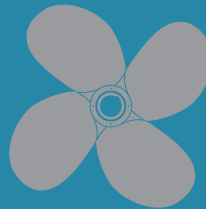


By focusing on its core businesses and growth strategy, Manitowoc expects to continue to outperform its industries and meet aggressive growth goals for the year 2000.



The Manitowoc Company, Inc. is a diversified capital goods manufacturer headquartered in Manitowoc, Wisconsin.

Founded in 1902 as a Great Lakes shipyard, Manitowoc's divisions and subsidiaries manufacture, distribute, and provide customer support services to a broad range of capital goods markets including ice-cube machines and commercial refrigeration equipment for foodservice, lodging, health care, and convenience-store applications; lattice-boom cranes and boom trucks for heavy-construction, duty-cycle, dockside, and crane-rental operations; plus ship-repair and conversion service for freshwater and saltwater vessels operating on the Great Lakes.

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Financial Highlights

Thousands of dollars, except current ratio, shares, per share, and employee data

	Calendar 1996	Calendar 1995	% Change
For The Year			
Net sales	\$ 500,465	\$ 313,149	59.8
Earnings from operations	\$ 50,890	\$ 23,152	119.8
Net earnings	\$ 25,643	\$ 14,569	76.0
Net earnings as a percent of sales	5.1%	4.7%	10.1
Financial Position (At End of Year)			
Total assets	\$ 317,710	\$ 324,915	(2.2)
Working capital	\$ 17,573	\$ 24,222	(27.5)
Current ratio	1.2	1.2	—
Stockholders' equity	\$ 100,329	\$ 81,661	22.9
Average shares outstanding	11,511,357	11,511,707	—
Per Share			
Net earnings	\$ 2.23	\$ 1.27	75.6
Dividends paid	\$.67	\$.67	—
Net book value	\$ 8.72	\$ 7.09	23.0
Other Information			
Property, plant and equipment – net	\$ 84,703	\$ 87,674	(3.4)
Capital expenditures	\$ 8,396	\$ 19,209	(56.3)
Depreciation	\$ 8,318	\$ 6,456	28.8
Number of employees	2,934	2,900	1.2

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

Quarterly Common Stock Price Range

	Year ended December 31, 1996			Year Ended December 31, 1995			Transition Period Ended December 31, 1994			Year Ended July 2, 1994		
	High	Low	Close	High	Low	Close	High	Low	Close	High	Low	Close
1st Quarter	\$33.25	\$27.75	\$31.50	\$25.00	\$21.00	\$24.88	\$27.00	\$24.00	\$27.00	\$33.25	\$30.38	\$31.50
2nd Quarter	38.00	31.75	35.88	28.88	24.88	28.88	26.88	21.50	21.63	33.13	31.00	32.25
3rd Quarter	35.75	23.50	32.13	30.00	26.88	29.63	—	—	—	32.38	27.75	27.75
4th Quarter	43.88	31.50	40.50	30.63	28.13	30.63	—	—	—	28.25	24.88	25.13

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

Dear Shareholder:

Sales in 1996 topped the one-half billion dollar mark for the first time. Operating earnings were more than double those of 1995. And net earnings were the highest in more than a decade. All in all, a pretty good year.

We expect to do even better in 1997 as we continue to change and strengthen our company. In the process, we are creating increased value for shareholders, employees, customers, and suppliers alike. And after all, that's the core reason for our being.

When I say we created value, I'm referring to EVA (economic value-added) performance, which is the guidepost we use to measure real progress. This is the second consecutive year we had a positive EVA. That means our return on our invested capital was greater than the cost of obtaining that capital. EVA is discussed more fully on page 4.

Until we embarked on our strategy to refocus the company so we were not always at the mercy of swings in the economy, we were thought of as a stodgy old rust-belt manufacturer in a cyclical business. To a large extent, this was true. We weren't comfortable with that lot in life, and we have charted a course to change it. However, our strategy to do so does not envision throwing out the baby with the bath water. We build great cranes. As a result, we are the leader in our market segment. We wanted to capitalize on this strength and others we already have by continuing to do better.

The second thrust of our strategy involves expanding our more-stable foodservice equipment business as a way of adding stability to our growth, predictability to our earnings, and more control over our destiny.

Our first priority was to get our existing operations in order. We invested to introduce new products and to produce them more efficiently. We strengthened our operating management team. Our strong 1996 results are in large part a result of those investments.

In late 1995, we acquired The Shannon Group. This more than doubled our foodservice equipment sales and made us a major player in commercial food cooling. Foodservice equipment now makes up the largest part of our sales.

As we work to integrate the Shannon operations into our existing foodservice equipment group, we are uncovering opportunities to enhance the potential of this business beyond our initial expectations. We have opened a new plant to improve our competitive position in the western market. We have closed two plants and consolidated a third to increase efficiency. We have strengthened management and



have shifted to decentralized Shannon profit centers – each with its own controller and general manager having profit and loss responsibility. Developing these and other unforeseen opportunities is taking time and is temporarily depressing foodservice performance. I'm confident, however, that the payback will begin to show up before the end of the year, just as we are now benefiting from the investments we recently made to improve products and productivity at our crane and ice machine businesses. The fact that Shannon is off to a slower than expected start in no way diminishes my enthusiasm for this acquisition and my confidence that our long-term strategy is sound. Short-term pain for long-term gain is always worthwhile.

Keep in mind, too, that our focus on foodservice equipment growth is not exclusive. We will continue to capitalize on the strengths in our other businesses as opportunities develop.

Most of all, we will concentrate on meeting customer needs with high-value solutions. Each of our businesses is working to improve its understanding of its markets and deepen its relationships with customers. Whether it is by providing technical support for ship owners, training for crane operators, or focus groups for foodservice professionals, our people are reaching out to customers in more ways than ever before.

This is an exciting time for Manitowoc. There is plenty of room for improvement, and we will make the moves that advance us toward our goals. Finally, let me say we miss Bob Silva, our executive vice president and chief operating officer, who retired in June after 17 years with the company. Bob helped select and shape the strong management teams we now have in place across our operations. With their help, I'm confident we will continue to build value for all our stakeholders in the years ahead.



Fred M. Butler

President & Chief Executive Officer

Measuring Our Success

Since 1990, we have measured our performance using economic value-added methodology, or EVA. This long-term commitment is paying off.

Manitowoc is one of a growing number of companies in a range of industries who see EVA as the best way to measure and analyze performance. EVA defines value creation as the return a business generates on invested capital over and above the costs of obtaining that capital. We believe EVA is the single best gauge of our company's performance, because it helps us make sure our growth is profitable.

There are three ways to increase EVA: increase operating profits without using additional capital, invest capital in projects that earn more than the cost of capital, or divert or liquidate capital from business activities that do not meet the cost-of-capital hurdle.

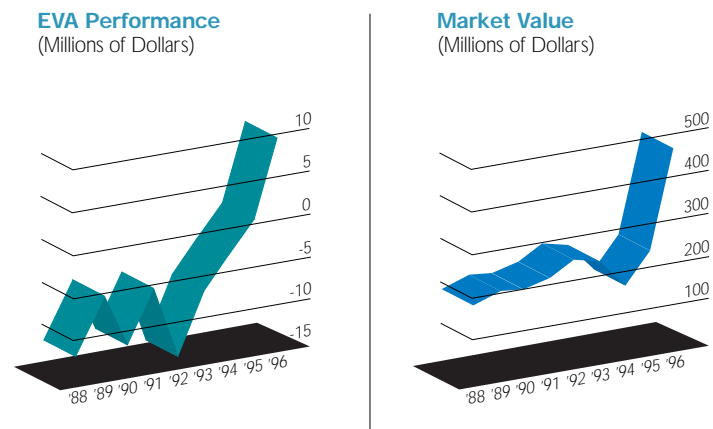
We work on all three. By reducing inventories, speeding accounts receivable collections, and streamlining operations, we have improved our after-tax return on capital from 6.8% in 1991 to 14.4% at the end of 1996. The modernization of the SouthWorks crane manufacturing facility and the introduction of new crane designs have helped that business segment achieve a 1996 operating margin of more than 10%. The consolidation and closing of two less-productive KMT refrigeration facilities and the sale of two non-core crane businesses plus a company-owned crane dealership enabled us to concentrate more resources in areas that generate better returns.

We are working to make EVA part of our culture. Throughout the company, managers are encouraged and rewarded for basing their daily decisions and actions on the long-term goal of building value for shareholders. Our goal is to have every employee add to our value. As EVA takes root, we are nearing that objective.

Since 1992, we have created value for our shareholders in each succeeding year, and in 1996, we reported record EVA growth. In addition, we continue to outperform the S&P 500, the S&P Small Cap 600, and the Russell 2000 Index. The fact that our market value closely parallels our EVA performance is undoubtedly more than coincidental.



Robert R. Friedl
Senior Vice President
& Chief Financial Officer



Mission Statement

Manitowoc's mission is to continuously add value by concentrating on our strengths.

Strategy

Our strategy is to grow our core businesses by improving what we do -- and by doing it better than ever before.

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

I believe our people, our plant and our product line are up to this challenge.

Vision 2000

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

More than 20,000 square feet of Kolpak walk-in refrigerator/freezers play a vital role in Opryland's commissary operation. Not only do the walk-ins help preserve perishable food items prior to preparation, several units are used to refrigerate large quantities of soups, sandwiches, vegetables, and entrees prepared by the commissary.

On a typical day, the Opryland commissary helps the hotel and related operations serve approximately 10,000 meals in a variety of restaurants and banquet facilities.



Customer-Focused Solutions

Our customers don't want an ice machine, they want clean, sanitary ice. And they don't want walk-in refrigerators, they want safe food storage. Our job is to answer those needs better than anyone else.

Providing the best answers begins with understanding customer needs. To gain that understanding, we're organizing around our customers and actively researching their requirements. Across the business, focus groups with purchasers and end users help guide the development of new designs and product features. The result: products our customers want; products that help them reduce cost and improve sanitation; products with quieter, more reliable, more economical and environmentally friendly operation.

For example, virtually all our ice machines now use environmentally friendly HFC refrigerants, as opposed to chlorofluorocarbons which are thought to contribute to global warming. Our use of HFCs gives us a head start in complying with the international environmental protection standards established by the Montreal Protocol.

Our products stand out in other ways as well. To simplify maintenance, reduce costs and improve performance, all Manitowoc ice machines feature a patented self-cleaning system, the only one of its kind in the industry. At the flip of a switch, the system keeps an ice machine's water distribution system free of mineral scale and lime deposits, while also eliminating the task of tedious hand cleaning. To build on our design leadership and make cleaning even easier, we also have introduced an automatic cleaning system that operates on a pre-programmed schedule. Innovations like these make Manitowoc the right choice for customers – and leave our competitors playing catch-up.

The availability of fast and reliable service is another customer concern. We're responding. Each year we train and re-train approximately 11,000 service technicians from distributors and dealers around the world. Restaurant and foodservice managers want to be confident that an equipment failure will not hurt their ability to serve customers. The field service organization we have built gives them that confidence. It's another way we add value to our products.



Terry D. Growcock
President & General Manager
Manitowoc Equipment Works

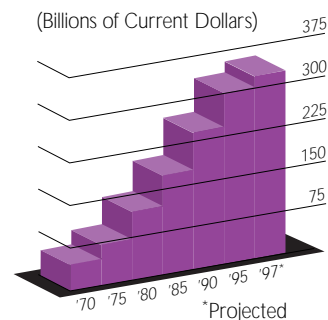
Global Growth

For many, including international fast-food chains, worldwide support is critical. A new, more efficient, European distribution center helps us provide it. The center also enables us to offer the same pricing in Europe as we do in the United States. This helps cement strong relationships with large restaurant chains and other major international customers. Growing sales and service networks, including new sales representatives in England, Italy, Germany and France, will help build our presence in European markets.

In China, we're well positioned to answer growing consumer demands for safe food storage. Our joint venture with the Hangzhou Household Electric Appliance Industrial Corporation gives us a leading position in local restaurants and with the

Restaurant Industry Food and Drink Sales

Restaurant industry sales are forecast to advance 4.2% to \$320 billion in 1997. During 1996, the typical person (8 years of age and older) consumed an average of 4.1 meals per week – 213 meals per year – away from home.



Recognized as the largest combined hotel/convention center under one roof anywhere, the Opryland Hotel relies on Manitowoc ice machines throughout the expansive property that features 2,883 guest rooms and 600,000 square feet of meeting space.

In addition to providing guest room ice, Manitowoc ice machines support the foodservice, beverage and banquet operations that serve more than four million meals a year.



international restaurant chains that are rapidly expanding there. In 1997, the facility will expand production to include additional models of ice machines. One of these is designed to meet the smaller daily output needs of the international market.

Leveraging U.S. Leadership In Ice Cubers and Walk-ins

Internationally and in the United States, building our presence begins with leveraging our strengths in the markets we serve. As a leader, we gain economies of scale that enable us to be more price competitive. Higher sales volumes also mean more money to invest – in research and development, in more productive tooling, in better marketing materials, in a larger sales force. What's more, leadership is perceived as a mark of quality. People want to do business with a leader.

We're capitalizing on those advantages. Wherever it's appropriate, we will market our brands separately. But behind the scenes, we'll capitalize on the synergies we have gained. In international markets, for example, sales people often represent a number of our brands. Sharing engineering and manufacturing breakthroughs among different brands speeds the introduction of new features and makes the most of funds invested in innovation. Using our collective expertise, we recently began producing our own condenser units for walk-in and reach-in refrigerator/freezers that we once relied on an outside supplier to provide. That's just one way we're working together to improve our responsiveness and add value.

Staying close to customers and harnessing our combined strengths has led to the development of higher-value products that combine more features with lower cost. A new pre-assembled walk-in refrigerator/ freezer will help customers quickly increase their food storage capacity. To be launched in 1997, this innovative system will eliminate the time and expense of on-site construction.



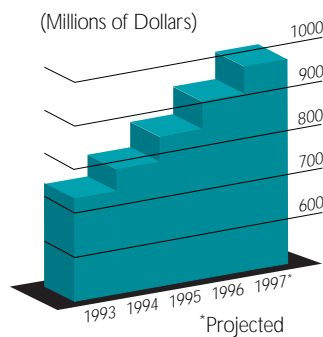
Another example is our new J-Series 1300 and 1800 ice-cube machines that feature a single evaporator rather than two that were used in earlier models. This improves reliability, simplifies maintenance, and reduces operating cost. All new J-Series models feature HFC refrigerants and our patented self-cleaning system, which cleans and sanitizes our ice machines at a flip of a switch. An automated self-cleaning system is also available as an option. Even with all these features, however, new prices on the J-1300 and J-1800 models are 10% lower than the units they replace. Because of these advantages, we feel confident about capturing a still larger share of the foodservice, beverage and banquet markets.

We're achieving competitive advantages through technologically advanced products, service and distribution. We're committed to exceeding customers' expectations in everything we do.

July D. Hummel

Foodservice Industry Storage & Handling Equipment Sales

Equipment purchases by the foodservice industry are forecast to rise over 6%, to \$6.6 billion, in 1997. Mirroring that trend, purchases of storage and handling equipment – which includes the ice-cube machines, walk-ins, and reach-ins produced by Manitowoc, Kolpak, McCall, and Tonka – are forecast to rise 7%, to \$963 million, in 1997.



Manitowoc drives the heavy-lift crane market with aggressive new-product development programs. During 1996, Manitowoc introduced two innovative attachments for its highly successful Model 888. The 888 RINGER (shown right) is a 45-foot diameter attachment that boosts the 888's nominal capacity to 660 U.S. tons.

For long-reach applications, the 888 can also be rigged with a luffing-jib attachment (shown below) that delivers a 105,500-pound maximum capacity and allows the 888 to operate with a maximum combination of 370 feet of boom and luffing jib.



Innovation For Growth

New product designs are fueling unprecedented sales and earnings growth throughout Manitowoc's crane segment. Beginning with a team-oriented approach, our marketing, manufacturing and engineering professionals work closely together to develop new products that not only meet customer needs, but compete successfully on a global basis. Then we bring the new products to market in the shortest possible time.

One example is the Model 888 liftcrane we introduced in 1995. In the words of International Cranes magazine, it "rejuvenated the market for lattice boom cranes." What's more, the enthusiastic reception it received in the market helped push our segment's backlog to \$136 million by the end of 1996. With the 888, Manitowoc Engineering was fast out of the blocks with an innovative product that met customer needs, and went right to work setting a new standard of reliability.

A Proven Formula

After each new crane is introduced, Manitowoc leverages the success of these new designs by developing lift-enhancing attachments that result in versatile lifting systems. Continually adding new enhancements and additional features to our "base" platforms is a proven formula for success. For example, during 1996 we introduced a luffing-jib attachment to extend the operating radius and versatility of the 888. That was followed by a container-handling attachment to adapt the M-250 for dockside cargo-handling applications. By year's end, we also delivered our first 888 RINGER® attachment, a product enhancement targeted at the engineers of power plants and industrial facilities who base their plant designs on the lifting systems that are available for erecting heavy components.

A steady stream of innovation also brings new growth. Sales volumes at Manitowoc Engineering rose nearly 70% in 1996 and operating profits increased almost eight-fold. New-product development is clearly driving this success as 97% of our new-crane sales in 1996 came from machines introduced since 1992. The new Model 777 liftcrane, to be introduced this April, continues this progress. Somewhat smaller than the 888, the 777 broadens our product line. Attesting to our reputation for quality and innovation, Manitowoc Engineering received orders for more than forty 777's before the first pre-production unit was built.

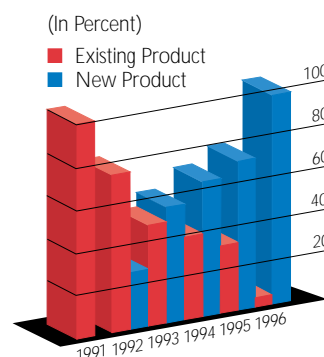
Our sister crane companies are also following a strategy of aggressive new-product development. During 1997, West-Manitowoc will introduce the 222EX, a self-erecting crawler crane that will serve the specialized needs of bridge and foundation contractors. Later this year, West will further broaden its product line by introducing the Model 111, a 65-ton crawler crane designed to serve the varied demands of the general construction market. In addition, Manitex has six new boom trucks in the pipeline to expand its "Millennium" series even further.



Jeffrey D. Bust
President & General Manager
Manitowoc Engineering Co.

New Product Impact on Sales

Manitowoc's strategy to drive the market with innovative products is reflected in the breakdown of unit sales of new and existing products. In 1991, Manitowoc Engineering derived 100% of its unit sales from existing products. In 1996 it virtually reversed that position, generating 97% of unit sales from new products.



Providing a 25-ton maximum capacity and 148-foot tip height, the 2592S (shown right) was one of three new boom trucks that Manitex introduced during 1996.

Complementing these capabilities, the 2592S also features an innovative rear mount that positions the crane over the truck's tandem rear axle to provide exceptional operator visibility from an elevated, ride-around platform.

West-Manitowoc's 222 liftcrane delivers a 100-U.S. ton capacity and is ideal for the wide-ranging applications served by general contractors and crane-rental firms alike. Shown below, a 222 works as a tailing crane during a refinery demolition project in northern Illinois.



World-Class Operations

Besides developing world-class products, Manitowoc Engineering has restructured and improved its production processes to compete successfully on a global basis. The reconfiguration of our SouthWorks manufacturing facility has significantly reduced indirect costs, shortened lead times and increased productivity. Similar improvements have been achieved at the Manitex facility in Georgetown, Texas. Across the board, we're doing a better job of working with subcontractors and vendors to further reduce costs and lead times. These improvements have resulted in higher inventory turns and stronger profit margins. In the long term, our leaner, more-efficient operations will insure profitable performance even during slower market cycles.

Market-Leading Distribution

Our distribution network is stronger than ever. In 1996, Manitowoc Engineering reorganized its North American sales network, shrinking it to 11 dealers who have the resources to represent the company effectively and provide customers exceptional long-term service. New service training programs are giving our distributors the skills to meet customer requirements and increase sales.

We also have strengthened our relationships with crane-rental companies. As large construction firms work to reduce their capital requirements, they continue to rent, rather than buy, the cranes they need. Our new cranes, with their easy set-up and operation, are designed to serve this increasingly important market. In fact, of the more than 75 Model 888 cranes Manitowoc has delivered, the majority have gone to rental companies. As contractors and end users become aware of their capabilities, quick mobilization and cost effectiveness, we expect to play an even bigger role in this market.

A Market Leader in After-Sale Support

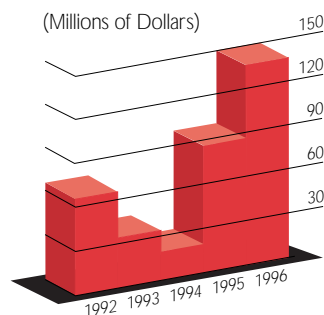
Manitowoc has long been known as a company that supports its products after the sale. Today, that reputation is more valuable than ever. Our aftermarket group, consisting of Femco Machine and Manitowoc Re-Manufacturing, rebuilds cranes and helps generate new-crane sales in the United States by enabling our customers to relocate their used cranes in foreign markets. At the same time, a new repair parts management team at Manitowoc Engineering has shortened repair part lead times, and begun to systematically improve performance standards. Improved long-term support builds long-term relationships with our customers. It also helps ensure that Manitowoc equipment maintains high resale values. There are more immediate benefits, too. In 1996, parts sales at Manitowoc Engineering grew 25% above previous year levels.

With an increasing portion of our large-crane sales originating outside of North America, we've clearly shown that Manitowoc can put down roots in international markets. Our robust designs and outstanding service make us a world-class competitor. Those strengths, combined with further improvements in manufacturing and marketing, will extend our leadership in the industry into the new century, and beyond.



Crane Backlog

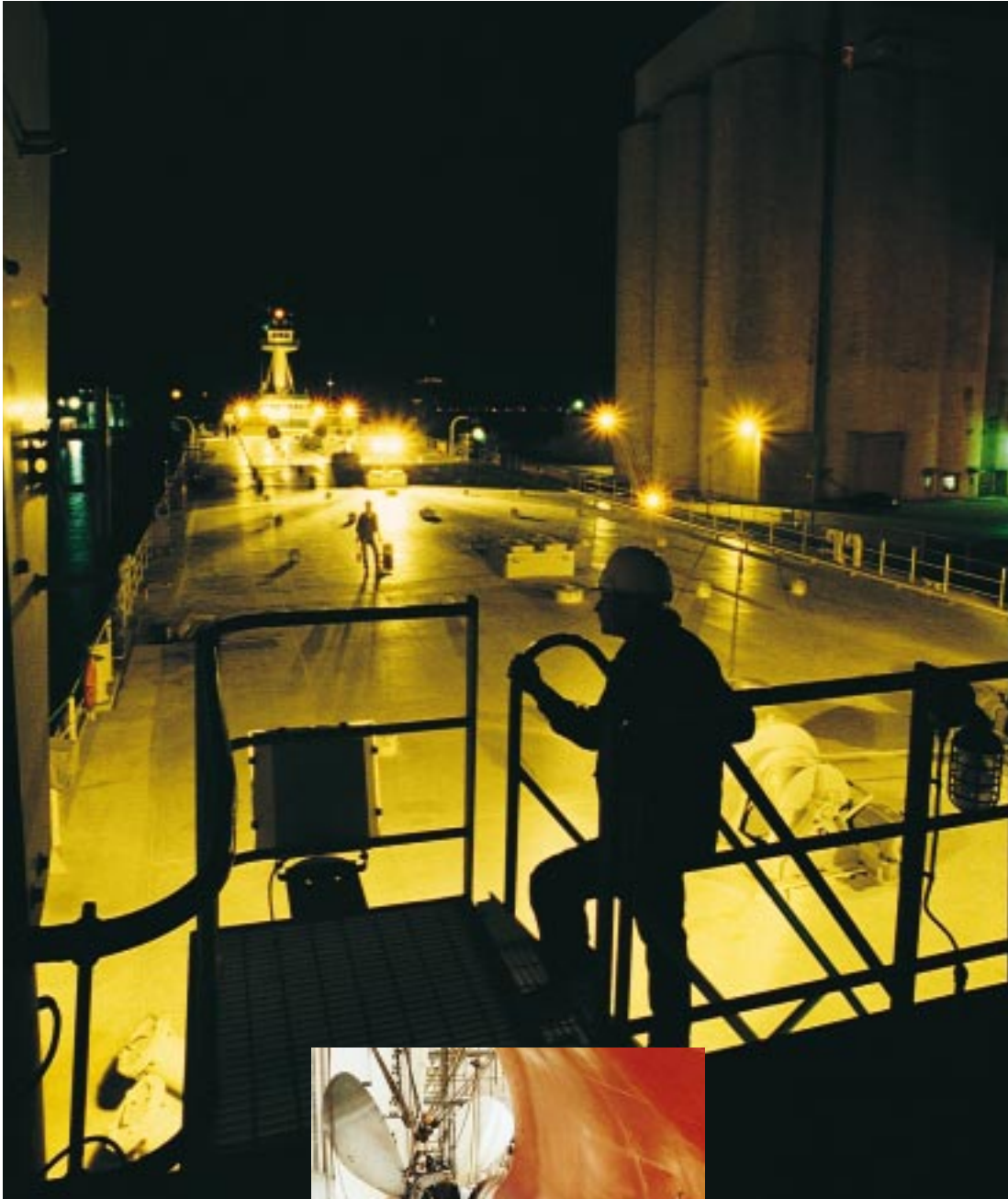
An aggressive focus on research and development has created tremendous demand for our new products, including Manitowoc's 888 crawler crane, the West-Manitowoc 222, and the Manitex Millennium Series of boom trucks.



In the early pre-dawn hours, the 14,000-ton capacity, self-unloading barge "Integrity" discharges a load of cement at a bulk terminal near Waukegan, Illinois.

Not only is this 70-foot x 460-foot barge the first new vessel built for dedicated Great Lakes service in over a decade, Integrity is also the most sophisticated self-unloading barge ever constructed by Manitowoc's marine group.

In our large graving dock at Sturgeon Bay, workmen repaint the hull and repair a propulsion system for a salt-water vessel.



Building Strong Relationships

In our market, every customer counts. That's why we're giving them more support than we ever have before.

With the U.S. Flag Great Lakes fleet operating near full capacity, ship owners are actively seeking to increase the efficiency and capacity of their vessels. We've proven to be an excellent partner in modernization programs, as well as in performing fast turn-around repairs. In 1996, our efforts included the fabrication and installation of a 280-foot self-unloading boom, the longest ever for a Great Lakes vessel, and a multi-week repair of the icebreaker "Mackinaw." We expect to perform similar upgrade projects in 1997.

As the Great Lakes fleet continues to age, these ships require more attention. At the same time, many customers have begun to outsource service functions they once performed themselves. Both are positive business drivers for Manitowoc Marine Group, and we're expanding and improving our maintenance services to make the most of these opportunities.

We want to be the long-term yard of choice. To reach that goal, our people and facilities offer the best service available. We have served some Great Lakes shippers for more than 90 years, and we regularly perform winter maintenance on more than half of the U.S.-flagged Great Lakes vessels. We also have earned a well deserved reputation for responsive assistance with unscheduled dockside and voyage repairs.



Bruce C. Shaw
President
& General Manager
Bay Shipbuilding Co.

Resource Rich

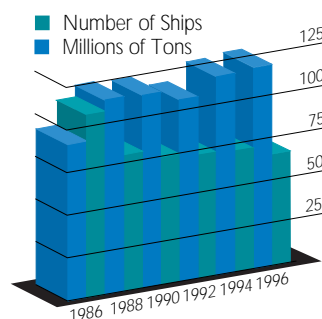
Our resources include our employees' experience as well as fully-equipped facilities. Our workforce is highly skilled and creative at solving problems. We're up-to-date on new technologies, and we help customers examine all options.

Our approach helps us gain market share and earn the right to build new vessels, including an auto-passenger ferry and the 135-foot hull for a twin-screw tug. On July 31, 1996, we completed the Integrity, a 460-foot tug/barge combination, which became the first new vessel built for dedicated Great Lakes service since 1982. Featuring an advanced automated unloading system, Integrity performs the work of two conventional ships at a much lower cost for its operator. The Integrity's tug/barge design also provides greater flexibility and lower capital costs.

On the Great Lakes, tug/barge use has been limited, but now there's considerable interest in this concept due to its economic advantages. The tug/barge configuration has the potential to expand our market. We've proven we can build complex vessels like the Integrity, and deliver them on time. And, with our unique combination of modern facilities and highly skilled workforce, we're prepared to serve our customers no matter what scope of work their fleets require.

U.S. Flag Fleet Efficiency

Although the number of vessels comprising the U.S. Great Lakes fleet has declined by 43 since 1986, the efficiency of the remaining vessels (59 active, 5 inactive) resulted in a record carriage of 117.0 million tons of bulk cargo in 1996.



Company Overview

Business Segment

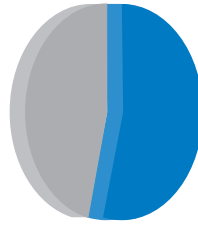
Foodservice Equipment:
Manitowoc Equipment Works
The Shannon Group

1996 Results

Net Sales: \$242.3 million



Operating Earnings: \$34.0 million



Products & Services

Commercial ice cube machines; ice storage bins; ice cube dispensers; walk-in refrigerator/freezers; reach-in refrigerator/freezers; refrigerated warehouses; refrigerated under-counters and food prep tables; compressor racks and modular refrigeration systems.

Brand Names

Manitowoc, Kolpak,
Polar-Pak, Tonka, McCall,
McCall/Star, RDI

Cranes and Related Products:

Manitowoc Engineering Co.
Manitowoc Re-Manufacturing
Manitex, Inc.
Femco Machine Co.
West-Manitowoc, Inc.

Net Sales: \$210.6 million



Operating Earnings: \$22.6 million



Crawler- and truck-mounted lattice-boom cranes and excavators; truck-mounted hydraulic cranes; crane remanufacturing and rebuilding services; crane replacement parts; industrial press repair and remanufacturing.

Brand Names

Manitowoc, Manitex, Femco,
West-Manitowoc

Marine Operations:

Bay Shipbuilding Co.
Toledo Shiprepair Company
Cleveland Shiprepair Company

Net Sales: \$47.6 million



Operating Earnings: \$6.2 million



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

Divisions and Subsidiaries

As of December 31, 1996, The Manitowoc Company, Inc. included the following divisions and subsidiaries:

Operating Divisions

Bay Shipbuilding Co.
Manitowoc Engineering Co.
Manitowoc Equipment Works

Operating Subsidiaries

Femco Machine Co.	Punxsutawney, PA
Manitex, Inc.	Georgetown, TX
Manitowoc International Sales Corp.	Bridgetown, Barbados
Manitowoc Nevada, Inc.	Reno, NV
Divisions:	
Cleveland Shiprepair Company	Cleveland, OH
Toledo Shiprepair Company	Toledo, OH
Representative Office:	
Manitowoc Beijing	Beijing, PRC
Manitowoc Re-Manufacturing, Inc.	Bauxite, AR
North Central Crane & Excavator Sales Corp.	Mokena, IL

Markets Served

Foodservice, lodging, hospitality, health care, convenience stores, supermarkets, institutions, industrial and commercial ice service.

Primary Competition

Scotsman Industries
Welbilt Company (Ice-O-Matic)
Hoshizaki America, Inc.
Beverage Air
The Delfield Company
Traulsen & Co., Inc.
American Panel Corporation
Elliott-Williams, Inc.
Kysor-Needham
True Foodservice Equipment
Nor-lake Incorporated
Master-Bilt

Key Advantages

- Broad-line manufacturer with multi-national distribution.
- First to complete line of reduced-CFC ice machines.
- First to offer patented, self-cleaning, self-sanitizing ice machines.
- Largest share of ice-cube machine market.
- Strategic partnership in Hangzhou, China.
- 80 distributors in 70 countries.
- ISO 9001 certified.
- European distribution center.
- Largest share of foam walk-in cooler market.

Industry Outlook

- Foodservice sales expected to reach \$370 billion by 2000.
- Annual foodservice equipment growth will be at least equal to the historical foodservice growth through the end of the century due to:
 - increasing international demand
 - growth in the replacement and kiosk market.
- One out of every four U.S. retail outlets is an eating or drinking establishment.

Heavy construction, general contracting, light commercial construction, energy exploration and production, equipment rental, surface mining, dredging, port facilities, industrial and material-handling applications.

American Crane Corporation
Link Belt Construction Equipment Co.
Hitachi Construction Machinery Co.
Kobelco
Kobe Steel, Ltd.
Mannesmann Demag Baumaschinen
Liebherr-Werk Ehingen
Simon-R.O. Corp.
National Crane
USTC

- Leading share of crane market based on product performance, reliability, and versatility.
- All products backed by responsive parts and service support.
- Manitowoc cranes provide the industry's highest resale value.

- Construction equipment sales are expected to increase by at least 8% in 1997 over 1996 according to industry forecasts.
- Growth in the construction industry will surpass gross domestic product from 1997 to 2000.
- U.S. construction spending will total \$683.7 billion by 2000.

Great Lakes maritime market, both U.S. and Canadian fleets; inland waterway operators; and oceangoing vessels that transit the St. Lawrence Seaway and Great Lakes.

Fraser Shipyards, Inc.
Metro Machine Co.
H. Hansen Industries
Port Weller Drydocks

- Operates more than 60% of the U.S. drydocks serving the Great Lakes, including the largest graving dock.
- Yards strategically located on the Great Lakes' major shipping lanes.
- Adept at all phases of repair for freshwater and saltwater vessels.
- Maintains the best-equipped and most-experienced workforce of any Great Lakes shipyard.

- Continued increase in repair and maintenance demand, driven by:
 - Continued high utilization of existing fleet
 - Lengthening of shipping season
 - Aging of Great Lakes fleet.

Operating Subsidiaries (continued)

The Shannon Group, Inc.	Brentwood, TN
Wholly Owned Subsidiary:	
Kolpak Manufacturing Company	Selmer, TN
Divisions:	
Kolpak	River Falls, WI Parsons, TN
RDI	Parsons, TN
McCall	Parsons, and Scotts Hill, TN
Tonka	Greeneville, TN
West-Manitowoc, Inc.	Manitowoc, WI

Foreign Subsidiaries

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

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

Business Description

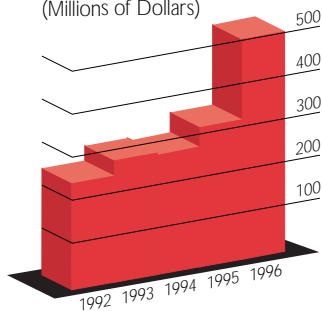
The Manitowoc Company and its divisions and subsidiaries are market leaders in their domestic and international businesses. The *Foodservice Equipment Group* is one of the largest suppliers of ice-cube machines and walk-in refrigerators/freezers in North America, serving restaurants, hotels and other institutions. The *Cranes and Related Products Group* has a leading market share in lattice-boom crawler cranes (over 150-ton capacity) in the world, serving heavy-construction, crane-rental and cargo-handling customers. *The Marine Group* is the leading provider of ship repair, maintenance and conversion services on the U.S. Great Lakes. Additional information on these business segments can be found on pages 6 through 17.

steel industry; five-year drydocking schedule; reducing seasonality through non-marine repair work.

Long-Term Financial Goals

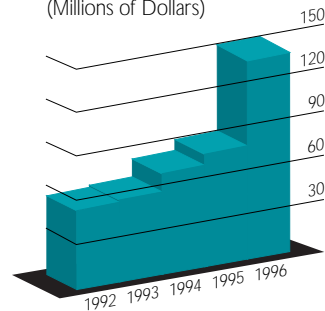
Manitowoc has established and will work to achieve these goals by the year 2000: Each business segment must be economic value-added (EVA) accretive each year. Expand in international markets to generate sales of \$200 million and manufacturing of \$75 million outside the United States. Generate 80% of sales from new products/models acquired or introduced after 1996. Have all manufacturing operations ISO-certified. Achieve \$800 million in revenues.

Consolidated Net Sales
(Millions of Dollars)



Acquisitions and new product introductions have given Manitowoc's sales a five-year compound annual growth rate of 16.2%.

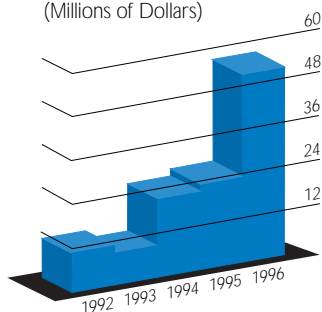
Gross Margin
(Millions of Dollars)



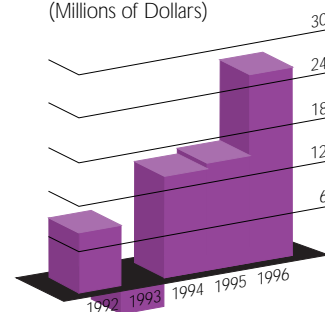
Improvements in operating efficiencies have boosted Manitowoc's gross margin to a five-year high of 26.9%.

Operating earnings more than doubled, reaching \$50.9 million in 1996, for an operating margin of 10.2%.

Operating Earnings
(Millions of Dollars)



Net Earnings
(Millions of Dollars)



Higher sales and lower operating costs led to a 76% increase in net earnings, to a record \$25.6 million, or \$2.23 per share in 1996.

Note on Forward-Looking Statements

This report includes forward-looking statements based on management's current expectations. Reference is made in particular to the description of the Company's plans and objectives for future operations, assumptions underlying such plans and objectives and other forward-looking statements in this Report. Such forward-looking statements generally are identifiable by words such as "believes," "intends," "estimates," "expects" and similar expressions.

These statements involve a number of risks and uncertainties and must be qualified by factors that could cause results to be materially different from what is presented here. This includes the following factors for each business: *Foodservice Equipment* – demographic changes affecting the number of women in the workforce, general population growth, and household income; serving large restaurant chains as they expand their global operations; specialty foodservice market growth; and the demand for equipment for small kiosk-type locations. *Cranes and Related Products* – market acceptance of innovative products; cyclicity in the construction industry; growth in the world market for heavy cranes; demand for used equipment in developing countries. *Marine* – shipping volume fluctuations based on performance of the

Market Conditions/North America

North American economic conditions for all three of Manitowoc's businesses improved again in 1996.

Foodservice Equipment continues to benefit from a number of trends: growth in the restaurant industry, particularly among high-volume chains; expansion of fast-food franchises into non-traditional locations, such as automotive service stations; growth in health care facilities; and the continued recovery of the hotel and lodging industry. These factors resulted in higher foodservice equipment demand in nearly all North American markets in 1996. We expect this market will remain fairly constant into 1997.

Cranes and Related Products improved in 1996 from the anemic market of earlier years. This business should continue to grow over the next several years because of the following: increased construction spending in the United States; the necessary rebuilding of America's infrastructure (although government funding remains limited); and an aging high-capacity liftcrane fleet that is becoming technically obsolete.

The 1996 *Marine* market benefited from near-record levels of shipping tonnage; the general economic strength of heavy industry and manufacturing sectors; and the aging of the Great Lakes fleet, which requires more maintenance and repair. Demand was good at all three ship-repair facilities: Toledo and Cleveland, Ohio, and Sturgeon Bay, Wisconsin, during 1996.

Market Conditions/International

Manitowoc's international sales increased 11% over 1995 levels, now reaching about 14% of total revenues.

Foodservice Equipment demand for refrigeration products is strongest in the Pacific Rim. Orders for refrigeration and ice-making equipment from hotel and restaurant chains are expected to be robust through the end of the decade. Manitowoc's strategic alliance and partnership with Hangzhou Household Electric Appliances in China is expected to help the company add to its international presence in this part of the world. In addition, the distribution center in Rotterdam, Holland, nearly tripled its European ice machine sales in 1996 versus 1995.

Cranes and Related Products continued to see low levels of demand from European countries in 1996. In addition, the Asian market remained cost competitive. Although it saw a 7.1% sales decrease in 1996, Manitowoc's Aftermarket Group, which refurbishes cranes and sells them into less-developed countries, helped generate replacement orders for new cranes in North America.

Marine repair and maintenance revenue is primarily domestic. The potential of serving Canadian Great Lakes vessels is improving because of the North American Free Trade Agreement and U.S. shipyards becoming more cost-effective in competing with their Canadian counterparts.

Results of Operations

On August 9, 1994, the board of directors changed the company's fiscal year-end to December 31 from the Saturday nearest June 30. This resulted in a transition period from July 3, 1994, through December 31, 1994.

This table summarizes the relationship between components of operations as a percent of net sales, for the periods indicated.

Percent of Net Sales	Year Ended Dec. 31, 1996	Year Ended Dec. 31, 1995	Transition Period Ended Dec. 31, 1994	Fiscal Year Ended July 2, 1994
Net sales	100.0	100.0	100.0	100.0
Cost of sales	73.1	75.9	74.7	75.3
Gross profit	26.9	24.1	25.3	24.7
Engineering, selling & administrative expenses	16.5	16.7	20.8	17.0
Plant relocation costs	0.2	—	11.3	—
Operating income (loss)	10.2	7.4	(6.8)	7.7
Interest and other	(1.7)	0.0	0.1	0.5
Earnings (loss) before taxes	8.5	7.4	(6.7)	8.2
Income taxes (benefit)	3.4	2.7	(2.6)	3.1
Net earnings (loss)	5.1	4.7	(4.1)	5.1

Net Sales – Consolidated net sales for 1996 rose 59.8% to \$500.5 million from \$313.1 million in 1995. This resulted from a 112.9% increase in Foodservice Equipment sales, a 24.0% rise in Crane sales, and 61.5% higher Marine sales. This strong performance resulted from (in order of decreasing relative contribution): (1) a full year's performance by The Shannon Group, Inc., acquired in December 1995; (2) positive market reception of new and recently introduced crane models; (3) the sale of a self-unloading barge built for Lafarge Cement Corporation during the Marine group's off-peak season; (4) significantly higher sales of crane parts; and (5) record winter fleet activity at our ship-repair facilities.

For 1995, net sales increased 13.7% to \$313.1 million compared with \$275.4 million for fiscal 1994. Higher sales were seen at all divisions: Foodservice Equipment sales up 22.2%, Cranes sales up 8.7%, and Marine sales up 13.5%. The sales improvement for 1995 came from: (1) higher domestic and international demand for ice machines; (2) continued strong sales in boom trucks resulting in higher shipments from Manitex; (3) the Shannon acquisition; (4) growth in crane parts and refurbishing markets; (5) the start-up of production and shipping of West-Manitowoc crawler cranes; and (6) greater demand for marine repair and scheduled maintenance on Great Lakes vessels.

For the 1994 transition period, net sales totaled \$123.9 million, down 3.8% from the first half of fiscal 1994. A 10% increase in Foodservice Equipment sales, due to favorable market conditions, was offset by a 10% decline in Crane sales and a 13% drop in Marine sales. Lower Crane sales resulted from a soft market for heavy-lift cranes. In addition, fewer drydockings and lower volumes of emergency repair work reduced Marine revenues.

Gross Margins – The 1996 gross margin increased to 26.9%. The gross margin was 24.1% in 1995, 25.3% for the transition period, and 24.7% in fiscal 1994. The biggest contributor to the strong 1996 gross margin resulted from the consolidation and improvements at Manitowoc Engineering, which have increased productivity and reduced overhead costs. The 1995 gross margin was negatively affected by a \$2.8 million investment to consolidate and upgrade the large-crane facility.

Engineering, Selling and Administrative Expenses – In 1996, the engineering, selling and administrative expenses increased to \$82.6 million, up from \$52.3 million in 1995, primarily because of the Shannon acquisition. However, on a percentage of net sales basis, these expenses were in line with the recent past. In fiscal 1994, these expenses were \$46.8 million, or 17.0% of net sales.

Plant Relocation Costs – As part of improving its EVA, Manitowoc has, since 1992, been reviewing its operations and consolidating underperforming assets. In 1996, the company took a \$1.2 million charge to close its Tonka (Mason City, IA) and Kolpak (Bethel Springs, TN) walk-in refrigerator plants. The Iowa plant was consolidated with an expanded Greeneville, TN facility. Prior to this, in the 1994 transition period, Manitowoc consolidated its large-crane manufacturing to one site. This resulted in a \$14 million charge, including a \$9.4 million facility write-down.

Operating Earnings – Each segment contributed to the 119.8% increase in operating earnings, to \$50.9 million in 1996 from \$23.2 million in 1995. In 1995, operating earnings improved from an \$8.5 million loss in the 1994 transition period and were up 9.8% from \$21.1 million in fiscal 1994.

Income Taxes – The effective income tax rate for 1996 was 39.7% versus 37.0% in 1995, a 39.0% rate in the transition period, and 37.8% in fiscal 1994. The higher 1996 rate resulted from non-deductible goodwill associated with the Shannon acquisition. The 1995 rate was lower than fiscal 1994 due to utilization of foreign tax credits.

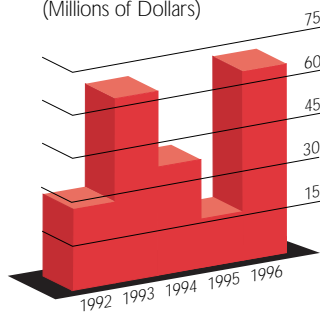
Net Earnings – In 1996, net earnings increased 76.0% to a record \$25.6 million, or \$2.23 per share, compared with the prior year's \$14.6 million, or \$1.27 per share. The net loss for the 1994 transition

Foodservice Equipment

Manitowoc's largest segment generated 48.4% of total sales in 1996. Foodservice revenues increased 112.9% to \$242.3 million for the latest year, compared with \$113.8 million in 1995, and \$93.2 million in fiscal 1994. The primary reason for higher 1996 sales was the December 1995 acquisition of The Shannon Group, a leading manufacturer of commercial refrigeration equipment. While Shannon's 1996 sales were down slightly compared with 1995, the acquisition was responsible for nearly all of the Foodservice revenue increase. Foodservice Equipment sales should continue to expand, driven by growth in small kiosk locations, industry movement from single location restaurants to chain operations, and the expansion of chains into less-developed markets outside the United States.

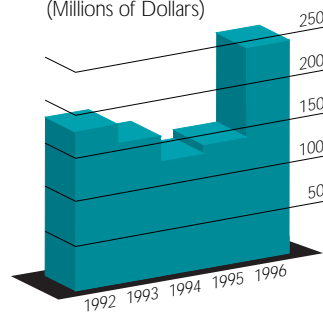
Foodservice operating earnings grew 49.5% in 1996 to \$34.0 million from 1995's \$22.7 million. Fiscal 1994 saw \$21.6 million in

Free Cash Flow
(Millions of Dollars)



Stronger earnings contributed to a near four-fold increase in free cash flow, at \$64.5 million.

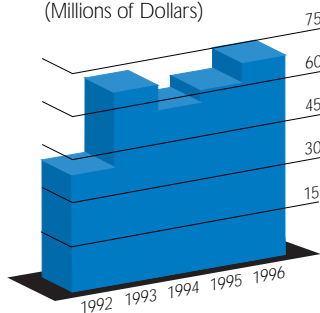
Invested Capital
(Millions of Dollars)



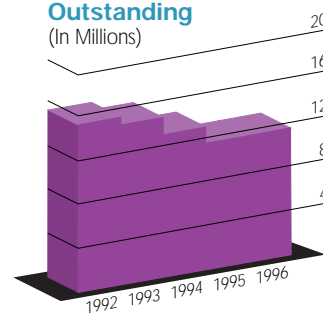
While this number increased in 1996 due to the Shannon acquisition, Manitowoc's other businesses are expanding sales and earnings while reducing capital expenditures.

Demand for Foodservice Equipment and Cranes in the Pacific Rim and Asia continued to bolster international sales in 1996.

International Shipments
(Millions of Dollars)



Average Shares Outstanding
(In Millions)



A stock buy-back program begun in 1992 reduced outstanding shares by 26% over the last five years, increasing the value of remaining shares. This program has been discontinued as of February 19, 1997.

period was \$5.1 million, equal to 44 cents per share, and for fiscal 1994, net earnings were \$14.0 million, or \$1.07 per share. Without the plant consolidation charge, the 1994 transition period would have had earnings of \$3.5 million, or 30 cents per share.

All per-share figures reflect the July 1996 three-for-two stock split. As a result, the average shares outstanding for each period are: 1996 – 11.5 million, 1995 – 11.5 million, 1994 transition period – 11.6 million, fiscal 1994 – 13.1 million. The reduction in shares outstanding between 1995 and 1994 was attributable to share repurchases by the company.

operating earnings. This segment generated 54.2% of total operating earnings in 1996. This was down from 75.9% in 1995, when Crane segment operating earnings were lower than normal.

Operating margins for Foodservice were 14.0% in 1996, 20.0% in 1995, and 23.2% in fiscal 1994. The difference between 1996 and 1995 resulted from the acquisition of The Shannon Group, whose margins are historically lower. The decline between 1995 and fiscal 1994 margins also was caused by the traditionally lower margins of the Shannon product line (acquired in December 1995).

Cranes and Related Products

Sales from this business contributed 42.1% of Manitowoc's total 1996 revenues. Net Crane sales reached \$210.6 million in 1996, up 24.0% from the previous year. Sales were \$169.9 million in 1995 and \$156.3 million in fiscal 1994. The improvement in 1996 came primarily from orders for new products introduced during the last four years. These products accounted for 98% of the order backlog at year-end 1996. The difference between 1995 and fiscal 1994 sales came from increases in Manitex boom-truck sales, the benefits of the 1993 Femco acquisition, and higher West-Manitowoc sales. These advances were partially offset by a 25% drop in large crawler crane shipments.

The Aftermarket Group has two operations: Femco and Manitowoc Re-Manufacturing. Femco did well in 1996, with revenues from industrial press repair and scrapyards business. However, flat crane parts sales and lower sales from Manitowoc Re-Manufacturing resulted in a slight reduction to total 1996 Aftermarket Group sales.

Backlogs for all crane products at year-end were: 1996 – \$136.0 million, 1995 – \$85.8 million, fiscal 1994 - \$26.9 million. The 1996 backlog includes one M-1200 RINGER, four 888 RINGERS, and a single customer order for 20 Model 777 crawler cranes.

Operating earnings for the Crane segment increased seven-fold over 1995 levels and contributed 36.0% of the company's total segment operating earnings. Operating earnings were \$22.6 million in 1996, \$3.2 million in 1995, and \$2.3 million in fiscal 1994. Operating margins for the last three years were: 1996 – 10.7%, 1995 – 1.9%, and fiscal 1994 – 1.5%. The 1996 figure reflects higher sales across all crane businesses and improved operating efficiencies resulting from earlier restructurings and plant consolidations.

Marine Group

In 1996, Marine segment sales of \$47.6 million grew 61.5% over 1995's \$29.5 million, also up from fiscal 1994's \$26.0 million. Marine revenues contributed 9.5% of Manitowoc's 1996 net sales. The major reasons for the improved performance were higher levels of winter repair and maintenance, and construction of a self-unloading cement barge for a Great Lakes customer.

Operating earnings in this business increased 54.0% in 1996, reaching \$6.2 million, compared with \$4.0 million in 1995, and higher than fiscal 1994's \$2.4 million. Marine contributed 9.9% of total company operating segment earnings during 1996. The 1996 operating margin, at 13.0%, was down slightly from 13.7% in 1995 (and higher than 9.4% in fiscal 1994) due to the traditionally lower margins on new construction versus repair work.

Liquidity and Capital Resources

Cash flows from operations for 1996 were \$64.5 million, compared with 1995's \$16.4 million and \$37.0 million in fiscal 1994. The increase reflects net earnings gains and a significant reduction in working capital. The primary uses of cash for the latest year were \$50.5 million in debt payments, \$8.4 million in capital expenditures and \$7.7 million in dividend payments. At the end of 1996, long-term debt was \$76.5 million versus \$101.2 million at the end of 1995. Estimated capital expenditures for 1997 are in the \$11– \$12 million range.

Cash and marketable securities were \$16.0 million at the end of 1996, compared with \$16.6 million for 1995 and \$30.1 million for fiscal 1994. On September 8, 1992, the board of directors authorized management to repurchase up to 1.5 million shares of its common stock. In addition, on January 11, 1994, and February 1, 1994, the board authorized the repurchase of an additional 500,000 shares and 1,000,000 shares, respectively. As of December 31, 1996, a total of 2,646,379 treasury shares were purchased as a result of these authorizations. On February 19, 1997, the board discontinued this stock repurchase program.

On December 1, 1995, the company purchased the outstanding common stock of The Shannon Group, Inc. The aggregate consideration paid by Manitowoc was \$127.3 million, which is net of cash acquired of \$651,000. The purchase price included \$19.8 million due to the seller and paid in January 1996, direct acquisition costs of \$2.7 million, \$1.3 million in other assumed liabilities, and a post-closing working capital adjustment of \$300,000. The transaction was financed through credit facilities provided under the Credit Agreement dated December 1, 1995.

On December 31, 1996, and July 2, 1994, there were no short-term borrowings, compared with \$26.8 million at December 31, 1995.

Inventories stood at \$44.0 million at the end of 1996 compared with \$52.9 million at year-end 1995. Working capital declined to \$17.6 million from \$24.2 million.

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

Contingencies

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

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

Recent estimates indicate that the total cost to clean up the site could be as high as \$30 million, however, the ultimate remediation methods and appropriate allocation of costs for the site are not yet final. Although liability is joint and several, the company's share of liability is estimated to be 11% of the total cleanup costs.

In connection with this matter, the company expensed \$0.2 million in 1996, \$0.2 million in 1995, and \$1.6 million in fiscal 1994 for its estimated portion of the cleanup costs. There were no expenses during the transition period ended December 31, 1994.

Eleven-Year Financial Summary and Business Segment Information

Thousands of dollars, except shares and per share data	Calendar 1996	Calendar 1995	Pro Forma Calendar 1994 (2)	Transition Period Calendar 1994 (2)
Net Sales				
Foodservice	\$242,317	\$113,814	\$ 97,321	\$ 44,996
Cranes and related products	210,564	169,866	148,355	70,958
Marine	47,584	29,469	24,782	7,952
Total	\$500,465	\$313,149	\$270,458	\$123,906
Gross margin	\$134,641	\$ 75,470	\$ 66,769	\$ 31,302
Earnings (Loss) From Operations				
Foodservice	\$ 33,989	\$ 22,729	\$ 22,286	\$ 9,426
Cranes and related products	22,582	3,179	17	870
Marine	6,197	4,024	516	(799)
General corporate	(7,678)	(6,530)	(6,832)	(3,981)
Amortization	(3,000)	(250)	—	—
Plant relocation costs	(1,200)	—	(14,000)	(14,000)
Total	50,890	23,152	1,987	(8,484)
Other income (expense) – net	(8,384)	(32)	768	169
Earnings (loss) before taxes on income	42,506	23,120	2,755	(8,315)
Accounting changes	—	—	—	—
Provision (benefit) for taxes on income	16,863	8,551	960	(3,243)
Net earnings (loss)	\$ 25,643	\$ 14,569	\$ 1,795	\$ (5,072)
Other Financial Information				
Cash from operations	\$ 64,514	\$ 16,367	\$ 13,821	\$ (330)
Invested capital (monthly averages):				
Foodservice	\$ 68,556	\$ 32,696	\$ 24,734	\$ 21,979
Cranes and related products	73,246	85,082	80,619	81,800
Marine	7,335	9,579	12,691	11,201
General corporate	94,166	12,409	4,248	4,818
Total	\$243,303	\$139,766	\$122,292	\$119,798
Identifiable Assets				
Foodservice	\$ 90,937	\$ 90,126	\$ 27,828	\$ 27,828
Cranes and related products	88,174	109,118	88,068	88,068
Marine	10,648	11,369	13,233	13,233
General corporate	127,951	114,302	30,336	30,336
Total	\$317,710	\$324,915	\$159,465	\$159,465
Long-Term Obligations				
Long-term debt	\$ 76,501	\$101,180	\$ —	\$ —
Depreciation				
Foodservice	\$ 3,377	\$ 1,606	\$ 1,364	\$ 703
Cranes and related products	4,260	4,162	4,639	2,288
Marine	600	608	658	316
General corporate	81	80	91	46
Total	\$ 8,318	\$ 6,456	\$ 6,752	\$ 3,353
Capital Expenditures				
Foodservice	\$ 5,110	\$ 4,568	\$ 4,929	\$ 3,011
Cranes and related products	2,816	14,252	4,214	528
Marine	343	383	145	109
General corporate (1)	127	6	419	82
Total	\$ 8,396	\$ 19,209	\$ 9,707	\$ 3,730
Per Share (3)				
Net earnings (loss)	\$ 2.23	\$ 1.27	\$.15	\$ (.44)
Dividends	.67	.67	.67	.33
Stockholders' equity	8.72	7.09	6.52	6.52
Average shares outstanding	11,511,357	11,511,707	12,151,538	11,617,832

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

(2) The company changed its year-end to December 31, effective with the period ended December 31, 1994 (transition period). The prior fiscal year-end was the Saturday nearest to June 30. The pro forma information related to the calendar year ended December 31, 1994 is a compilation of the calendar quarterly data for 1994 and is unaudited.

(3) Per share data and average shares outstanding have been adjusted to reflect the three-for-two stock split which occurred in 1996. See Note 7 of notes to the consolidated financial statements.

Fiscal 1994	Fiscal 1993	Fiscal 1992	Fiscal 1991	Fiscal 1990	Fiscal 1989	Fiscal 1988	Fiscal 1987
\$ 93,171	\$ 81,424	\$ 74,175	\$ 73,944	\$ 74,612	\$ 74,431	\$ 72,986	\$ 72,501
156,253	178,630	155,743	147,554	117,464	102,430	81,593	46,571
25,956	18,504	16,471	14,689	33,752	23,735	17,710	103,995
\$275,380	\$278,558	\$246,389	\$236,187	\$225,828	\$200,596	\$172,289	\$223,067
\$ 67,924	\$ 55,785	\$ 54,443	\$ 58,062	\$ 54,366	\$ 50,860	\$ 37,033	\$ 29,921
\$ 21,637	\$ 18,311	\$ 17,585	\$ 17,364	\$ 19,387	\$ 18,468	\$ 17,203	\$ 17,910
2,275	(1,961)	(850)	7,602	5,490	3,454	(1,974)	4,532
2,447	593	278	(973)	6,497	3,416	(15,921)	(9,693)
(5,274)	(5,296)	(6,545)	(5,734)	(6,094)	(5,623)	(4,744)	(3,628)
—	—	—	—	—	—	—	—
—	(3,300)	—	—	—	—	—	—
21,085	8,347	10,468	18,259	25,280	19,715	(5,436)	9,121
1,494	582	1,104	2,233	5,077	4,527	4,187	7,510
22,579	8,929	11,572	20,492	30,357	24,242	(1,249)	16,631
—	(10,214)	—	—	—	—	—	—
8,536	2,612	3,315	5,060	9,327	7,344	(1,341)	4,868
\$ 14,043	\$ (3,897)	\$ 8,257	\$ 15,432	\$ 21,030	\$ 16,898	\$ 92	\$ 11,763
\$ 36,995	\$ 62,700	\$ 28,250	\$ 6,472	\$ 14,210	\$ (5,278)	\$ 3,658	\$ (33,833)
\$ 25,662	\$ 26,503	\$ 23,555	\$ 25,099	\$ 19,018	\$ 22,859	\$ 21,940	\$ 16,427
86,288	112,120	137,839	133,777	118,097	99,147	76,335	77,382
13,953	17,497	16,879	14,621	16,206	28,600	18,894	26,122
4,052	2,581	2,025	3,051	6,314	7,656	14,151	4,227
\$129,955	\$158,701	\$180,298	\$176,548	\$159,635	\$158,262	\$131,320	\$124,158
\$ 31,460	\$ 29,526	\$ 25,608	\$ 28,019	\$ 24,168	\$ 26,074	\$ 27,449	\$ 33,486
93,823	105,750	138,416	136,995	115,804	96,623	75,217	61,306
16,726	16,720	19,253	18,009	22,683	32,451	24,049	41,366
43,839	56,015	41,829	35,983	50,143	61,966	82,374	94,628
\$185,848	\$208,011	\$225,106	\$219,006	\$212,798	\$217,114	\$209,089	\$230,786
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ 1,320	\$ 1,187	\$ 1,090	\$ 812	\$ 657	\$ 771	\$ 785	\$ 817
4,211	3,875	4,053	3,691	2,895	2,953	3,000	2,972
681	756	785	792	748	465	2,362	2,600
61	44	196	234	431	380	327	303
\$ 6,273	\$ 5,862	\$ 6,124	\$ 5,529	\$ 4,731	\$ 4,569	\$ 6,474	\$ 6,692
\$ 2,300	\$ 2,152	\$ 1,099	\$ 2,797	\$ 748	\$ (169)	\$ 229	\$ 201
3,120	8,648	4,047	6,347	3,130	2,225	2,264	2,580
(492)	(463)	500	113	197	108	1	112
414	(39)	(508)	(2,955)	70	586	317	86
\$ 5,342	\$ 10,298	\$ 5,138	\$ 6,302	\$ 4,145	\$ 2,750	\$ 2,811	\$ 2,979
\$ 1.07	\$ (.27)	\$.53	\$ 1.00	\$ 1.36	\$ 1.09	\$.01	\$.72
.67	.67	.67	.67	1.33	.53	.53	.53
7.74	8.71	10.69	10.80	10.44	10.42	9.91	10.47
13,104,891	14,639,081	15,481,271	15,481,491	15,481,874	15,502,599	15,945,156	16,305,536

Consolidated Statements of Earnings

Thousands of dollars, except per share and average shares data	For the Periods Ended			
	Dec. 31, 1996	Dec. 31, 1995	Transition Dec. 31, 1994	July 2, 1994
Earnings				
Net Sales	\$500,465	\$313,149	\$123,906	\$275,380
Costs and expenses:				
Cost of sales	365,824	237,679	92,604	207,456
Engineering, selling, and administrative expenses	82,551	52,318	25,786	46,839
Plant relocation costs	1,200	—	14,000	—
Total costs and expenses	449,575	289,997	132,390	254,295
Earnings (loss) from operations	50,890	23,152	(8,484)	21,085
Interest expense	(9,097)	(1,865)	(187)	(263)
Interest and dividend income	394	47	333	1,697
Other	319	1,786	23	60
Earnings (loss) before taxes on income	42,506	23,120	(8,315)	22,579
Provision (benefit) for taxes on income	16,863	8,551	(3,243)	8,536
Net earnings (loss)	\$ 25,643	\$ 14,569	\$ (5,072)	\$ 14,043
Per Share Data				
Net earnings (loss)	\$ 2.23	\$ 1.27	\$ (.44)	\$ 1.07
Average Shares Outstanding				
	11,511,357	11,511,707	11,617,832	13,104,891

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

Consolidated Balance Sheets

As of December 31

Thousands of dollars, except shares data

	1996	1995
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,364	\$ 15,077
Marketable securities	1,657	1,558
Accounts receivable, less allowances of \$976 and \$1,365	53,876	51,011
Inventories	43,978	52,928
Prepaid expenses and other	1,281	3,451
Future income tax benefits	12,719	11,120
Total current assets	127,875	135,145
Intangible assets – net	92,200	92,433
Property, plant, and equipment – net	84,703	87,674
Other assets	12,932	9,663
Total assets	\$317,710	\$324,915
Liabilities and Stockholders' Equity		
Current Liabilities		
Current portion of long-term debt	\$ 11,064	\$ 10,089
Accounts payable and accrued expenses	90,967	67,531
Short-term borrowings	0	26,807
Product warranties	8,271	6,496
Total current liabilities	110,302	110,923
Non-Current Liabilities		
Long-term debt, less current portion	76,501	101,180
Product warranties	4,914	4,199
Postretirement health benefits obligation	19,455	19,190
Other liabilities	6,209	7,762
Total non-current liabilities	107,079	132,331
Commitments and contingencies	—	—
Stockholders' Equity		
Common stock (16,331,770 and 10,887,847 shares issued)	163	109
Additional paid-in capital	31,061	31,115
Cumulative foreign currency translation adjustments	220	(479)
Retained earnings	150,387	132,418
Treasury stock, at cost	(81,502)	(81,502)
Total stockholders' equity	100,329	81,661
Total liabilities and stockholders' equity	\$317,710	\$324,915

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

Consolidated Statements of Cash Flows

Thousands of dollars	For the Periods Ended			
	Dec. 31, 1996	Dec. 31, 1995	Transition Dec. 31, 1994	July 2, 1994
Cash Flows From Operations				
Net earnings (loss)	\$ 25,643	\$ 14,569	\$ (5,072)	\$ 14,043
Adjustments to reconcile net cash from operations:				
Depreciation	8,318	6,456	3,353	6,273
Amortization	3,300	345	73	128
Deferred income taxes	(4,383)	(815)	(6,219)	(2,976)
Plant relocation costs	1,200	—	14,000	—
(Gain) loss on sale of property, plant, and equipment	259	(1,964)	—	—
Changes in operating assets and liabilities excluding effects of business acquisitions:				
Accounts receivable	(2,865)	(843)	13,089	9,352
Inventories	8,950	(5,913)	(5,553)	6,438
Other current assets	909	999	74	3,592
Current liabilities	23,432	4,015	(14,373)	1,723
Non-current liabilities	(573)	(1,052)	(387)	(1,285)
Non-current assets	324	570	685	(293)
Net cash provided by (used in) operations	64,514	16,367	(330)	36,995
Cash Flows From Investing				
Sale (purchase) of marketable securities – net	(99)	10,487	2,963	(3,520)
Capital expenditures	(8,396)	(19,209)	(3,730)	(5,342)
Business acquisitions – net of cash acquired	(300)	(105,944)	—	(10,685)
Proceeds from sale of property, plant, and equipment	1,443	5,656	—	—
Net cash used for investing	(7,352)	(109,010)	(767)	(19,547)
Cash Flows From Financing				
Dividends paid	(7,674)	(7,674)	(3,838)	(8,688)
Proceeds from long-term borrowings	15,000	110,000	—	—
Payments on long-term borrowings	(38,704)	—	—	—
Proceeds (payments) from short-term borrowings – net	(26,807)	3,001	3,999	—
Treasury stock purchases	—	—	(10,114)	(31,091)
Debt acquisition costs	—	(1,687)	—	—
Net cash provided by (used for) financing	(58,185)	103,640	(9,953)	(39,779)
Effect of exchange rate changes on cash	310	(38)	74	77
Net change in cash and cash equivalents	(713)	10,959	(10,976)	(22,254)
Balance at beginning of year	15,077	4,118	15,094	37,348
Balance at end of year	\$ 14,364	\$ 15,077	\$ 4,118	\$ 15,094
Supplemental Cash Flow Information				
Interest paid	\$ 8,215	\$ 1,163	\$ 157	\$ 192
Income taxes paid	\$ 19,319	\$ 7,929	\$ 6,901	\$ 6,895

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

Consolidated Statements of Stockholders' Equity

For the Periods Ended

Thousands of dollars, except shares and per share data	Dec. 31, 1996	Dec. 31, 1995	Transition Dec. 31, 1994	July 2, 1994
Common Stock — Shares Outstanding				
Balance at beginning of period	7,674,468	7,674,475	8,082,847	9,146,501
Treasury stock purchases	—	(7)	(408,372)	(1,063,654)
Three-for-two stock split	3,836,889	—	—	—
Balance at end of period	11,511,357	7,674,468	7,674,475	8,082,847
Common Stock — Par Value				
Balance at beginning of period	\$ 109	\$ 109	\$ 109	\$ 109
Three-for-two stock split	54	—	—	—
Balance at end of period	\$ 163	\$ 109	\$ 109	\$ 109
Additional Paid-In Capital				
Balance at beginning of period	\$ 31,115	\$ 31,115	\$ 31,115	\$ 31,115
Three-for-two stock split	(54)	—	—	—
Balance at end of period	\$ 31,061	\$ 31,115	\$ 31,115	\$ 31,115
Cumulative Foreign Currency Translation Adjustments				
Balance at beginning of period	\$ (479)	\$ (188)	\$ (410)	\$ (569)
Foreign currency translation adjustment	699	(291)	222	159
Balance at end of period	\$ 220	\$ (479)	\$ (188)	\$ (410)
Retained Earnings				
Balance at beginning of period	\$132,418	\$125,523	\$134,433	\$129,078
Net earnings (loss)	25,643	14,569	(5,072)	14,043
Cash dividends*	(7,674)	(7,674)	(3,838)	(8,688)
Balance at end of period	\$150,387	\$132,418	\$125,523	\$134,433
Treasury Stock				
Balance at beginning of period	\$ (81,502)	\$(81,502)	\$(71,388)	\$(40,297)
Treasury stock purchases	—	—	(10,114)	(31,091)
Balance at end of period	\$ (81,502)	\$(81,502)	\$(81,502)	\$(71,388)

*Cash dividends per share after giving effect to the three-for-two stock split were \$.67 per share in all periods except the transition period in which the dividend was \$.33 per share.

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

Summary of Significant Accounting Policies

(Thousands of dollars, except per share data)

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

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

Fiscal Year The company changed its fiscal year from a fiscal year ending on the Saturday nearest June 30 to a fiscal year ending on December 31, effective for the period ending December 31, 1994. The Consolidated Statement of Earnings, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Stockholders' Equity for the period from July 3, 1994 to December 31, 1994 (Transition Period) are also presented in the financial statements.

Inventories Inventories are stated at the lower of cost or market as described in Note 3. Advance payments from customers are netted against inventories to the extent of related accumulated costs. Advance payments netted against inventories at December 31, 1996 and 1995 were \$8,552 and \$5,985, respectively. Advance payments received in excess of related costs on uncompleted contracts are classified as accrued expenses.

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

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

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

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

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

Intangible Assets Intangible assets consist primarily of costs in excess of net assets of businesses acquired (see Note 9). Intangible assets are amortized using the straight-line method over their estimated beneficial lives, not to exceed 40 years. Subsequent to an

acquisition, the company continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of intangibles may warrant revision or that the remaining balance of intangibles may not be recoverable. When factors indicate that intangibles should be evaluated for possible impairment, the company uses an estimate of the related business' discounted net cash flows over the remaining life of the intangibles in measuring whether the intangibles are recoverable. Intangible assets at December 31, 1996 and 1995 of \$92,200 and \$92,433, respectively, are net of accumulated amortization of \$3,550 and \$1,939 respectively.

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

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

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

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

Research and Development Research and development costs are charged to expense as incurred and amount to \$3,502 in 1996, \$3,110 in 1995, \$1,323 for the transition period ended December 31, 1994, and, \$2,439 in fiscal year 1994.

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

Net Earnings per Common Share Net earnings per common share is based on weighted average shares outstanding during each year.

The company is required to adopt Statement of Financial Accounting Standard (SFAS) No. 128, "Earnings Per Share," in 1997. SFAS 128 specifies the computation, presentation, and disclosure requirements for earnings per share. The adoption of this statement will result in the presentation by the company of basic and diluted earnings per share, as defined by the statement, and is not expected to have a material impact on the earnings per share reported in the financial statements. Upon adoption of this statement, all prior-period earnings per share amounts will be restated to conform to the provisions of SFAS 128.

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

Reclassifications Certain reclassifications have been made to the financial statements of prior periods to conform to the presentation for 1996.

1. Property, Plant and Equipment

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

	1996	1995
Land	\$ 3,489	\$ 2,883
Buildings	59,606	46,194
Drydocks and dock fronts	21,743	21,743
Machinery, equipment and tooling	102,512	114,800
Construction in progress	2,033	3,135
Total cost	189,383	188,755
Less accumulated depreciation	(104,680)	(101,081)
Property, plant and equipment – net	\$ 84,703	\$ 87,674

2. Marketable Securities

Marketable securities at December 31, 1996 and 1995 include \$1.7 million and \$1.6 million, respectively, of securities which are available for sale. For these investments, the difference between fair market value and cost was not material for both years.

3. Inventories

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

	1996	1995
Components:		
Raw materials	\$ 20,153	\$ 22,809
Work-in-process	19,447	18,868
Finished goods	25,725	31,711
Total inventories at FIFO cost	65,325	73,388
Excess of FIFO cost over LIFO value	(21,347)	(20,460)
Total inventories	\$ 43,978	\$ 52,928

Inventories are carried at the lower of cost or market using the first-in, first-out (FIFO) method for 56% and 60% of total inventory for 1996 and 1995, respectively. The remainder of the inventories are costed using the last-in, first-out (LIFO) method.

Inventory quantity reductions during fiscal 1994 resulted in lower cost of goods sold computed under the LIFO method due to lower costs prevailing in prior periods. The increase in net earnings for fiscal 1994 due to such inventory reductions was \$1,726.

4. Accounts Payable and Accrued Expenses

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

	1996	1995
Trade accounts payable	\$31,215	\$29,221
Customer progress payments	9,857	924
Profit sharing	14,748	7,857
Product liability	6,744	6,188
Income taxes payable	2,836	1,503
Miscellaneous accrued expenses	25,567	21,838
Total	\$90,967	\$67,531

5. Debt

Long-term debt at December 31 consists of the following:

	1996	1995
Term loan payable	\$86,365	\$110,000
Capital lease obligations	1,200	1,269
	87,565	111,269
Less current portion	11,064	10,089
	\$76,501	\$101,180

The company entered into a Credit Agreement (Agreement) on December 1, 1995 with a group of banks to fund the purchase of The Shannon Group, Inc. (see Note 9). The Agreement, which was amended in 1996, provides for maximum borrowings of \$95 million under a term loan and a maximum of \$85 million in revolving loans. There are no borrowings under the revolving loan portion of the Agreement at December 31, 1996.

The Agreement includes covenants which require the maintenance of various debt and net worth ratios, and limits the amount of capital expenditures. Annual commitment fees during 1996 were .1875% on the unused portion of the available credit. Borrowings under the Agreement bear interest at a rate equal to the sum of a base rate or LIBOR rate (London Interbank Offered Rate), at the option of the company, plus an applicable percentage, as defined. The base rate is equal to the greater of the Federal Funds rate in effect on such day plus .5% or the prime rate in effect on such day. The interest rate for the term and revolving loans at December 31, 1996 was 6.38%. Payments of principal and interest for the term loan are due quarterly through December 31, 2001. Borrowings under the Agreement are collateralized by receivables and inventories of the company and substantially all of the common stock of its subsidiaries.

The company has entered into interest rate swap agreements, which expire in December, 2000, to reduce the impact of changes in interest rates on its floating rate long-term debt. At December 31, 1996, the company had outstanding three interest rate swap agreements with financial institutions, having a total notional principal amount of \$87.5 million. The effect of these agreements on the company's interest rates during 1996 was not significant. Interest expense has been adjusted for the net receivable or payable under these agreements. The fair value of these interest rate swap agreements is \$980 at December 31, 1996. The company is exposed to credit loss in the event of non-performance by the financial institutions. However, management does not anticipate such non-performance.

In January 1997, the company reduced the notional principal amount of its interest rate swaps by \$44.3 million. The notional principal amounts of the remaining interest rate swaps will be reduced as mandatory principal payments reduce the amount of the company's outstanding loan payable.

Notes (continued)

Capital lease obligations relate to the company's obligations on three property leases for industrial property located in the State of Tennessee. These obligations are due in monthly or annual installments including principal and interest at rates varying from 5% to 18.3%. These obligations mature at various dates through 2012.

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

1997	\$11,064
1998	15,009
1999	18,949
2000	18,953
2001	22,893
Thereafter	697
	\$87,565

At December 31, 1995, short-term borrowings included \$19,807 due to the seller of The Shannon Group, Inc. and \$7,000 which was outstanding under the revolving loan portion of the Agreement. The company repaid these borrowings during 1996.

6. Income Taxes

Components of earnings before income taxes are as follows:

	Dec. 31, 1996	Dec. 31, 1995	Transition Period Dec. 31, 1994	July 2, 1994
Earnings before income taxes:				
Domestic	\$41,702	\$22,273	\$(8,861)	\$22,089
Foreign	804	847	546	490
Total	\$42,506	\$23,120	\$(8,315)	\$22,579

The provision (benefit) for taxes on income is as follows:

	Dec. 31, 1996	Dec. 31, 1995	Transition Period Dec. 31, 1994	July 2, 1994
Current:				
Federal	\$17,743	\$8,093	\$ 1,972	\$ 9,138
State	3,190	1,105	716	2,358
Foreign	313	168	288	16
Total current	21,246	9,366	2,976	11,512
Deferred:				
Federal and state	(4,383)	(815)	(6,036)	(3,120)
Foreign	—	—	(183)	144
Total deferred	(4,383)	(815)	(6,219)	(2,976)
Provision (benefit) for taxes on income	\$16,863	\$8,551	\$(3,243)	\$ 8,536

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

	Dec. 31, 1996	Dec. 31, 1995	Transition Period Dec. 31, 1994	July 2, 1994
Federal income tax at statutory rate	\$14,877	\$8,092	\$(2,910)	\$7,903
State income taxes, net of federal income tax benefit	2,019	1,137	(420)	1,140
Investment tax credit	—	—	(699)	(96)
Non-deductible goodwill amortization	713	—	—	—
Tax-exempt FSC income	(564)	(373)	(236)	(515)
Adjustments to prior years' income tax accruals	(360)	(132)	884	—
Other	178	(173)	138	104
Provision (benefit) for taxes on income	\$16,863	\$8,551	\$(3,243)	\$8,536

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

	1996	1995
Current deferred tax assets:		
Inventories	\$ 826	\$ 485
Accounts receivable	392	692
Product warranty reserves	3,021	2,252
Product liability reserves	2,679	2,413
Environmental reserves	311	238
Customer profit sharing reserves	497	527
Other employee related benefits and allowances	3,453	2,706
Other	1,540	1,807
Future income tax benefits, current	\$12,719	\$ 11,120
Non-current deferred tax assets (liabilities):		
Property, plant and equipment	\$ (8,271)	\$(10,340)
Postretirement benefits other than pensions	7,791	7,581
Deferred employee benefits	1,239	—
Severance benefits	1,097	1,014
Product warranty reserves	1,248	1,412
Environmental reserves	502	740
Net operating loss carryforwards	2,004	2,419
Net future income tax benefits, non-current	\$ 5,610	\$ 2,826

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

7. Stockholders' Equity

Authorized capitalization consists of 35,000,000 shares of \$.01 par value common stock and 3,500,000 shares of \$.01 par value preferred stock. None of the preferred shares have been issued. Pursuant to a Rights Agreement dated August 5, 1996, each common share carries with it a Right to purchase additional stock. The Rights are not currently exercisable and cannot be separated from the shares unless certain specified events occur, including the acquisition of 20% or more of the common stock by a person or group, or the commencement of a tender offer for 20% or more of the common stock. In the event a person or group actually acquires 20% or more of the common stock, or if the company is merged with an acquiring person, each Right permits the holder to purchase one share of common stock for \$100. The Rights expire on September 18, 2006 and may be redeemed by the company for \$.01 per Right (in cash or stock) under certain circumstances.

On September 8, 1992, the board of directors authorized the company to repurchase up to 1.5 million shares of its common stock. In addition, on January 11, 1994 and February 1, 1994, the board of directors authorized the repurchase of an additional 500,000 and 1,000,000 shares, respectively. As of December 31, 1996, a total of 2,646,379 treasury shares were purchased pursuant to these authorizations. On February 19, 1997, the board of directors discontinued this stock repurchase program.

On June 14, 1996, the company's board of directors authorized a three-for-two stock split in the form of a 50-percent stock dividend payable on July 2, 1996 to shareholders of record on June 25, 1996. A total of 3,836,889 shares were issued in connection with the split and fractional shares were paid in cash. All references in the financial statements to average number of common shares outstanding and related earnings per share amounts, market prices per share of common stock and stock option plan data have been restated to reflect the split.

8. Stock Options

Effective May 22, 1995, the company's board of directors approved The Manitowoc Company, Inc. Stock Plan (the "Plan") which provides for the granting of stock options as an incentive to certain key employees. Under the Plan, stock options to acquire up to 1,125,000 shares of common stock, in the aggregate, may be granted under a time-vesting formula at an exercise price equal to the market price of the common stock at the date of grant. The options become exercisable in equal 25% increments beginning on the second anniversary of the grant date over a four year period and expire ten years subsequent to the grant date. Stock option transactions are summarized as follows:

	1996		1995	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	64,050	\$17.50	—	\$ —
Options granted	79,350	\$22.33	64,050	\$17.50
Options outstanding, end of year	143,400	\$20.17	64,050	\$17.50

The outstanding stock options at December 31, 1996 have a range of exercise prices between \$17.50 and \$22.33 per option and have a weighted average contractual life of approximately 9.2 years. None of the options are currently exercisable. The weighted average fair value at date of grant for options granted during 1996 and 1995 was \$7.03 and \$4.89 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

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

The company applies Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized in the statements of operations. Had compensation cost been determined under an alternative method suggested by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the effect on 1996 and 1995 net income and earnings per share would not have been significant.

9. Acquisitions

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

The aggregate consideration paid by the company for Shannon was \$127,320 which is net of cash acquired of \$651, and includes an amount due to a seller of \$19,807 paid in January, 1996, direct acquisition costs of \$2,671, other assumed liabilities of \$1,269 and a post-closing working capital adjustment of \$300. The transaction was financed through credit facilities provided under the Credit Agreement dated December 1, 1995 (see Note 5).

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

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

	Year Ended Dec. 31, 1995	Transition Period Dec. 31, 1994
Net sales	\$436,114	\$186,230
Net earnings (loss)	\$ 14,983	\$ (4,155)
Net earnings (loss) per common share	\$ 1.30	\$ (.36)

During fiscal 1994, the company acquired the assets of Femco Machine Co. for \$10,685 in cash. Femco is a manufacturer of parts for cranes, draglines, and other heavy equipment. The acquisition was recorded using the purchase method of accounting. The excess of the cost over the fair value of net assets acquired of \$1,849 is being amortized over 25 years.

Femco's results of operations subsequent to the date of acquisition are included in the Consolidated Statements of Earnings. Pro forma results of operations are not presented as the amounts do not significantly differ from historical results of the company.

10. Plant Consolidation

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

In the transition period ended December 31, 1994, the company's decision to consolidate its large-crane manufacturing to a single site resulted in a \$14 million charge to earnings in the Cranes and Related Products segment. The charge included a \$9.4 million write-down of the facility being abandoned and estimated holding costs of \$4.6 million while the facility is being marketed. It is reasonably possible that the estimate for future holding costs of the facility may change in the future.

The assets currently held for sale include land and improvements, buildings, and certain machinery and equipment at the "Peninsula facility" located in Manitowoc, Wisconsin. The current carrying value of these assets, determined through independent appraisals, is approximately \$3 million and is included in other assets. The future holding costs, included in accounts payable and accrued expenses and in other non-current liabilities, consist primarily of utilities, security, maintenance, property taxes, insurance, and demolition costs for various buildings. Future holding costs also include estimates for potential environmental liabilities on the Peninsula location. During the years ended December 31, 1996 and 1995, \$1,063 and \$641 was paid and charged against these reserves, respectively.

During 1995, additional costs related to the plant consolidation of \$2.8 million were expensed as incurred and include items such as moving and relocation, engineering, and severance. No additional costs are expected to be incurred related to these items.

11. Contingencies

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

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

Recent estimates indicate that the total cost to clean up the Site could be as high as \$30 million, however, the ultimate remediation methods and appropriate allocation of costs for the Site are not yet final. Although liability is joint and several, the company's percentage share of liability is estimated to be 11% of the total cleanup costs.

In connection with this matter, the company expensed \$0.2 million in 1996, \$0.2 million in 1995, and \$1.6 million in fiscal year 1994, for its estimated portion of the cleanup costs. There were no expenses incurred during the transition period ended December 31, 1994.

The company is required to adopt the AICPA Statement of Position ("SOP") No. 96-1, "Environmental Remediation Liabilities," in 1997. The adoption of this SOP is not expected to have a material effect on the financial statements.

As of December 31, 1996, 35 product-related lawsuits were pending. Of these, two occurred between 1985 and 1990 when the company was completely self-insured. The remaining lawsuits occurred subsequent to June 1, 1990, at which time the company has insurance coverages ranging from a \$5.5 million self-insured retention with a \$10.0 million limit on the insurer's contribution in 1990, to the current \$1.0 million self-insured retention and \$16.0 million limit on the insurer's contribution.

Product liability reserves at December 31, 1996 are \$6.7 million; \$2.6 million reserved specifically for the 35 cases referenced above, and \$4.1 million for incurred but not reported claims. These reserves were estimated using actuarial methods. The highest current reserve for a non-insured claim is \$0.2 million, and \$0.6 million for an insured claim. Based on the company's experience in defending itself against product liability claims, management believes the current reserves are adequate for estimated settlements on aggregate self-insured claims.

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

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

12. Retirement and Health Care Plans

The company provides retirement benefits through noncontributory deferred profit sharing plans covering substantially all employees. Company contributions to the plans are based upon formulas contained in such plans. The company also has a defined contribution plan in which the company matches 25% of participant contributions up to a maximum of 5% of a participant's compensation. Total costs incurred were \$8,810 in 1996, \$4,657 in 1995, \$2,165 for the transition period, and \$4,981 for fiscal 1994.

The company maintained an employee benefit trust through which group health benefits were funded. The cost of group health benefits was \$4,351 in 1995, \$2,505 in the transition period, and \$4,790 in fiscal 1994. The company terminated this trust at the end of 1995. The current and future benefit obligations of the trust were assumed by the company at the date of termination. Subsequent to the termination, the company maintains the plan as a self-funded employee health plan which provides for the same coverage and terms. Total costs of the group health benefits were \$4,554 in 1996.

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

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

	Dec. 31, 1996	Dec. 31, 1995	Transition Period Dec. 31, 1994	July 2, 1994
Service cost – benefits earned during the year	\$ 260	\$ 323	\$147	\$ 230
Interest cost on accumulated postretirement health benefit obligation	1,044	1,393	694	1,279
Amortization of actuarial gain	(136)	—	—	—
Net periodic postretirement health benefit cost	\$1,168	\$1,716	\$841	\$1,509

The components of the accumulated periodic postretirement health benefit obligation at December 31, 1996 and 1995 are as follows:

	1996	1995
Retirees	\$ 8,325	\$10,920
Active participants	6,497	7,952
Unrecognized gain	4,633	318
Accumulated postretirement health benefit obligation	\$19,455	\$19,190

The health care cost trend rate assumed in the determination of the accumulated postretirement benefit obligation is 8.0% in 1996, decreases 1.0% per year to 5.0% for 1999, and remains at that level thereafter. Increasing the assumed medical trend rates by one percentage point in each year would increase the accumulated postretirement health benefit obligation by \$1,971 at December 31, 1996 and the aggregate of the service and interest cost components of net periodic postretirement health benefit cost by \$208 for 1996.

The discount rate used in determining the accumulated postretirement health benefit obligation for 1996 is 7.5% compounded annually, 7.25% compounded annually for 1995, and 8.0% compounded annually for all other periods. The plan is unfunded.

It is reasonably possible that the estimate for future retirement and health care costs may change in the near future based upon changes in the health care environment or changes in interest rates which may arise.

13. Leases

The company leases various property, plant and equipment. Terms of the leases vary, but generally require the company to pay property taxes, insurance premiums, and maintenance costs associated with the leased property. Rental expense attributable to operating leases was \$4,474 in 1996, \$7,232 in 1995, \$3,724 in the transition period, and \$7,816 in 1994. Total minimum rental obligations under noncancelable operating leases, as of December 31, 1996, aggregated \$19,018 and were payable as follows:

1997	\$2,717	2000	\$ 1,257
1998	\$2,210	2001	\$ 1,117
1999	\$1,555	Thereafter	\$10,162

14. Business Information

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

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

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

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

Information concerning the company's operations in various businesses is presented on page 22. Export sales were approximately \$68 million in 1996, \$61 million in 1995, \$31 million during the transition period, and \$57 million in 1994. Foreign sales, operating losses, and identifiable assets for 1996 are \$11.8 million, \$0.1 million, and \$14.3 million, respectively.

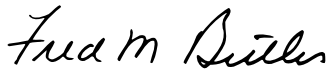
Management's Report on Consolidated Financial Statements

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

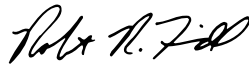
The company maintains an internal accounting system designed to provide reasonable assurance that assets are safeguarded and that books and records reflect only authorized transactions.

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

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



Fred M. Butler
President & Chief Executive Officer



Robert R. Friedl
Senior Vice President & Chief Financial Officer

To The Stockholders
The Manitowoc Company, Inc.

We have audited the accompanying consolidated balance sheets of The Manitowoc Company, Inc. and Subsidiaries as of December 31, 1996 and 1995 and the related consolidated statements of earnings, stockholders' equity, and cash flows for the years ended December 31, 1996 and 1995 and the period from July 3, 1994 to December 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of The Manitowoc Company, Inc. and Subsidiaries as of July 2, 1994 were audited by other auditors whose report, dated July 28, 1994 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting

principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Manitowoc Company, Inc. and Subsidiaries as of December 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for the years ended December 31, 1996 and 1995, and the period from July 3, 1994 to December 31, 1994, in conformity with generally accepted accounting principles.



Coopers & Lybrand L.L.P.
Milwaukee, Wisconsin
February 5, 1997, except as to certain information in Note 7, for which the date is February 19, 1997.

Supplemental Quarterly Financial Information (unaudited)

The table below presents quarterly data for calendar years ended December 31, 1996 and 1995 (Thousands of dollars, except per share data)

	1996				1995			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$114,099	\$139,219	\$132,042	\$115,105	\$69,101	\$82,287	\$80,088	\$81,673
Gross margin	28,637	37,891	36,778	31,335	15,919	21,204	18,011	20,336
Net earnings	4,114	8,798	8,534	4,197	1,768	5,386	3,590	3,825
Per common share:*								
Net earnings	.36	.76	.74	.36	.15	.47	.31	.33
Dividends	.17	.17	.17	.17	.17	.17	.17	.17

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

Board of Directors



Dean H. Anderson, 56, vice president strategic development of ABB Vetco Gray Inc., since 1995, an oilfield equipment manufacturer headquartered in Houston, TX. Previously, president of Foster Valve Corporation (1990); president and chief executive officer of Steego Corporation (1988); president and chief executive officer of Guardian Industries, Inc. (1987). Elected to Manitowoc's board in 1992. (1)



Fred M. Butler, 61, president and chief executive officer, The Manitowoc Company, Inc. Elected to board in 1990. Also a director of Gehl Company, West Bend, WI. (3)



James P. McCann, 67, former vice chairman, president, and chief operating officer of Bridgestone/Firestone, Inc., a tire and rubber manufacturer headquartered in Nashville, TN. Previously, executive vice president (1989) of North American Tire for Bridgestone/Firestone, Inc.; former president and chief executive officer (1988) of Bridgestone (U.S.A.), Inc. Elected to Manitowoc's board in 1990. (1), (3), (4)



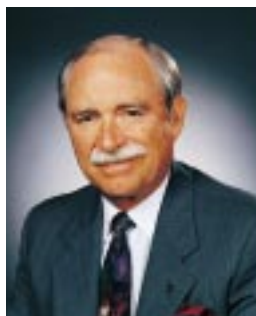
George T. McCoy, 77, former chairman and chief executive officer of Guy F. Atkinson Co., a diversified construction services company headquartered in San Bruno, CA. Elected to Manitowoc's board in 1986. (1), (2), (3)



Guido R. Rahr, Jr., 68, chairman of the board of Rahr Malting Co., since 1993, a producer of barley malt headquartered in Minneapolis, MN. Previously served as Rahr's chairman and chief executive officer (1987). Elected to Manitowoc's board in 1980. (1)



Gilbert F. Rankin, Jr., 64, former administrative director, College of Engineering, Cornell University, Ithaca, NY. Elected to Manitowoc's board in 1974. (1), (2), (4)



Robert S. Throop, 59, former chairman and chief executive officer of Anthem Electronics, Inc., a manufacturer and distributor of electronic products headquartered in San Jose, CA. Also a director of Arrow Electronics, Inc., Melville, NY, and The Coast Distribution System, San Jose, CA. Elected to Manitowoc's board in 1992. (1), (2), (4)

(1) Audit Committee

a committee of non-company directors who review the scope and timing of the audit conducted by the company's independent public accountants. Also reviews with independent public accountants the company's management policies and procedures that relate to internal auditing and accounting controls.

(2) Compensation & Benefit Committee

determines the compensation of the company's officers, reviews management's recommendations as to compensation of other key personnel, and administers the company's EVA Plan.

(3) Executive Committee discharges certain responsibilities of the Board of Directors when the board is not in session. Also charged with reviewing and making recommendations concerning proposed major corporate transactions.

(4) Nominating Committee

provides the methodology for selection of candidates, including the specifications, for the position of chief executive officer of the company.

Officers



Fred M. Butler, 61, president and chief executive officer since 1990. Previously, senior vice president and chief operating officer (1989); and manager of administration (1988). Prior to joining Manitowoc, Mr. Butler served Guy F. Atkinson Co., and its subsidiaries, for 29 years in numerous managerial and executive positions.



Robert R. Friedl, 42, senior vice president and chief financial officer since 1996. Previously, vice president and chief financial officer (1992); vice president of finance (1990); and assistant treasurer (1988). Prior to joining Manitowoc, Mr. Friedl served as chief financial officer with Coradian Corp.; was co-founder, vice president of finance, and treasurer of Telecom North, Inc.; and tax manager for Nankin, Schnoll & Co., S.C.



E. Dean Flynn, 55, secretary since 1993. Previously, assistant corporate secretary (1987); manager of corporate insurance (1990); and legal assistant (1985). Formerly served the Wabco division of Dresser Industries, Inc., in numerous managerial positions for 23 years, departing as manager of legal affairs in 1985.



Philip D. Keener, 45, treasurer since 1990. Prior to joining Manitowoc, Mr. Keener served as assistant treasurer of Farley Industries, Inc., and in various financial capacities at Northwest Industries, Inc.



Thomas G. Musial, 45, vice president human resources since 1995. Previously, manager of human resources (1987) and personnel/industrial relations specialist (1976).

Industry Terms

Boom Truck A flatbed truck chassis equipped with a hydraulic crane. A boom truck is different than a truck crane in that it can haul up to several thousand pounds of payload on its cargo deck.

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

Five-Year Survey Ship inspection and maintenance that must be performed every five years to satisfy various maritime requirements of the U.S. Coast Guard and other regulatory agencies.

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

HFC An abbreviation for hydrofluorocarbon, the new environmentally friendly refrigerant that is replacing the ozone-depleting CFC refrigerants previously used in many types of refrigeration and cooling equipment.

Kiosk A non-traditional restaurant.

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

Financial Terms

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

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

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

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

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

Economic Value Added Measures the economic profit after a capital charge is subtracted from an after-tax operating profit. A company adds value when it earns more than the cost of capital.

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

Reach-in A capital goods item typically found in restaurant and convenience-store applications to store foodservice ingredients at safekeeping temperatures prior to preparation, or for refrigerated storage of various beverage and food items for retail sale.

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

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

Telescopic Boom A boom, composed of several overlapping sections, which can be extended or retracted like a telescope.

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

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

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

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

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

Independent Public Accountants

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

Stock Transfer Agent and Registrar

First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, NJ 07303-2500

Annual Meeting – The annual meeting of Manitowoc shareholders will be held at 9:00 am, CDT, Tuesday, May 6, 1997, on the third floor of the company's corporate offices at 500 South 16th Street, Manitowoc, WI. We encourage shareholders to participate in this meeting in person or by proxy.

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

Quarterly common stock price information for our three most recent fiscal years can be found on page 1 of this annual report.

Manitowoc Shareholders – Although the majority of Manitowoc shareholders reside in Wisconsin, other shareholders reside throughout the United States, Canada, Mexico, and several overseas locations.

On December 31, 1996, 11,511,357 shares of Manitowoc common stock were outstanding. At such date, there were 2,362 shareholders of record.

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

A copy of Form 10-K, as filed with the Securities and Exchange Commission for 1996, may be obtained by any shareholder, without charge, upon written request to:

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

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

Dividend Reinvestment And Stock Purchase Plan –

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

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

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

