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

FORM 10-K

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

For the fiscal year ended December 31, 2004

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

For the transition period from to

Commission File Number
1-11978

The Manitowoc Company, Inc.
(Exact name of registrant as specified in its charter)

Wisconsin (State or other jurisdiction of incorporation)	**39-0448110** (I.R.S. Employer Identification Number)
2400 South 44 th Street, Manitowoc, Wisconsin (Address of principal executive offices)	**54221-0066** (Zip Code)

(920) 684-4410
(Registrant's telephone number, including area code)

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

Common Stock, $.01 Par Value (Title of Each Class) Common Stock Purchase Rights	**New York Stock Exchange** (Name of Each Exchange on Which Registered)

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

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

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

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

The Aggregate Market Value on June 30, 2004, of the registrant's Common Stock held by non-affiliates of the registrant was $905,132,921 based on the closing per share price of $33.85 on that date.

The number of shares outstanding of the registrant's Common Stock as of February 23, 2005, the most recent practicable date, was 29,976,185.

<u>DOCUMENTS INCORPORATED BY REFERENCE</u>

Portions of the registrant's Proxy Statement, to be prepared and filed for the annual Meeting of Shareholders, dated April 1, 2005 (the "2005

Proxy Statement"), are incorporate by reference in Part III of this report.

See Index to Exhibits immediately following the signature page of this report, which is incorporated herein by reference.

PART I

Item 1. Business

GENERAL

Founded in 1902, we are a diversified industrial manufacturer in three principal markets: Cranes and Related Products (Crane); Foodservice Equipment (Foodservice) and Marine. We have over a 100-year tradition of providing high-quality, customer-focused products and support services to our markets worldwide. For the year ended December 31, 2004 we had net sales of approximately $2.0 billion. During the past six years we made several acquisitions and divested or closed certain smaller companies or product lines. See further details of the acquisitions, divestitures and closures in Footnotes 3 and 4 of the Notes to Consolidated Financial Statements included in Item 8 of this Form 10-K.

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

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

Our Marine segment provides new construction, shiprepair and maintenance services for freshwater and saltwater vessels from four shipyards on the U.S. Great Lakes. Our Marine segment is also a provider of Great Lakes and oceangoing mid-sized commercial, research and military vessels. Our Marine segment serves the Great Lakes maritime market consisting of both U.S. and Canadian fleets, inland waterway operations, and ocean going vessels that transit the Great Lakes and St. Lawrence Seaways.

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

FINANCIAL INFORMATION ABOUT BUSINESS SEGMENTS

The following is financial information about the Crane, Foodservice and Marine segments for the years ended December 31, 2004, 2003 and 2002. The accounting policies of the segments are the same as those described in the summary of significant accounting policies of the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K, except that certain expenses are not allocated to the segments. These unallocated expenses are corporate overhead, amortization expense of intangible assets with definite lives, interest expense, curtailment gain, and income taxes. The company evaluates segment performance based upon profit and loss before the aforementioned expenses. Restructuring costs separately identified in the Consolidated Statement of Operations are included as reductions to the respective segment's operating earnings for each year below.

	2004	2003	2002
Net sales from continuing operations:			
Crane	$ 1,248,476	$ 962,808	$ 674,060
Foodservice	468,483	457,000	462,906
Marine	247,142	151,048	219,457
Total	$ 1,964,101	$ 1,570,856	$ 1,356,423
Operating earnings from continuing operations:			
Crane	$ 57,011	$ 24,437	$ 55,613
Foodservice	66,190	65,927	56,749
Marine	9,080	4,750	19,934
Corporate	(21,243)	(19,210)	(15,171)
Amortization expense	(3,141)	(2,919)	(2,001)
Curtailment gain	—	12,897	—
Operating earnings from continuing operations	$ 107,897	$ 85,882	$ 115,124
Capital expenditures:			
Crane	$ 24,192	$ 25,028	$ 19,116
Foodservice	12,524	5,005	4,107
Marine	4,757	735	1,490
Corporate	2,913	1,209	8,283
Total	$ 44,386	$ 31,977	$ 32,996
Total assets:			
Crane	$ 1,279,665	$ 1,151,751	$ 1,046,294
Foodservice	302,865	290,586	320,840
Marine	110,336	91,519	93,983
Corporate	235,270	126,293	139,529
Total	$ 1,928,136	$ 1,660,149	$ 1,600,646

PRODUCTS AND SERVICES

We sell our products categorized in the following business segments:

Business Segment	Percentage of 2004 Net Sales	Key Products	Key Brands
Cranes and Related Products	63.6%	Lattice-boom Cranes: which include crawler and truck mounted lattice-boom cranes, and crawler crane attachments; Tower Cranes: which include top slewing luffing jib, topless, and self erecting tower cranes; Mobile Telescopic Cranes: including rough terrain, all-terrain, truck mounted and industrial cranes; Boom Trucks: which include telescopic and articulated boom trucks; Parts and Service: which include replacement parts, product services, crane rebuilding and remanufacturing services.	Manitowoc Potain Grove National Crane Care
Foodservice Equipment	23.9%	Commercial ice-cube machines, ice flakers, and storage bins; ice/beverage dispensers; long-draw soft-drink and beer dispensing systems; walk-in refrigerators and freezers; reach-in refrigerators and freezers; refrigerated under-counters and food prep tables; private label residential refrigerator/freezers; post-mix beverage dispensing valves; cast aluminum cold plates; compressor racks and modular refrigeration systems; backroom beverage equipment distribution services.	Manitowoc SerVend Multiplex Kolpak Harford-Duracool McCall Koolaire Flomatic Icetronic Kyees RDI
Marine	12.5%	New construction services for commercial, government, military, and research vessels of all varieties, including Military vessels, ice breakers, ferries, patrol boats, self-unloading bulk carriers, double-hull tank barges, integrated tug/barges and dredges; inspection, maintenance and repair of freshwater and saltwater vessels.	

Cranes and Related Products

Our Crane segment designs, manufactures and distributes a diversified line of crawler and truck mounted lattice-boom cranes, which we sell under the “Manitowoc” name. Our Crane segment also designs and manufactures a diversified line of top slewing and self erecting tower cranes, which we sell under the “Potain” name. We design and manufacture mobile telescopic cranes which we sell under the “Grove” name. We also design and manufacture a comprehensive line of hydraulically powered telescopic and articulated boom trucks, which we sell under the “National” brand name. We also provide crane product services, and crane rebuilding and remanufacturing services which are delivered under the CraneCare brand name. In some cases our products are manufactured for us or distributed for us under strategic alliances. Our crane products are used in a wide variety of applications throughout the world, including energy, petrochemical and industrial projects, infrastructure development such as road, bridge and airport construction, commercial and high-rise residential construction, mining and dredging. Many of our customers purchase one crane together with several attachments to permit use of the crane in a broader range of lifting applications and other operations. Various crane models combined with available options have lifting capacities up to 1,433 U.S. tons.

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

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

Lattice-boom crawler cranes may be classified according to their lift capacity—low capacity and high capacity. Low capacity crawler cranes with 150-ton capacity or less are often utilized for general construction and duty cycle applications. High capacity crawler cranes with greater than 150-ton capacity are utilized to lift materials in a wide variety of applications and are often utilized in heavy construction, energy-related, stadium construction, petrochemical work, and dockside applications. We offer eight low-capacity models and eight high-capacity models. We also manufacture lattice-boom, self erecting truck cranes. These cranes serve the same markets as our high capacity crawler cranes. They differ from their crawler counterparts only in that they are mounted on a truck rather than a crawler and can travel at highway speeds.

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

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

Top slewing tower cranes have a tower and multi-sectioned horizontal jib. Suspension cables supporting the jib extend from the tower. These cranes rotate from the top of their mast and can increase in height with the project. Top slewing cranes are transported in separate pieces and assembled at the construction site in one to three days depending on the height. We offer 38 models of top slewing tower cranes with maximum jib lengths of 80 meters and lifting capabilities ranging between 40 and 3,600 meter-tons. These cranes are generally sold to large building and construction groups, as well as rental companies.

Luffing jib tower cranes, which are a type of top slewing crane, have an angled rather than horizontal jib. Unlike other tower cranes which have a trolley that controls the lateral movement of the load, luffing jib cranes move their load by changing the angle of the jib. These cranes are transported in separate pieces and assembled at the construction site in one to three days depending on the height. The cranes are utilized primarily in urban areas where space is constrained or in situations where several cranes are installed close together. We currently offer 6 models of luffing jib tower cranes with maximum jib lengths of 60 meters and lifting capabilities ranging between 90 and 600 meter-tons.

Topless tower cranes, which are a type of top slewing crane, without the cathead or jib tiebars on the top of the mast. The cranes are utilized primarily when overhead height is constrained or in situations where several cranes are installed close together. These cranes are transported in separate pieces and assembled at the construction site in one to three days depending on the height. We currently offer 8 models of topless tower cranes with maximum jib lengths of 75 meters and lifting capabilities ranging between 100 and 300 meter-tons.

Self erecting tower cranes are generally trailer-mounted and unfold from four sections, two for the tower and two for the jib. The smallest of our models unfolds in less than 8 minutes; larger models erect in a few hours. Self erecting cranes rotate from the bottom of their mast. We offer 23 models of self erecting cranes with maximum jib lengths of 50 meters and lifting capacities ranging between 10 and 120 meter-tons which are utilized primarily in light construction and residential applications.

Mobile Telescopic Cranes. Under the Grove brand name we design and manufacture 23 models of mobile telescopic cranes utilized primarily in industrial, commercial and construction applications, as well as in maintenance applications to lift and move material at job sites. Mobile telescopic cranes consist of a telescopic boom mounted on a wheeled carrier. Mobile telescopic cranes are similar to lattice-boom cranes in that they are designed to lift heavy loads using a mobile carrier as a platform, enabling the crane to move on and around a job site without typically having to re-erect the crane for each particular job. Additionally, many mobile telescopic cranes have the ability to drive between sites, and some are permitted on public roadways. We currently offer the following four types of mobile telescopic cranes capable of reaching tip heights of 427 feet with lifting capacities up to 550 tons: (i) rough terrain, (ii) all-terrain, (iii) truck mounted, and (iv) industrial.

Rough terrain cranes are designed to lift materials and equipment on rough or uneven terrain. These cranes cannot be driven on public roadways, and, accordingly, must be transported by truck to a work site. We produce, under the Grove brand name, 9 models of rough terrain cranes capable of tip heights of up to 279 feet and maximum load capacities of up to 130 tons.

All-terrain cranes are versatile cranes designed to lift materials and equipment on rough or uneven terrain and yet are highly maneuverable and capable of highway speeds. We produce, under the Grove brand name, 11 models of all-terrain cranes capable of tip heights of up to 427 feet and maximum load capacities of up to 550 tons.

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

Industrial cranes are designed primarily for plant maintenance, storage yard and material handling jobs. We distribute, under the Grove brand name, 7 models of industrial cranes capable of tip heights of up to 92 feet and maximum load capacities of up to 20 tons.

Boom Trucks. We offer our hydraulic and articulated boom truck products under the National Crane product line. A boom truck is a hydraulically powered telescopic crane or articulated crane mounted on a truck chassis. Telescopic boom trucks are used primarily for lifting material on a job site, while articulated boom trucks are utilized primarily to load and unload truck beds at a job site. We currently offer, under the National Crane brand name, 12 models of telescoping and 8 models of articulating cranes capable of reaching maximum heights of 176 feet and lifting capacity up to 40 tons.

Backlog . The year-end backlog of crane products includes orders that have been placed on a production schedule, and those orders that we have accepted and that we expect to be shipped and billed during the next year. Manitowoc’s backlog of unfilled orders for Crane segment at December 31, 2004 was $327.3 million, as compared with $213.2 million at December 31, 2003.

Foodservice Equipment

Our Foodservice segment designs, manufactures and markets commercial ice-cube and flaker machines and storage bins; walk-in refrigerators and freezers; reach-in refrigerators and freezers; refrigerated undercounter and food preparation tables; private label residential refrigerators/freezers; ice/beverage dispensers; post-mix beverage dispensing valves; cast aluminum cold plates; long draw beer dispensing systems; compressor racks and modular refrigeration systems; and backroom beverage equipment distribution services. Products are sold under the brand names Manitowoc, SerVend, Multiplex, Kolpak, Harford-Duracool, McCall, Koolaire, Flomatic, Icetronic, Kyees, RDI, and other brand names.

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

Our subsidiary Manitowoc Ice manufactures 26 models of commercial ice machines under the Manitowoc brand name, serving the foodservice, convenience store, healthcare, restaurant and lodging markets. Our ice machines make ice in cube and flake form, and range in daily production capacities from 45 to 2,150 pounds.

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

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

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

Beverage Dispensers and Other Products. Our subsidiary Manitowoc Beverage Equipment, Inc. produces ice-cube dispensers, beverage dispensers, ice/beverage dispensers, post-mix dispensing valves and cast aluminum cold plates and related equipment for use by quick service restaurants, convenience stores, bottling operations, movie theaters, and the soft-drink industry. Ice cube dispensers come in the form of floor and countertop models with storage capacities ranging from 45 to 180 pounds, while ice/beverage dispensers include traditional combination ice/beverage dispensers, drop-in dispensers and electric countertop units. Dispensing systems are manufactured for the dispensing of soda, water and beer. Soda systems include remote systems that produce cold carbonated water and chill incoming water and syrup prior to delivery to dispensing towers. Beer systems offer technically advanced remote beer delivery systems which are superior by design, allow increased yields, provide better under-bar space utilization and allow multiple stations to operate from one central unit.

Our subsidiary Manitowoc Beverage Systems, Inc., or MBS, is a systems integrator with nationwide distribution of beverage dispensing and backroom equipment and support system components. MBS serves the needs of major beverage and bottler customers, restaurants, convenience stores and other outlets and provides our customers with one point of contact for their beverage dispenser and backroom equipment needs. It operates throughout the United States, with locations in Ohio, California, and Virginia.

Backlog. The backlog for unfilled orders for our Foodservice segment at December 31, 2004 and 2003 was not significant because orders are generally filled within 24 to 48 hours.

Marine

We operate four shipyards located in Marinette, Wisconsin; Sturgeon Bay, Wisconsin; Toledo, Ohio; and Cleveland, Ohio.

Marinette, Wisconsin. Marinette Marine Corporation (Marinette) was founded along the Menominee River in Marinette, Wisconsin in 1942 to meet America’s growing need for naval construction. Since our first contract to build five wooden barges, Marinette has built more than 1,300 vessels. Marinette is a full service shipyard with in-house capabilities to design and construct the most complex vessels. Our Marinette facility has 300,000 square feet of heated indoor production area, 53,000 square feet of secure indoor warehouse and receiving area, a 2,500 long ton certified ship launch ways and a 1,600 ton ship transport system. These features of the Marinette facility allow the vessels to be constructed and outfitted completely indoors. When ready for launching, they are moved outdoors. Typically, vessels are 90 to 95% material and labor complete when launched which allows for the quality of the finished product and greater efficiency.

Sturgeon Bay, Wisconsin . Located in Sturgeon Bay, Wisconsin, Bay Shipbuilding Co. (Sturgeon Bay) is an industry leader in the construction of double-hulled vessels, dredges, and dredging support equipment, along with bulk cargo self unloading solutions. This shipyard specializes in large ship construction projects and repair work. Our Sturgeon Bay shipyard consists of approximately 55 acres of waterfront property, approximately 295,000 square feet of enclosed manufacturing and office space, a 140-foot by 1,158-foot graving dock, a 250-foot graving dock, and a 600-foot, 7,000-ton, floating dry-dock.

Toledo, Ohio. Toledo Shiprepair Company (Toledo) specializes in hull, machinery, and propulsion repairs, along with conversion and retrofitting for the marine industry. Toledo has multiple dry-docking capabilities for emergency repairs and required surveys and years of experience serving the maritime needs of the Great Lakes, as well as the international ship traffic that transit Great Lakes’ waterways. Our Toledo facility has an 815-foot by 100-foot dry dock, a 515-foot by 100-foot dry dock, and 1,800-foot conversion/repair berth.

Cleveland, Ohio . Cleveland Shiprepair Company specializes in all types of voyage and topside marine repair.

The year-end backlog for our Marine segment includes new project work to be completed over a series of years and repair and maintenance work presently scheduled which will be completed in the next year. At December 31, 2004, the backlog for our Marine segment approximated $186 million, compared to $338 million one year ago. The backlog is primarily made up of new vessel construction projects and does not include options for additional vessels, yet to be awarded.

Raw Materials and Supplies

The primary raw material that we use is structural and rolled steel, which is purchased from various domestic and international sources. We also purchase engines and electrical equipment and other semi- and fully-processed materials. Our policy is to maintain, wherever possible, alternate sources of supply for our important materials and parts. We maintain inventories of steel and other purchased material. We have been successful in our goal to maintain alternative sources of raw materials and supplies, and therefore are not dependent on a single source for any particular raw material or supply. During 2004, gross profit was negatively impacted as a result of commodity price increases in the Crane, Foodservice and Marine segments by $8.6 million, $3.6 million and $3.7 million, respectively, compared to 2003. In all cases, the impact of commodity price increases on gross profit is net of price increases to our customers and adjustments to our material standards. Although we have established actions in place to mitigate these pressures in 2005, no guarantee of success can be made at this time.

Patents, Trademarks, and Licenses

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

Seasonality

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

Competition

We sell all of our products in highly competitive industries. We compete in each of our industries based on product design, quality of products and services, product performance, maintenance costs, and price. Several of our competitors may have greater financial, marketing, manufacturing and distribution resources than we do. We believe that we benefit from the following competitive advantages: a strong brand name, a reputation for quality products and service, an established network of global distributors, broad product line offerings in the markets we serve, and a commitment to engineering design and product innovation. However, we cannot assure you that our products and services will continue to compete successfully with our competitors or that we will be able to retain our customer base or improve or maintain our profit margins on sales to our customers. The following table sets forth our primary competitors in each of our business segments:

Business Segment	Products	Primary Competitors
Cranes and Related Products	Lattice-boom Crawler Cranes	Hitachi; Kobelco; Liebherr; Sumitomo/Link-Belt; and Terex/Demag/American
	Tower Cranes	Comensa; Gru Comedil; Liebherr; Peiner Terex FM; and Jasco
	Mobile Telescopic Cranes	Liebherr; Link-Belt; Terex/Demag; and Tadano
	Boom Trucks	Terex; Manitex
Foodservice Equipment	Ice Machines	Hoshizaki; Scotsman
	Ice/Beverage Dispensers	Automatic Bar Controls; Celli; Cornelius; Enodis; Lancer Corporation; and Vin Service
	Walk-in Refrigerators/Freezers	American Panel; ICS; Nor-Lake; and W.A. Brown
	Reach-in Refrigerators/Freezers	Beverage Air; Delfield; Traulsen; and True Foodservice
Marine	Ship Repair and Construction	Alabama Shipbuilding & Drydock; Bender Shipbuilding & Repair; Bollinger, Lockport & Larose; Fraser Shipyards; Friede Goldman Halter; and Port Weller Drydocks

Engineering, Research and Development

Our extensive engineering, research and development capabilities have been key drivers of our success. We engage in research and development activities at all of our significant manufacturing facilities. We have a staff of engineers and technicians on three continents who are responsible for improving existing products and developing new products. We incurred research and development expenditures of $21.2 million in 2004, $17.4 million in 2003 and $15.6 million in 2002.

Our team of engineers focuses on developing innovative, high performance, low maintenance products that are intended to create significant brand loyalty among customers. Design engineers work closely with our manufacturing and marketing staff, enabling us to identify quickly changing end-user requirements, implement new technologies and effectively introduce product innovations. Close, carefully managed relationships with dealers, distributors and end users help us identify their needs, not only for products, but for the service and support that is critical to their profitable operation. As part of our ongoing commitment to provide superior products, we intend to continue our efforts to design products that meet evolving customer demands and reduce the period from product conception to product introduction.

Employee Relations

We employ approximately 7,600 persons and have labor agreements with 18 union locals in North America. In addition, a large majority of our European employees belong to European trade unions. There were no work stoppages during 2004, however, the following work stoppages occurred during 2003 and 2002:

- At our Manitowoc Crane Facility for 4 days during November of 2003 by the Local International Association of Machinists.
- At our Marinette Marine facility beginning January 21, 2003, which lasted 44 days by the local boilermakers union.
- At our Bay Shipbuilding facility for 5 days during February of 2002 by the local boilermakers, electrical workers, pipefitters, and carpenters unions.

In 2005, a total of three collective bargaining contracts expire at Manitowoc Ice, Manitowoc Cranes, and Toledo Shiprepair.

Available Information

Our Internet address is www.manitowoc.com. There we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC). Our SEC reports can be accessed through the investor relations section of our Web site. The information found on our Web site is not part of this or any other report we file with or furnish to the SEC.

The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room located at 450 Fifth Street NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains electronic versions of our reports on its website at www.sec.gov.

Geographic Areas

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

	Net Sales			Long-Lived Assets	
	2004	2003	2002	2004	2003
United States	$ 1,100,783	$ 902,486	$ 912,328	$ 561,953	$ 498,729
Other North America	36,377	13,173	25,711	—	—
Europe	576,780	477,001	296,597	495,865	503,874
Asia	106,095	84,066	68,390	9,591	9,610
Middle East	70,981	59,881	18,885	—	—
Central and South America	24,206	10,883	7,410	43	711
Africa	15,843	7,906	7,291	—	—
South Pacific and Caribbean	4,826	2,989	13,275	6,226	—
Australia	28,210	12,471	6,536	8,497	1,136
Total	$ 1,964,101	$ 1,570,856	$ 1,356,423	$ 1,082,175	$ 1,014,060

Item 2. PROPERTIES OWNED

The following table outlines the principal facilities we own or lease as of December 31, 2004:

Facility Location	Type of Facility	Approximate Square Footage	Owned/Leased
Cranes and Related Products			
Europe/Asia			
Wilhelmshaven, Germany	Manufacturing/Office and Storage	410,000	Owned/Leased
Moulins, France	Manufacturing/Office	355,000	Owned
Dilligen, Germany	Manufacturing/Office	331,000	Leased
Charlieu, France	Manufacturing/Office	323,000	Owned/Leased
Zhangjiagang, China	Manufacturing	245,500	Leased
Walldorf, Germany	Office	184,000	Leased
Fanzeres, Portugal	Manufacturing	183,000	Leased
La Clayette, France	Manufacturing/Office	161,000	Owned/Leased
Charlolles, France	Manufacturing	123,000	Leased
Niella Tanaro, Italy	Manufacturing	105,500	Owned
Tonneins, France	Manufacturing/Office and Storage	101,900	Owned/Leased
Ecully, France	Office	85,000	Owned
Alfena, Portugal	Office	84,000	Owned
Langenfeld, Germany	Office/Storage and Field Testing	80,300	Leased
Osny, France	Office/Storage/Repair	43,000	Owned
Arneburg, Germany	Manufacturing	73,000	Owned
Decines, France	Logistics	47,500	Leased
Vaux-en-Velin, France	Office/Workshop	17,000	Owned
Naia, Portugal	Manufacturing	17,000	Owned
Vitrolles, France	Office	16,000	Owned
Sunderland, United Kingdom	Office/Storage	14,000	Leased
Lusigny, France	Crane Testing Site	10,000	Owned
Baudemont, France	Office	8,000	Owned
Singapore	Office	7,000	Leased
Lisbonne, Portugal	Office	6,500	Owned
United States			
Shady Grove, Pennsylvania	Manufacturing/Office	1,185,100	Owned
Manitowoc, Wisconsin	Manufacturing/Office	278,000	Owned
Quincy, Pennsylvania	Manufacturing	36,000	Owned

Facility Location	Type of Facility	Approximate Square Footage	Owned/Leased
Bauxite, Arkansas	Manufacturing/Office	22,000	Owned
Foodservice Equipment			
Europe/Asia			
Hangzhou, China	Manufacturing/Office	80,000	Owned
Frankfurt, Germany	Manufacturing/Office	15,000	Owned
United States			
Manitowoc, Wisconsin	Manufacturing	376,000	Owned
Parsons, Tennessee(1)	Manufacturing	214,000	Owned
Sparks, Nevada	Manufacturing	150,000	Leased
Sellersburg, Indiana	Manufacturing/Office	140,000	Owned
River Falls, Wisconsin	Manufacturing	133,000	Owned
La Mirada, California	Manufacturing/Office	77,000	Leased
Selmer, Tennessee	Manufacturing/Office	72,000	Owned/Leased
Aberdeen, Maryland	Manufacturing/Office	67,000	Owned
Marine			
Marinette, Wisconsin	Shipyard	450,000	Owned
Sturgeon Bay, Wisconsin	Shipyard	220,000	Owned/Leased
Toledo, Ohio	Shipyard	60,000	Leased
Cleveland, Ohio	Marine Repair and Storage	8,000	Leased
Corporate			
Manitowoc, Wisconsin	Office	34,000	Owned
Manitowoc, Wisconsin	Hanger Ground Lease	31,320	Leased

(1) There are three separate locations within Parsons, Tennessee.

In addition, we lease sales office and warehouse space for our Crane segment in Begles, France; Lille, France; Nantes, France; Rouen, France; Toulouse, France; Nice, France; Orleans, France; Sainte Lauent de Muie, France; Bretigny, France; Persans, France; Vitry sur Seine, France; Parabiago, Italy; Meath Ireland; Munich, Germany; Budapest, Hungary; Warsaw, Poland; Sydney, Australia; Beihjing, China; Dubai, UAE; Makati City, Philippines; Moscow, Russia; and the Czech Republic. Within the United States we lease office and warehouse space for our Foodservice segment in Franklin, Tennessee; Salem, Virginia; Irwindale, California; Holland, Ohio; Decaturville, Tennessee; Reno, Nevada; Selmer, Tennessee; and Clackames, Oregon. We also own sales offices and warehouse facilities for our Crane segment in Northhampton, England and Dole, France.

See Note 18 “Leases” to the Consolidated Financial Statements for additional information regarding leases.

Item 3. LEGAL PROCEEDINGS

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

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

We have been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act (CERLA) in connection with the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin. Eleven of the approximately 150 potentially responsible parties, including us, have formed the Lemberger Site Remediation Group and have successfully negotiated with the United States Environmental Protection Agency and the Wisconsin Department of Natural Resources to fund the cleanup and settle our potential liability at this site. Estimates indicate that the total costs to clean up this site are approximately $30 million. However, the ultimate allocations of costs for this site are not yet final. Although liability is joint and several, our share of the liability is estimated to be 11% of the total cost. Prior to December 31, 1996, we accrued $3.3 million in connection with this matter. The amounts we have spent each year through December 31, 2004 to comply with our portion of the cleanup costs have not been material. Remediation work at the site has been substantially completed, with only long-term pumping and treating of groundwater and site maintenance remaining. Our remaining estimated liability for this matter, included in other current liabilities in the Consolidated Balance Sheet at December 31, 2004 is $0.6 million. Based on the size of our current allocation of liabilities at this site, the existence of other viable potential responsible parties and current reserve, we do not believe that any additional liability imposed in connection with this site will have a material adverse effect on our financial condition, results of operations, or cash flows.

At certain of our other facilities, we have identified potential contaminants in soil and groundwater. The ultimate cost of any remediation required will depend upon the results of future investigation. Based upon available information, we do not expect that the ultimate costs will have a material adverse effect on our financial condition, results of operations, or cash flows.

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

As of December 31, 2004, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retention levels. Our self-insurance retention levels vary by business, and have fluctuated over the last five years. The range of our self-insured retention levels are $0.1 million to $3.0 million per occurrence. The high-end of our self-insurance retention level is a legacy product liability insurance program inherited with the acquisition of Grove in 2002 for cranes manufactured in the United States for occurrences from 2000 through October 2002. As of December 31, 2004, the largest self-insured retention level currently maintained by us for current year occurrences is $2.0 million per occurrence and applies to product liability claims for cranes manufactured in the United States.

Product liability reserves in the Consolidated Balance Sheet at December 31, 2004, were $29.7 million; $7.4 million reserved specifically for cases and $22.3 million for claims incurred but not reported which were estimated using actuarial methods. Based on our experience in defending product liability claims, we believe the current reserves are adequate for resolution of aggregate self-insured claims and insured claims incurred as of December 31, 2004. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At December 31, 2004 and 2003, we had reserved $46.5 million and $41.7 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets. Certain of these warranties and other related claims involve matters in dispute that ultimately are resolved by negotiations, arbitration, or litigation.

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

We are involved in numerous lawsuits involving asbestos-related claims in which we are one of numerous defendants. After taking into consideration legal counsel's evaluation of such actions, the current political environment with respect to asbestos-related claims, and the liabilities accrued with respect to such matters, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

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

Currently, we are in negotiations with one of our major Marine customers due to cost overruns from change orders on a contract. We estimate our overruns could affect profitability by approximately $10.0 million. We have assumed this recovery in accounting for this long-term contract, as we believe that the claim will result in additional contract revenue and the amount can be reliably estimated. If negotiations are unsuccessful, the impact on our Consolidated Statement of Operations in a future period could be material.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to security holders for a vote during the fourth quarter of our fiscal year ended December 31, 2004.

Executive Officers of the Registrant

Each of the following officers of the company has been elected by the Board of Directors. The information presented is as of February 25, 2005.

Name	Age	Position With The Registrant	Principal Position Held Since
Terry D. Growcock	59	Chairman & Chief Executive Officer	1998
Carl J. Laurino	43	Senior Vice President and Chief Financial Officer	2004
Thomas G. Musial	53	Senior Vice President of Human Resources and Administration	2000
Maurice D. Jones	45	Senior Vice President, General Counsel and Secretary	1999
Dean J. Nolden	36	Vice President of Finance and Controller	2004
Mary Ellen Bowers	48	Vice President Corporate Development	2004
Dennis E. McCloskey	62	Vice President of Global Procurement	2005
Glen E. Tellock	44	Senior Vice President – President Crane Segment	2002
Timothy J. Kraus	51	Senior Vice President – President Foodservice Segment	2000
Robert P. Herre	52	Senior Vice President – President Marine Segment	2005

Terry D. Growcock has been the company's president and chief executive officer since 1998 and has served as chairman of the board since October 2002. He has also been a director since 1998. From 1996 to 1998, he was president and general manager of Manitowoc Ice, and from 1994 to 1996 he was executive vice president of Manitowoc Equipment works. Prior to joining the company, Mr. Growcock served in numerous management and executive positions with Siebe plc and United Technologies Corporation.

Carl J. Laurino was named senior vice president and chief financial officer in May 2004. He had served as Treasurer since May 2001. Mr. Laurino joined the company in January 2000 as assistant treasurer and served in that capacity until his promotion to treasurer. Previously, Mr. Laurino spent 15 years in the commercial banking industry with Firstar Bank (n/k/a US Bank), Norwest Bank (n/k/a Wells Fargo), and Associated Bank. During that period, Mr. Laurino held numerous positions of increasing responsibility including commercial loan officer with Norwest Bank, Vice President – Business Banking with Associated Bank and Vice President and Commercial Banking Manager with Firstar.

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

Maurice D. Jones has been general counsel and secretary since 1999 and was elected vice president in 2002 and a senior vice president in 2004. Prior to joining the company, Mr. Jones was a partner in the law firm of Davis and Kuelthau, S.C., and served as legal counsel for Banta Corporation.

Dean J. Nolden was named vice president of finance and controller in May 2004. Mr. Nolden joined the company in November 1998 as corporate controller and served in that capacity until his promotion in May 2004. Prior to joining the company, Mr. Nolden spent eight years in public accounting in the audit practice of PricewaterhouseCoopers LLP. He left that firm in 1998 as an audit manager.

Mary Ellen Bowers joined the company in November of 2004 as vice president of corporate development. Prior to joining the company, Ms. Bowers spent 23 with Alcoa Inc. During that period Ms. Bowers held numerous positions of increasing responsibility including vice president and general manager, Aerospace and Industrial Products, director Alcoa global business design, vice president and director, strategic planning and information technology, and manager strategic planning.

Dennis E. McCloskey was named vice president of global procurement in February of 2005. Previously, he served as president and general manager of Manitowoc Marine Group since 2003. Prior to serving as president and general manager of the Manitowoc Marine Group, he served as, vice president and general manager of Marinette Marine Corporation (2002), and vice president of business development for Manitowoc Foodservice Group (2001). Prior to joining Manitowoc, Mr. McCloskey was a group vice president at Tecumseh Products Company and group vice president of refrigeration and air conditioning at Frigidaire Company.

Glen E. Tellock has been senior vice president of The Manitowoc Company, Inc. and president and general manager of Manitowoc Crane Group since 2002. Previously, he served as our senior vice president and chief financial officer (1999), vice president of finance and treasurer (1998), corporate controller (1992) and director of accounting (1991). Prior to joining the company, Mr. Tellock served as financial planning manager with the Denver Post Corporation, and as audit manager for Ernst & Whinney.

Timothy J. Kraus has been president and general manager of Manitowoc Foodservice Group since 2000 and a senior vice president of The Manitowoc Company, Inc. since 2004. Mr. Kraus previously served as a vice president beginning in 2000. Previously, general manager of Manitowoc's Ice/Beverage Group (1999), executive vice president and general manager of Manitowoc Ice (1998), vice president of sales and marketing (1995), and national sales manager (1989). Prior to joining the company, Mr. Kraus was president of Universal Nolin.

Robert P. Herre joined the company in February of 2005 as senior vice president of The Manitowoc Company, Inc. and president and general manager of Manitowoc Marine Group. Prior to joining the company, Mr. Herre served as executive vice president and head of operations for Trinity Industries, Inc., joining that company in 2003. From 1991 to 2003 Mr. Herre held numerous positions within American Commercial Lines, LLC, including president and chief operating officer Jeffboat, vice president maintenance and vessel management American Commercial Barge Line, vice president and general manager American Commercial Terminals, vice president, employee relations Jeffboat and vice president, engineering.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange under the symbol MTW. At December 31, 2004, the approximate number of record shareholders of common stock was 2,726. The amount and timing of the annual dividend is determined by the board of directors at regular times each year. In December 2004, 2003 and 2002 the company paid a cash dividend to share holders of $0.28 per share of common stock. At its February 2005 meeting the board of directors approved the return to a quarterly dividend payment beginning with the first quarter of 2005. At the same meeting the board of directors approved a dividend of $0.07 per share of common stock for the first quarter of 2005.

The high and low sales prices of the common stock were as follows for 2004, 2003 and 2002:

	2004			2003			2002		
Year Ended December 31	**High**	**Low**	**Close**	**High**	**Low**	**Close**	**High**	**Low**	**Close**
1st Quarter	$ 33.76	$ 27.59	$ 29.58	$ 26.60	$ 16.70	$ 16.81	$ 41.00	$ 30.25	$ 39.07
2nd Quarter	33.85	29.36	33.85	23.98	16.70	22.30	44.39	35.14	35.10
3rd Quarter	35.61	29.85	35.46	25.63	18.50	21.69	35.99	27.04	27.05
4th Quarter	39.85	32.50	37.65	31.80	21.31	31.20	28.35	22.10	25.50

Under our current bank credit agreement, we are limited to aggregate annual dividend payments of $8.5 million.

Item 6. SELECTED FINANCIAL DATA

The following selected historical financial data have been derived from the Consolidated Financial Statements of The Manitowoc Company, Inc. The data should be read in conjunction with these financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The information presented reflects all business units other than Manitowoc Boom Trucks, Inc., Femco Machine Company, Inc., North Central Crane & Excavator Sales Corporation, and the Aerial Work Platform businesses, which were either sold or closed during 2004, 2003 or 2002 and are reported in discontinued operations in the accompanying Consolidated Financial Statements. We acquired certain businesses during 1999 through 2002. The results of all businesses acquired during the time periods presented are included in the table from their acquisition date.

	2004	2003	2002	2001	2000	1999
Net sales						
Cranes and Related Products	$ 1,248,476	$ 962,808	$ 674,060	$ 391,109	$ 240,027	$ 245,569
Foodservice Equipment	468,483	457,000	462,906	411,637	425,080	379,625
Marine	247,142	151,048	219,457	181,677	71,942	55,204
Total	1,964,101	1,570,856	1,356,423	984,423	737,049	680,398
Gross Profit	381,970	332,734	321,337	270,598	215,071	209,693
Earnings from operations						
Cranes and Related Products	57,011	24,437	55,613	62,654	52,383	51,586
Foodservice Equipment	66,190	65,927	56,749	57,942	61,368	65,372
Marine	9,080	4,750	19,934	18,924	8,902	7,297
Corporate	(21,243)	(19,210)	(15,171)	(11,961)	(12,313)	(11,166)
Amortization expense	(3,141)	(2,919)	(2,001)	(11,074)	(6,721)	(5,932)
Curtailment gain	—	12,897	—	—	—	—
Total	107,897	85,882	115,124	116,485	103,619	107,157
Interest expense	(56,895)	(56,901)	(51,963)	(37,408)	(12,809)	(10,780)
Loss on debt extinguishment	(1,036)	(7,300)	—	(5,540)	—	—
Other income (expense) - net	(837)	314	1,918	(1,268)	(2,039)	(1,972)
Earnings from continuing operations before income taxes	49,129	21,995	65,079	72,269	88,771	94,405
Provision for taxes on income	9,335	3,959	23,429	27,875	33,020	34,930
Earnings from continuing operations	39,794	18,036	41,650	44,394	55,751	59,475
Discontinued operations:						
Earnings (loss) from discontinued operations, net of income taxes	(1,861)	(2,440)	105	1,154	4,517	7,309
Gain (loss) on sale or closure of discontinued operations, net of income taxes	1,205	(12,047)	(25,457)	—	—	—
Cumulative effect of accounting change, net of income taxes	—	—	(36,800)	—	—	—
Net earnings (loss)	$ 39,138	$ 3,549	$ (20,502)	$ 45,548	$ 60,268	$ 66,784
Cash Flows						
Cash flow from operations	$ 56,963	$ 150,863	$ 94,539	$ 106,615	$ 63,047	$ 103,371
Identifiable Assets						
Cranes and Related Products	$ 1,279,665	$ 1,151,751	$ 1,046,294	$ 577,523	$ 171,867	$ 165,974
Foodservice Equipment	302,865	290,586	320,840	368,363	359,196	314,982
Marine	110,336	91,519	93,983	77,291	75,757	10,162
Corporate	235,270	126,293	139,529	57,238	35,710	39,122
Total	$ 1,928,136	$ 1,660,149	$ 1,600,646	$ 1,080,415	$ 642,530	$ 530,240
Long-term Obligations						
Long-term debt	$ 512,236	$ 567,084	$ 623,547	$ 446,522	$ 137,668	$ 79,223
Depreciation						
Cranes and Related Products	$ 42,889	$ 36,776	$ 24,226	$ 10,926	$ 2,118	$ 2,613
Foodservice Equipment	5,513	6,474	7,071	7,082	6,168	4,861
Marine	1,045	1,027	1,165	998	437	415
Corporate	1,372	1,160	615	668	352	384
Total	$ 50,819	$ 45,437	$ 33,077	$ 19,674	$ 9,075	$ 8,273
Capital Expenditures						
Cranes and Related Products	$ 24,192	$ 25,028	$ 19,116	$ 17,032	$ 2,117	$ 3,221
Foodservice Equipment	12,524	5,005	4,107	7,307	8,883	8,974
Marine	4,757	735	1,490	2,908	1,481	1,165
Corporate	2,913	1,209	8,283	1,857	168	39
Total	$ 44,386	$ 31,977	$ 32,996	$ 29,104	$ 12,649	$ 13,399
Per Share						
Basic earnings (loss) per share:						
Earnings from continuing operations	$ 1.48	$ 0.68	$ 1.65	$ 1.83	$ 2.24	$ 2.29
Earnings (loss) from discontinued operations, net of income taxes	(0.07)	(0.09)	0.00	0.05	0.18	0.28
Gain (loss) on sale or closure of discontinued operations, net of income taxes	0.04	(0.45)	(1.01)	—	—	—
Cumulative effect of accounting change, net of income taxes	—	—	(1.46)	—	—	—
Net earnings (loss)	$ 1.45	$ 0.13	$ (0.82)	$ 1.87	$ 2.42	$ 2.57
Diluted earnings (loss) per share:						
Earnings from continuing operations	$ 1.45	$ 0.68	$ 1.62	$ 1.81	$ 2.22	$ 2.27
Earnings (loss) from discontinued operations, net of income taxes	(0.07)	(0.09)	0.00	0.05	0.18	0.28
Gain (loss) on sale or closure of discontinued operations, net of income taxes	0.04	(0.45)	(0.99)	—	—	—
Cumulative effect of accounting change, net of income taxes	—	—	(1.43)	—	—	—
Net earnings (loss)	$ 1.43	$ 0.13	$ (0.80)	$ 1.86	$ 2.40	$ 2.55

Average Shares Outstanding						
Basic	26,900,630	26,575,450	25,192,562	24,269,807	24,891,387	25,991,711
Diluted	27,377,180	26,702,852	25,751,801	24,548,463	25,122,795	26,200,666

1) Certain information above for the years 1999 through 2004 has been restated to show the discontinued operation presentation of Manitowoc Boom Trucks, Inc., Femco Machine Company, Inc., North Central Crane & Excavator Sales Corporation, and the Aerial Work Platform businesses. See Note 4 to the Consolidated Financial Statements.

2) Effective January 1, 2002, we adopted Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets." See Note 7 to the Consolidated Financial Statements.

3) We acquired certain businesses during 2002. See Note 3 to the Consolidated Financial Statements. In addition, we acquired one business during 2001, three business during 2000, and two businesses during 1999.

4) Cash dividends per share for 1999 through 2004 were as follows: $0.30 (1999 through 2001) and $0.28 (2002 through 2004).

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes appearing in Item 8 of the Annual Report on Form 10-K.

Overview The Manitowoc Company, Inc. (referred to as the company, MTW, we, our, and us) is a leading, diversified, multi-industry manufacturer of engineered capital goods and support services for selected market segments, which today include Cranes and Related Products (Crane), Foodservice Equipment (Foodservice), and Marine. The centerpiece of our effort is and will continue to be to provide customer-focused, quality products and services to the markets we serve, with the goal to continuously improve economic value for our stockholders.

The following discussion and analysis covers key drivers behind our results for 2002 through 2004 and is broken down into three major sections. First, we provide an overview of our results of operations for the years 2002 through 2004 on a consolidated basis and by business segment. Next we discuss our market conditions, acquisitions, liquidity and capital resources, and our risk management techniques. Finally, we provide a discussion of contingent liability issues, critical accounting policies, impacts of future accounting changes, and cautionary statements.

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

Results of Consolidated Operations

	2004	2003	2002
Net sales	$ 1,964,101	$ 1,570,856	$ 1,356,423
Costs and expenses:			
Cost of sales	1,582,131	1,238,122	1,035,086
Engineering, selling and administrative expenses	269,639	246,741	192,603
Amortization expenses	3,141	2,919	2,001
Plant consolidation and restructuring costs	1,293	10,089	11,609
Curtailment gain	—	(12,897)	—
Total costs and expenses	1,856,204	1,484,974	1,241,299
Operating earnings from continuing operations	107,897	85,882	115,124
Other expenses:			
Interest expense	(56,895)	(56,901)	(51,963)
Loss on debt extinguishment	(1,036)	(7,300)	—
Other income (expense), net	(837)	314	1,918
Total other expenses	(58,768)	(63,887)	(50,045)
Earnings from continuing operations before income taxes	49,129	21,995	65,079
Provision for taxes on income	9,335	3,959	23,429
Earnings from continuing operations	39,794	18,036	41,650
Discontinued operations			
Earnings (loss) from discontinued operations, net of income taxes	(1,861)	(2,440)	105
Gain (loss) on sale or closure of discontinued operations, net of income taxes	1,205	(12,047)	(25,457)
Cumulative effect of accounting change, net of income taxes	—	—	(36,800)
Net earnings (loss)	$ 39,138	$ 3,549	$ (20,502)

During the second quarter of 2004, we completed the sale of our wholly-owned subsidiary, Delta Manlift SAS (Delta). In addition, in 2003 we discontinued the scissor-lift, and boom-lift products, closed the Potain GmbH (Liftlux) facility in Dilingen, Germany and discontinued U.S. Manlift production at the Shady Grove, Pennsylvania facility. Delta, Liftlux and U.S. Manlift production are collectively referred to as our Aerial Work Platform (AWP) businesses. In addition, in 2003 we sold the assets of North Central Crane & Excavator Sales Corporation (North Central Crane) our North American wholly-owned crane distribution entity. In 2002 we sold Manitowoc Boom Trucks, Inc. (Manitowoc Boom Trucks) and determined to divest of Femco Machine Company, Inc. (Femco), which occurred in 2003. We have reported the results of these operations as discontinued and have restated prior year amounts in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment of Long-Lived Assets." Prior year amounts throughout this Management Discussion and Analysis of Financial Condition and Results of Operations have been restated to reflect the reporting of these operations as discontinued.

Year Ended December 31, 2004 Compared to 2003

Consolidated net sales increased 25.0% in 2004 to approximately $2.0 billion from $1.6 billion in 2003. This was due to increased sales in all three of our business segments, which all reported higher net sales in 2004 than in 2003. Sales in our Crane segment increased 29.7% to $1.2 billion. The Foodservice segment reported net sales for 2004 of $468.5 million, a 2.5% increase compared to 2003. Marine had net sales of $247.1 million in 2004 compared to $151.0 million in 2003. The strengthening of the Euro against the US Dollar positively affected net sales in 2004 by approximately $70.9 million compared to 2003. Further analysis of the increases in sales by segment is presented in the Sales and Operating Earnings by Segment section of this Management Discussion and Analysis of Financial Condition and Results of Operations below.

Gross margin decreased in 2004 to 19.4% from 21.2% in 2003. Gross profit of all three segments was negatively impacted by increased commodity prices, especially steel, during 2004 compared to 2003. Increased commodity prices caused reductions in profit in 2004 for the Crane, Foodservice and Marine segments of $8.6 million, $3.6 million and $3.7 million, respectively, compared to 2003. In all cases, the impact of commodity price increases on gross profit is net of price increases to our customers and adjustments to our material standards. Consolidated gross profit for the year ended December 31, 2004 was $382.0 million, an increase of 14.8% over the consolidated gross profit for the same period in 2003 of $332.7 million. In addition to the impact of the increased commodity prices, comparative consolidated gross profit for the years ended December 31, 2004 and 2003 was affected by the following items: (i) increased volumes in all three segments in 2004; (ii) a profitable repair season in the Marine segment during the first part of 2004; (iii) the favorable effects of integration savings; (iv) favorable product mix and cost reductions implemented in recent years in the Foodservice segment; (v) lower margin commercial construction projects, start up costs on one of our commercial projects at our Toledo Shipyard, and constructing of first time vessels at our shipyards, all of which negatively impacted our Marine segment margins in 2004, (vi) the effect of the strike at Marinette Marine in the first quarter of 2003; (vii) competitive pricing activities in certain regions and with certain products; and (viii) a strong Euro in 2004.

Engineering, selling and administrative expenses (ES&A) increased to $269.6 in 2004 compared to $246.7 million in 2003, a $22.9 million increase. As a percentage of sales, ES&A decreased to 13.7% in 2004, compared to 15.7% in 2003. Approximately $8.4 million of this increase is the result of the exchange rate between the US Dollar and the Euro during 2004 as compared to 2003. Research and development spending increased approximately $3.8 million in the Crane and Foodservice segments for new product introductions. The Crane and Foodservice segments introduced 15 and 50 new products, respectively, to their markets during 2004. As a result of the increased sales during 2004, selling expenses increased approximately $4.5 million in 2004 compared to 2003. Corporate expenses increased approximately $2.0 million in 2004 compared to 2003. This is primarily the result of a $0.5 million expense for a sales and use tax settlement (incurred in the first quarter of 2004) and costs associated with our compliance activities relating to the Sarbanes-Oxley Act of 2002. The remainder of the increase is primarily the result of higher employee benefit costs in all three segments and corporate.

Amortization expense of $3.1 million during 2004 increased 7.6% over the $2.9 million reported in 2003. This increase was the result of the strengthening of the Euro to the US Dollar.

Restructuring expense of $1.3 million for 2004 is attributable to restructuring in our Crane segment in the amount of $0.8 million and in our Foodservice segment of $0.5 million. Throughout 2004, we continued certain restructuring activities within our Crane segment to reduce our overall fixed cost structure. The Foodservice restructuring charge related to the closing of our manufacturing facility in Italy.

After taking all of the above matters into account, our consolidated operating earnings from continuing operations for 2004 were $107.9 million, which was 25.6% higher than 2003. Consolidated operating earnings for 2004 and 2003 were both 5.5% of net sales. Our 2003 operating earnings were benefited by the one-time impat of $12.9 million for a curtailment gain of certain of our postretirement benefit plans.

Interest expense for 2004 was flat at $56.9 million compared 2003. During 2004 we made payments on our debt of $34.7 million. However, this decrease in debt was offset by the increase in the Euro against the US Dollar, causing increased expense associated with our Euro-denominated $10\ ^{3}/8$% senior subordinated notes due 2011 and increase in market rates. The weighted average interest rate paid on all outstanding debt at December 31, 2004 was 8.7%, as compared to 7.9% at December 31, 2003.

During 2004, we recorded a loss of $1.0 million related to the prepayment of our Term Loan B facility. This loss related to the write-off of unamortized financing fees and unwinding of our floating-to-fixed interest rate swap.

The 2004 effective income tax rate for continuing operations was 19.0%, compared to 18.0% in 2003. The 2004 effective tax rate benefited from certain global tax planning initiatives and fixed permanent book-tax differences.

Discontinued operations in 2004 include the results of operations of North Central Crane and our AWP business and the gain on the sale of our subsidiary Delta Manlift. The discontinued AWP business included our Delta subsidiary, which was sold in the second quarter of 2004; the Liftlux product line and facility located in Dillingen, Germany; our scissor-lift and boom-lift product categories; and our US Manlift product line.

Year Ended December 31, 2003 Compared to 2002

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

Gross margin decreased in 2003 to 21.2% from 23.7% in 2002. This decline was due to reduced margins in our Crane and Marine segments, offset by a gross margin improvement in our Foodservice segment. Crane segment gross margin declined 4.4 percentage points during 2003 as a result of the following items: (i) the loss of our ability to spread fixed costs over a comparable base of revenue due to the decline in production volumes in our domestic crawler crane business; (ii) a shift in product mix toward smaller mobile telescopic cranes; (iii) worldwide price competition in our Crane segment; and (iv) lower historical margins for the Grove product line. Foodservice segment gross margin increased 1.5 percentage points during 2003 as the result of facility consolidations and operational improvements. Marine segment gross margin declined 0.5 percentage points during 2003 due to the following: (i) the change in mix of new construction project work toward projects in their earlier stages; (ii) customer deferrals of new project awards during the year; and (iii) the impact of the strike at Marinette during the first quarter of the year. The strengthening of the Euro versus the US Dollar in 2003 caused our manufacturing costs to increase at our European manufacturing facilities when converted to US Dollars in our consolidated financial statements. In addition, all of our segments experienced increased healthcare and insurance costs during 2003 versus 2002.

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

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

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

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

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

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

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

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

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

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

Sales and Operating Earnings by Segment

Operating earnings reported below by segment include the impact of reductions due to restructurings and plant consolidation costs, and amortization expense whereas these expenses were separately identified in the Results of Consolidated Operations table above.

Cranes and Related Products

Prior year sales and operating earnings of the Crane segment have been restated for the discontinued operations of AWP, North Central Crane, Manitowoc Boom Trucks, and Femco.

	2004	2003	2002
Net sales	$ 1,248,476	$ 962,808	$ 674,060
Operating earnings	$ 57,011	$ 24,437	$ 55,613
Operating margin	4.6%	2.5%	8.3%

Year Ended December 31, 2004 Compared to 2003

Net sales from the Crane segment increased 29.7% to $1.2 billion versus $962.8 million for 2003. The increased sales in 2004 was driven by increased volume of tower and mobile hydraulic cranes worldwide, increased crawler crane sales in Asia, increases in our aftermarket sales and service business, and the impact of the Euro exchange rate from year to year. The impact of the Euro exchange rate was 3.6% of the 29.7% increase in sales during 2004, as compared to 2003. As of December 31, 2004, total Crane segment backlog was $327.3 million compared to $213.2 million as of December 31, 2003.

For 2004, the Crane segment reported net operating earnings of $57.0 million compared to $24.4 million for 2003. The Crane segment recorded restructuring charges during 2004 and 2003 of $0.8 million and $9.1 million, respectively, which are included in operating earnings of the Crane segment for each respective year. Operating earnings of the Crane segment during 2004 was positively impacted by increased volume, the Euro exchange rate and cost savings as a result of prior year integration actions.

Operating earnings were negatively impacted by competitive pricing into emerging markets, and increased commodity prices. Increased commodity prices, primarily steel, negatively impacted Crane segment operating earnings by $8.6 million, net of pricing actions in 2004 versus 2003.

Year Ended December 31, 2003 Compared to 2002

Net sales in the Crane segment increased 42.8% in 2003 compared to 2002. This increase was primarily due to our acquisition of Grove on August 8, 2002. A full year of Grove sales is included in the Crane segment results for 2003. Grove's net sales for the period from January 1, 2003 through August 8, 2003 were $311.1 million compared to zero in 2002 prior to its acquisition. Crane segment net sales in 2003 were also impacted by the continued and further downturn in the US crawler crane market that began for us in 2002. This decline in the crawler crane market was partially offset by modest improvements in tower and mobile telescopic crane sales in parts of Europe and Asia. In addition, the strengthening of the Euro as compared to the US Dollar during 2003 resulted in an increase in the US Dollar equivalent for sales denominated in Euro versus the prior year. Crane segment backlog stood at $213.2 million at December 31, 2003, versus $133.8 million at December 31, 2002.

Crane segment operating earnings decreased $31.2 million in 2003 versus 2002, which represents an operating margin decrease of 5.8 percentage points. A portion of the decrease is attributable to the inclusion of $9.1 million in restructuring costs as a reduction of Crane operating earnings in 2003 versus $7.7 million in 2002. These 2003 costs included $3.5 million for write-down of certain properties to their net realizable value. Approximately $3.1 million in restructuring costs related to the consolidation of our Waverly, Nebraska production into Shady Grove, and $2.5 million for the completion of our restructuring activities associated with our Potain workforce and facilities in Europe. Crane segment operating earnings were also negatively impacted by the following: (i) lower volumes in our domestic crawler crane business; (ii) a shift in product mix in the mobile telescopic product category to smaller capacity units; (iii) worldwide price competition across all product categories; and (iv) lower historical gross margins from the Grove product line.

Foodservice Equipment Segment

	2004	2003	2002
Net sales	$ 468,483	$ 457,000	$ 462,906
Operating earnings	$ 66,190	$ 65,927	$ 56,749
Operating margin	14.1%	14.4%	12.3%

Year Ended December 31, 2004 Compared to 2003

Foodservice segment net sales increased 2.5% to $468.5 million in 2004 compared to $457.0 million in 2003. This increase was primarily the result of higher sales in our ice machine businesses. The ice machine business performed well all year, outpacing the industry and posting the highest market share in our history. Sluggish demand in end markets, held net sales flat or down slightly in our beverage and refrigeration businesses for 2004 versus 2003. During 2004, the Foodservice segment introduced 50 new products, which helped drive the aggregate segment sales increase.

Operating earnings of $66.2 million for 2004 were relatively flat with operating earnings of $65.9 million for 2003. Operating margins were down 0.3% to 14.1% for 2004 compared to 14.4% for 2003. The reduction in operating margins and flat operating earnings was primarily due to increased prices for steel and other commodities, which added approximately $3.6 million to our costs in 2004 compared to 2003, net of pricing actions. In addition, the Foodservice segment incurred expenses of approximately $1.1 million during 2004 related to the ongoing implementation of a segment wide ERP system. The company did not incur similar costs in 2003. The Foodservice segment incurred approximately $0.5 million and $1.0 million of restructuring costs, which are included in operating earnings in 2004 and 2003, respectively.

Year Ended December 31, 2003 Compared to 2002

Foodservice segment net sales decreased 1.3% in 2003 compared to 2002. This decrease was the result of lower overall industry shipments in the segment's ice machine and beverage equipment businesses. For the full year, industry shipments of ice machines were down approximately 5%. Despite these industry trends, the segment's ice business reflected increased sales in 2003 compared to 2002, increasing our market share. Beverage equipment sales in 2003 showed negative comparisons to 2002 due to a major chain new equipment rollout that occurred in the fourth quarter of 2002 that did not reoccur in 2003. Our private label residential refrigerator division net sales in 2003 remained flat compared to 2002. New product introductions by our Foodservice segment bolstered 2003 sales results with the introduction of 25 new products, including the initial rollout of its new "S" Series ice machine product during the fourth quarter of the year.

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

Marine

	2004	2003	2002
Net sales	$ 247,142	$ 151,048	$ 219,457
Operating earnings	$ 9,080	$ 4,750	$ 19,934
Operating margin	3.7%	3.1%	9.1%

Year Ended December 31, 2004 Compared to 2003

Marine segment net sales increased 63.6% to $247.1 million in 2004 compared to $151.0 million in 2003. The increase was a result of higher commercial contract revenue from construction contracts awarded to us during late 2003 and early 2004. In addition, sales for 2003 were adversely affected by the 44-day strike at Marinette Marine Corporation (Marinette). Also, we had greater repair work in the first quarter of 2004 compared to the first quarter of 2003. Repair work is normally at higher margins than ne construction work. Between January and April of 2004, we had one of the largest fleets in our history docked at our Sturgeon Bay shipyard. During 2004 we completed our multi-year contract for a fleet of seagoing buoy tenders for the US Coast Guard, and we delivered two Staten Island Ferries for the City of New York, along with two double-hull tank barges, and an ocean-going tug for a commercial customer.

Operating earnings of $9.1 million in 2004 was a 91.2% increase over operating earnings of $4.8 million for 2003. Similar to the Crane and Foodservice segments, the Marine segment was impacted by higher steel costs. Increased steel costs decreased operating earnings by $3.7 million in 2004 compared to 2003. In addition, during 2004 the Marine segment incurred high start-up costs for one of its commercial projects. These costs were associated with a commercial vessel which we were building at our Toledo shipyard. Bringing this project to Toledo created significant inefficiencies we had not anticipated. These setbacks not only created production cost issues, but also resulted in some late delivery costs. During the fourth quarter of 2004 we expensed approximately $1.8 million of additional costs associated with this project and moved the vessel to Marinette, Wisconsin for completion.

Year Ended December 31, 2003 Compared to 2002

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

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

General Corporate Expenses

	2004	2003	2002
Net sales	$ 1,964,101	$ 1,570,856	$ 1,356,423
Corporate expenses	$ 21,243	$ 19,210	$ 15,171
% of Net sales	1.1%	1.2%	1.1%

Year Ended December 31, 2004 Compared to 2003

Corporate expenses increased 10.6% in 2004 versus 2003, but were flat as a percentage of net sales. The increase in corporate expenses in 2004 compared to 2003 is primarily the result of $0.5 million in expense for a sales and use tax settlement (incurred in the first quarter of 2004) and costs associated with our compliance activities relating to the Sarbanes-Oxley Act of 2002.

Year Ended December 31, 2003 Compared to 2002

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

Market Conditions and Outlook

During 2004 a significant portion of our Crane segment and consolidated net sales were from international markets. While penetration in global markets is helpful to us, it also adds complexity and exposure to global risks and issues. Specifically, the issues of the strengthening Euro versus the U.S. Dollar throughout 2003 and 2004, and the impact of worldwide steel market activities on the costs of steel for our manufacturing processes, impacted us during the year and will continue to provide challenges and opportunities in 2005. Certain markets are now available to us that were not available in past years, but continued unrest in Iraq and the Middle East in general has stymied significant immediate growth in that region. During 2004 we saw signs of recovery in the U.S., and certain European and Asian economies appear to be strengthening as well.

Since signs appear to be favorable, we are cautiously optimistic about global economic recovery. This optimism is tempered by continued concerns over rising commodity costs. During 2005, we will strive to protect our market shares, improve our cost structures, and continue to invest in new product development. Because of our efforts to become more global in our Crane and Foodservice businesses, we continue to be affected now more than ever by non-domestic world economies. The economies of Europe and Asia, in particular, affect our performance.

We believe that our diversified business model, global presence, and broad product offerings proved beneficial to us in 2004 and will continue to provide stability to our company into the future. Diversification within our segments also proved beneficial. In our Crane segment, stronger international performance, particularly in some parts of Europe and Asia, helped to lessen the continued impact of a weak North American crawler crane market.

Cranes and Related Products – We believe the Crane market began a cyclical recovery in 2004. With the exception of the North American crawler crane market, most of our global markets were up in 2004. The market increase benefited most of our regional and product end markets. Material costs accelerated rapidly in 2004, driven by steel and other raw materials. Product pricing increased during the year as the industry tried to pass along the material cost increases. In general, the industry was not completely successful in passing on the cost increases, and gross margins declined as a result. As we head into 2005, however, we expect that the price increases will hold, material costs will stabilize, and the industry will continue to strive to raise prices or improved procurement efforts to further offset these cost increases.

During 2004, we grew market share in most product segments in North America and Europe. In addition, we grew market share in many of our Asian markets and made inroads in South America. We are investing in infrastructure in Asia so that we can continue to grow faster in that market place, and we recently announced that we are building a new crane manufacturing facility in China. In 2004, we introduced 15 new products in the Crane segment, which is the most that the Crane segment has introduced in one year. We will continue to invest in new products and product support in 2005.

Looking ahead, we expect volumes will increase modestly in North America in 2005 and remain flat or decline slightly in Europe. We expect that Asia will continue to grow, driven by China expansion and general recovery of Asian economies. We believe that the construction equipment market has entered the growth phase of the cycle, which is typically several years in duration. However, we have yet to see any signs of a pick-up in the North American crawler crane market, which is an important market for our Crane segment. In addition, we expect to see a relatively strong Euro through 2005, as well as continued high costs of some commodities such as steel. We have developed strategies to adapt to these conditions. In this environment we plan to protect our market share by providing our customers with what we believe is the best value in the industry. We will also work to grow our market share globally by leveraging the strength of our brand names, product service and support, and expanded product offerings.

In 2005, we plan to introduce 11 new crane models. We will also continue to expand our global reach. One way to achieve this expansion is through the strategic positioning of our sales and product support infrastructure in Asia. In addition, our global sales force is cross selling our entire product line. Our past acquisitions of Potain and Grove have given us a broad product offering and worldwide distribution and product support. We believe these factors will help us continue to grow market share in 2005. We believe that our growth strategy is solid and supported by the diversification of our global manufacturing and distribution presence. We will continue to attack our markets geographically, rather than by product line.

***Foodservice Equipment* –** In 2004, the Foodservice segment introduced more than 25 new products for the third consecutive year. These new product introductions led to a market share gain in ice machines and steady sales in our other product categories during a difficult equipment purchasing environment. The industry got off to a strong start but weakened in the second half of the year. It's difficult to determine whether this was a result of softening in consumer confidence, the cool and wet summer or pre-election jitters, but we did see the recovery resume, post-election.

The dramatic rise in commodity costs presented additional challenges for the group. In most of our businesses, we were effective in passing price increases through the sales channel to partially offset the impact.

Positive trends in year-over-year, same-store sales in our customer segments, including the quick-serve segment, were not consistent until later in the year, but we expect those trends in foodservice, lodging and convenience stores to continue into 2005. The recovery in the institution market is also picking up the pace. With those positive industry indicators, experts are conservatively predicting a three to five percent growth in foodservice equipment and supply sales for 2005.

We expect that the same factors that drove our strong operating performance in 2004 will continue to drive our business in 2005. As the market improves, we believe we are positioned to outperform the industry on the top line due to our wide range of new products that were introduced in 2004 and that continue to be rolled out in 2005.

We also will continue to invest in foreign markets during 2005. In the third quarter we will complete construction of our new manufacturing and engineering center in Hangzhou, China. The increased presence will leverage our brand strength in the fastest growing foodservice equipment market in the world. Initially, we will manufacture ice machines and beverage equipment in this facility, but plan to expand manufacturing of other products for this region.

***Marine* –** The Marine segment had a challenging year in 2004. Unlike prior years, where the book of business was scarce, the Marine segment entered 2004 with a full backlog. All three elements of revenue, including government new construction, commercial new construction and marine repair, were strong. The segment's main challenge was to efficiently execute all of the work to be done. Entering 2004, scheduled deliveries included two Staten Island Ferries, the initial INLS system, two WLB buoy tenders, three double-hulled petroleum barges and one tug boat. All deliveries were made with the exception of the INLS system and one of the double-hulled petroleum barges. Delivery of the INLS system was pushed into the second quarter of 2005 due to a customer change order. The one petroleum barge that did not make the scheduled delivery was being built at Toledo. That yard had not seen a new construction project in nearly 20 years, and as discussed above was moved for completion to Marinette, Wisconsin.

Even though the majority of scheduled deliveries were made, costs were much higher than anticipated, especially with the commercial new construction projects. Significant increases were seen in material, labor hours and labor rate. Material increases were driven by the sudden and sharp increase in steel, the impact of which was not able to be passed on to the customer. Labor hours went over budget on certain projects due to the tight schedule and high complexity of the projects. The labor rate was driven up due to the shortage of local employees, which necessitated the use of higher rate, sub-contracted laborers. Steps are being taken to ensure that future contracts do not experience these types of cost overruns.

The marked increase in new construction bid activity that was first seen in late 2003 is continuing into 2005. The segment was successful in landing a new commercial construction project for delivery of a self-unloading cement barge in the second quarter of 2006. In 2005 deliveries, include one Staten Island Ferry, INLS system, one Great Lakes Ice Breaker and four double-hulled petroleum barges. In addition, the segment was awarded the prototype vessel of the Navy's Littoral Combat Ship (LCS) to be delivered in late 2006. Our partners on this project include Lockheed Martin, Gibbs & Cox and Bollinger Shipyards. We are also one of the finalists in bidding for a 180-vessel Response Boat Medium (RBM) contract, which the US Coast Guard is expected to award in mid-2005.

The improving US economy is helping buoy our shipbuilding business. We are beginning to see more impact on ship construction demand due to the OPA-90 legislation, as all current US waterway oil hauling vessels have begun to be phased out, and must be replaced with double-hull vessels by 2015. Another positive sign is that charter rates are beginning to increase worldwide, which means additional revenue for commercial customers that can be used to build new vessels. In addition, the markets for our traditional Great Lakes ship repair customers have picked up significantly. Nearly all the Great Lakes' freighters are in service and are having difficulty keeping up with demand. This means more dollars available for repairs that have been delayed from prior years. Based upon this activity, we anticipate increased repair revenue for the next several years. Our Marine segment plans to continue to pursue new construction activities, provide superior repair and maintenance support to our customers, and work with other shipyards to provide integrated solutions to our mutual customers as the need arises.

Acquisitions

Although we did not make any acquisitions in 2004 or 2003, in the five years preceding 2003 we made several acquisitions,which resulted in significant growth of our company. All of our acquisitions were recorded using the purchase method of accounting. Each of the acquisitions is included in our Consolidated Statement of Operations beginning with the date of acquisition.

The success of our acquisition strategy is dependent upon our ability to successfully integrate the acquired businesses, operate them profitably, and accomplish our strategic objectives underlying the acquisition. We attempt to address these challenges by adhering to a structured acquisition assessment and integration process and by employing appropriate internal resources and experienced personnel to assist us in accomplishing our objectives.

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

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

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

The purchase consideration paid in excess of the fair values of the assets acquired and liabilities assumed was allocated first to the identifiable intangible assets with the remaining excess accounted for as goodwill. We obtained valuations of identifiable intangible assets acquired. Based upon the valuations of identifiable intangible assets, the allocation was as follows: $26.0 million to trademarks and tradenames with an indefinite life; $11.9 million to an in-place distributor network with an indefinite life; $7.1 million to patents with a weighted-average 10-year life; and the remaining $64.1 million to goodwill. The $64.1 million of goodwill is included in the Crane segment. None of this amount is deductible for tax purposes. We also obtained valuations of the fair value of inventory and property, plant and equipment acquired. Based upon the valuations of these assets, we increased the value of inventory and property, plant and equipment by $3.3 million and $1.1 million, respectively. The $3.3 million fair value adjustment to inventory was charged to cost of goods sold during the fourth quarter of 2002 as the related inventory items were sold. The $1.1 million fair value adjustment to property, plant and equipment is being depreciated over the estimated remaining useful lives of the property, plant and equipment.

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

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

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

Liquidity and Capital Resources

Cash flow from operations during December 31, 2004 was $57.0 million compared to $150.9 million in 2003. This was applied to capital spending, dividends and payment of outstanding debt. We had $178.7 million in cash and short term investments along with $92.2 million of unused availability under the terms of the revolving credit portion of our senior credit facility at December 31, 2004. The availability under the revolving credit portion of our senior credit facility is reduced for outstanding letters of credit of $32.8 million as of December 31, 2004.

During 2004 we built inventory to accommodate the large increase in backlog in the Crane segment and increased our crane shipments to Asia, which results in cranes remaining in inventory for a longer period of time due to shipment times. In addition, inventory values were impacted by higher commodity costs. Offsetting the increase in inventory was a decrease in accounts receivable due to collection of receivables and an increase in payables and other liabilities, primarily due to the increase in inventory.

We spent a total of $44.4 million during 2004 for capital expenditures. We continue to fund capital expenditures to improve the cost structure of our business, to invest in new processes and technology, and to maintain high-quality production standards. The following table summarizes 2004 capital expenditures and depreciation by segment.

	Capital Expenditures	Depreciation
Crane	$ 24.2	$ 42.9
Foodservice	12.5	5.5
Marine	4.8	1.0
Coporate	2.9	1.4
Total	$ 44.4	$ 50.8

We received $9.0 million of cash from the sale of Delta during the second quarter of 2004. This cash is reported in the discontinued operations section of the cash flow from investing activities.

In December 2004, we sold, pursuant to an underwritten public offering, approximately 3.0 million shares of our common stock at a price of $36.25 per share. Net cash proceeds from this offering, after deducting underwriting discounts and commissions, were $104.9 million. In addition to underwriting discounts and commissions, we incurred approximately $0.8 million of additional accounting, legal and other expenses related to the offering that were charged to additional paid-in capital. We used a portion of the proceeds to redeem $61.3 million of our Senior Subordinated Notes due 2012 and to pay the required premium to the note holders of $6.4 million. We will use the balance for general corporate purposes. The redemption of the Senior Subordinated Notes due 2012 was completed on January 10, 2005.

During 2004, we sold $25.8 million of our long term notes receivable to third party financing companies. We have agreed to provide recourse on the notes to the financing company. We have accounted for the sale of the notes as a financing of receivables. During 2004, $2.6 million of these notes has been collected by the third party financing companies.

Our debt at December 31, 2004, consisted primarily of our senior notes due 2013, our senior subordinated notes due 2011, and our senior subordinated notes due 2012, as well as outstanding amounts under foreign overdraft facilities.

The senior credit facility is comprised of $175 million term loan A, a $175 million term loan B, and $125 million revolving credit facility. During the third quarter of 2004, we prepaid the outstanding principal balance of the term loan B portion of our senior credit facility totaling $10.0 million. As of December 31, 2004, we have no amount outstanding under the term loan A, term loan B or revolving credit portions of our senior credit facility. The term loan A portion of our senior credit facility was prepaid in full during the fourth quarter of 2003. Substantially all of our domestic tangible and intangible assets are pledged as collateral under the senior credit facility.

Borrowings under the senior credit facility bear interest at a rate equal to the sum of a base rate or a Eurodollar rate plus an applicable margin, which is based on our consolidated total leverage ratio, as defined in the senior credit facility. The annual commitment fee in effect on the unused portion of our revolving credit facility at December 31, 2004 was 0.5%.

On November 6, 2003, we completed the sale of $150.0 million of 7 1/8% senior notes due 2013 (Senior Notes due 2013). The Senior Notes due 2013 are unsecured senior obligations ranking prior to our 175 million Euro of 10 3/8% senior subordinated notes due 2011 (Senior Subordinated Notes due 2011) ($238.3 million based on December 31, 2004 exchange rates) and prior to our $175 million of 10 ½% senior subordinated notes due 2012 (Senior Subordinated Notes due 2012). Our secured senior indebtedness under our senior credit facility ranks equally with the Senior Notes due 2013, except that it is secured by substantially all domestic tangible and intangible assets of the company and its subsidiaries. Interest on the Senior Notes due 2013 is payable semiannually in May and November each year. The Senior Notes due 2013 can be redeemed by us in whole or in part for a premium on or after November 1, 2008. In addition, we may redeem for a premium at any time prior to November 1, 2006, up to 35% of the face amount of the Senior Notes due 2013 with the proceeds of one or more equity offerings. We used the net proceeds from the sale of the Senior Notes due 2013 for prepayment of our term loan A and partial prepayment of our term loan B under our senior credit facility.

We had outstanding at December 31, 2004, 175 million Euro ($238.3 million based on December 31, 2004 exchange rates) of 10 3/8% Senior Subordinated Notes due 2011. The Senior Subordinated Notes due 2011 are unsecured obligations ranking subordinate in right of payment to all of our senior debt (other than our Senior Subordinated Notes due 2012), are equal in rank to our Senior Subordinated Notes due 2012, and are fully and unconditionally, jointly and severally guaranteed by substantially all of our domestic subsidiaries. Interest on these Senior Subordinated Notes due 2011 is payable semiannually in May and November of each year.

These notes can be redeemed by us in whole or in part for a premium after May 15, 2006.

We also had outstanding at December 31, 2004, $175 million of 10 ½% Senior Subordinated Notes due 2012. The Senior Subordinated Notes due 2012 are unsecured obligations of the company ranking subordinate in right of payment to all of our senior debt (other than our Senior Subordinated Notes due 2011), are equal in rank to our Senior Subordinated Notes due 2011, and are fully and unconditionally, jointly and severally guaranteed by substantially all of our domestic subsidiaries. Interest on the Senior Subordinated Notes due 2012 is payable semiannually in February and August each year. These notes can be redeemed by us in whole or in part for a premium on or after August 1, 2007. In addition, we may redeem for a premium, at any time prior to August 1, 2005, up to 35% of the face amount of these Senior Subordinated Notes due 2012 with the proceeds of one or more equity offerings.

Our senior credit facility, Senior Notes due 2013, and Senior Subordinated Notes due 2011 and 2012 contain customary affirmative and negative covenants. In general, the covenants contained in the senior credit facility are more restrictive than those of the Senior Notes due 2013 and the Senior Subordinated Notes due 2011 and 2012. Among other restrictions, these covenants require us to meet specified financial tests, which include the following: consolidated interest coverage ratio; consolidated total leverage ratio; consolidated senior leverage ratio; and fixed charge coverage. These covenants also limit our ability to redeem or repurchase our debt, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, repurchase capital stock, lend money or make advances, create or become subject to liens, and make capital expenditures. The senior credit facility also contains cross-default provisions whereby certain defaults under any other debt agreements would result in default under the senior credit facility. We were in compliance with all covenants as of December 31, 2004, and based upon our current plans and outlook, we believe we will be able to comply with these covenants during the remaining life of the facility.

Our debt position increases our vulnerability to general adverse industry and economic conditions and results in a significant portion of our cash flow from operations being used for payment of interest on our debt. This could potentially limit our ability to respond to market conditions or take advantage of future business opportunities. Our ability to service our debt is dependent upon many factors, some of which are not subject to our control, such as general economic, financial, competitive, legislative, and regulatory factors. In addition, our ability to borrow additional funds under the Senior Credit Facility in the future will depend on our meeting the financial covenants contained in the credit agreement, even after taking into account such new borrowings.

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

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

A. Our senior credit facility requires us to comply with certain financial ratios and tests to comply with the terms of the agreement. We were in compliance with these covenants as of December 31, 2004, the latest measurement date. The occurrence of any default of these covenants could result in acceleration of our obligations under the Senior Credit Facility and foreclosure on the collateral related to such obligations. Further, such acceleration would constitute an event of default under the indentures governing our Senior Subordinated Notes due 2011 and 2012 and our Senior Notes due 2013.

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

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

D. We do not have any significant guarantees of debt or other commitments to third parties. We have disclosed information related to guarantees in Note 15 to our Consolidated Financial Statements.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

- We have disclosed in Note 15 to the Consolidated Financial Statements our buyback and residual value guarantee commitments.
- We also lease various assets under operating leases. The future estimated payments under these arrangements are also disclosed in Note 18 to the Consolidated Financial Statements.
- We have disclosed our accounts receivable factoring arrangement with a bank in Note 9 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

A summary of our significant contractual obligations as of December 31, 2004 is as follows:

	Total Committed	2005	2006	2007	2008	2009	Thereafter
Long-term debt	$ 575,193	$ 70,313	$ —	$ —	$ —	$ —	$ 504,880
Capital leases	8,648	1,292	1,342	1,287	1,175	1,080	2,472
Operating leases	65,306	19,794	13,700	7,657	4,287	3,353	16,515
Purchase obligations	—	—	—	—	—	—	—
Total committed	$ 649,147	$ 91,399	$ 15,042	$ 8,944	$ 5,462	$ 4,433	$ 523,867

* - There were no significant purchase obligation commitments at December 31, 2004

Additionally, at December 31, 2004, we had outstanding letters of credit that totaled $32.8 million. We also had buyback commitments and residual value guarantees outstanding, that if all were satisfied at December 31, 2004, the total cash cost to us would be $121.3 million, this amount is not reduced for amounts the company may recover from repossessing and subsequent resale of the collateral.

We maintain defined benefit pension plans for some of our operations in the United States and Europe. It is our policy to fund the pension plans at the minimum level required by applicable regulations. In 2004, cash contributions to the pension plans by us were $9.3 million, and we estimate that our pension plan contributions will be approximately $3.0 million in 2005.

Risk Management

We are exposed to market risks from changes in interest rates, commodities, and changes in foreign currency exchange. To reduce these risks, we selectively use financial instruments and other proactive management techniques. We have written policies and procedures that place financial instruments under the direction of corporate treasury and restrict all derivative transactions to those intended for hedging purposes. The use of financial instruments for trading purposes or speculation is strictly prohibited.

For a more detailed discussion of our accounting policies and the financial instruments that we use, please refer to Note 2, “Summary of Significant Accounting Policies,” and Note 9, “Debt,” of the Notes to the Consolidated Financial Statements.

Interest Rate Risk

In 2004 we used interest rate swaps such that approximately 50% of our debt is fixed and 50% is floating. At December 31, 2004, we had five fixed-to-floating interest rate swaps with financial institutions. These swap contracts effectively convert $221.4 million of our fixed rate Senior Subordinated and Senior Notes to variable rate debt. Under these swap agreements, we contract with a counter-party to exchange the difference between a floating rate and the fixed rate applied to $221.4 million of our Senior Subordinated Notes and Senior Notes. These contracts are considered to be a hedge against changes in the fair value of the fixed-rate obligations. Accordingly, these interest rate swap contracts are reflected at fair value in our Consolidated Balance Sheet at December 31, 2004 as an asset of $2.8 million and the related debt is reflected at an amount equal to the sum of its carrying value plus an adjustment representing the change in fair value of the debt obligation attributable to the interest rate risk being hedged. Changes during any accounting period in the fair value of the interest rate swap contract, as well as the offsetting changes in the adjusted carrying value of the related portion of fixed-rate debt being hedged, are recognized as an adjustment to interest expense in the Consolidated Statement of Earnings. The change in the fair value of the swaps exactly offsets the change in fair value of the hedged fixed-rate debt; therefore, there was no net impact on earnings from these swaps for the year ended December 31, 2004. A 10% increase or decrease in the floating rate we pay under these swap agreements would result in a change in pre-tax interest expense of approximately $1.7 million. This amount was calculated assuming the year-end weighted-average rate of the swaps was constant throughout the year.

As a result of prepayments made during 2004 of the Term Loan B portion of our Senior Credit Facility we unwound our entire floating-to-fixed interest rate swap. As a result, we recorded a charge of $0.4 million in the Consolidated Statement of Earnings as a component of Early Extinguishment of Debt.

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

Commodity Prices

We are exposed to fluctuating market prices for commodities, including steel, copper, foam, and aluminum. Each of our business segments is subject to the effect of changing raw material costs caused by movements in underlying commodity prices. We have established programs to manage the negotiations of commodity prices. Some of these programs are centralized within business segments, and others are specific to a business unit. In 2004, certain of these commodities were subject to abnormal availability and significant price increases. During 2004, gross profit was negatively impacted as a result of commodity price increases in the Crane, Foodservice and Marine segments by $8.6 million, $3.6 million and $3.7 million, respectively, compared to 2003. In all cases, the impact of commodity price increases on gross profit is net of price increases to our customers and adjustments to our material standards. Although we have established procedures in place to manage these pressures in 2005, we can provide no assurance that these measures will insulate us fully from adverse consequences of continued unfavorable developments in the commodity markets.

Currency Risk

We have manufacturing, sales and distribution facilities around the world and thus make investments and enter into transactions denominated in various foreign currencies. International sales, including those sales that originated outside of the United States, were approximately 44.0 % of our total sales for 2004, with the largest percentage (29.4%) being sales into various European countries.

Regarding transactional foreign exchange risk, we enter into limited forward exchange contracts to reduce earnings and cash flow impact on nonfunctional currency denominated receivables and payables, predominantly between our Euro-denominated operations and their customers outside the Euro zone. Gains and losses resulting from hedging instruments offset the foreign exchange gains and losses on the underlying assets and liabilities being hedged. The maturities of these forward exchange contracts generally coincide with the settlement date of the related transactions. We also periodically hedge anticipated transactions, primarily at firm order date for orders to be sold into non-Euro-denominated locations, with forward exchange contracts. These forward exchange contracts are designated as cash flow hedges in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities.” At December 31, 2004, we had outstanding $1.2 million of forward exchange contracts hedging underlying accounts receivable and $4.2 million of forward exchange contracts hedging outstanding firm orders. A 10% appreciation or depreciation of the underlying functional currency at December 31, 2004, would not have a significant impact on our Consolidated Statement of Earnings as any gains or losses under the foreign exchange contracts hedging accounts receivable balances would be offset by equal gains or losses on the underlying receivables. Any gains or losses under the foreign exchange contracts hedging outstanding firm orders would not have a significant impact due to the relatively immaterial amount of contracts outstanding being hedged.

Continued strength in the Euro versus the U.S. Dollar in 2005 will require us to manage the transactional exchange risk through continued use of foreign currency hedging. In addition, relative currency values will impact our strategic and operational activities.

Our primary translation exchange risk exposure at December 31, 2004 was with the Euro. To a much lesser extent, we are also exposed to translation risk with our other foreign operations, primarily in the United Kingdom. Our Euro-denominated 175 million Senior Subordinated Notes due 2011 offsets a significant amount of the translation risk with our operating movement in Europe. The currency effects of this foreign-denominated debt obligation are reflected in the accumulated other comprehensive income (loss) account within stockholders’ equity, where it offsets the translation impact of an equal amount of similarly foreign-denominated net assets of our European operations. A 10% appreciation or depreciation of the value of the Euro to the U.S. Dollar at December 31, 2004 would have an impact of increasing or decreasing the outstanding debt balance on our Consolidated Balance Sheet by $24.9

million. This impact would be partially offset by gains and losses on our net investments in foreign subsidiaries whose functional currency is the Euro.

At December 31, 2004, there was also a portion of our foreign currency translation exposure that was not hedged. Amounts invested in non-U.S. based subsidiaries are translated into U.S. Dollar at the exchange rate in effect at year-end. The resulting translation adjustments are recorded in stockholders' equity as cumulative translation adjustments. The translation adjustment recorded in accumulated other comprehensive income at December 31, 2004, is $22.9 million, or approximately 4.4% of total stockholders' equity. Using year-end exchange rates, the total amount invested in foreign operations at December 31, 2004 was approximately $539.8 million of which $256.0 million was naturally hedged with local, non-U.S. Dollar debt.

Environmental, Health, Safety, and Other Matters

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

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

We have been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act (CERLA) in connection with the Lemberger Landfill Superfund Site near Manitowoc, Wisconsin. Eleven of the approximately 150 potentially responsible parties, including us, have formed the Lemberger Site Remediation Group and have successfully negotiated with the United States Environmental Protection Agency and the Wisconsin Department of Natural Resources to fund the cleanup and settle our potential liability at this site. Estimates indicate that the total costs to clean up this site are approximately $30 million. However, the ultimate allocations of costs for this site are not yet final. Although liability is joint and several, our share of the liability is estimated to be 11% of the total cost. Prior to December 31, 1996, we accrued $3.3 million in connection with this matter. The amounts we have spent each year through December 31, 2004 to comply with our portion of the cleanup costs have not been material. Remediation work at the site has been substantially completed, with only long-term pumping and treating of groundwater and site maintenance remaining. Our remaining estimated liability for this matter, included in other current liabilities in the Consolidated Balance Sheet at December 31, 2004 is $0.6 million. Based on the size of our current allocation of liabilities at this site, the existence of other viable potential responsible parties and current reserve, we do not believe that any additional liability imposed in connection with this site will have a material adverse effect on our financial condition, results of operations, or cash flows.

At certain of our other facilities, we have identified potential contaminants in soil and groundwater. The ultimate cost of any remediation required will depend upon the results of future investigation. Based upon available information, we do not expect that the ultimate costs will have a material adverse effect on our financial condition, results of operations, or cash flows.

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

As of December 31, 2004, various product-related lawsuits were pending. To the extent permitted under applicable law, all of these are insured with self-insurance retention levels. Our self-insurance retention levels vary by business, and have fluctuated over the last five years. The range of our self-insured retention levels are $0.1 million to $3.0 million per occurrence. The high-end of our self-insurance retention level is a legacy product liability insurance program inherited with the acquisition of Grove in 2002 for cranes manufactured in the United States for occurrences from 2000 through October 2002. As of December 31, 2004, the largest self-insured retention level currently maintained by us for current year occurrences is $2.0 million per occurrence and applies to product liability claims for cranes manufactured in the United States.

Product liability reserves in the Consolidated Balance Sheet at December 31, 2004, were $29.7 million; $7.4 million reserved specifically for cases and $22.3 million for claims incurred but not reported which were estimated using actuarial methods. Based on our experience in defending product liability claims, we believe the current reserves are adequate for resolution of aggregate self-insured claims and insured claims incurred as of December 31, 2004. Any recoveries from insurance carriers are dependent upon the legal sufficiency of claims and solvency of insurance carriers.

At December 31, 2004 and 2003, we had reserved $46.5 million and $41.7 million, respectively, for warranty claims included in product warranties and other non-current liabilities in the Consolidated Balance Sheets. Certain of these warranties and other related claims involve matters in dispute that ultimately are resolved by negotiations, arbitration, or litigation.

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

We are involved in numerous lawsuits involving asbestos-related claims in which we are one of numerous defendants. After taking into consideration legal counsel’s evaluation of such actions, the current political environment with respect to asbestos related claims, and the liabilities accrued with respect to such matters, in the opinion of management, ultimate resolution is not expected to have a material adverse effect on our financial condition, results of operations, or cash flows.

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

Currently, we are in negotiations with one of our major Marine customers due to cost overruns from change orders on a contract. We estimate our overruns could affect profitability by approximately $10.0 million. We have assumed this recovery in accounting for this long-term contract, as we believe that the claim will result in additional contract revenue and the amount can be reliably estimated. If negotiations are unsuccessful, the impact on our Consolidated Statement of Operations in a future period could be material.

Critical Accounting Policies

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

Revenue Recognition – Revenue is generally recognized and earned when all the following criteria are satisfied with regard to a specific transaction: persuasive evidence of an arrangement exists, the price is fixed and determinable, collectibility of cash is reasonably assured, and delivery has occurred or services have been rendered. We periodically enter into transactions with customers that provide for residual value guarantees and buyback commitments. These transactions are recorded as operating leases for all significant residual value guarantees and for all buyback commitments. These initial transactions are recorded as deferred revenue and are amortized to income on a straight-line basis over a period equal to that of the customer’s third-party financing agreement. In addition, we lease cranes to customers under operating lease terms. Proceeds received in connection with these transactions are recognized as revenue over the term of the lease, and leased cranes are depreciated over their estimated useful lives.

Revenue Recognition under Percentage-of-completion Accounting – Revenue under long-term contracts within the Marine segment are recognized using the percentage-of-completion (POC) method of accounting. Under this method, sales and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at the completion of the contract. Recognized revenues that will not be billed under the terms of the contract until a later date are recorded as “recoverable costs and accrued profit on progress completed not billed,” which are included in other current assets in the Consolidated Balance Sheet. Likewise, contracts where billings to date have exceeded recognized revenues are recorded as “amounts billed in excess of sales,” which are included in accounts payable and accrued expenses in the Consolidated Balance Sheet.

Changes to the original estimates may be required during the life of the contract and such estimates are reviewed when customer change orders are placed and on a regular periodic basis. Sales and gross profit are adjusted when known for revisions in estimated total contract costs and contract values. Claims against customers are recognized as revenue when it is probable that the claim will result in additional contract revenue and the amount can be reliably estimated. Estimated losses are recorded when identified. The use of the POC method of accounting involves considerable use of estimates in determining revenues, costs and profits and in assigning the amounts to accounting periods. The Company continually evaluates all of the issues related to the assumptions, risks and uncertainties inherent with the application of the POC method of accounting.

Allowance for Doubtful Accounts – Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Our estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where we have information that the customer my have an inability to meet its financial obligations together with a general provision for unknown but existing doubtful accounts based on pre-established percentages to specific aging categories which are subject to change if experience improves or deteriorates.

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

Goodwill and Other Intangible Assets – We account for goodwill and other intangible assets under the guidance of SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill is no longer amortized; however, it is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company performs impairment reviews for its reporting units, which have been determined to be: Cranes Americas; Cranes Europe, Middle East, and Africa; Cranes Asia; Ice Group; Refrigeration Group; Beverage Group; and Marine Group, using a fair-value method based on the present value of future cash flows, which involves management's judgments and assumptions. The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. The Company is subject to financial statement risk to the extent that the carrying amount exceeds the estimated fair value. The impairment testing performed by the Company at June 30, 2004, indicated that the estimated fair value of each reporting unit exceeded its corresponding carrying amount, including recorded goodwill and, as such, no impairment existed at that time. Other intangible assets with definite lives continue to be amortized over their estimated useful lives. Indefinite and definite lived intangible assets are also subject to impairment testing. A considerable amount of management judgment and assumptions are required in performing the impairment tests, principally in determining the fair value of each reporting unit. While the Company believes its judgments and assumptions were reasonable, different assumptions could change the estimated fair values and, therefore, impairment charges could be required.

Employee Benefit Plans – We provide a range of benefits to our employees and retired employees, including pensions and postretirement health care. Plan assets and obligations are recorded annually based on the Company's measurement date utilizing various actuarial assumptions such as discount rates, expected return on plan assets, compensation increases, retirement and mortality rates, and health care cost trend rates as of that date. The approach we use to determine the annual assumptions are as follows:

- *Discount Rate* – Our discount rate assumptions are based on the interest rate of noncallable high-quality corporate bonds, with appropriate consideration of our pension plans' participants' demographics and benefit payment terms.

- *Expected Return on Plan Assets* – Our expected return on plan assets assumptions are based on our expectation of the long-term average rate of return on assets in the pension funds, which is reflective of the current and projected asset mix of the funds and considers the historical returns earned on the funds.

- *Compensation increase* – Our compensation increase assumptions reflect our long-term actual experience, the near-term outlook and assumed inflation.

- *Retirement and Mortality Rates* – Our retirement and mortality rate assumptions are based primarily on actual plan experience.

- *Health Care Cost Trend Rates* – Our health care cost trend rate assumptions are developed based on historical cost data, near-term outlook and an assessment of likely long-term trends.

Measurements of net periodic benefit cost are based on the assumptions used for the previous year-end measurements of assets and obligations. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions when appropriate. As required by U.S. GAAP, the effects of the modifications are recorded currently or amortized over future periods. Based on information provided by its independent actuaries and other relevant sources, we believe that our assumptions used are reasonable; however, changes in these assumptions could impact the Company's financial position, results of operations or cash flows.

Product Liability – We are subject in the normal course of business to product liability lawsuits. To the extent permitted under applicable laws, our exposure to losses from these lawsuits is mitigated by insurance with self-insurance retention limits. We record product liability reserves for our self-insured portion of any pending or threatened product liability actions. Our reserve is based upon two estimates. First, we track the population of all outstanding pending and threatened product liability cases to determine an appropriate case reserve for each based upon our best judgment and the advice of legal counsel. These estimates are continually evaluated and adjusted based upon changes to the facts and circumstances surrounding the case. Second, we obtain a third-party actuarial analysis to determine the amount of additional reserve required to cover incurred but not reported product liability issues and to account for possible adverse development of the established case reserve (collectively referred to as IBNR). This actuarial analysis is performed at least twice annually and our IBNR reserve for product liability is adjusted based upon the results of these analysis. We have established a position within the actuarially determined range, which we believe is the best estimate of the IBNR liability.

Income Taxes – We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We record a valuation allowance that represents foreign operating loss carryforwards for which utilization is uncertain. Management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against our net deferred tax assets. The valuation allowance would need to be adjusted in the event future taxable income is materially different than amounts estimated. Our policy is to remit earnings from foreign subsidiaries only to the extent any resultant foreign taxes are creditable in the United States. Accordingly, we do not currently provide for additional United States and foreign income taxes which would become payable upon remission of undistributed earnings of foreign subsidiaries.

Stock Options – We account for our stock option plans under the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock option based employee compensation costs are reflected in earnings, as all option grants under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Warranties – In the normal course of business we provide our customers a warranty covering workmanship, and in some cases materials, on products manufactured by us. Such warranty generally provides that products will be free from defects for periods ranging from 12 months to 60 months. If a product fails to comply with our warranty, we may be obligated, at our expense to correct any defect by repairing or replacing such defective product. We provide for an estimate of costs that may be incurred under our warranty at the time product revenue is recognized based on historical warranty experience for the related product or estimates of projected losses due to specific warranty issues on new products. These costs primarily include labor and materials, as necessary associated with repair or replacement. The primary factors that affect our warranty liability include the number of shipped units and historical and anticipated rates or warranty claims. As these factors are impacted by actual experience and future expectations, we assess the adequacy of our recorded warranty liability and adjust the amounts as necessary.

Restructuring Charges – Restructuring charges for exit and disposal activities are recognized when the liability is incurred. We use the definition of liability found in FASB Concept Statement No. 6, "Elements of Financial Statements." In addition, the liability for the restructuring charge associated with an exit or disposal activity is measured initially at its fair value.

Recent Accounting Changes and Pronouncements

During December 2004, the Financial Accounting Standards Board ("FASB") revised SFAS No. 123, "Accounting for Stock Based Compensation." SFAS No. 123-Revised supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and will require all companies to estimate the fair value of incentive stock options granted and then amortize that estimated fair value to expense over the options' vesting period. SFAS No. 123-Revised is effective for all periods beginning after June 15, 2005. The company currently accounts for its stock option plans under the recognition and measurement principles of APB

Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations. No employee or outside director compensation costs related to stock option grants are currently reflected in net income, as all option awards granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company is required to adopt SFAS No. 123-Revised on July 1, 2005. See “Stock-Based Compensation” in Notes to the Consolidated Financial Statements, for pro forma information if the company had elected to adopt the requirements of the previously issued SFAS No. 123.

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs — an amendment of ARB No. 43, Chapter 4.” SFAS No. 151 seeks to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) in the determination of inventory carrying costs. The statement requires such costs to be treated as a current period expense. This statement is effective for fiscal years beginning after June 15, 2005. We do not believe the adoption of SFAS No. 151 will have a material impact on our Consolidated Financial Statements.

In December 2004, the FASB issued SFAS No. 153, “Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29.” This statement addresses the measurement of exchanges of nonmonetary assets and redefines the scope of transactions that should be measured based on the fair value of the assets exchanged. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. We do not believe the adoption of SFAS No. 153 will have a material impact on our Consolidated Financial Statements.

During December 2003, the FASB revised SFAS No. 132, “Employers’ Disclosures about Pensions and Other Postretirement Benefits,” to require additional disclosure about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. These disclosure requirements were effective immediately for the company’s domestic plans, except for estimated future benefit payments, which were effective for the company on December 31, 2004. This statement also requires interim-period disclosures of the components of net periodic benefit cost and, if significantly different from previously disclosed amounts, the amount of contributions and projected contributions to fund pension plans and other postretirement benefit plans. These interim-period disclosures were effective in the first quarter of 2004.

In January 2003, the FASB issued FIN No. 46, “Consolidation of Variable Interest Entities.” FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, “Consolidated Financial Statements,” to certain entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A variable interest entity is required to be consolidated by the company that has a majority of the exposure to expected losses of the variable interest entity. The consolidation provisions of FIN No. 46, as revised, were effective immediately for interests created after January 31, 2003 and were effective on March 31, 2004 for interests created before February 1, 2003. The adoption of FIN No. 46 did not have an impact on the company’s Consolidated Financial Statements for the year ended December 31, 2003 for interests created after January 31, 2003 or on the company’s Consolidated Financial Statements for the year ended December 31, 2004 for interests created before February 1, 2003.

Cautionary Statements about Forward-Looking Information

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

Forward-looking statements include descriptions of plans and objectives for future operations, and the assumptions behind those plans. The words “anticipates,” “believes,” “intends,” “estimates,” and “expects,” or similar expressions, usually identify forward-looking statements. Any and all projections of future performance are forward-looking statements.

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

Crane— market acceptance of new and innovative products; cyclicality of the construction industry; the effects of government spending on construction-related projects throughout the world; changes in world demand for our crane product offering; the replacement cycle of technologically obsolete cranes; demand for used equipment; actions of competitors; and foreign exchange rate risk.

Foodservice— market acceptance of new and innovative products; weather; consolidations within the restaurant and foodservice equipment industries; global expansion of customers; actions of competitors; the commercial ice-cube machine replacement cycle in the United States; specialty foodservice market growth; future strength of the beverage industry; and the demand for quickservice restaurant and kiosks.

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

Corporate (including factors that may affect all three segments)— changes in laws and regulations throughout the world; the ability to finance, complete and/or successfully integrate, restructure and consolidate acquisitions, divestitures, strategic alliances and joint ventures; successful and timely completion of new facilities and facility expansions; competitive pricing; availability of certain raw materials; changes in raw materials and commodity prices; changes in domestic and international economic and industry conditions, including steel industry conditions; changes in the interest rate environment; risks associated with growth; foreign currency fluctuations; world-wide political risk; health epidemics; pressure of additional financing leverage resulting from acquisitions; success in increasing manufacturing efficiencies; changes in revenue, margins and costs; work stoppages and labor negotiations; and the ability of our customers to obtain financing.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Liquidity and Capital Resources, and Risk Management in Management's Discussion and Analysis of Financial Condition and Results of Operations for a description of the quantitative and qualitative disclosure about market risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements and Financial Statement Schedule:

Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the years ended December 31, 2004, 2003 and 2002

Consolidated Balance Sheets as of December 31, 2004 and 2003

Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

Financial Statement Schedule:

Schedule II — Valuation and Qualifying Accounts for the three years ended December 31, 2004

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of The Manitowoc Company, Inc.'s 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and audits of its 2003 and 2002 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of The Manitowoc Company, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 7 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002.

Internal control over financial reporting

Also, we have audited management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that The Manitowoc Company, Inc. did not maintain effective internal control over financial reporting as of December 31, 2004, because the Company did not maintain effective controls over the translation of goodwill and other intangible assets and the associated foreign currency translation account, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. As of December 31, 2004, the Company did not maintain effective internal control over the application of Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." Specifically, the Company determined that the accounting treatment of certain goodwill and other intangible assets related to its foreign acquisitions did not comply with the requirements of SFAS No. 52. In connection with the Company's 2001 and 2002 foreign acquisitions, the Company maintained the value of those intangible assets based on the foreign currency exchange rates in effect at the time of the acquisition. The Company has concluded that they should have translated those intangible assets each period to reflect changes in the applicable foreign currency exchange rates. This error in accounting treatment resulted in the Company restating its consolidated balance sheets and consolidated statements of stockholders' equity and comprehensive income (loss) for the years ended December 31, 2003 and 2002, the interim consolidated financial statements for the first, second and third quarters of 2004 and 2003, as well as an audit adjustment to the fourth quarter 2004 consolidated financial statements. Additionally, this control deficiency could result in a misstatement of goodwill, intangible assets and foreign currency translation accounts that would result in a material misstatement to annual or interim financial statements that would not be prevented or detected. Accordingly, management determined that this control deficiency constitutes a material weakness. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2004 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

In our opinion, management's assessment that The Manitowoc Company, Inc. did not maintain effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, The Manitowoc Company, Inc. has not maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO.

/s/PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Milwaukee, Wisconsin
March 11, 2005

The Manitowoc Company, Inc.

Consolidated Statements of Operations

For the years ended December 31, 2004, 2003 and 2002

Thousands of dollars, except per share data	2004	2003	2002
Operations			
Net sales	$ 1,964,101	$ 1,570,856	$ 1,356,423
Costs and expenses:			
Cost of sales	1,582,131	1,238,122	1,035,086
Engineering, selling and administrative expenses	269,639	246,741	192,603
Amortization expense	3,141	2,919	2,001
Plant consolidation and restructuring costs	1,293	10,089	11,609
Curtailment gain	—	(12,897)	—
Total costs and expenses	1,856,204	1,484,974	1,241,299
Operating earnings from continuing operations	107,897	85,882	115,124
Other expenses:			
Interest expense	(56,895)	(56,901)	(51,963)
Loss on debt extinguishment	(1,036)	(7,300)	—
Other income (expense)-net	(837)	314	1,918
Total other expenses	(58,768)	(63,887)	(50,045)
Earnings from continuing operations before taxes on income	49,129	21,995	65,079
Provision for taxes on income	9,335	3,959	23,429
Earnings from continuing operations	39,794	18,036	41,650
Discontinued operations:			
Earnings (loss) from discontinued operations, net of income taxes of $(1,231), $(583) and $58, respectively	(1,861)	(2,440)	105
Gain (loss) on sale or closure of discontinued operations, net of income taxes of $294, $(2,826) and $(10,853), respectively	1,205	(12,047)	(25,457)
Cumulative effect of accounting change, net of income taxes of $(14,200)	—	—	(36,800)
Net earnings (loss)	$ 39,138	$ 3,549	$ (20,502)
Per Share Data			
Basic earnings (loss) per share:			
Earnings from continuing operations	$ 1.48	$ 0.68	$ 1.65
Earnings (loss) from discontinued operations, net of income taxes	(0.07)	(0.09)	0.00
Gain (loss) on sale or closure of discontinued operations, net of income taxes	0.04	(0.45)	(1.01)
Cumulative effect of accounting change, net of income taxes	—	—	(1.46)
Net earnings (loss)	$ 1.45	$ 0.13	$ (0.82)
Diluted earnings (loss) per share:			
Earnings from continuing operations	$ 1.45	$ 0.68	$ 1.62
Earnings (loss) from discontinued operations, net of income taxes	(0.07)	(0.09)	0.00
Gain (loss) on sale or closure of discontinued operations, net of income taxes	0.04	(0.45)	(0.99)
Cumulative effect of accounting change, net of income taxes	—	—	(1.43)
Net earnings (loss)	$ 1.43	$ 0.13	$ (0.80)

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

The Manitowoc Company, Inc.
Consolidated Balance Sheets
As of December 31, 2004 and 2003

Thousands of dollars, except share data	2004	2003
Assets		
Current assets:		
Cash and cash equivalents	$ 176,415	$ 44,968
Marketable securities	2,248	2,220
Accounts receivable, less allowance of $26,308 and $24,419	244,335	245,010
Inventories-net	287,036	232,877
Deferred income taxes	60,963	71,781
Other current assets	74,964	49,233
Total current assets	845,961	646,089
Property, plant and equipment-net	357,568	334,618
Goodwill-net	451,868	438,925
Other intangible assets-net	154,342	149,256
Deferred income taxes	48,490	34,491
Other non-current assets	69,907	56,770
Total assets	$ 1,928,136	$ 1,660,149
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 513,504	$ 454,394
Current portion of long-term debt	61,250	3,205
Short-term borrowings	10,355	22,011
Product warranties	37,870	33,823
Product liabilities	29,701	31,791
Total current liabilities	652,680	545,224
Non-current liabilities:		
Long-term debt, less current portion	512,236	567,084
Pension obligations	67,798	57,239
Postretirement health and other benefit obligations	54,097	54,283
Other non-current liabilities	122,396	80,327
Total non-current liabilities	756,527	758,933
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock (39,793,982 and 36,746,482 shares issued, respectively, 29,949,715 and 26,572,024 shares outstanding, respectively)	397	367
Additional paid-in capital	188,746	81,297
Accumulated other comprehensive income	61,014	40,800
Unearned compensation	(47)	(328)
Retained earnings	372,398	340,792
Treasury stock, at cost (9,844,267 and 10,174,458 shares, respectively)	(103,579)	(106,936)
Total stockholders' equity	518,929	355,992
Total liabilities and stockholders' equity	$ 1,928,136	$ 1,660,149

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

The Manitowoc Company, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2004, 2003 and 2002

Thousands of dollars	2004	2003	2002
Cash Flows From Operations			
Net earnings (loss)	$ 39,138	$ 3,549	$ (20,502)
Adjustments to reconcile net earnings (loss) to cash provided by operating activities of continuing operations:			
Discontinued operations, net of income taxes	656	14,487	25,352
Depreciation	50,819	45,437	33,077
Amortization of intangible assets	3,141	2,919	2,001
Amortization of deferred financing fees	3,265	1,810	4,091
Deferred income taxes	(5,163)	(2,492)	(10,561)
Curtailment gain	—	(12,897)	—
Plant relocation and restructuring costs	1,293	10,089	11,609
Cumulative effect of accounting change, net of income taxes	—	—	36,800
Loss on early extinguishment of debt	1,036	7,300	—
Gain on sale of property, plant and equipment	(2,056)	(1,363)	(3,757)
Changes in operating assets and liabilities, excluding the effects of business acquisitions and dispositions:			
Accounts receivable	6,037	5,889	(12,907)
Inventories	(84,983)	25,701	9,141
Other assets	(24,723)	5,156	(5,446)
Accounts payable and accrued expenses	50,048	15,422	27,840
Other liabilities	21,136	27,312	2,915
Net cash provided by operating activities of continuing operations	59,644	148,319	99,653
Net cash provided by (used for) operating activities of discontinued operations	(2,681)	2,544	(5,114)
Net cash provided by operating activities	56,963	150,863	94,539
Cash Flows From Investing			
Business acquisitions, net of cash acquired	—	—	976
Capital expenditures	(44,386)	(31,977)	(32,996)
Proceeds from sale of property, plant and equipment	15,458	14,438	16,699
(Purchase) sale of marketable securities	(28)	150	(220)
Net cash used for investing activities of continuing operations	(28,956)	(17,389)	(15,541)
Net cash provided by (used for) investing activities of discontinued operations	9,000	2,289	11,108
Net cash used for investing activities	(19,956)	(15,100)	(4,433)
Cash Flows From Financing			
Net proceeds from issuance of common stock	104,948	—	—
Payments on Grove borrowings	—	—	(198,328)
Proceeds from senior subordinated notes	—	—	175,000
Proceeds from senior notes	—	150,000	—
Payments on long-term debt	(42,979)	(257,617)	(39,280)
Proceeds (payments) on short-term borrowings-net	8,259	(2,000)	(10,243)
Proceeds from notes financing - net	23,244	—	—
Debt issue costs	—	(5,599)	(6,630)
Dividends paid	(7,532)	(7,446)	(7,432)
Exercises of stock options	6,687	118	1,511
Net cash provided by (used for) financing activities	92,627	(122,544)	(85,402)
Effect of exchange rate changes on cash	1,813	3,714	(250)
Net increase in cash and cash equivalents	131,447	16,933	4,454
Balance at beginning of year	44,968	28,035	23,581
Balance at end of year	$ 176,415	$ 44,968	$ 28,035
Supplemental Cash Flow Information			
Interest paid	$ 51,821	$ 54,489	$ 39,284
Income taxes paid	$ 7,037	$ 7,559	$ 25,253

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