

Different  
by  
Design

SF430



## CORPORATE PROFILE

JLG Industries, Inc. is the world's leading producer of mobile aerial work platforms and a leading manufacturer of rough-terrain, variable-reach material handlers and telescopic hydraulic excavators. The Company markets its products under the JLG and Gradall trademarks principally to rental companies and distributors that rent and sell the products to a diverse customer base, which includes users in the industrial, commercial, institutional and construction sectors.

JLG's strategy is to build shareholder value by maintaining a leadership position in its distribution channels and product categories, improving profitability with a focus on free cash flow and by developing innovative solutions to serve its markets.

## CORPORATE HIGHLIGHTS

- Crossed the \$1 billion sales milestone
- Increased international sales to \$250 million, representing 24% of total revenues
- Increased operating profit by 27%
- Generated record EBITDA and free cash flow
- Successfully completed the integration of Gradall, exceeding first year accretion goals
- Introduced more than 40 new or redesigned products to the market over the past two years, representing 35% of 2000 sales

■ Introduced the world's first 40-ton electric boom lift

■ Named as an Export Winner by *Fortune* magazine

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The management team and Board of Directors  
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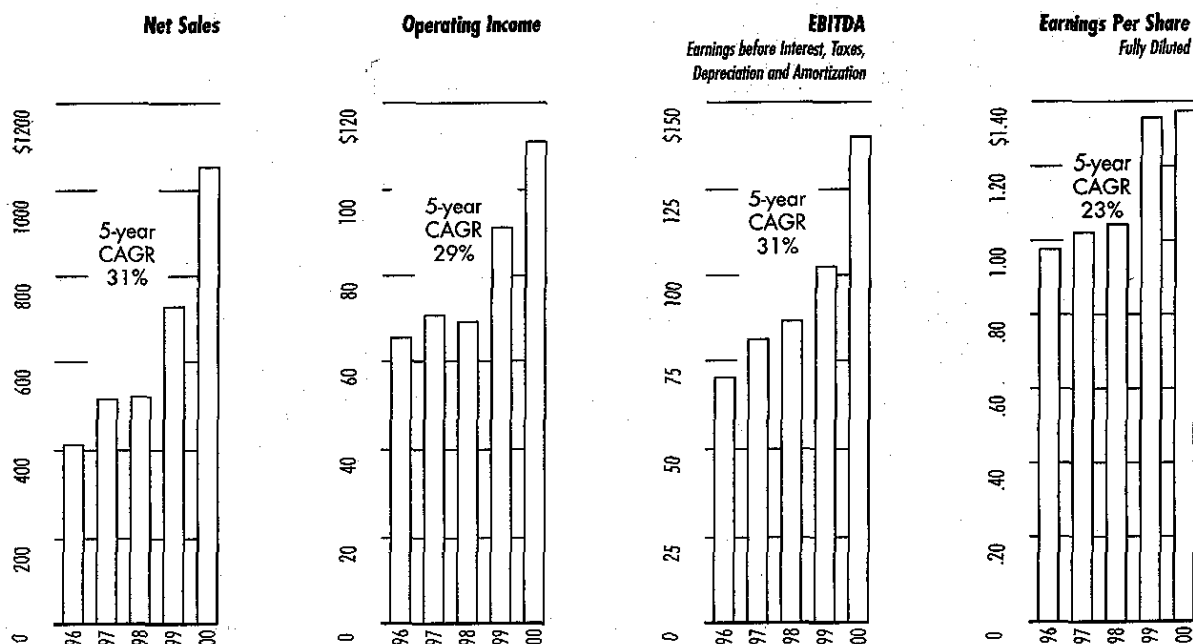
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Helpful information for shareholders and others



## FINANCIAL HIGHLIGHTS (IN THOUSANDS, EXCEPT PER SHARE DATA)

Years Ended July 31	2000	Change	1999	Change	1998
<b>OPERATIONS</b>					
Net Sales .....	<b>\$1,056,168</b>	47%	\$720,224	36%	\$530,859
Income from operations .....	<b>115,486</b>	27%	90,772	28%	71,080
Earnings before interest, taxes, depreciation and amortization .....	<b>142,602</b>	27%	112,318	30%	86,474
Net income .....	<b>60,507</b>	(1%)	61,271	32%	46,510
Cash provided by operations .....	<b>105,683</b>	204%	34,750	(32%)	50,745
Free Cash Flow .....	<b>92,308</b>	147%	(197,754)	(734%)	31,216
<b>PER SHARE</b>					
Earnings .....	<b>\$ 1.39</b>	(1%)	\$ 1.40	31%	\$ 1.07
Earnings fully diluted .....	<b>1.37</b>	1%	1.36	30%	1.05
Cash dividends .....	<b>.035</b>	75%	.02	—	.02
Book value .....	<b>7.42</b>	21%	6.13	30%	4.71
<b>PERFORMANCE MEASURES</b>					
Return on sales .....	<b>5.7%</b>		8.5%		8.8%
Return on average assets .....	<b>8.5%</b>		17.3%		17.9%
Return on average shareholders' equity ..	<b>20.8%</b>		28.1%		26.2%
<b>FINANCIAL POSITION</b>					
Cash .....	<b>\$ 25,456</b>	34%	\$ 19,033	(66%)	\$ 56,793
Working capital .....	<b>165,923</b>	(6%)	176,315	44%	122,672
Capital expenditures .....	<b>22,251</b>	(10%)	24,838	83%	13,557
Total debt .....	<b>98,302</b>	(44%)	175,793	4,641%	3,708
Shareholders' equity .....	<b>324,051</b>	19%	271,283	31%	207,768
Total debt as a percent of total capital ..	<b>23%</b>		39%		2%
<b>OTHER DATA</b>					
Employees .....	<b>3,770</b>	(5%)	3,960	49%	2,664
Shares outstanding .....	<b>43,648</b>	(1%)	44,250	—	44,096



Graph amounts are shown in millions of dollars, except per share data.

## AERIAL WORK PLATFORMS



*Designed to place workers, their tools and materials efficiently and quickly in elevated work areas that otherwise would have to be reached by ladders, scaffolding or other devices. This product group includes boom-type, scissor-type, and vertical mast-type lifts.*

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## BOOM LIFTS

Machines with work platforms mounted at the end of telescoping or articulating booms, which in turn are mounted on self-propelled chassis.

## SCISSOR LIFTS

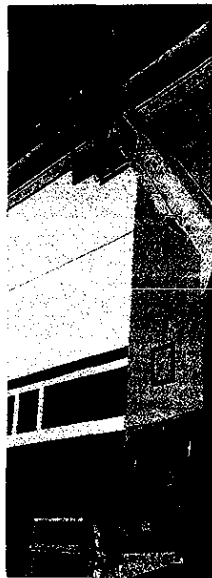
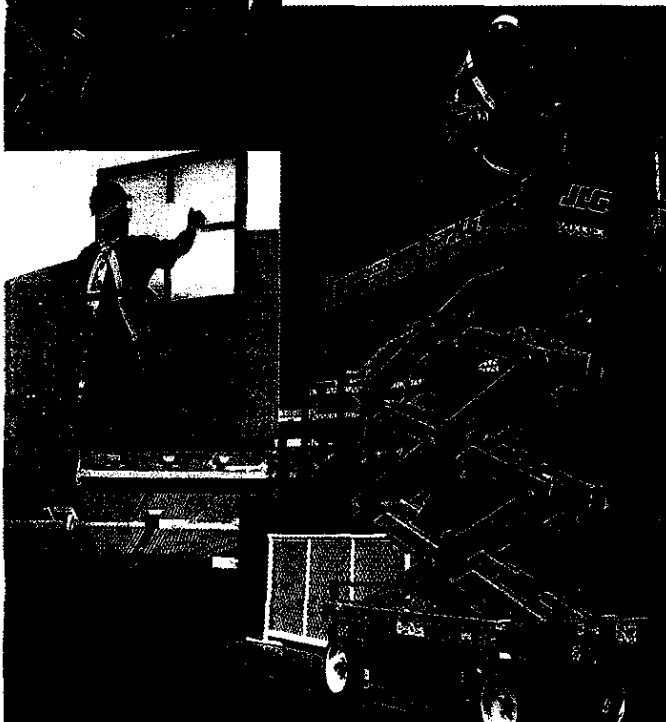
Machines with work platforms mounted on top of scissor-type mechanisms, which in turn are mounted on self-propelled four-wheeled chassis.

## VERTICAL MAST LIFTS

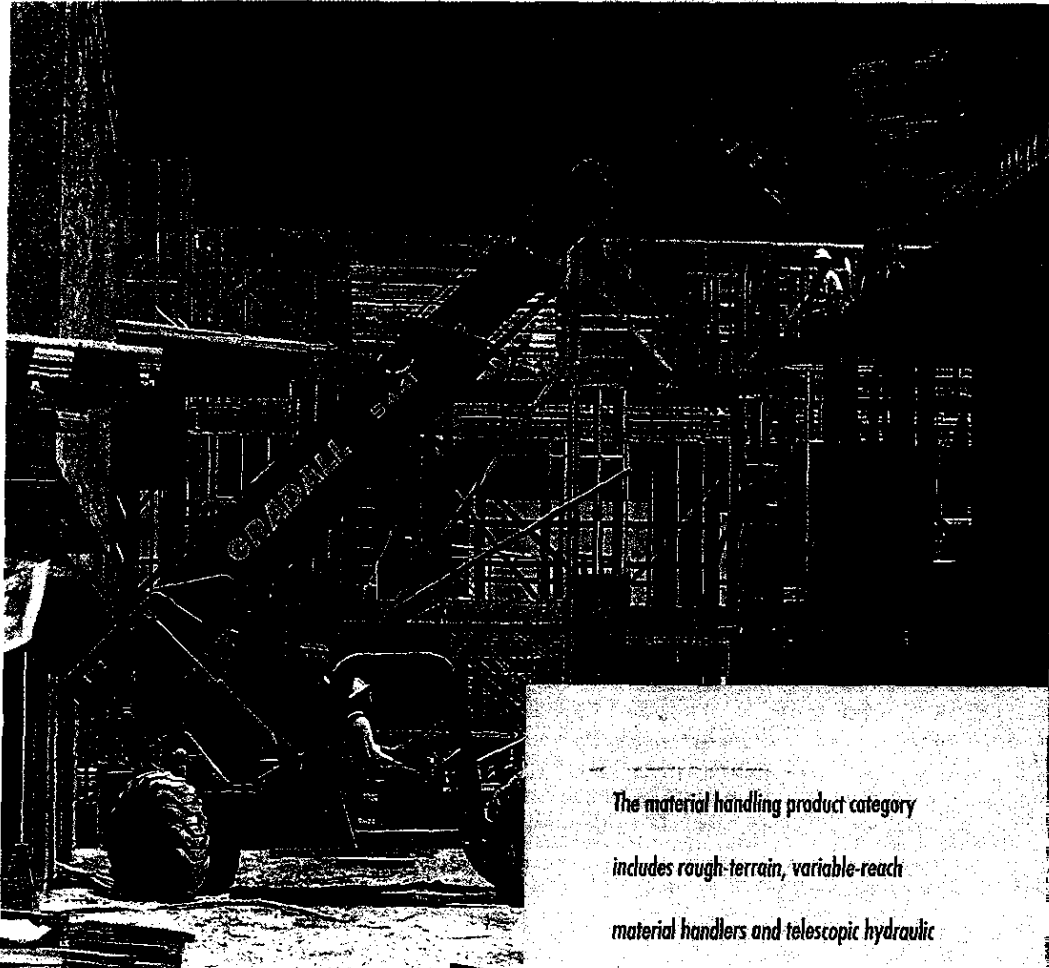
Machines with work platforms mounted on top of vertical lifting mechanisms, which in turn are mounted on self-propelled or push-around chassis.

### *Markets Served*

- Commercial construction
- Infrastructure construction
- Telecommunications facilities
- Distribution and retail centers
- Airports and public buildings
- Manufacturing and industrial plants
- Petroleum and chemical refineries
- Sports and entertainment facilities
- Shipyards and dry dock maintenance and construction
- Steel, automotive and aircraft plants
- Aircraft manufacturing and maintenance
- Various other uses such as sand-blasting, spraying, etc.



# MATERIAL HANDLING PRODUCTS



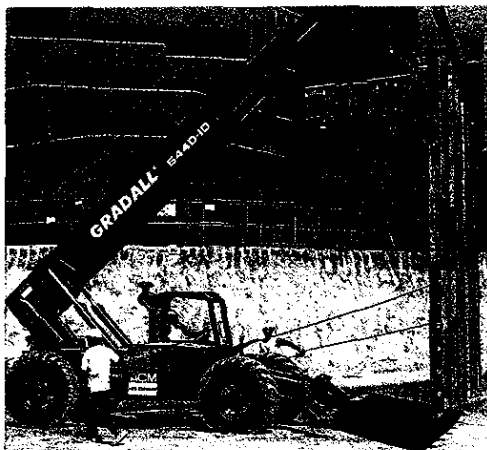
The material handling product category includes rough-terrain, variable-reach material handlers and telescopic hydraulic excavators. Material handlers are designed for lifting and transporting materials. Excavators are designed for excavating and demolition, as well as for fine grading, ditching and spreading materials and are available in wheeled or crawler models.

**Product Mix**  
(as % of total sales)

- Material Handlers — 12%
- Excavators — 6%

Boom Lifts, Scissor Lifts,  
Vertical Mast Lifts  
and Equipment Services

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### **ROUGH-TERRAIN, VARIABLE-REACH MATERIAL HANDLERS**

Low-profile, rough-terrain, variable-reach machines designed for lifting, moving and placing brick, lumber, structural steel and other materials on work sites.

#### ***Markets Served***

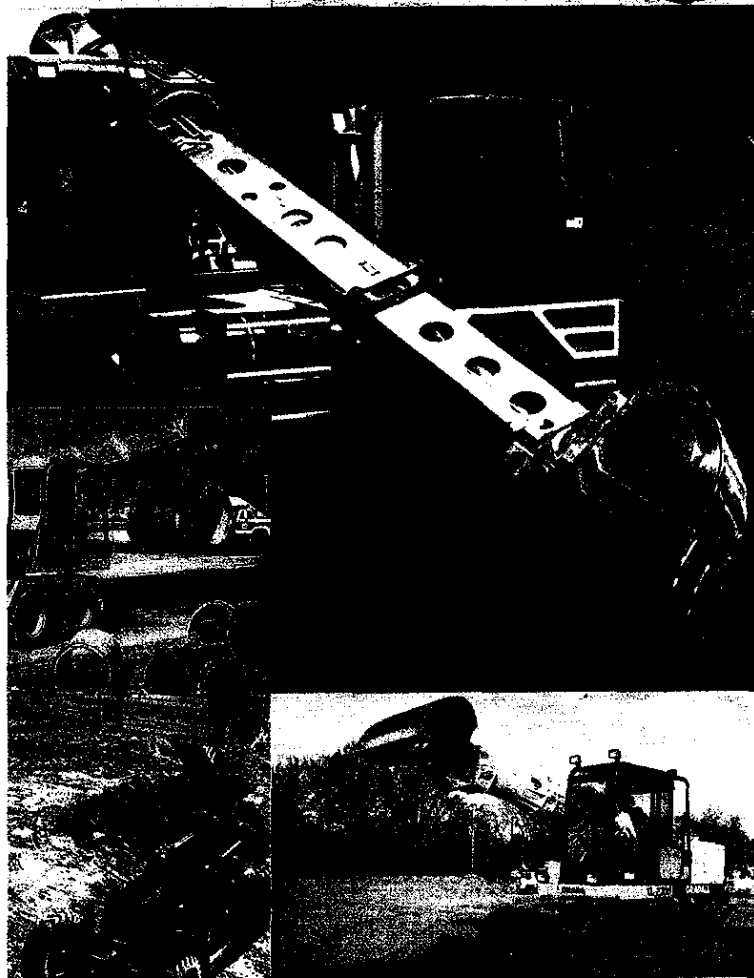
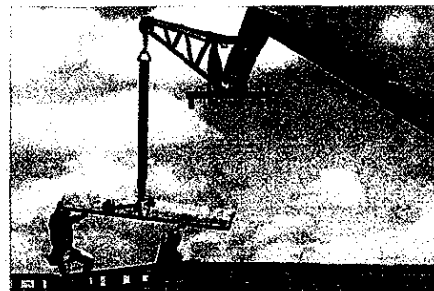
- Commercial, industrial, residential and institutional construction
- Manufacturing, industrial and processing facilities

### **TELESCOPIC HYDRAULIC EXCAVATORS**

Distinguished from other types of excavators by their unique rotating telescoping booms. Perform grading and sloping or mass excavation and pavement removal. Popular for steel and aluminum mill maintenance.

#### ***Markets Served***

- Infrastructure construction and maintenance
- Repair and maintenance of irrigation ditches and waterways
- Highway and bridge demolition
- Upkeep of metal mills and railroads
- Waste clean-up and landfill construction
- Scaling of mine tunnels
- Excavation of various types



## LETTER TO STAKEHOLDERS



L. David Black  
Chairman of the Board

William M. Lasky  
President and  
Chief Executive Officer

*As the manufacturer of the  
most recognized line of  
products in our industry  
and as the most efficient  
producer of these products  
in the world, the  
opportunities for JLG  
have never been brighter.*

## Fellow Stakeholders

Fiscal 2000 was a year in which JLG demonstrated the importance of having a solid strategy and executing it well.

In fiscal 2000, we set out to capitalize on strong end-user demand for our products and the expansion of our principal served market, the global equipment rental business. Our strategy was to increase our presence with rental companies and with the contractors and operators who use our products. We also set out to introduce new products, expand our global distribution network, and integrate Gradall's operations and product lines, while at the same time reducing manufacturing costs company-wide and strengthening our balance sheet through improved free cash flow.

JLG delivered on every one of these commitments in fiscal 2000. We passed the \$1 billion sales milestone, strengthened our position as a preferred supplier to the largest equipment rental companies, and increased our share of the global market for aerial work platforms (AWPs) and telescopic material handlers. JLG posted a 27% increase in operating income and realized a positive contribution to profitability from Gradall within the first year of the acquisition. In addition, our robust sales and working capital reductions generated strong free cash flow, which reduced our debt and strengthened JLG's readiness to invest in future growth opportunities.



Our position as the world's leading manufacturer of AWP's assisted us in capitalizing on our investment in Gradall in fiscal 2000. We leveraged JLG's leadership in AWP's into higher market penetration for Gradall's outstanding line of material handlers and positioned Gradall as a preferred supplier to the major rental companies. At the same time, we successfully completed key components of integrating Gradall's operations, taking advantage of the synergies available through combining the JLG and Gradall supply chains and merging the companies' sales and customer service organizations.

A new production strategy adopted in fiscal 2000 allowed JLG to meet peak-season demand more efficiently than ever before. The new Orrville and Shippensburg facilities provide additional production flexibility and the potential for significant manufacturing cost savings in fiscal 2001 and beyond. Our ongoing process improvement efforts, coupled with synergies realized from the Gradall integration, enabled us to eliminate \$34 million in annual operating costs during fiscal 2000.

We introduced 27 new or redesigned products during the past year — we believe this to be more than all of our competitors combined — including the world's first line of emissions-free 60-foot electric boom lifts and the first line of Gradall excavator products certified for sale in the European Union. These new offerings, combined with other products introduced over the past two years, generated 35% of our sales in fiscal 2000. At the same time, we initiated an aggressive and successful program to leverage our used equipment business that is expected to increase sales and profitability going forward.

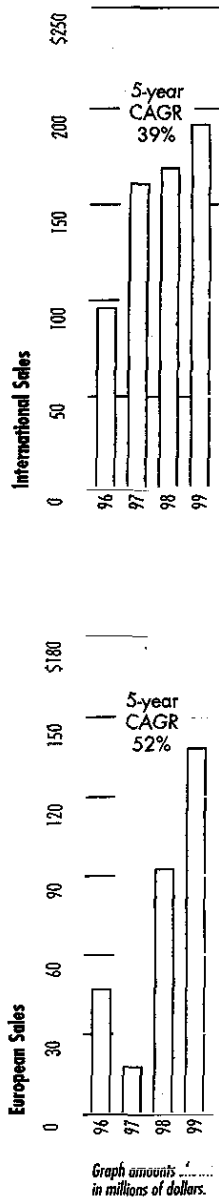
Combined, these efforts produced some of the best financial and operational results in JLG's history:

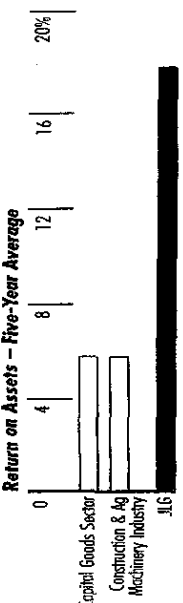
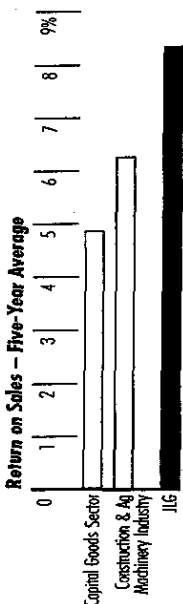
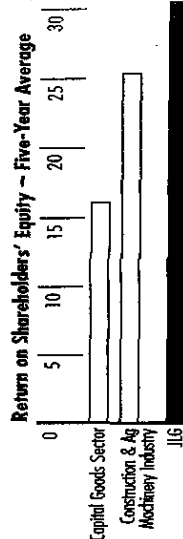
- Revenue climbed 47% to a record \$1.056 billion from \$720 million last year.
- Domestic sales rose 53% to \$806 million, while international sales increased 29% to \$250 million.
- Operating income increased 27% to \$115 million.
- Earnings per diluted share was a record \$1.37.
- Free cash flow was exceptionally strong during the third and fourth quarters, allowing us to reduce balance sheet debt to \$98 million.
- In light of this strong performance, the Company repurchased almost 800,000 shares of its stock as part of our ongoing commitment to enhance shareholder value.

Through successful execution of our strategy for fiscal 2000, we have built upon our industry-leading position in the global "access equipment" market, as well as an established presence in the excavator market. The key driver of growth in each of these markets is the end-user's need for more productivity and safety in constructing, maintaining and servicing capital assets. JLG's innovative products are key to the equipment rental industry's increasingly successful efforts to meet this need. As the manufacturer of the most recognized line of products in our industry and as the most efficient producer of these products in the world, the opportunities for JLG have never been brighter.

Given this outlook, we have high expectations for JLG's performance in 2001 and beyond. During the year ahead, we again face market developments that, while potentially challenging, also create unprecedented opportunities. The ongoing shift from equipment ownership to rental and lease continues to gain momentum. Rental companies continue to expand to meet this demand, yielding further economies of scale and higher product awareness. Together, these dynamics are expected to dramatically expand the size of the overall market for our products over the next five years, while making JLG's products more attractive and affordable for the end-user.

We expect demand for our equipment to continue to be strong in fiscal 2001. We expect to grow sales of AWP's and material handlers through market share gains and with pull-through marketing initiatives designed to increase demand for our products. Domestic demand for excavators should benefit from anticipated increases in Federal highway spending. Similarly, we expect sales of material handlers to grow through greater penetration at the major rental companies, new product introductions and increased demand from end-users for our brand. Additionally, the rapid growth of the AWP business in Europe is anticipated to continue into fiscal 2001, leading to continuing growth in JLG's overseas markets. In Europe, equipment pricing pressures are likely to continue due to the strength of the U.S. dollar. But these pressures should be offset by European economic expansion, which is expected to produce a 15 to 25% growth in demand for AWP's in fiscal 2001, and by our ongoing manufacturing cost reductions.





Source: Market Guide

JLG enters the new year well prepared. We have sufficient capacity to meet our anticipated needs. Our plants are efficient and cost-effective and they will become more so in fiscal 2001. We enjoy a strong share position in the North American and European markets, and we have the people and infrastructure in place to provide the highest level of product support. *Our order board is robust, and our customers remain highly optimistic that another excellent year lies ahead.*

This positive outlook provides us the confidence to again set ambitious performance targets for the year ahead. One key objective for fiscal 2001 is to produce top-line growth that substantially exceeds overall global market growth. Capitalizing on growth opportunities in Europe will be key to this objective. And, we are dedicated to growing earnings at an even faster pace. Accelerating our cost-savings efforts at Gradall and continuing to reduce our overall cost of operations will be integral to accomplishing this goal. At the same time, we expect to further enhance the balance sheet for future growth by generating even stronger free cash flow and by positioning JLG for additional acquisition opportunities.

We are also dedicated to translating JLG's steadily improving performance over the last five years into greater shareholder value. JLG generated better intrinsic value measures — return on assets, return on sales and return on equity — than industry peer groups. To leverage this performance going forward, we will be aggressively seeking ways to create shareholder value through continued improvement in our key metrics and other actions aimed at strengthening our share price.

In order to accomplish our growth and shareholder value objectives, we have established three broad imperatives for the year ahead:

- Continue to aggressively develop the industry's most innovative and productive products and to expand the applications and market where these products add value;
- Capitalize on international growth opportunities by strategic expansion of our sales and service channels overseas, and;
- Continue to improve our supply chain and manufacturing processes to reduce costs, increase cash flow, and fully leverage the synergies of an integrated JLG/Gradall operation.

## Management Changes

JLG possesses an outstanding management team and a highly skilled and productive work force — the assets that have earned JLG a global reputation for aiming high and then delivering on its promises.

We are most thankful for the invaluable efforts of our long-time Executive Vice President and Chief Financial Officer, Charles H. Diller, Jr. Chuck has been instrumental in our growth while ensuring that JLG remained financially sound. We all will miss him and his valued insight going forward. With Chuck's retirement, we welcome James H. Woodward, Jr. as our new Senior Vice President and Chief Financial Officer. Jim is a seasoned executive and brings more than 25 years of financial experience in the manufacturing sector.

On September 6, 2000 L. David Black, Chairman and Chief Executive Officer confirmed his intentions to retire February 1, 2001. In accordance with an orderly succession process commenced by the Board of Directors in early 1999, William M. Lasky, President and Chief Operating Officer was appointed President and Chief Executive Officer effective September 6, 2000.

The following pages of this report describe our strategic imperatives and how we plan to carry them out. Yes, our plans are ambitious, but JLG has never been stronger or more capable of performing at a higher level. This would not have been possible without your support as shareholders, and without the steadfast commitment and involvement of our 3,800 team members and our Board of Directors, customers and suppliers. We extend our sincere appreciation to all of you.

*L. David Black*

L. David Black  
Chairman of the Board

*William M. Lasky*

William M. Lasky  
President and Chief Executive Officer

October 5, 2000

## **JLG is focused on a clear strategic purpose.**

*We intend to strengthen our position as the global leader in the access equipment industry and to double our size to at least \$2 billion in sales in the next five years. Implicit in this goal is our projected vision of the future marketplace.*

*On the following pages we share with you this vision and how we plan to achieve our goals within this growing and evolving marketplace.*

Many of the key dynamics that have transformed our industry over the past five years are accelerating — not abating. By 2005, we will be competing in a very different landscape. We envision the market for our aerial work platforms, telescopic material handlers and excavators will offer greater and more diversified profit opportunities. Unit demand in Europe, the geographic growth leader, will be drawing even with, and perhaps even exceeding, North America. There will be fewer major manufacturers, but they will be stronger and more efficient than today and their manufacturing scope will be international. Meanwhile, numerous smaller manufacturers will continue to supply competitively priced niche products. Most of the equipment will be rented, and the rental equipment companies will be more global in scope as well. End-users of our products will

be more single-mindedly focused on cost savings than ever before. And, in their relentless drive for enhanced productivity, end-users will be deploying these products in a myriad of new applications.

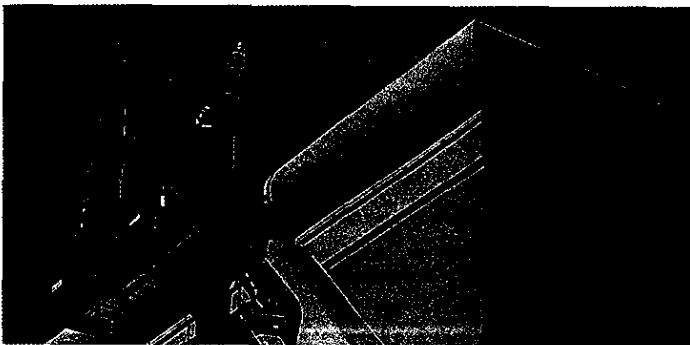
As we approach the middle of the new decade, the stronger equipment manufacturers in our marketplace will share a select number of critical advantages. Their products, customer support and financial offerings will be diverse and highly tuned to end-users' business needs — no matter where on the globe those users operate. The stronger companies will possess world-class marketing and channel management capabilities. They will be adept at managing the total supply chain, and their cost base will be

substantially lower than today. Their marketing and operational footprint will be further globalized, and their physical presence in Europe and emerging markets will be strong.

At JLG, envisioning this world of 2005 serves as the foundation for three principal strategic imperatives we are pursuing in fiscal 2001. The first of these imperatives is innovation. We will continue to develop innovative products that expand the applications and markets in which our products add value for new and existing customers. At the same time, we will be launching new approaches for leveraging JLG's high level of brand equity into relationships with new customers.

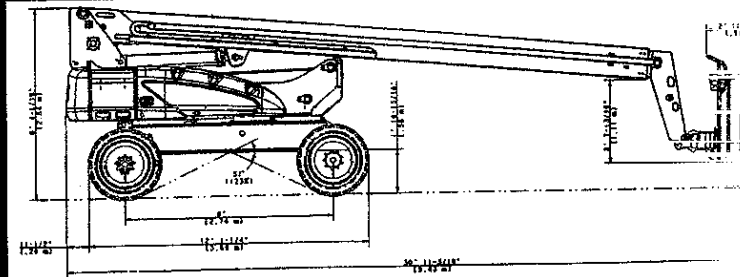
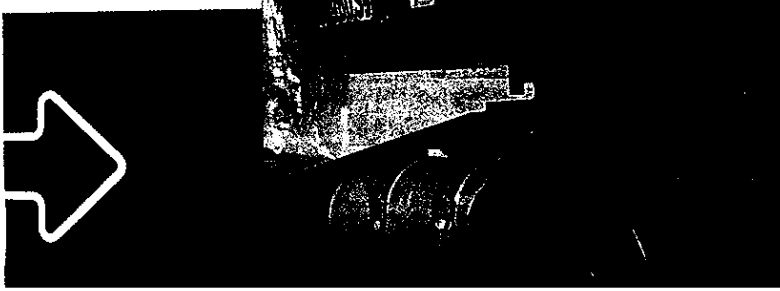
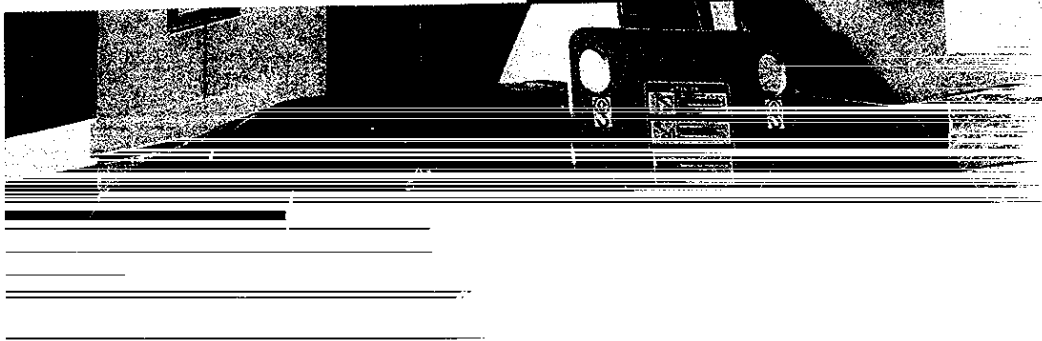
In addition, our success in 2001 will depend on imperatives related to strategic global expansion, both internally and through acquisitions. Our strategy is to capitalize on growth in our markets by further enhancing our sales and service channels around the world.

JLG's success during the year ahead will also depend on a third imperative which is executing strategies for process excellence. At the most basic level, we will continue to reduce our manufacturing costs at both JLG and Gradall to improve free cash flow and earnings and to strengthen JLG's balance sheet. But our process excellence goal extends beyond manufacturing to include all of the relationships we build with customers and suppliers, including the use of the Internet to facilitate transactions. The quality of these relationships is a function of the skills and commitment of everyone in the JLG organization. This is what drives our efforts to foster career development for JLG's 3,800 team members — our most valuable asset.



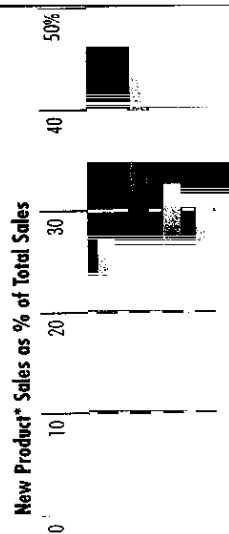
## **Different by Design**

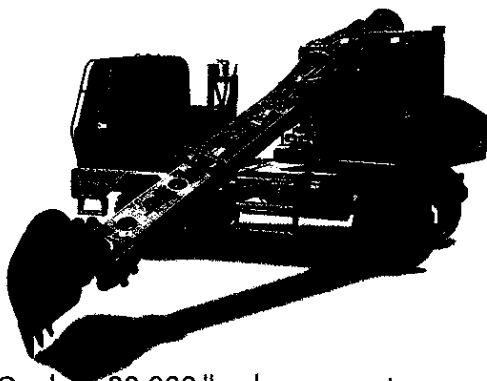
# INNOVATIVE CUSTOMER SOLUTIONS



We are working interactively  
with our customers  
to find creative solutions  
that ensure our  
mutual success.

**Different by Design**





Gradall's 30,000-lb. class excavators are preferred by infrastructure developers such as contractors and governmental agencies to do the work of a variety of machines.

JLG's global markets will evolve faster than ever between now and 2005. As the leaders in the equipment rental industry continue to expand and increase their market shares, the market will become more efficient, translating into lower costs and greater end-user demand for our products. The companies that prevail and persist as the preferred suppliers will be the ones that not only anticipate, but also drive and shape these changes and others to come. This is why innovation — working interactively with our customers to find creative solutions that ensure our mutual success — is a strategic imperative for JLG.

**Strategy: Develop innovative products and advanced concepts.**

We consistently lead the industry in the number of new machines we bring to market each year. Our strategy, centered on JLG's advanced and experienced R&D capability, is to identify new applications and develop new products that can add value for our existing customers and attract business from new customers. In fiscal 2000, for example, we introduced more than 20 new products, including our revolutionary family of 60-foot electric boom lifts, a new electric-drive scissor lift, a versatile new stock-picker lift, and two 30,000-lb. class excavators. Each of these products is positioned to be the most productive and efficient in its class, with features that will continue to drive end-user demand for the JLG brand. Several breakthrough offerings will emerge from our product pipeline in fiscal 2001. Chief among them will be the world's first combination material handler and aerial work platform machine and a new four-wheel-drive/steer, variable-reach material handler product. Looking further ahead, we are working to take our track record of product innovation to the next level by developing a series of global product platforms that will extend product designs for both existing and non-traditional applications, markets and distribution channels.

**Strategy: Expand product applications and markets.**

JLG's key marketing advantages are the Company's brand equity, leading position with major rental companies, and global reputation as the standard in our industry for manufacturing excellence. Armed with these competencies, we are moving aggressively to grow our business by meeting end-user needs that extend beyond elevated work sites, materials handling and excavation. These new applications represent diverse opportunities to expand JLG's presence in retailing, warehousing, industrial maintenance and other potential markets. In fiscal 2001, we intend to take bold steps to stretch the way we define our markets and to develop products that extend the JLG quality, safety and value proposition to a wider range of end-users than ever before.

## STRATEGIC GLOBAL EXPANSION



International demand for JLG and Gradall products has the potential to equal or surpass North American demand within the next three to five years.

**Geographic Mix**  
(as % of total sales)

■	United States — 76%
■	Europe — 17%
■	Other — 7%

**Different by Design**



JLG's newest family of 60-foot electric boom lifts includes the world's first emissions-free machine for greater versatility indoors and outdoors.

Expanding product applications provide additional growth opportunities in North America as well as internationally. One of JLG's prime growth opportunities is overseas, particularly in Europe where demand for aerial work platforms is accelerating, and where Gradall material handlers and excavators are just beginning to enter the market. European demand for JLG and Gradall products has the potential to equal or surpass North American demand within the next three to five years. European demand, and indeed worldwide demand, for aerial work platforms is growing rapidly as the productivity and safety of these machines becomes more widely recognized and their use more generally accepted. We are also seeing an increase in demand for material handlers in the developing nations, and the demand for excavators is growing outside Europe. We expect JLG to participate in this expansion and for this expansion to generate high levels of top-line growth.

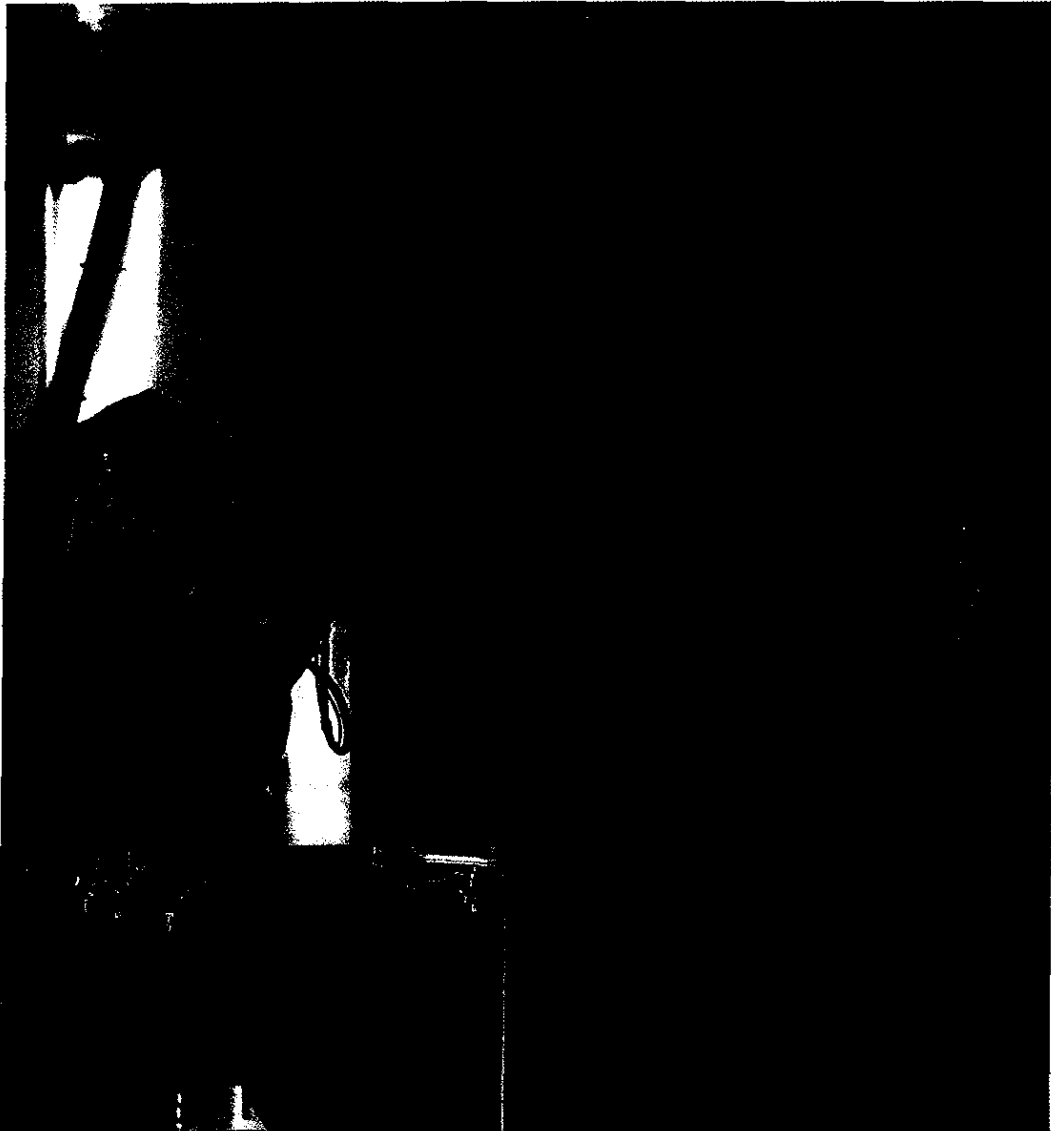
**Strategy: Expand global distribution.**

To increase North American growth opportunities, JLG continues to expand its footprint overseas. Despite a year dominated by adverse currency movements and intense competition, we successfully integrated the four European sales and service centers acquired over the past 18 months. Our plan is to have about 20 centers in key European cities, with about half of them JLG owned. We made significant progress in fiscal 2000 with our greenfield operations in South Africa, Italy and Spain, while making further progress in other parts of the world. Our growing distribution, sales and service network will provide the platform for launching new JLG and Gradall products designed to meet the diverse, yet very specific needs of European and other international customers.

**Strategy: Complement organic growth with strategic acquisitions.**

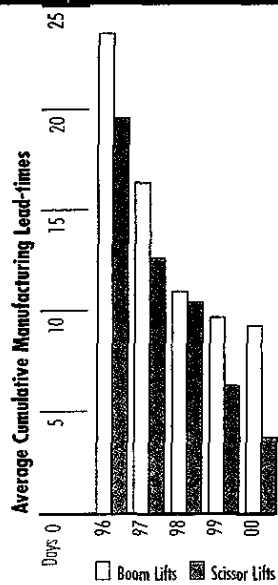
To double JLG's revenues by 2005, we will need to build on our success with Gradall and to pursue additional acquisitions that are targeted towards enhancing our global manufacturing, product diversification and distribution footprint. In addition, we plan to pursue internal growth as we develop complementary channel strategies. One objective for fiscal 2001 is to continue utilizing alternate sales and distribution channels to put our new products directly into end-users' hands. Meanwhile, we will leverage our valuable relationships with rental companies to offer end-users access to a range of supplementary products and services.

## PROCESS EXCELLENCE

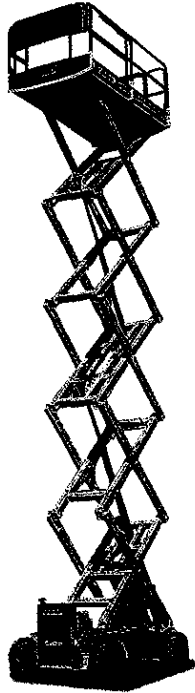


By working together with our customers and suppliers, we have taken, and will continue aggressively to take costs out of our systems and processes to become more efficient.

**Different by Design**







The new compact, rough-terrain series of scissor lifts combines improved terrainability with compact design and maneuverability to boost job-site productivity.

JLG's commitment to cost reduction and process improvement has earned it worldwide recognition. Being a low-cost producer is a powerful competitive advantage and has allowed us to sustain our industry-leading position and to gain share with the major rental companies as that industry has grown. Given the pace of change in our business environment, the role that process excellence plays at JLG is taking on additional focus in light of our drive to *generate free cash flow and reduce costs*.

**Strategy: Optimize our supply chain and manufacturing processes.**

Where process excellence traditionally means improving efficiencies and eliminating waste, it equally means designing costs out of our products beginning at the design stage. This makes our products easier to manufacture and shortens throughput times. We demonstrated our focus on process excellence in fiscal 2000 with the opening of our new Shippensburg, Pennsylvania and Orrville, Ohio facilities and by taking our world-class continuous flow manufacturing processes to a higher level. This enables us to gain the benefits of high-volume, just-in-time production and to provide us with inventory ready-to-ship when our customers need it. Looking to fiscal 2001, we are committed to push process excellence throughout the integrated JLG/Gradall supply chain and in services we provide to our customers.

**Strategy: Provide superior customer support and services.**

Maintaining our leadership means satisfying an ever-widening range of end-user needs with higher levels of excellence than ever before. Our 2001 customer service initiatives feature the launch of improved and updated equipment financing solutions, including funding for used equipment. Another objective is to expand the scope and profitability of the used equipment business. Given the unprecedented growth in rental fleets over the past few years and as our customers update their fleets, we see increasing used equipment re-manufacturing and sales opportunities for our Equipment Services operation going forward. Further ahead, we will be looking to leverage the revenue value of our end-user relationships with offerings such as extended warranties and sales of JLG product accessories and service to provide the convenience of one-stop shopping.

**Strategy: Continue to develop our organization.**

JLG's people are the agents who transform the concept of process excellence into the reality of market leadership. JLG has succeeded in creating a learning mindset that fosters career growth at every organizational level, highlighted by the establishment of the JLG Corporate University in collaboration with Penn State University in fiscal 1999. In fiscal 2001, we will accelerate the expansion of course offerings, locations and media that began last year and we will include outreach to our suppliers and customers.

## A DECADE OF LEADERSHIP

### THE COMPANY BEGAN THE 1990s WITH AMBITIOUS GOALS.

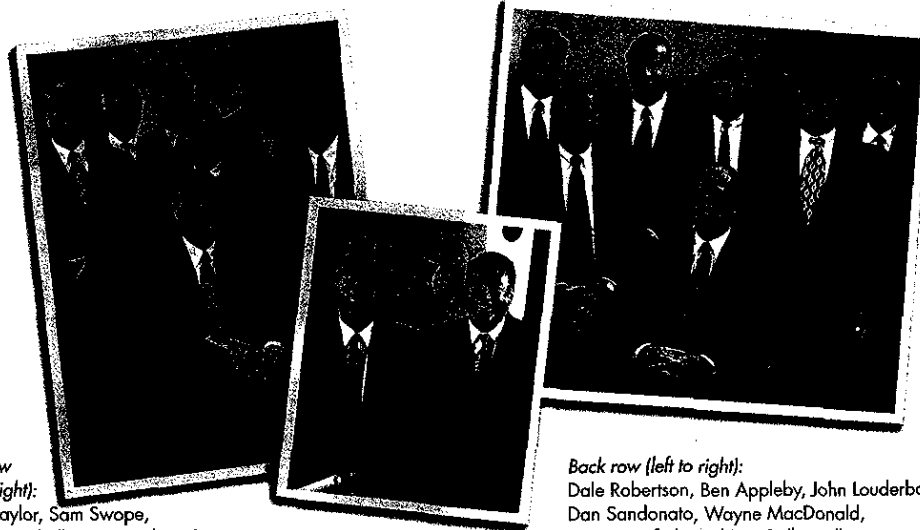
In 1991, JLG had sales of less than \$95 million. With new leadership and vision, the Company embarked on its "Journey to Excellence" program that foreshadowed a decade of strategically driven change. Since the launch of "Journey to Excellence," the Company's manufacturing operations — and indeed the entire corporate culture — have been systematically transformed. Today, JLG stands as the world's leading manufacturer of product solutions for elevated work sites and boasts sales of more than \$1 billion.

The Company's three strategic imperatives for fiscal 2001 — innovative customer solutions, strategic global expansion and process excellence — could just as easily describe the hallmarks of JLG's stellar growth over the past decade. JLG has introduced more than 100 new products since 1991 — more innovative customer solutions than anyone else in the industry. Products introduced over the past two years generated 35% of total sales last year. Throughout the decade, JLG's solutions were continually recognized as outstanding in their class by industry-leading national publications such as *Construction Equipment*, *Plant Engineering* and *Lift Equipment*. The acquisition of Gradall in 1999 diversified JLG's product portfolio by adding variable-reach material handlers and hydraulic excavators to the line. The first in its industry to adopt Internet-based commerce, JLG began processing online warranty transactions in 1995. Since then, JLG has been expanding its use of e-commerce in an effort to develop ever-closer relationships with customers. Today, the Company is the industry's online business leader by a wide margin, handling most of its warranty transactions and about half of its parts orders via the Web.

The 1990s were marked not only by rapid market growth in North America, but also by the globalization of demand for aerial work platforms. Pursuing international opportunities, JLG expanded its marketing efforts to reach more than 60 countries on six continents during the decade. JLG has capitalized on especially rapid market growth in Europe, establishing a strong distribution network that currently generates 71% of total international sales. By fiscal 2000, sales to overseas markets had grown nearly ten-fold over the decade to \$250 million, or 24% of total revenues, and JLG was named an Export Winner by *Fortune* magazine.

JLG's 10-year pursuit of continuous manufacturing process improvement bore fruit by progressively reducing the time required to manufacture the Company's boom lifts from more than 70 days to less than 10 days. As a result of this success, JLG earned award after award as the decade progressed culminating in 1999 when JLG's McConnellsburg, Pennsylvania facility was named one of the top 10 manufacturing plants in North America by *Industry Week* magazine.

JLG looks forward to continuing its growth path. We expect JLG to continue strengthening its position as the end-user's preferred brand — not only because JLG products deliver the highest levels of quality, reliability and efficiency of operation, but because we are the easiest company with which to do business. We will continue to be a low-cost producer and to aggressively explore exciting new markets and applications where our products are yet unknown. JLG is positioned successfully to continue to execute its strategy and achieve these goals in the decade ahead.



Back row  
(left to right):  
Craig Paylor, Sam Swope,  
Geoff Campbell, Jim Woodward,  
Barry Phillips and Phil Rehbein  
Seated: Chuck Diller

Dave Black, Bill Lasky

Back row (left to right):  
Dale Robertson, Ben Appleby, John Louderback,  
Dan Sandonato, Wayne MacDonald,  
Peter Bonafede and Rao Bollimpalli  
Seated: Tom Singer

**FINANCIAL CONTENTS**

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**ELEVEN-YEAR FINANCIAL SUMMARY** (in thousands, except per share data and number of employees)

	Years ended July 31	2000	1999	1998
<b>RESULTS OF OPERATIONS</b>	Net sales . . . . .	\$1,056,168	\$720,224	\$530,859
	Gross profit . . . . .	231,086	166,953	128,157
	Selling, administrative and product development expenses . . . . .	(109,434)	(75,431)	(55,388)
	Goodwill amortization . . . . .	(6,166)	(750)	—
	Restructuring charge . . . . .	—	—	(1,689)
	Income (loss) from operations . . . . .	115,486	90,772	71,080
	Interest expense . . . . .	(20,589)	(1,772)	(254)
	Other income (expense), net . . . . .	1,146	2,016	(356)
	Income (loss) before taxes . . . . .	96,043	91,016	70,470
	Income tax (provision) benefit . . . . .	(35,536)	(29,745)	(23,960)
	Net income (loss) . . . . .	60,507	61,271	46,510
<b>PER SHARE DATA</b>	Earnings per common share . . . . .	\$ 1.39	\$ 1.40	\$ 1.07
	Earnings per common share – assuming dilution . . . . .	1.37	1.36	1.05
	Cash dividends . . . . .	.035	.02	.02
<b>PERFORMANCE MEASURES</b>	Return on sales . . . . .	5.7%	8.5%	8.8%
	Return on average assets . . . . .	8.5%	17.3%	17.9%
	Return on average shareholders' equity . . . . .	20.8%	28.1%	26.2%
<b>FINANCIAL POSITION</b>	Working capital . . . . .	\$ 165,923	\$176,315	\$122,672
	Current assets as a percent of current liabilities . . . . .	187%	226%	248%
	Property, plant and equipment, net . . . . .	105,879	100,534	57,652
	Total assets . . . . .	653,587	625,817	307,339
	Total debt . . . . .	98,302	175,793	3,708
	Shareholders' equity . . . . .	324,051	271,283	207,768
	Total debt as a percent of total capitalization . . . . .	23%	39%	2%
<b>OTHER DATA</b>	Book value per share . . . . .	7.42	6.13	4.71
	Product development expenditures . . . . .	\$ 15,751	\$ 9,279	\$ 9,579
	Capital expenditures, net of retirements . . . . .	22,251	24,838	13,577
	(Retirements) additions to rental fleet, net of disposals . . . . .	(8,016)	4,645	5,377
	Depreciation and amortization . . . . .	25,970	19,530	15,750
	Employees . . . . .	3,770	3,960	2,664

This summary should be read in conjunction with Management's Discussion and Analysis. All share and per share data have been adjusted for the two-for-one stock splits distributed in April and October 1995, and the three-for-one stock split distributed in July 1996. Amounts subsequent to 1998 reflect the acquisition of Gradall Industries, Inc. in June 1999.

1997	1996	1995	1994	1993	1992	1991	1990
\$526,266	\$413,407	\$269,211	\$176,443	\$123,034	\$110,479	\$ 94,439	\$149,281
130,005	108,716	65,953	42,154	28,240	22,542	20,113	37,767
(56,220)	(44,038)	(33,254)	(27,147)	(23,323)	(22,024)	(21,520)	(21,834)
—	—	—	—	—	—	—	—
(1,897)	—	—	—	—	(4,922)	(2,781)	(1,015)
71,888	64,678	32,699	15,007	4,917	(4,404)	(4,188)	14,918
(362)	(293)	(376)	(380)	(458)	(1,218)	(1,467)	(2,344)
(288)	1,281	376	(24)	180	(149)	(707)	858
71,238	65,666	32,699	14,603	4,639	(5,771)	(6,362)	13,432
(25,090)	(23,558)	(11,941)	(5,067)	(1,410)	2,733	3,122	(4,950)
46,148	42,108	20,758	9,536	3,229	(3,038)	(3,240)	8,482
\$ 1.06	\$ .98	\$ .49	\$ .23	\$ .08	\$ (.07)	\$ (.08)	\$ .20
1.04	.96	.48	.23	.08	(.07)	(.08)	.20
.02	.015	.0092	.0083	—	.005	.0208	.0167
8.8%	10.2%	7.7%	5.4%	2.6%	(2.8%)	(3.4%)	5.7%
21.7%	28.5%	20.2%	12.1%	4.6%	(4.0%)	(4.2%)	10.4%
33.6%	47.9%	37.1%	23.8%	8.5%	(7.9%)	(7.7%)	21.8%
\$ 84,129	\$ 71,807	\$ 45,404	\$ 32,380	\$ 26,689	\$ 33,304	\$ 36,468	\$ 47,289
218%	226%	216%	208%	217%	268%	266%	304%
56,064	34,094	24,785	19,344	13,877	13,511	13,726	14,402
248,374	182,628	119,708	91,634	72,518	73,785	74,861	86,741
3,952	2,194	2,503	7,578	4,471	12,553	14,175	18,404
160,927	113,208	68,430	45,706	38,939	37,186	38,596	44,109
2%	2%	4%	14%	10%	25%	27%	29%
3.68	2.61	1.60	1.09	.89	.86	.90	1.05
\$ 7,280	\$ 6,925	\$ 5,542	\$ 4,373	\$ 3,385	\$ 3,628	\$ 3,430	\$ 3,520
29,757	16,668	8,618	7,762	3,570	1,364	1,637	4,615
14,199	9,873	1,548	1,455	273	3,470	534	—
10,389	6,505	3,875	2,801	2,500	2,569	1,953	1,771
2,686	2,705	2,222	1,620	1,324	1,014	1,182	1,565

## REPORT OF MANAGEMENT

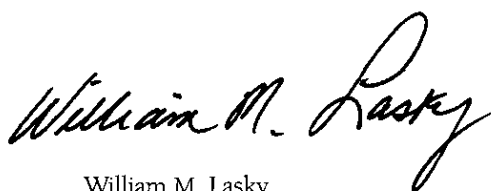
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The consolidated financial statements of JLG Industries, Inc. in this report were prepared by its management, which is responsible for their content. In management's opinion, the financial statements reflect amounts based upon its best estimates and informed judgments and present fairly the financial position, results of operations and cash flows of the Company in conformity with generally accepted accounting principles.

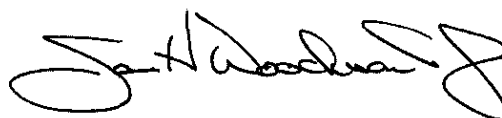
The Company maintains a system of internal accounting controls and procedures which are intended, consistent with justifiable cost, to provide reasonable assurance that transactions are executed as authorized, that they are properly recorded to produce reliable financial records, and that accountability for assets is maintained. The accounting controls and procedures are supported by careful selection and training of personnel, examination by an internal auditor and continuing management commitment to the integrity of the internal control system.

The financial statements have been audited by Ernst & Young LLP, independent auditors. The independent auditors have evaluated the Company's internal controls and performed tests of procedures and accounting records in connection with the issuance of their reports on the fairness of the financial statements.

The Board of Directors has appointed an Audit Committee composed entirely of directors who are not employees of the Company. The Audit Committee meets with representatives of management, the internal auditor and independent auditors both separately and jointly. Its functions include recommending the selection of independent auditors; conferring with the independent auditors and reviewing the scope and fees of the annual audit and the results thereof; reviewing the Company's annual report to shareholders and annual filings with the Securities and Exchange Commission; reviewing the adequacy of the Company's internal audit function, as well as the accounting and financial controls and procedures; and approving the nature and scope of non-audit services performed by the independent auditors.



William M. Lasky  
President and  
Chief Executive Officer



James H. Woodward, Jr.  
Senior Vice President  
and Chief Financial Officer

October 5, 2000

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

For the year ended July 31, 2000, sales were a record \$1.056 billion, up 47% from the \$720 million reported for 1999. The acquisition of Gradall in June 1999 represented \$177 million or 53% of the increase. Machinery sales were \$931 million for 2000, an increase of \$286 million, or 44%, from the \$645 million for 1999. The increase included \$158 million resulting from the acquisition of Gradall and gains across substantially all product classes and markets. Equipment Services sales for 2000 were \$125 million, up \$50 million or 67% compared to prior year. The increase in Equipment Services sales was attributable to sales of used equipment obtained primarily from trade-ins and sales resulting from a reduction in the Company's rental fleet as customers exercised purchase options converting rentals to sales.

For the year ended July 31, 1999, sales were \$720 million, an increase of 36% from \$531 million for 1998. The acquisition of Gradall contributed \$28 million to 1999 sales. Machinery sales were \$645 million compared to \$464 million for the prior year. Equipment Services sales were \$75 million and \$67 million for 1999 and 1998, respectively. The 36% top line growth for 1999 is principally attributable to steps the Company took to substantially expand its customer base, a continuing strong market for its products, the strong customer acceptance of new products and the contribution of Gradall.

The Company's sales by product (in thousands) consisted of the following for the years ended July 31:

	2000	1999	1998
Aerial work platforms . . . . .	\$ 790,352	\$642,151	\$485,171
Material handlers . . . . .	125,749	7,295	—
Excavators . . . . .	60,144	18,367	—
Service parts, rentals, rebuilds and sales of rental fleet and used equipment . . . . .	79,923	52,411	45,688
	<u>\$1,056,168</u>	<u>\$720,224</u>	<u>\$530,859</u>

International sales for 2000 were \$250 million, up 29% from 1999. As a percentage of sales, international sales were 24%, 27% and 32% of total net sales for 2000, 1999 and 1998, respectively. The decrease in the percentage from 1999 to 2000 was due principally to the weighting resulting from the Gradall acquisition. Sales from new and redesigned products, defined as those introduced over a two-year period, represented 35%, 30% and 32% of sales in 2000, 1999 and 1998, respectively.

Gross profit, as a percent of sales, decreased to 22% in 2000 from 23% in 1999. Gross profit was adversely affected by continuing pricing pressure, including the significant rise in the value of the U.S. dollar against foreign currencies, particularly the Euro, and the impact of additional price discounts associated with the acceptance of trade-ins to displace competitor products during the year. The gross profit margin was favorably affected by the success of the Company's aggressive cost reduction programs. Gross profit, as a percent of sales, decreased to 23% in 1999 from 24% in 1998. This reduction was affected by competitive and program-related pricing, costs of meeting higher production demand and start-up costs related to new product introductions. These higher costs were partially offset by ongoing cost reduction efforts.

Selling, administrative and product development expenses as a percentage of sales were 10% for fiscal 2000 compared to 11% for 1999 and 10% for 1998. The \$34 million increase in selling, administrative and product development costs compared to 1999 was principally a result of the acquisition of Gradall in June 1999 which totaled \$17 million, increased sales and service activities, higher employee retirement expenses and increased bad debt provisions. For 1999, the increase in dollars is primarily the result of higher personnel and related costs associated with the Company's expanding customer base and the impact of the Gradall acquisition.

For 2000, goodwill amortization was \$6 million, primarily due to the Gradall acquisition. The increase in interest expense for 2000 was due to an increase in average borrowings to fund the Gradall acquisition and seasonal working capital investments. In 1999, miscellaneous income included higher investment income earned on cash balances and lower currency conversion losses. For 1998, miscellaneous expense was primarily comprised of currency conversion losses of \$2 million, partially offset by investment income.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS** *(continued)*

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**RESULTS OF  
OPERATIONS**  
*(continued)*

The effective income tax rates were 37%, 33% and 34% for 2000, 1999 and 1998, respectively. The increase in the 2000 effective tax rate was principally due to goodwill charges not being tax deductible. The rate for 1999 included a \$1 million benefit to net income resulting from a change in accounting estimate, primarily attributable to additional tax incentives related to export sales for the 1998 year.

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**FINANCIAL  
CONDITION**

Operating activities generated cash of \$106 million for 2000 compared to \$35 million of cash generated for 1999. The increase in cash flow from operations for 2000 was primarily due to proceeds received from the sale of a portion of the Company's accounts receivable and an increase in the days purchases outstanding. Partially offsetting these benefits was an increase in inventory due to the higher sales activity, an increase in stocking locations in Europe and the Company's decision to maintain sufficient inventory to match its customers' seasonal demand. Working capital increased in 1999 primarily due to increased receivable and inventory levels as well as the effects of the Gradall acquisition.

Investing activities used cash of \$14 million in 2000 compared to cash used of \$233 million in 1999. During 2000, the Company made a strategic decision to downsize its rental fleet resulting in a net reduction of \$8 million compared to a \$5 million increase in 1999. The cash usage in 1999 was principally due to the expenditure to acquire Gradall.

Financing activities used cash of \$84 million in fiscal 2000 compared to cash provided of \$160 million in 1999. The cash usage in 2000 was primarily the result of debt reduction and a Company share repurchase. At July 31, 2000, the Company had remaining authorization to repurchase an additional 4.2 million shares of its capital stock. The cash provided in 1999 resulted principally from debt used to acquire Gradall.

The Company will continue to have cash requirements to support seasonal working capital needs and capital expenditures, to pay interest and to repay debt. At July 31, 2000, the Company had unused credit lines totaling \$277 million. In order to meet its future cash requirements, the Company intends to use internally generated funds and to borrow under its credit facilities. The Company believes that these resources will be sufficient to meet its cash requirements over the next 12 months.

In addition to measuring its cash flow generation and usage based upon the operating, investing, and financing classifications included in the Consolidated Statements of Cash Flows, the Company also measures its free cash flow. Free cash flow, a measure commonly employed by the financial community, is defined by the Company as cash flow from operating activities less capital expenditures including equipment held for rental, plus proceeds from the disposal of assets and unrealized currency gains or losses. During 2000, the Company had free cash flow of \$92 million compared to negative free cash flow of \$198 million for the corresponding period in 1999. The 1999 use of cash was primarily due to the acquisition of Gradall.

The Company's exposure to product liability claims is discussed in the note entitled Commitments and Contingencies of the Notes to Consolidated Financial Statements of this report. Future results of operations, financial condition and liquidity may be affected to the extent that the Company's ultimate exposure with respect to product liability varies from current estimates.



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS** *(continued)*

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**OUTLOOK**

This Outlook section and other parts of this Management's Discussion and Analysis contain forward-looking information and involve certain risks and uncertainties that could significantly impact expected results. Certain important factors that, in some cases have affected, and in the future could affect, the Company's results of operations and that could cause such future results of operations to differ are described in "Cautionary Statements Pursuant to the Securities Litigation Reform Act."

As an industry leader, the Company is positioned to capitalize on the challenging — but opportunity-rich — marketplace in fiscal 2001. The global equipment rental business is expected to continue its robust growth, leading to additional economies of scale and broadened end-user awareness that should further expand the demand for the Company's products. Management expects to grow sales not only through market share gains, but also through pull-through marketing initiatives designed to increase demand for the Company's products. Demand for the Company's equipment is anticipated to remain strong in fiscal 2001. Domestic demand for excavators should benefit from anticipated increases in Federal highway spending. Similarly, management expects sales of material handlers to grow through greater penetration at the major rental companies, new product introductions and increased demand from end-users for the Company's brand. Additionally, the rapid growth of AWP usage in Europe is anticipated to continue into fiscal 2001, leading to continuing growth in the Company's overseas markets. The Company also expects to introduce a substantial number of new products in fiscal 2001. The Company also expects to continue to reduce costs and to increase cash flow as management continues to enhance Gradall's operations and improve its capacity utilization and manufacturing processes.

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**MARKET RISK**

The Company is exposed to market risk from changes in interest rates and foreign currency exchange rates, which could affect its future results of operations and financial condition. The Company manages its exposure to these risks principally through its regular operating and financing activities.

While the Company is exposed to changes in interest rates as a result of its outstanding debt, the Company does not currently utilize any derivative financial instruments related to its interest rate exposure. Total short-term and long-term debt outstanding at July 31, 2000 was \$98 million, consisting of \$93 million in variable-rate borrowing and \$5 million in fixed-rate borrowing. At this level of variable-rate borrowing, a hypothetical 10% increase in interest rates would decrease pre-tax current year earnings by approximately \$700,000 at July 31, 2000. A hypothetical 10% change in interest rates would not result in a material change in the fair value of the Company's fixed-rate debt.

The Company manufactures its products in the United States and sells these products in that market as well as international markets, principally Europe and Australia. As a result of the sales of its products in foreign markets, the Company's earnings are affected by fluctuations in the value of the U.S. dollar, as compared to foreign currencies resulting from transactions in foreign markets. At July 31, 2000, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which the Company's transactions are denominated would have the result of reducing gross profits for the year ended July 31, 2000 by approximately \$18 million. This calculation assumes that each exchange rate would change in the same direction relative to the U.S. dollar.

In addition to the direct effects of changes in exchange rates, such changes also affect the volume of sales or the foreign currency sales price as competitors' products become more or less attractive. The Company's sensitivity analysis of the effects of changes in foreign currency exchange rates does not factor in a potential change in sales levels or local currency prices.

## CONSOLIDATED BALANCE SHEETS

		July 31	
		2000	1999
<i>(in thousands, except per share data)</i>			
<b>ASSETS</b>	<b>Current Assets</b>		
	Cash .....	\$ 25,456	\$ 19,033
	Accounts receivable, less allowance for doubtful accounts of \$5,203 in 2000 and \$2,985 in 1999 .....	172,511	162,820
	Inventories .....	147,991	125,571
	Other current assets .....	10,594	8,563
	Total Current Assets .....	356,552	315,987
	<b>Property, Plant and Equipment</b>		
	Land and improvements .....	8,787	7,417
	Buildings and improvements .....	53,420	40,152
	Machinery and equipment .....	108,073	102,185
		170,280	149,754
	Less allowance for depreciation .....	64,401	49,220
		105,879	100,534
	<b>Equipment Held for Rental</b> , net of accumulated depreciation of \$3,608 in 2000 and \$7,692 in 1999 .....	12,153	23,068
	<b>Goodwill</b> , net of accumulated amortization of \$6,916 in 2000 and \$750 in 1999 .....	145,867	155,655
	<b>Other Assets</b> .....	33,136	30,573
		<u>\$653,587</u>	<u>\$625,817</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Current Liabilities</b>		
	Short-term debt .....	\$ 9,184	\$ 3,281
	Accounts payable .....	116,616	78,793
	Accrued payroll and related taxes .....	16,633	18,255
	Income taxes .....	6,873	8,097
	Other current liabilities .....	41,323	31,246
	Total Current Liabilities .....	190,629	139,672
	<b>Long-term Debt</b> .....	89,118	172,512
	<b>Accrued Post-retirement Benefits</b> .....	22,943	21,471
	<b>Other Long-term Liabilities</b> .....	12,623	9,463
	<b>Provisions for Contingencies</b> .....	14,223	11,416
	<b>Shareholders' Equity</b>		
	Capital stock:		
	Authorized shares: 100,000 at \$.20 par value		
	Issued and outstanding shares: 2000 — 43,648 shares;		
	1999 — 44,250 shares .....	8,729	8,850
	Additional paid-in capital .....	12,514	17,246
	Retained earnings .....	308,966	250,006
	Unearned compensation .....	(1,474)	(1,324)
	Accumulated other comprehensive income .....	(4,684)	(3,495)
	Total Shareholders' Equity .....	324,051	271,283
		<u>\$653,587</u>	<u>\$625,817</u>

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

# CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Years Ended July 31		
	2000	1999	1998
<b>Net Sales</b> .....	<b>\$1,056,168</b>	<b>\$720,224</b>	<b>\$530,859</b>
Cost of sales .....	<b>825,082</b>	<b>553,271</b>	<b>402,702</b>
<b>Gross Profit</b> .....	<b>231,086</b>	<b>166,953</b>	<b>128,157</b>
Selling, administrative and product development expenses .....	<b>109,434</b>	<b>75,431</b>	<b>55,388</b>
Goodwill amortization .....	<b>6,166</b>	<b>750</b>	<b>—</b>
Restructuring charges .....	<b>—</b>	<b>—</b>	<b>1,689</b>
<b>Income from Operations</b> .....	<b>115,486</b>	<b>90,772</b>	<b>71,080</b>
Other income (deductions):			
Interest expense .....	<b>(20,589)</b>	<b>(1,772)</b>	<b>(254)</b>
Miscellaneous, net .....	<b>1,146</b>	<b>2,016</b>	<b>(356)</b>
<b>Income before Taxes</b> .....	<b>96,043</b>	<b>91,016</b>	<b>70,470</b>
Income tax provision .....	<b>35,536</b>	<b>29,745</b>	<b>23,960</b>
<b>Net Income</b> .....	<b>\$ 60,507</b>	<b>\$ 61,271</b>	<b>\$ 46,510</b>
<b>Earnings per Common Share</b> .....	<b>\$ 1.39</b>	<b>\$ 1.40</b>	<b>\$ 1.07</b>
<b>Earnings per Common Share —</b>			
Assuming Dilution .....	<b>\$ 1.37</b>	<b>\$ 1.36</b>	<b>\$ 1.05</b>

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

# CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share data)	Capital Stock		Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Par Value					
<b>Balances at July 31, 1997</b> .....	43,726	\$8,745	\$11,391	\$143,989	(\$1,018)	(\$2,180)	\$160,927
Comprehensive income:							
Net income for the year .....				46,510			
Aggregate translation adjustment, net of deferred tax benefit of \$200 ..						(1,482)	
Total comprehensive income .....							45,028
Dividends paid: \$.02 per share .....				(881)			(881)
Shares issued under employee and director stock plans .....	370	74	4,235		(3,219)		1,090
Amortization of unearned compensation ...					1,604		1,604
<b>Balances at July 31, 1998</b> .....	44,096	8,819	15,626	189,618	(2,633)	(3,662)	207,768
Comprehensive income:							
Net income for the year .....				61,271			
Aggregate translation adjustment, net of deferred tax benefit of \$334 ..						167	
Total comprehensive income .....							61,438
Dividends paid: \$.02 per share .....				(883)			(883)
Shares issued under employee and director stock plans .....	154	31	1,620		(259)		1,392
Amortization of unearned compensation ...					1,568		1,568
<b>Balances at July 31, 1999</b> .....	44,250	8,850	17,246	250,006	(1,324)	(3,495)	271,283
Comprehensive income:							
Net income for the year .....				60,507			
Aggregate translation adjustment, net of deferred tax benefit of \$334 ..						(808)	
Minimum pension liability, net of deferred tax benefit of \$262 .....						(381)	
Total comprehensive income .....							59,318
Dividends paid: \$.035 per share .....				(1,547)			(1,547)
Purchase and retirement of common stock ..	(795)	(159)	(6,630)				(6,789)
Shares issued under employee stock plans .....	193	38	1,898		(1,616)		320
Amortization of unearned compensation ...					1,466		1,466
<b>Balances at July 31, 2000</b> .....	43,648	\$8,729	\$12,514	\$308,966	(\$1,474)	(\$4,684)	\$324,051

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended July 31		
		2000	1999	1998
	<i>(in thousands)</i>			
<b>OPERATIONS</b>	Net income . . . . .	\$ 60,507	\$ 61,271	\$ 46,510
	Adjustments to reconcile net income to cash flow from operating activities:			
	Non-cash charges and credits:			
	Depreciation and amortization . . . . .	25,970	19,530	15,750
	Provision for self-insured losses . . . . .	5,669	5,100	4,844
	Deferred income taxes . . . . .	(5,414)	(2,880)	1,924
	Other . . . . .	2,337	540	228
	Changes in selected working capital items:			
	Accounts receivable . . . . .	(11,954)	(42,974)	(24,674)
	Inventories . . . . .	(22,447)	(25,284)	6,159
	Other current assets . . . . .	4,455	(1,158)	(672)
	Accounts payable . . . . .	37,825	17,521	92
	Accrued expenses and other current liabilities . . . . .	7,264	4,946	9,148
	Changes in other assets and liabilities . . . . .	1,471	(1,862)	(8,564)
	Cash flow from operating activities . . . . .	105,683	34,750	50,745
<b>INVESTMENTS</b>	Net purchases of property, plant and equipment . . . .	(22,251)	(24,838)	(13,577)
	Net retirements (additions) to equipment held for rental . . . . .	8,016	(4,645)	(5,377)
	Purchase of Gradall Industries, Inc. net of cash received of \$5,065 . . . . .	—	(203,192)	—
	Cash flow from investing activities . . . . .	(14,235)	(232,675)	(18,954)
<b>FINANCING</b>	Net increase in short-term borrowings . . . . .	5,865	2,656	—
	Issuance of long-term debt . . . . .	355,087	206,500	—
	Repayment of long-term debt . . . . .	(438,443)	(50,378)	(244)
	Payment of dividends . . . . .	(1,547)	(883)	(881)
	Purchase of common stocks . . . . .	(6,789)	—	—
	Exercise of stock options and issuance of restricted awards . . . . .	1,544	2,164	2,173
	Cash flow from financing activities . . . . .	(84,283)	160,059	1,048
<b>CURRENCY ADJUSTMENTS</b>	Effect of exchange rate changes on cash . . . . .	(742)	106	(1,482)
<b>CASH</b>	Net change in cash and cash equivalents . . . . .	6,423	(37,760)	31,357
	Beginning balance . . . . .	19,033	56,793	25,436
	Ending balance . . . . .	\$ 25,456	\$ 19,033	\$ 56,793

The accompanying notes are an integral part of these statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(in thousands, except per share data and unless otherwise indicated)***SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES****Principles of Consolidation and Statement Presentation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

**Reclassifications**

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the presentation used for 2000.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results may differ from those estimates.

**Revenue Recognition**

Sales of machinery and service parts are generally unconditional sales that are recorded when product is shipped and invoiced to independently owned and operated distributors and customers. Provisions for warranty are estimated and accrued at the time of sale. Actual warranty costs do not materially differ from estimates. In addition, net sales include rental revenues earned on the lease of equipment held for rental. Rental revenues are recognized in the period earned over the lease term.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents and classifies such amounts as cash.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the LIFO (last-in, first-out) method.

Inventories consist of the following at July 31:

	2000	1999
Finished goods . . . . .	\$ 97,858	\$ 68,994
Raw materials and work in process . . . . .	52,775	61,105
	<u>150,633</u>	<u>130,099</u>
Less LIFO provision . . . . .	2,642	4,528
	<u>\$147,991</u>	<u>\$125,571</u>

**Property, Plant and Equipment and Equipment Held for Rental**

Property, plant and equipment and equipment held for rental are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method, based on useful lives of 15 years for land improvements, 10 to 20 years for buildings and improvements, three to 10 years for machinery and equipment, and three to seven years for equipment held for rental. Depreciation expense was \$19,804, \$18,780 and \$15,750 for the fiscal years 2000, 1999 and 1998, respectively.

**Goodwill**

Goodwill represents the difference between the total purchase price and the fair value of identifiable assets and liabilities acquired in business acquisitions. Goodwill is amortized on a straight-line basis over periods ranging from 10 to 25 years.

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, the Company evaluates whether an impairment exists on the basis of undiscounted expected future cash flows from operations for the remaining amortization period. If an impairment exists, the asset is reduced by the estimated shortfall of discounted cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)

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**SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES**  
(continued)

**Income Taxes**

Deferred income tax assets and liabilities arise from differences between the tax basis of assets or liabilities and their reported amounts in the financial statements. Deferred tax balances are determined by using the tax rate expected to be in effect when the taxes are paid or refunds received.

**Product Development**

The Company incurred product development and other engineering expenses of \$15,751, \$9,279 and \$9,579 in 2000, 1999 and 1998, respectively, which were charged to expense as incurred.

**Concentrations of Credit Risk**

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of trade receivables. The Company had 14% of accounts receivable, including securitization, due from one customer at July 31, 2000. This concentration of credit risk is mitigated by a geographically diverse customer base and the Company's credit and collection process. The Company performs credit evaluations for all customers and secures transactions with letters of credit where it believes the risk warrants it. Write-offs for uncollected trade receivables have not been significant.

**Advertising and Promotion**

All costs associated with advertising and promoting products are expensed in the year incurred. Advertising and promotion expense was \$7,064, \$5,742 and \$2,928 in 2000, 1999 and 1998, respectively.

**Foreign Currency Translation**

The financial statements of the Company's Australian operation are measured in its local currency and then translated into U.S. dollars. All balance sheet accounts have been translated using the current rate of exchange at the balance sheet date. Results of operations have been translated using the average rates prevailing throughout the year. Translation gains or losses resulting from the changes in the exchange rates from year to year are accumulated in a separate component of shareholders' equity.

The financial statements of the Company's European operation are prepared using the U.S. dollar as its functional currency. The transactions of this operation that are denominated in foreign currencies have been remeasured in U.S. dollars, and any resulting gain or loss is reported in income.

The aggregate of foreign currency transaction losses included in the results of operations were \$1,879, \$398 and \$1,611 in 2000, 1999 and 1998, respectively.

**Recent Accounting Pronouncements**

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that an entity record all derivatives in the statement of financial position at their fair value. It also requires changes in the fair value of derivatives to be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company is required to adopt this new accounting standard beginning August 1, 2000. The Company does not expect adoption of this statement to have a significant impact on its results of operations or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. All registrants are expected to apply the accounting and disclosures described in SAB 101. The Company does not believe that its revenue recognition policy will be significantly affected by the adoption of SAB 101; however, additional implementation guidance has not yet been issued by the Securities and Exchange Commission. The Company will complete its evaluation of the adoption of SAB 101 once this information is released. The Company is required to adopt SAB 101 in the fourth quarter of fiscal 2001.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)**BANK CREDIT  
LINES AND  
LONG-TERM DEBT**

The Company has a \$20 million unsecured bank revolving line of credit with a term of one year, renewable annually, and at an interest rate of prime or a spread over LIBOR. The Company also has \$2.5 million in loan facilities with a term of one year, renewable annually, and at a fixed weighted average interest rate of 5.7%. Outstanding amounts under these lines of credit were \$8.5 million and \$2.7 million at July 31, 2000 and 1999, respectively.

The Company has two separate credit agreements with a group of financial institutions that provide for a unsecured revolving credit facility with an aggregate commitment of \$350 million and with a remaining term of four years. Borrowings under the agreements bear interest equal to either LIBOR plus a margin ranging from 0.55% to 1.125%, depending on the Company's ratio of funded debt to EBITDA; or the greater of prime or federal funds rate plus 0.50%. The Company is required to pay an annual administrative fee of \$35 and a facility fee ranging from 0.20% to 0.275%, depending on the Company's ratio of funded debt to EBITDA. The credit agreements contain customary affirmative and negative covenants including financial covenants requiring the maintenance of specified consolidated interest coverage, leverage ratios and a minimum net worth.

	2000	1999
Revolving credit facilities due 2004 with an average interest rate of 7.6% at July 31, 2000 .....	\$87,000	\$169,912
Other .....	2,781	3,225
	89,781	173,137
Less current portion .....	663	625
	<u>\$89,118</u>	<u>\$172,512</u>

Interest paid on all borrowings was \$20,015, \$811 and \$251 in 2000, 1999 and 1998, respectively. The aggregate amounts of long-term debt outstanding at July 31, 2000 which will become due in 2001 through 2005 are: \$663, \$378, \$324, \$87,262 and \$133, respectively.

The fair value of the Company's long-term debt is estimated to approximate the carrying amount reported in the consolidated balance sheet based on current interest rates for similar types of borrowings.

**ACCOUNTS  
RECEIVABLE  
SECURITIZATION**

In July 2000, the Company entered into a three-year receivables purchase agreement with an independent issuer of receivables-backed commercial paper. Under the terms of the agreement, the Company agreed to sell to a special purpose, wholly owned subsidiary of the Company, on an ongoing basis and without recourse, a designated pool of accounts receivable. This entity sells an undivided percentage ownership interest in all the receivables to a third party. To maintain the balance in the pool of accounts receivable sold, the Company is obligated to sell new receivables as existing receivables are collected. The agreement permits the sale of the undivided interest in accounts receivable through July 2003 of up to \$65 million.

At July 31, 2000, the undivided interest in the Company's pool of accounts receivable that had been sold to the purchasers aggregated \$57 million, which was used to retire debt outstanding under the Company's revolving credit facilities. Sales of accounts receivable are reflected as a reduction of accounts receivable in the consolidated balance sheets and the proceeds are included in cash flows from operating activities in the consolidated statements of cash flows. The ongoing costs of this program were charged to interest expense in the consolidated statements of income. The Company continues to service the receivables.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**EMPLOYEE  
RETIREMENT  
PLANS**

Substantially all employees of the Company participate in defined contribution or non-contributory defined benefit plans. Approximately 12% of the Company's employees are covered by union-sponsored, collectively bargained multi-employer pension plans and a union employment contract which expires April 2003. The expense related to funding the multi-employer plan was \$475 and \$48 in 2000 and 1999, respectively.

The Company has discretionary, defined contribution retirement plans covering its eligible U.S. employees. The Company's policy is to fund the cost as accrued. Plan assets are invested in mutual funds and the Company's capital stock. The aggregate expense relating to these plans was \$7,187, \$6,565 and \$5,332 in 2000, 1999 and 1998, respectively. The Company also has non-qualified defined benefit plans that provide senior management with supplemental retirement, medical, disability and death benefits.

The following table sets forth the defined benefit pension and post-retirement plans' funded status and amounts recognized in the Company's consolidated financial statements:

	Pension Benefits		Post-retirement Benefits	
	2000	1999	2000	1999
Change in benefit obligation:				
Benefit obligation at beginning of year . . . .	\$18,474	\$ 3,217	\$21,471	\$ 412
Acquisition . . . . .	—	13,806	—	20,798
Service cost . . . . .	1,773	300	750	113
Interest cost . . . . .	1,504	348	1,542	227
Change in assumptions . . . . .	—	867	(3,065)	—
Change in participation . . . . .	3,829	—	(59)	60
Actuarial (gain)/loss . . . . .	(728)	—	3,915	—
Benefits paid . . . . .	(2,322)	(64)	(1,098)	(139)
Benefit obligation at end of year . . . . .	<u>\$22,530</u>	<u>\$18,474</u>	<u>\$23,456</u>	<u>\$21,471</u>
Change in plan assets:				
Fair value of plan assets at beginning of year . . . . .	\$11,737	—	—	—
Acquisition . . . . .	—	12,477	—	—
Actual return on plan assets . . . . .	176	(12)	—	—
Contributions . . . . .	1,553	64	1,098	139
Benefits paid . . . . .	(2,322)	(792)	(1,098)	(139)
Fair value of plan assets at end of year . . . .	<u>\$11,144</u>	<u>\$11,737</u>	<u>—</u>	<u>—</u>
Funded status . . . . .	(\$11,386)	(\$ 5,964)	(\$23,456)	(\$21,471)
Unrecognized net actuarial (gain)/loss . . . .	1,062	(2,014)	3,924	—
Unrecognized transition obligation . . . . .	123	155	176	—
Unrecognized prior service cost . . . . .	1,536	1,791	(3,030)	—
Accrued benefit cost . . . . .	<u>(\$ 8,665)</u>	<u>(\$ 6,032)</u>	<u>(\$22,386)</u>	<u>(\$21,471)</u>
Amounts recognized in the consolidated balance sheets:				
Accrued benefit cost . . . . .	(\$10,575)	(\$ 6,032)	(\$22,571)	(\$21,471)
Intangible assets . . . . .	1,266	—	176	—
Accumulated other comprehensive income . . . . .	644	—	9	—
Net amount recognized . . . . .	<u>(\$ 8,665)</u>	<u>(\$ 6,032)</u>	<u>(\$22,386)</u>	<u>(\$21,471)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)**EMPLOYEE  
RETIREMENT  
PLANS**  
(continued)

Components of pension and post-retirement expense for the years ended July 31:

	Pension Benefits			Post-retirement Benefits		
	2000	1999	1998	2000	1999	1998
Service cost .....	\$1,773	\$300	\$220	\$ 750	\$113	\$22
Interest cost .....	1,504	348	199	1,542	227	25
Expected return .....	(962)	(128)	—	—	—	—
Amortization of prior service cost .....	—	255	255	—	—	—
Amortization of transition obligation .....	—	32	32	(9)	28	26
Amortization of net (gain)/loss .....	288	(265)	(295)	—	—	—
	<u>\$2,603</u>	<u>\$542</u>	<u>\$411</u>	<u>\$2,283</u>	<u>\$368</u>	<u>\$73</u>

Weighted average actuarial assumptions as of July 31 were as follows:

	Pension Benefits			Post-retirement Benefits		
	2000	1999	1998	2000	1999	1998
Discount rate .....	7.75%	7.5%	7%	7.75%	7.5%	7.0%
Expected return on plan assets .....	8.5%	8.5%	8%	—	—	—
Rate of compensation increase .....	4.5%	4.5%	6%	—	—	—

For measurement purposes, a 7.75% annual rate increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 5% by 2011 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the post-retirement benefit reported as follows:

	One Percentage Point	
	Increase	Decrease
Post-retirement benefit obligation .....	\$2,356	\$1,534
Service and interest cost components .....	575	116

**SEGMENT  
INFORMATION**

The Company has organized its business into two segments consisting of manufactured products and services. The Machinery segment contains the design, manufacture and sale of new equipment, and the Equipment Services segment contains after-sales service and support, including parts sales, equipment rentals, used equipment sales and rebuilding used equipment. The Company evaluates performance and allocates resources based on operating profit before interest, miscellaneous income/expense and income taxes. Intersegment sales and transfers are not significant. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Business segment information consisted of the following for the years ended July 31:

	2000	1999	1998
External sales:			
Machinery .....	\$ 931,048	\$645,479	\$463,638
Equipment Services .....	125,120	74,745	67,221
	<u>\$1,056,168</u>	<u>\$720,224</u>	<u>\$530,859</u>
Segment profit (loss):			
Machinery .....	\$ 124,994	\$101,417	\$ 71,946
Equipment Services .....	37,761	23,544	23,338
General corporate .....	(47,269)	(34,189)	(24,204)
	<u>\$ 115,486</u>	<u>\$ 90,772</u>	<u>\$ 71,080</u>
Depreciation and amortization:			
Machinery .....	\$ 21,289	\$ 10,820	\$ 8,853
Equipment Services .....	3,174	6,587	5,265
General corporate .....	1,507	2,123	1,632
	<u>\$ 25,970</u>	<u>\$ 19,530</u>	<u>\$ 15,750</u>
Net expenditures for long-lived assets:			
Machinery .....	\$ 24,902	\$ 22,223	\$ 12,181
Equipment Services .....	(8,414)	4,611	5,549
General corporate .....	(2,253)	2,649	1,224
	<u>\$ 14,235</u>	<u>\$ 29,483</u>	<u>\$ 18,954</u>
Assets:			
Machinery .....	\$ 579,710	\$541,386	\$187,178
Equipment Services .....	33,798	41,340	43,337
General corporate .....	40,079	43,091	76,824
	<u>\$ 653,587</u>	<u>\$625,817</u>	<u>\$307,339</u>

Sales to one customer amounted to 20% of Machinery sales in 2000. Sales to another customer accounted for 13% of Machinery sales and 15% of Equipment Services sales in 2000. Sales to a different customer amounted to 12% of Machinery sales in 1998. Sales to another customer accounted for 17% of Equipment Service sales in 2000.

The Company's sales by product group consisted of the following for the years ended July 31:

	2000	1999	1998
Aerial work platforms .....	\$ 790,352	\$642,151	\$485,171
Material handlers .....	125,749	7,295	—
Excavators .....	60,144	18,367	—
Service parts, rentals, rebuilds and sales of rental fleet and used equipment .....	79,923	52,411	45,688
	<u>\$1,056,168</u>	<u>\$720,224</u>	<u>\$530,859</u>

The Company manufactures its products in the United States and sells these products globally, but principally in North America, Europe, Australia and South America. No single foreign country is significant to the consolidated operations. Sales by geographic area were as follows for the years ended July 31:

	2000	1999	1998
United States .....	\$ 805,955	\$526,614	\$362,144
Europe .....	178,230	137,808	93,554
Other .....	72,983	55,802	75,161
	<u>\$1,056,168</u>	<u>\$720,224</u>	<u>\$530,859</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)**INCOME TAXES**

The income tax provision consisted of the following for the years ended July 31:

	2000	1999	1998
United States			
Current .....	\$40,231	\$32,625	\$25,884
Deferred .....	(5,414)	(2,880)	(1,924)
	<u>34,817</u>	<u>29,745</u>	<u>23,960</u>
Other countries			
Current .....	719	—	—
	<u>\$35,536</u>	<u>\$29,745</u>	<u>\$23,960</u>

The Company made income tax payments of \$33,971, \$29,505 and \$16,790 in 2000, 1999 and 1998, respectively.

The difference between the U.S. federal statutory income tax rate and the Company's effective tax rate is as follows for the years ended July 31:

	2000	1999	1998
Statutory U.S. federal income tax rate .....	35%	35%	35%
Effect of export profits taxed at lower rates .....	(2)	(3)	(2)
Non-deductibility of goodwill .....	2	—	—
Other .....	2	1	1
Effective tax rate .....	<u>37%</u>	<u>33%</u>	<u>34%</u>

Components of deferred tax assets and liabilities were as follows at July 31:

	2000	1999
Future income tax benefits:		
Employee benefits .....	\$16,178	\$15,485
Contingent liabilities provisions .....	9,263	8,679
Other .....	<u>3,910</u>	<u>2,903</u>
	<u>29,351</u>	<u>27,067</u>
Deferred tax liabilities for depreciation and asset basis differences .....	<u>7,589</u>	<u>10,719</u>
Net deferred tax assets .....	<u>\$21,762</u>	<u>\$16,348</u>

The current and long-term deferred tax asset amounts are included in other current and other asset balances on the consolidated balance sheets.

**STOCK BASED  
INCENTIVE PLANS**

The Company's stock incentive plan has reserved 4,641 shares of capital stock that may be awarded to key employees in the form of options to purchase capital stock or restricted shares. The option price is set by the Company's Board of Directors. For all options currently outstanding, the option price is the fair market value of the shares on their date of grant.

The Company's stock option plan for directors provides for an annual grant to each outside director of a single option to purchase six thousand shares of capital stock, providing the Company earned a net profit, before extraordinary items, for the prior fiscal year. The option exercise price shall be equal to the shares' fair market value on their date of grant. An aggregate of 1,849 shares of capital stock is reserved to be issued under the plan.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

STOCK BASED  
INCENTIVE PLANS  
(continued)

Outstanding options and transactions involving the plans are summarized as follows:

	2000		1999		1998	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding options at the beginning of the year . . . . .	2,164	\$10.81	1,795	\$ 7.51	1,466	\$ 4.88
Options granted . . . . .	1,092	11.11	522	20.78	479	14.59
Options canceled . . . . .	(50)	15.29	(10)	17.46	(40)	8.66
Options exercised . . . . .	(101)	2.35	(143)	5.21	(110)	3.00
Outstanding options at the end of the year . . . . .	3,105	\$11.12	2,164	\$10.81	1,795	\$ 7.51
Exercisable options at the end of the year . . . . .	1,561	\$ 8.73	1,366	\$ 6.18	1,281	\$ 4.63

Information with respect to stock options outstanding at July 31, 2000 is as follows:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 1.12 to \$ 1.59	360	3	\$ 1.15	360	\$ 1.15
2.93 to 3.30	288	4	3.01	288	3.01
5.64 to 10.53	1,145	9	9.66	269	6.83
11.41 to 14.75	579	8	13.15	300	13.18
17.31 to 17.69	270	8	17.62	204	17.60
18.09 to 21.94	463	9	21.18	140	21.09

The Company has elected to apply Accounting Principals Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its stock options. Under this Opinion, the Company does not recognize compensation expense arising from such grants because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant. Pro forma information regarding net income and earnings per share has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	2000	1999	1998
Volatility factor . . . . .	.524	.475	.478
Expected life in years . . . . .	3.9	2.8	3.0
Dividend yield . . . . .	.40%	.10%	.15%
Interest rate . . . . .	6.12%	5.38%	5.73%
Weighted average fair market value at date of grant . . . .	\$5.06	\$3.96	\$5.12

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting period. The Company's pro forma information follows for the years ended July 31:

	2000	1999	1998
Net income . . . . .	\$58,398	\$60,142	\$46,021
Earnings per common share . . . . .	1.33	1.37	1.05
Earnings per common share — assuming dilution . . . .	1.33	1.34	1.03

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)**BASIC AND  
DILUTED EARNINGS  
PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share for the years ended July 31:

	2000	1999	1998
Net income	\$60,507	\$61,271	\$46,510
Denominator for basic earnings per share — weighted average shares	43,687	43,846	43,666
Effect of dilutive securities — employee stock options and unvested restricted shares	382	1,116	765
Denominator for diluted earning per share — weighted average shares adjusted for dilutive securities	44,069	44,962	44,431
Earnings per common share	\$ 1.39	\$ 1.40	\$ 1.07
Earnings per common share — assuming dilution	\$ 1.37	\$ 1.36	\$ 1.05

During fiscal 2000, options to purchase 1.3 million shares of capital stock at a range of \$11.41 to \$21.94 were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the capital stock.

**SHAREHOLDER  
RIGHTS PLAN**

Effective May 24, 2000, the Board of Directors of the Company declared a distribution of one Right for each outstanding share of capital stock to shareholders of record at the close of business on June 15, 2000. Each Right entitles the registered holder to purchase from the Company one-tenth of a share of Company capital stock at a purchase price of \$40 per whole share of Company capital stock. The Rights will expire on May 24, 2010 unless redeemed earlier by the Company or exchanged for capital stock.

Separate certificates for Rights will not be distributed, nor will the Rights be exercisable unless a person or group (an "Acquiring Person") acquires 15% or more, or announces an offer that could result in acquiring 15% or more of the Company's capital shares unless such acquisition or offer is pursuant to a Permitted Offer approved by a majority of directors who are not officers of the Company or affiliates of the Acquiring Person. Following an acquisition of 15% or more of the Company's capital shares (a "Stock Acquisition"), each Rightholder, except the 15% or more stockholder, has the right to receive, upon exercise, capital shares valued at twice the then applicable exercise price of the Right (or, under certain circumstances, cash, property or other Company securities).

Similarly, unless certain conditions are met, if the Company engages in a merger or other business combination following a Stock Acquisition where it does not survive or survives a change or exchange of its capital shares or if 50% or more of its assets, earning power or cash flow is sold or transferred, the Rights become exercisable for shares of the acquirer's stock having a value of twice the exercise price (or, under certain circumstances, cash or property). The Rights are not exercisable, however, until the Company's right of redemption described below has expired.

At any time until 10 business days following public announcement that a 15% or greater position has been acquired in the Company's stock, a majority of the Board of Directors may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right, payable, at the election of such majority of the Board of Directors in cash or shares of Company capital stock. Immediately upon the action of a majority of the Board of Directors ordering the redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the redemption price.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

**REPURCHASE OF  
CAPITAL STOCK**

During the year ended July 31, 2000, the Company repurchased 795 shares of its capital stock at an aggregate cost of \$6.8 million. At July 31, 2000, the Company had remaining authorization to repurchase an additional 4.2 million shares of its capital stock.

**COMMITMENTS AND  
CONTINGENCIES**

The Company is a party to personal injury and property damage litigation arising out of incidents involving the use of its products. The Company's insurance program for 2000 was comprised of a self-insured retention of \$7 million for domestic claims, insurance coverage of \$2 million for international claims and catastrophic coverage for domestic and international claims of \$75 million in excess of the retention and primary coverage. The Company contracts with an independent firm to provide claims handling and adjustment services. The Company's estimates with respect to claims are based on internal evaluations of the merits of individual claims and the reserves assigned by the Company's independent firm. The methods of making such estimates and establishing the resulting accrued liability are reviewed frequently, and any adjustments resulting therefrom are reflected in current earnings. Claims are paid over varying periods, which generally do not exceed five years. Accrued liabilities for future claims are not discounted.

With respect to all product liability claims of which the Company is aware, accrued liabilities of \$16.1 million and \$14.1 million were established at July 31, 2000 and 1999, respectively. While the Company's ultimate liability may exceed or be less than the amounts accrued, the Company believes that it is unlikely that it would experience losses that are materially in excess of such reserve amounts. As of July 31, 2000 and 1999, there were no insurance recoverables or offset implications and there were no claims by the Company being contested by insurers.

**RESTRUCTURING  
COSTS**

During the calendar year 1997, the Company downsized and rationalized its operations. This resulted in restructuring charges for severance and termination benefits, costs associated with closing a smaller, less productive manufacturing facility and other asset impairments of \$1,689 for 1998.

**UNAUDITED  
QUARTERLY  
FINANCIAL  
INFORMATION**

Unaudited financial information was as follows for the fiscal quarters within the years ended July 31:

	Net Sales	Gross Profit	Net Income	Earnings Per Common Share	Earnings Per Common Share - Assuming Dilution
<b>2000</b>					
October 31 .....	\$ 217,995	\$ 52,573	\$13,248	\$ .30	\$ .29
January 31 .....	206,868	38,595	3,085	.07	.07
April 30 .....	291,564	63,960	18,128	.41	.40
July 31 .....	339,741	75,958	26,046	.61	.61
	<u>\$1,056,168</u>	<u>\$231,086</u>	<u>\$60,507</u>	<u>\$1.39</u>	<u>\$1.37</u>
<b>1999</b>					
October 31 .....	\$ 128,655	\$ 29,725	\$10,253	\$ .23	\$ .23
January 31 .....	138,235	31,508	11,327	.26	.25
April 30 .....	196,747	44,111	17,299	.40	.39
July 31 .....	256,587	61,609	22,392	.51	.49
	<u>\$ 720,224</u>	<u>\$166,953</u>	<u>\$61,271</u>	<u>\$1.40</u>	<u>\$1.36</u>

**REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS**

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To The Board of Directors and Shareholders  
JLG Industries, Inc.  
McConnellsburg, Pennsylvania

We have audited the accompanying consolidated balance sheets of JLG Industries, Inc. as of July 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended July 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JLG Industries, Inc. at July 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 2000, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

Baltimore, Maryland  
September 6, 2000



## DIRECTORS

### **Roy V. Armes**

Corporate Vice President,  
Global Procurement Operations,  
Whirlpool Corporation

### **L. David Black** <sup>(1)</sup>

Chairman of the Board,  
JLG Industries, Inc.

### **Charles H. Diller, Jr.**

Executive Vice President  
and Secretary,  
JLG Industries, Inc.

### **George R. Kempton** <sup>(2) (3)</sup>

Retired Chairman of the Board  
and Chief Executive Officer,  
Kysor Industrial Corporation

### **William M. Lasky** <sup>(1)</sup>

President and  
Chief Executive Officer,  
JLG Industries, Inc.

### **James A. Mezera** <sup>(2) (4)</sup>

President,  
Mezera & Associates, Inc.

### **Stephen Rabinowitz** <sup>(1) (3) (4)</sup>

Chairman of the Board, President  
and Chief Executive Officer,  
General Cable Corporation

### **Raymond C. Stark**

Corporate Vice President,  
Six Sigma and Productivity,  
Honeywell International, Inc.

### **Thomas C. Wajnert** <sup>(1) (3) (4)</sup>

Chairman of the Board  
and Chief Executive Officer,  
Seismiq, Inc.

### **Charles O. Wood, III** <sup>(1) (2) (4)</sup>

President, Wood Holdings, Inc.

### **Committee Membership**

<sup>1</sup> Executive

<sup>2</sup> Audit

<sup>3</sup> Compensation

<sup>4</sup> Directors and Corporate Governance

## CORPORATE OFFICERS

### **L. David Black**

Chairman of the Board

### **Rao G. Bollimpalli**

Senior Vice President – Engineering

### **Peter L. Bonafede, Jr.**

Senior Vice President – Manufacturing

### **Geoffrey G. Campbell**

Vice President – International Sales

### **Charles H. Diller, Jr.**

Executive Vice President  
and Secretary

### **William M. Lasky**

President and  
Chief Executive Officer

### **John F. Louderback**

Vice President –  
Customer Support Services

### **Wayne P. MacDonald**

Vice President – Engineering

### **Craig E. Paylor**

Senior Vice President –  
Sales and Market Development

### **Philip H. Rehbein**

Vice President – Finance

### **Dale L. Robertson**

Vice President and  
Chief Information Officer

### **Daniel P. Sandomato**

Vice President – Marketing

### **Thomas D. Singer**

Vice President and  
General Counsel

### **Samuel D. Swope**

Vice President – Human Resources

### **James H. Woodward, Jr.**

Senior Vice President and  
Chief Financial Officer

## GRADALL OFFICERS

### **Barry L. Phillips**

President and Chief Executive Officer

### **James C. Cahill**

Executive Vice President –  
Manufacturing

### **Bruce A. Jonker**

Vice President and  
Chief Financial Officer

### **Joseph H. Keller, Jr.**

Vice President – Engineering

## CORPORATE INFORMATION

### Stock Exchange Listing

New York Stock Exchange: trading symbol JLG.

### Shareholder Profile

As of September 18, 2000, there were approximately 2,300 shareholders of record and another 18,000 shareholders in street names.

### Annual Meeting

Monday, November 20, 2000 at 4:30 p.m. (EST) at the Company's headquarters in McConnellsburg, Pennsylvania.

### JLG on the Internet

The Company's web site ([www.jlg.com](http://www.jlg.com)) contains Company news, information on products and services and more.

### Dividends

The Board of Directors considers the payment of cash dividends on a quarterly basis. When declared, dividends are paid in January, April, July and October. The current annualized dividend rate is \$0.04 per share.

### Shareholder Services

Shareholders with questions about duplicate accounts, lost certificates, address changes and related matters should contact:

American Stock Transfer & Trust Company  
40 Wall Street, 46th Floor  
New York, NY 10005

Tel: 800-937-5449

Web: [www.amstock.com](http://www.amstock.com)

### Risks and Uncertainties

This document contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties, including cyclical demand, a consolidating customer base, product liability, availability of product components, risks associated with business integration and acquisitions and others as detailed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. Actual future results could differ materially from those projected herein.

## COMMON STOCK PRICES

The high and low closing prices of JLG's common stock were as follows:

Quarter Ended	Year Ended July 31, 2000		Year Ended July 31, 1999	
	High	Low	High	Low
October 31 .....	\$19.13	\$12.63	\$17.25	\$13.88
January 31 .....	\$17.00	\$ 8.44	\$18.50	\$14.13
April 30 .....	\$10.56	\$ 6.75	\$16.06	\$11.50
July 31 .....	\$12.88	\$ 8.94	\$21.94	\$16.06