due 2011 and Senior Subordinated Notes due 2012. The company's collateralized senior indebtedness, including indebtedness under its Senior Credit Facility, ranks equally with the Senior Notes due 2013, except that the Senior Credit Facility is collateralized by substantially all domestic tangible and intangible assets of the company and its subsidiaries. The Senior Notes due 2013 are fully and unconditionally jointly and severally guaranteed by substantially all of the company's domestic subsidiaries. Interest on the Senior Notes due 2013 is payable semiannually in May and November each year, commencing May 1, 2004. The Senior Notes due 2013 can be redeemed by the company in whole or in part for a premium on or after November 1, 2008. In addition, the company may redeem for a premium (107.125% of the face amount of the notes, plus interest) at any time prior to November 1, 2006 up to 35% of the face amount of the Senior Notes due 2013 with the proceeds of one or more equity offerings. We used the net proceeds from the sale of the Senior Notes due 2013 for the prepayment of our Term Loan A and partial prepayment of the Term Loan B under the Senior Credit Facility. We incurred approximately \$3.6 million in financing fees in connection with the sale of these notes.

The company also incurred approximately \$5.6 million of financing fees in 2003 related to senior debt covenants amendments and issuance of our \$150 million of senior notes. This amount is included Debt Issue Costs of the Consolidated Statement of Cash Flows.

We spent a total of \$32.0 million during 2003 for capital expenditures. The following table summarizes 2003 capital expenditures and depreciation by segment.

	Capital Expenditures		Depreciation	
Crane	\$	25,028	\$	36,776
Foodservice		5,005		6,474
Marine		735		1,027
Corporate		1,209		1,160
Total	\$	31,977	\$	45,437

We continue to fund capital expenditures to improve the cost structure of our business, to invest in new processes and technology, and to maintain high-quality production standards. We expect that the trend in capital expenditures in 2004 will approximate segment depreciation levels. As a result, we expect that our total capital expenditures should be near \$40 million in 2004.

The change in working capital of continuing operations was a decrease (source of cash) of \$79.5 million. The details of these changes are reflected in the Consolidated Statement of Cash Flows. The drivers of this decrease were an increase in short-term payables of \$15.4 million, a decrease in inventory of \$25.7 million, a decrease in accounts receivable of \$5.0 million, and an increase in other liabilities of \$27.3 million.

Our outstanding debt at December 31, 2003, consisted primarily of our 10 3/8% Senior Subordinated Notes due 2011, 10 1/2% Senior Subordinated Notes due 2012, 7 1/8% Senior Notes due 2013, and borrowings under our Senior Credit Facility.

The Senior Credit Facility is comprised of a \$175 million Term Loan A, a \$175 million Term Loan B and \$125 million Revolving Credit Facility. As a result of scheduled payments and prepayments made since 2001, we have no amounts outstanding under our Term Loan A and \$17.7 million outstanding under our Term Loan B, which requires quarterly principal payments of \$0.1 million from December 2004 through March 2006, and quarterly principal payments of \$3.5 million from June 2006 through May 2007. There was no amount outstanding under the Revolving Credit Facility as of December 31, 2003.

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 our consolidated total leverage ratio, as defined by the Senior Credit Facility. The weighted-average interest rate for the Term Loan B facility was 4.33% at December 31, 2003. The annual commitment fee in effect on the unused portion of our Revolving Credit Facility was 0.5% at December 31, 2003. We had \$96.4 million of unused availability under the terms of our Revolving Credit Facility at December 31, 2003.

To help finance the Potain acquisition in May 2001, we issued 175 million Euro (approximately \$217.7 million at December 31, 2003 exchange rates) of 10 3/8% Senior Subordinated Notes due May 2011 (Senior Subordinated Notes due 2011). The Senior Subordinated Notes due 2011 are unsecured obligations ranking subordinate in right of payment to all senior debt, rank equal to the Senior Subordinated Notes due 2012, and are fully and unconditionally, jointly and severally guaranteed by substantially all of our domestic subsidiaries. Interest on the Senior Subordinated Notes due 2011 is payable semiannually in May and November of each year. The Senior Subordinated Notes due 2011 can be redeemed in whole or in part by the company for a premium after May 15, 2006. In addition, we may redeem for a premium (110.375% of the face amount of the notes, plus interest) at any time prior to May 15, 2004, up to 35% of the face amount of the Senior Subordinated Notes due 2011 with the proceeds from one or more public equity offerings.

As part of the Grove acquisition in August 2002, we issued \$175 million of 10 1/2% Senior Subordinated Notes due August 2012 (Senior Subordinated Notes due 2012). The Senior Subordinated Notes due 2012 are unsecured obligations ranking subordinate in right of payment to all senior debt, rank equal to the Senior Subordinated Notes due 2011 and are fully and unconditionally, jointly and severally guaranteed by substantially all of our domestic subsidiaries. Interest on the Senior Subordinated Notes due 2012 is payable semiannually in February and August each year, commencing February 1, 2003. The Senior Subordinated Notes due 2012 can be redeemed by us in whole or in part for a premium on or after August 1, 2007. In addition, we may redeem for a premium (110.5% of the face amount of the notes, plus interest), at any time prior to August 1, 2005, up to 35% of the face amount of the Senior Subordinated Notes due 2012 with the proceeds from one or more public equity offerings.

The Senior Credit Facility, Senior Notes due 2013 and Senior Subordinated Notes due 2011 and 2012 contain customary affirmative and negative covenants. In general, the covenants contained in the Senior Credit Facility are more restrictive than those of the Senior Notes due 2013 and Senior Subordinated Notes due 2011 and 2012. Among other restrictions, the Senior Credit Facility covenants had required us to meet specified financial tests, which included minimum levels of earnings before interest, taxes, depreciation, and amortization (EBITDA), and various debt to EBITDA ratios which became more restrictive over time. These covenants also limited the company's ability to redeem or repurchase its debt, 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 default under the Senior Credit Facility. At December 31, 2002, the company was not in compliance with certain of its financial covenants. On February 4, 2003, the company received

an amendment and waiver to its Credit Agreement dated May 9, 2001, which cured these violations. In addition, this amendment provided future relief under certain financial covenants that became more restrictive over time. At June 30, 2003, the company was not in compliance with certain of its financial covenants. On July 23, 2003, the company received an amendment and waiver to its Senior Credit Agreement dated May 9, 2001, which cured these violations. In addition, the amendment eliminates the minimum EBITDA covenants and provides future relief under certain financial covenants that became more restrictive over time. The non-financial test covenants discussed above are still in-place under the amended Senior Credit Agreement. The company was in compliance with all covenants as of December 31, 2003, and based upon our current plans and outlook, the company believes it will be able to comply with these covenants during the subsequent 12-month period.

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. In March 2002, Standard & Poor's issued a press release stating that we had been placed on credit watch with negative implications. In July 2002, Standard & Poor's removed the credit watch, but changed its outlook from stable to negative. In July 2003, Standard & Poor's lowered our corporate credit rating from a double B to a double B minus, lowered the rating to our Senior Credit Facility from a double B to a double B minus and lowered the rating on our Senior Subordinated Notes from a single B plus to a single B. Moody's Investors Service has taken no action concerning our rating since initiating them in April 2001. We do not anticipate any future adjustments to these ratings would have a material impact on our liquidity.

Our debt position increases our vulnerability to general adverse industry and economic conditions and results in a significant portion of our cash flow from operations being used for 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 may 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.

Management also considers the following regarding liquidity and capital resources to identify trends, demands, commitments, events and uncertainties that require disclosure:

A. Our Senior Credit Facility requires us to comply with certain financial ratios and tests to comply with the terms of the agreement. We were in compliance with these covenants as of December 31, 2003, the latest measurement date. The occurrence of any default of these covenants could result in acceleration of our obligations under the Senior Credit Facility (approximately \$17.7 million as of December 31, 2003) and foreclosure on the collateral related to such obligations. Further, such an acceleration would constitute an event of default under the indentures governing our Senior Subordinated Notes due 2011 and 2012 and our Senior Notes due 2013.

B. *Circumstances that could impair our ability to continue to engage in transactions that have been integral to historical operations or are financially or operationally essential, or that could render that activity commercially impracticable, such as the inability to maintain a specified investment grade credit rating, level of earnings, earnings per share, financial ratios, or collateral.* We do not believe that the risk factors applicable to our business are

reasonably likely to impair our ability to continue to engage in our historical operations at this time.

C. *Factors specific to us and our markets that we expect to be given significant weight in the determination of our credit rating or will otherwise affect our ability to raise short-term and long-term financing.* We do not presently believe that the risk factors applicable to our business are reasonably likely to materially affect our credit ratings or would otherwise adversely affect our ability to raise short-term or long-term financing.

D. We do not have any significant guarantees of debt or other commitments to third parties. We have disclosed information related to guarantees in Note 16 to our Consolidated Financial Statements.

E. *Written options on non-financial assets (for example, real estate puts).* We do not have any written options on non-financial assets.

OFF-BALANCE SHEET ARRANGEMENTS

Our disclosures concerning transactions, arrangements and other relationships with unconsolidated entities or other persons that are reasonably likely to affect materially liquidity or the availability of or requirements for capital resources are as follows:

We have disclosed in Note 16 to the Consolidated Financial Statements our buyback and residual value guarantee commitments.

We also lease various assets under operating leases. The future estimated payments under these arrangements are also disclosed in Note 19 to the Consolidated Financial Statements.

We have disclosed our accounts receivable factoring arrangement with a bank in Note 10 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

A summary of our significant contractual obligations as of December 31, 2003 is as follows:

	Total Committed	2004	2005	2006	2007	2008	Thereafter
Long-term debt	\$ 577,810	\$ 18,216	\$ 183	\$ 10,507	\$ 6,974	\$	\$ 541,930

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Capital leases	14,490	7,000	1,618	1,654	1,601	1,432	1,185
Operating leases	82,228	16,087	13,534	11,971	10,613	8,965	21,058
Purchase obligations							
Total committed	\$ 674,528	\$ 41,303	\$ 15,335	\$ 24,132	\$ 19,188	\$ 10,397	\$ 564,173

* - There were no significant purchase obligation commitments at December 31, 2003

Additionally, at December 31, 2003, we had outstanding letters of credit that totaled \$28.6 million. We also had buyback commitments and residual value guarantees outstanding, that if all were satisfied at December 31, 2003, the total cash cost to us would be \$33.1 million.

We maintain defined benefit pension plans for some of our operations in the United States and Europe. It is our policy to fund the pension plans at the minimum level required by applicable regulations. In 2003, cash contributions to the pension plans by us were \$4.5 million, and we estimate that our pension plan contributions will be approximately \$9.6 million in 2004.

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 written policies and procedures that place financial instruments under

the direction of corporate treasury and restrict all derivative transactions to those intended for hedging purposes. The use of financial instruments for trading purposes or speculation is strictly prohibited.

For a more detailed discussion of our accounting policies and the financial instruments that we use, please refer to Note 3, Summary of Significant Accounting Policies, and Note 10, Debt, of the Notes to the Consolidated Financial Statements.

Interest Rate Risk

In 2003 we used interest rate swaps to manage our exposure to interest rate movements such that approximately 50% of our debt is fixed rate and 50% is floating. Under these swap agreements, we contract with a counter party to exchange the difference between fixed rates and floating rates applied to the notional amount of the swaps. At December 31, 2003, we had outstanding one floating-to-fixed interest rate swap with a financial institution. The fair value of the swap is recorded in the Consolidated Balance Sheet, with changes in fair value recorded in the accumulated other comprehensive income (loss) account within stockholders' equity. The interest payments or receipts from the interest rate swap are recognized in net earnings as adjustments to interest expense on a current basis. At December 31, 2003, the floating-to-fixed interest rate swap had a notional amount of \$17.3 million, interest rate of 3.56% and maturity date of August 2005. The aggregate fair value of this swap agreement was negative \$0.5 million at December 31, 2003. In addition, as a result of prepayments made during 2003 we unwound a portion of this interest rate swap and recorded a charge of \$1.4 million in the Consolidated Statement of Earnings as a component of Early Extinguishment of Debt. 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 \$0.2 million. This amount was calculated assuming the year-end rate of interest on our variable rate debt was constant throughout the year.

As of December 31, 2003, we also have entered into five fixed-to-floating interest rate swaps with financial institutions. These swap contracts effectively convert \$232.4 million of our fixed rate Senior Subordinated and Senior Notes to variable rate debt. Under these swap agreements, we contract with a counter-party to exchange the difference between a floating rate and the fixed rate applied to \$232.4 million of our Senior Subordinated and Senior Notes. These contracts are considered to be a hedge against changes in the fair value of the fixed-rate obligations. Accordingly, these interest rate swap contracts are reflected at fair value in our Consolidated Balance Sheet at December 31, 2003, as an asset of \$0.1 million and a liability of \$0.9 million and the related debt is reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate risk being hedged. Changes during any accounting period in the fair value of the interest rate swap contract, as well as the offsetting changes in the adjusted carrying value of the related portion of fixed-rate debt being hedged, are recognized as an adjustment to interest expense in the Consolidated Statements of Earnings. The change in the fair value of the swaps exactly offsets the change in fair value of the hedged fixed-rate debt; therefore, there was no net impact on earnings from these swaps for the year ended December 31, 2003. A 10% increase or decrease in the floating rate we pay under these swap agreements would result in a change in pre-tax interest expense of approximately \$1.6 million. This amount was calculated assuming the year-end weighted-average rate of the swaps was constant throughout the year.

Interest swaps expose us to the risk that the counter-party may be unable to pay amounts it owes us under the swap agreements. To manage this risk we enter into swap agreements only with financial institutions that have high credit ratings.

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 2004, certain of these commodities, notably steel, have become subject to abnormal

availability and price increase pressures. Although we have established procedures in place to manage these pressures, no guarantee of success can be made at this time.

Currency Risk

We have manufacturing, sales and distribution facilities around the world and thus make investments and enter into transactions denominated in various foreign currencies. International sales, including those sales that originated outside of the United States, were approximately 43% of our total sales for 2003, with the largest percentage (31%) being sales into various European countries. Although the vast majority of our international sales which originate within the United States are denominated in U.S. Dollars, with the acquisitions of Grove in 2002 and Potain in 2001, we are more exposed to transactional and translational foreign exchange risk in recent years.

Regarding transactional foreign exchange risk, we enter into limited forward exchange contracts to reduce earnings and cash flow impact on 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 these forward exchange contracts generally coincide with the settlement date 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 SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. At December 31, 2003, we had outstanding \$1.5 million of forward exchange contracts hedging outstanding firm orders and \$1.1 million of forward exchange contracts hedging underlying accounts receivable. A 10% appreciation or depreciation of the underlying functional currency at December 31, 2003, would not have a significant impact on our Consolidated Balance Sheet or Consolidated Statement of Earnings. 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 being hedged.

Our primary translation exchange risk exposure at December 31, 2003, was with the Euro. To a much lesser extent, we are also exposed to translation risk with our other foreign operations, primarily in the United Kingdom and in China. Our Euro-denominated 175 million Senior Subordinated Notes due 2011 offsets a significant amount of the translation risk with our operating movement Europe. In addition, a large amount of the translation risk with our Chinese operations are naturally hedged with locally denominated debt. The currency effects of these foreign-denominated debt obligations are reflected in the accumulated other comprehensive income (loss) account within stockholders' equity, where they offset the translation 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, 2003 would have the impact of increasing or decreasing the outstanding debt balance on our Consolidated Balance Sheet by \$21.8 million. This impact would be partially offset by gains and losses on our net investments in foreign subsidiaries whose functional currency is the Euro.

Continued expected strength in the Euro versus the U.S. Dollar in 2004 will require us to manage the transactional exchange risk through continued use of foreign currency hedging. In addition, relative currency values will impact our strategic and operational activities.

At December 31, 2003, there was also a portion of our foreign currency translation exposure that was not hedged. As a result, fluctuations in currency exchange can affect our stockholders' 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 stockholders' equity as cumulative translation adjustments. The cumulative translation adjustment component of stockholders' equity at December 31,

2003, is \$45.3 million, or approximately 12.7% of total stockholders' equity. Using year-end exchange rates, the total amount invested in foreign operations at December 31, 2003 was approximately \$507.7 million of which approximately \$247.4 million was naturally hedged with local, non-U.S. Dollar debt.

ENVIRONMENTAL, HEALTH, SAFETY AND OTHER 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 subject 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.

We have been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) in connection with the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin. Approximately 150 potentially responsible parties have been identified as having shipped hazardous materials to this site. Eleven of those, including us, have formed the Lemberger Site Remediation Group and have successfully negotiated with the United States Environmental Protection Agency and the Wisconsin Department of Natural Resources to fund the cleanup and settle our potential liability at this site. Recent estimates indicate that the total costs to clean up this site are approximately \$30 million. However, the ultimate allocations of cost for this site are not yet final. Although liability is joint and several, our share of the liability is estimated to be 11% of the total cost. Prior to December 31, 1996, we accrued \$3.3 million in connection with this matter. The amounts we have spent each year through December 31, 2003 to comply with our portion of the cleanup costs have not been material. Remediation work at the site has been substantially completed, with only long-term pumping and treating of groundwater and site maintenance remaining. Our remaining estimated liability for this matter, included in other current liabilities in the Consolidated Balance Sheet at December 31, 2003 is \$0.6 million. Based on the size of our current allocation of liability at this site, the existence of other viable potentially responsible parties and current reserve, we do not believe that any liability imposed in connection with this site will have a material adverse effect on our financial conditions, results of operations, or cash flows.

At certain of our other facilities, we have identified potential contaminants in soil and groundwater. The ultimate cost of any remediation required will depend upon the results of future investigation. Based upon available information, we do not expect that the ultimate costs will be material to us.

We believe that we have obtained and are in substantial compliance with those material environmental permits and approvals necessary to conduct our various businesses. Based on the facts presently known, we do not expect environmental compliance costs to have a material adverse effect on our financial condition, results of operations or cash flows.

As of December 31, 2003, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retention levels. Our self-insured retention levels vary by business unit, and have fluctuated over the last five years. The

range of our self-insured retention levels are \$0.1 million to \$3.0 million per occurrence. The high-end of our self-insurance retention level is a legacy product liability insurance program inherited in the Grove acquisition in 2002 for cranes manufactured in the United States for occurrences from 2000 through October 2002. As of

December 31, 2003, the largest self-insured retention level currently maintained by us is \$2.0 million per occurrence and applies to product liability for cranes manufactured in the United States.

Product liability reserves in the Consolidated Balance Sheet at December 31, 2003, were \$31.8 million; \$9.6 million reserved specifically for cases and \$22.2 million for claims incurred but not reported which were estimated using actuarial methods. Based on our experience in defending product liability claims, management believes the current reserves are adequate for estimated case resolution on aggregate self-insured claims and insured claims. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At December 31, 2003 and 2002, we had reserved \$41.7 million and \$38.5 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets. Certain of these warranties and other related claims involve matters in dispute that ultimately are resolved by negotiations, arbitration or litigation. Infrequently a material warranty issue can arise which is beyond the scope of our 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 matters that are beyond the scope of our historical experience. Presently, there are no reliable methods to estimate the amount of any such potential changes.

We are also involved in various other legal actions arising in the normal course of business, including numerous lawsuits involving asbestos-related claims in which we are one of numerous defendants. After taking into consideration legal counsel's evaluation of such actions, the current political environment with respect to asbestos related claims, and the liabilities accrued with respect to such matters, management believes that the ultimate resolution of these claims will not to have a material adverse effect on the financial conditions, results of operations and cash flows.

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

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements include accounts of The Manitowoc Company, Inc. and all its subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires us to make estimates and assumptions in certain circumstances that affect amounts reported in our consolidated financial statements and related notes that are incorporated by reference in this prospectus supplement. In preparing these consolidated financial statements, we have made our best estimates and judgments of certain amounts included in the consolidated 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 of 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 for more detailed description of these and other accounting policies of ours.

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. We periodically enter into transactions with customers that provide for residual value guarantees and buyback commitments. These transactions are recorded as operating leases for all

significant residual value guarantees and for all buyback commitments. These initial transactions are recorded as deferred revenue and are amortized to income on a straight-line basis over a period equal to that of the customer's third-party financing agreement. In addition, we lease cranes to customers under operating lease terms. Proceeds received in connection with these transactions are recognized as revenue over the term of the lease, and leased cranes are depreciated over their estimated useful lives.

Revenue Recognition Under Percentage-of-Completion Accounting. Revenue under long-term contracts within the Marine segment are recognized using the percentage-of-completion (POC) method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at the completion of the contract. Recognized revenues that will not be billed under the terms of the contract until a later date are recorded as recoverable costs and accrued profit on progress completed not billed, which are included in other current assets in the Consolidated balance sheet. Likewise, contracts where billings to date have exceeded recognized revenues are recorded as amounts billed in excess of sales, which are included in accounts payable and accrued expenses in the Consolidated balance sheet. Changes to the original estimates may be required during the life of the contract and such estimates are reviewed when customer change orders are placed. Sales and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Claims against customers are recognized as revenue when it is probable that the claim will result in additional contract revenue and the amount can be reliably estimated. Estimated losses are recorded when identified. Historically, the reviews have not resulted in adjustments that were significant to our results of operations. The use of the POC method of accounting involves considerable use of estimates in determining revenues, costs and profits and in assigning the amounts to accounting periods. We continually evaluate all of the issues related to the assumptions, risks and uncertainties inherent with the application of the POC method of accounting.

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 evaluation of specific accounts where we have information that the customer may have an inability to meet its financial obligations together with a general provision for unknown but existing doubtful accounts based on pre-established percentages to specific aging categories which are subject to change if experience improves or deteriorates.