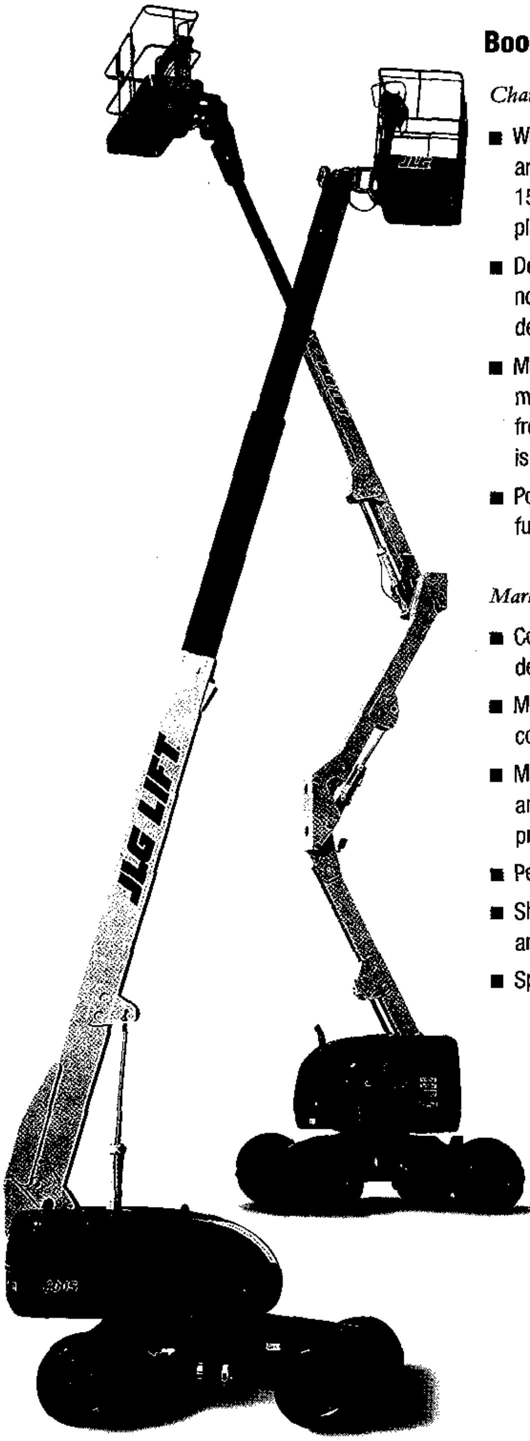
SF430

Financial Highlights

(in thousands, except per share data)

Years ended July 31	1999	Change	1998	Change	1997
Operations					
Net sales	**$720,224**	36%	$530,859	1%	$526,266
Income from operations	**90,772**	28%	71,080	(1%)	71,888
Earnings before interest, taxes, depreciation and amortization	**112,318**	30%	86,474	5%	81,989
Net income	**61,271**	32%	46,510	1%	46,148
Cash provided by operations	**33,954**	(32%)	50,224	41%	35,625
Per Share					
Net income	**$ 1.40**	31%	$ 1.07	1%	$ 1.06
Net income - assuming dilution	**1.36**	30%	1.05	1%	1.04
Cash dividends	**.02**	—	.02	—	.02
Book value	**6.13**	30%	4.71	28%	3.68
Performance Measures					
Return on sales	**8.5%**		8.8%		8.8%
Return on average assets	**17.3%**		17.9%		21.7%
Return on average shareholders' equity	**28.1%**		26.2%		33.6%
Financial Position					
Cash	**$ 19,033**	(66%)	$ 56,793	123%	$ 25,436
Working capital	**176,315**	44%	122,672	46%	84,129
Capital expenditures	**24,838**	83%	13,577	(54%)	29,757
Total debt	**175,793**	4,641%	3,708	(6%)	3,952
Shareholders' equity	**271,283**	31%	207,768	29%	160,927
Total debt as a percent of total capital	**39%**		2%		2%
Other Data					
Employees	**3,960**	49%	2,664	(1%)	2,686
Shares outstanding	**44,250**	—	44,096	1%	43,726



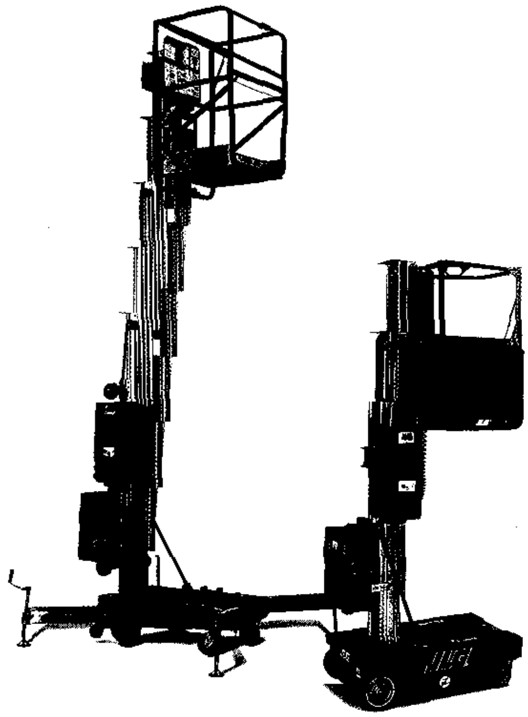
Boom Lifts

Characteristics

- Work platform is attached to a telescopic or articulating boom which can be raised up to 150 feet, depending on model, while work platform remains horizontal and stable
- Designed to reach around and over obstacles not easily approached by other vertical lifting devices
- Most models can be rotated 360° and are maneuverable in any direction by the operator from the work platform, even while the boom is extended
- Powered by battery, gasoline, diesel or multi-fuel sources

Markets Served

- Commercial construction and infrastructure development
- Mechanical, electrical, painting and utility contractors
- Manufacturing and industrial plant operations and upkeep, such as steel, automotive, food processing, pulp and paper, and aircraft plants
- Petroleum and chemical refineries
- Shipyard and dry dock construction, repair and maintenance
- Sports and entertainment facilities



Vertical Mast Lifts

Characteristics

- Work platform is attached to an aluminum mast that, depending on model, extends vertically up to 41 feet
- Most models fit through standard door openings when fully retracted
- Electric-powered self-propelled and push-around models
- Push-around models can be loaded onto a standard pick-up truck for ease in transport

Markets Served

- Institutional and commercial maintenance
- Schools
- Distribution and retail centers
- Airports, public buildings and sports facilities
- Places of worship
- Entertainment facilities

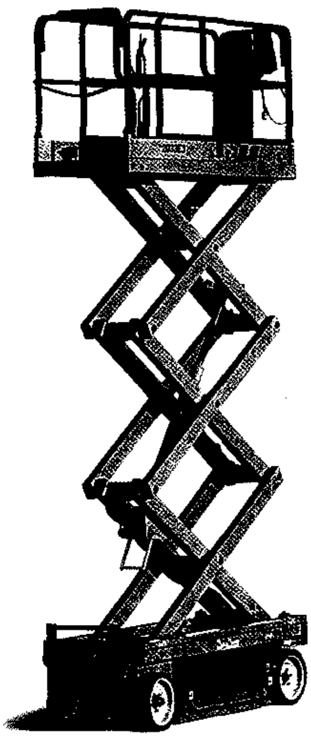
Scissor Lifts

Characteristics

- Work platform is mounted on a scissor-like mechanism that, depending on model, extends up to 50 feet vertically
- Provide larger work platforms and accommodate heavier loads than boom lifts
- Optional feature extends the work deck horizontally up to 6 feet to give access over obstacles
- Powered by electric motors or internal combustion engines

Markets Served

- Same applications as listed for boom lifts
- Warehousing and distribution centers
- Hotel, recreation and educational facilities



Telescopic Hydraulic Excavators

Characteristics

- Diesel-powered and available in wheeled or crawler models
- Telescopic boom features up to 360° rotating action for greater productivity and versatility and its low working profile allows it to work under bridges, tree limbs and other obstructions
- Machines, depending on model, can be conveniently repositioned while working on the jobsite from the upperstructure operator cab, which controls all boom movements

Markets Served

- Highway and bridge demolition, construction and maintenance
- Excavation of all types
- Maintenance of irrigation ditches and waterways
- Maintenance of metal mills and railroads
- Hazardous waste clean-up and landfill construction
- Scaling of mine tunnels

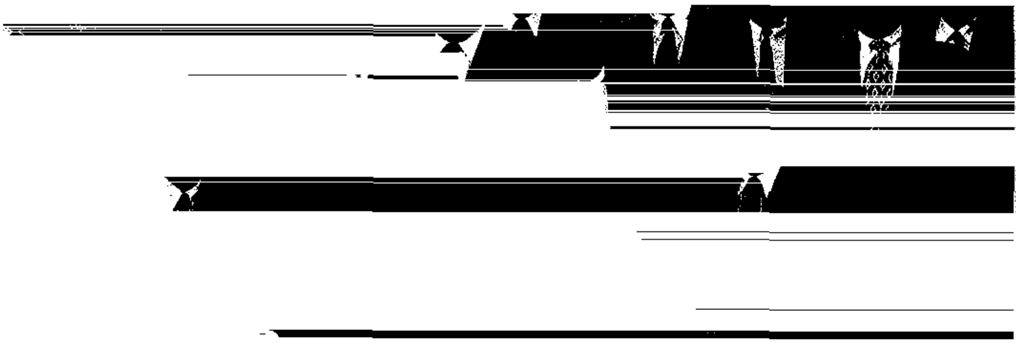
Telescopic Material Handlers

Characteristics

- Diesel-powered and equipped with the industry's strongest telescoping boom which, depending on model, can lift materials to heights of 55 feet
- Unique 90° rear-pivot steering provides superior maneuverability and machine positioning
- Load-carrying capacity ranges from 6,000 lb. to 10,000 lb.

Markets Served

- General, masonry, framing and other contractors involved with commercial, industrial, residential and institutional construction
- Manufacturing, industrial and processing facilities



Back row (left to right):
Craig Paylor, Sam Swope, Geoff Campbell, Ray Treml, Barry Phillips, Phil Rehbein, Dale Robertson, Ben Appleby, John Louderback, Dan Sandonato, Peter Bonafede, Rao Bollimpalli

Front row (left to right):
Chuck Diller, Dave Black, Tom Singer

Fellow ***STAKEHOLDERS***

Fiscal 1999 was our best year ever and our sixth consecutive year of resounding growth. This year also marked improvements in our traditional strengths—uncompromising service, product innovation, and manufacturing excellence. With our entry into a growing, strategically significant market through the acquisition of Gradall Industries and our geographic expansion through international equity investments, we have never been stronger nor have the opportunities ahead of us ever been greater.

Performance Highlights

Revenues for the year were $720 million, an increase of 36% from last year's $531 million. Net income also rose to a new high of $61 million, up 32% from $47 million a year ago. Earnings per share reached a record $1.40 per share ($1.36 assuming dilution) compared to $1.07 per share ($1.05 assuming dilution) in fiscal 1998. The growth in sales was mainly due to the steps we took to substantially expand our customer base and customer acceptance of our many new products that resulted in strong demand across all major JLG product groups, as well as the contribution of Gradall.

Domestic sales were up 46% to $527 million, while international sales grew 15% to $193 million. Europe, our largest market outside the United States, had very strong results with sales up almost 50% year over year.

Fueling growth on the European continent is the need for increasingly versatile and productive machines, which, together with more stringent safety regulations, is fostering demand for aerial work platforms as alternatives to more traditional means of working at heights, such as ladders and scaffolds. We have also improved and expanded our international distribution network through additional sales and service locations in Germany, Italy, South Africa, and the United Kingdom. Leveraging off the success of our joint venture operation in Brazil, we added two jointly owned rental and sales operations in the Netherlands and Thailand during the year.

Despite incurring approximately $200 million of debt to acquire Gradall, we were still able to maintain a strong balance sheet with a debt-to-capitalization ratio of 39% at July 31, 1999. Our strong cash flow during the year allowed us to repay $50 million of debt, invest $29 million in capital-related projects, and increase working capital by nearly $54 million to fund our significant growth in sales.

In what we view as an excellent strategic fit for the Company, JLG acquired Gradall on June 18, 1999. Gradall is a leading manufacturer of rough-terrain, telescopic material handlers and telescopic hydraulic excavators used in infrastructure, residential, non-residential, and institutional construction, with annualized revenues of approximately $200 million. In addition to offering product diversification and an immediate presence in one of the most dynamic and fastest growing product segments, this acquisition also brought with it one of the industry's most widely recognized brand names and an extremely strong and talented management team.

While the addition of Gradall's products is a welcome expansion to our portfolio, we also made substantial investments during the year in developing new aerial work platform products. When making buying decisions, our customers seek equipment that is sturdy, has a high resale value, increases productivity, and has a low cost of ownership. Those considerations were built into the design of 14 aerial work platform machines brought to market in fiscal 1999. Including these products, the 31 new or redesigned machines introduced over the past two years contributed 30% to fiscal 1999 sales or $217 million.

As our product portfolio and markets expand, additional manufacturing capacity will be needed. With this in mind, we purchased a 300,000 square-foot manufacturing plant in Shippensburg, Pennsylvania, 40 miles from our corporate headquarters in McConnellsburg. The new facility is scheduled to come on-line in the new calendar year to produce boom lift and scissor lift products.

Gradall also recently opened a 330,000 square-foot production facility in Orrville, Ohio dedicated to satisfying growing market demand for telescopic material handling products. The relocation of this product line to the Orrville facility is expected to be nearing completion by the end of fiscal 2000 and will free up space at the New Philadelphia, Ohio plant for growth in the excavator product line. These moves not only provide much needed capacity, but also will allow us to install new and improved manufacturing processes leading to lower product costs, better throughput times, and more efficient use of our working capital.

We were also gratified that our focused efforts on improving manufacturing processes have been recognized by *Industry Week* magazine in its annual review of "America's Best Plants." Out of more than 400 companies evaluated, JLG's McConnellsburg facility was named as one of the top 10 manufacturing plants in the country.

On a personal note, Ray Treml, Senior Vice President of Operations, will retire as planned after 20 years of service with JLG. Ray has been instrumental in achieving our significant growth through his leadership and dedication in driving our world-class manufacturing initiatives. Ray has now passed the baton to Peter Bonafede, whose contribution has been invaluable since joining the Company as Senior Vice President of Manufacturing in February.

Looking Ahead

With opportunities come challenges. As the rental industry has grown, we have been able to enhance our position as a supplier of choice to these customers by strengthening our levels of customer support and sales coverage. Additionally, we continue to reinforce our industry leadership position by bringing innovative products to market that add to our portfolio. We are currently working on more than 20 new and improved models that will be introduced in fiscal 2000 to address each of our major product groupings.

If we sound enthusiastic about the future, it is because we truly are. We expect fiscal 2000 to be another rewarding year, a stimulating year, but most important of all, a year of growth and integration of the investments made in fiscal 1999 that position JLG to take advantage of the opportunities that lie ahead.

Over the short term, our immediate focus will be on the integration of Gradall, the start-up of both the Orrville and Shippensburg plants, and additional investments in our sales and service capabilities. The Gradall acquisition, coupled with our global distribution expansion and new product introductions, gives us immediate top line growth prospects with corresponding improvement to the bottom line as the year progresses and over the long term. We will continue to further lower our cost structure with ongoing manufacturing process gains, while enhancing our market position by continuing to provide our customers with value-added support services.

On behalf of our Board of Directors, I wish to thank our shareholders for their ongoing confidence in us and our employees for their dedication and day-to-day contribution in making fiscal 1999 another record year. We also appreciate the continuing support of our customers and suppliers.

JLG is a larger, stronger, and more profitable company as we enter the new millennium. Our product lines are more diversified. Our distribution reach is far greater. Our manufacturing is more efficient, and our capacity to produce has been greatly enhanced. We have a growing customer base throughout the world that we relentlessly seek to delight.

As we look to the future, we will stay focused on preparing JLG for the changing market dynamics, serving an ever-evolving customer base, and capitalizing on the global growth opportunities.

L. David Black
Chairman of the Board,
President and Chief Executive Officer

October 5, 1999

Expanding Our REACH

... in a Changing and Growing Marketplace

Strong market growth, broadening uses for our equipment, and the expanding rental industry are the most prominent characteristics of our industry today. And, we see these trends continuing. In this changing and growing market, how is JLG addressing these dynamics? Our strategy is simple and can best be summarized as follows:

■ Global Distribution
The worldwide market for our products continues to grow substantially, particularly the rental industry segment. As a preferred supplier to the major rental companies in the United States, JLG is well positioned to increase its penetration of this strategically important market segment. Outside the United States, particularly in Europe, aerial work platforms ("AWPs") are being used in greater numbers and for a variety of new applications. The international markets for Gradall's material handler and excavator products are huge, and we have only just begun to penetrate this lucrative ground. Broadening of our global distribution base will further enhance our position to capitalize on these expanding and growing market opportunities.

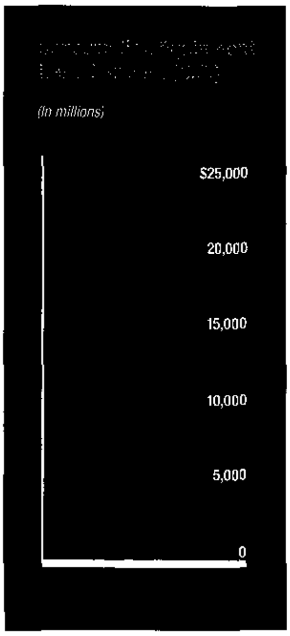
■ Target Marketing
Reinforcing JLG's brand identity through multiple-channel target marketing and building a strong following for our products and services are helping us capture market segments outside our traditionally strong construction industry user base. Working in concert with our rental customers, we develop advertising programs designed to broaden and increase product demand and their customer base, while at the same time reinforce the benefits of using JLG products.

■ Leadership in Customer Service and Support
Our customers demand a high level of service and support. This has always been a hallmark of JLG and Gradall products. Leadership in customer service means adding locations, extending service hours, and improving access to information via the Internet, all of which combine to make it easier than ever to do business with JLG.

■ Product Technology and Innovation
Developing products that are innovative, versatile, and productive, yet affordable, is another JLG hallmark. We are consistently the industry leader in the number of new products we bring to market each year, and fiscal 2000 is expected to be no exception. Broadening our product portfolio with the addition of Gradall products also opens new market opportunities.

■ Operational Excellence
Maintaining our industry leadership position also requires us to demonstrate excellence in the operational aspects of our business, particularly our people and our manufacturing capabilities. We invest a substantial amount of money each year in training and developing our people, and we will further that effort in fiscal 2000 through the formation of the JLG University. Ongoing improvements to manufacturing processes are an integral part of capacity management and supply chain alignment. We will continue to focus on eliminating waste from our processes and reducing throughput times, all aimed at improving delivery times, lowering product cost, and increasing our profitability.

Gradall's excavator product line is expected to benefit from the increased focus on building and repairing the United States infrastructure.



Source: Manfredi & Associates

... through Global Distribution

In 1994, the worldwide market for aerial work platforms was estimated at $575 million. We expect the number for 1999 to be approximately $1.85 billion, which reflects a five-year compound annual growth rate of 26%. Similarly, the North American market for telescopic material handlers, which was estimated at $190 million in 1994, is projected to reach more than $750 million in 1999, for a nearly fourfold increase. The North American market for excavators has also grown at a rapid pace. Since 1994, this market has almost doubled to an estimated $2.1 billion in 1999. Additionally, the passage of the Federal Highway Bill in 1998 guaranteed no less than $167 billion in spending for the highway program during the next six years, supporting a healthy growth rate for that product family in the United States.

North America

The largest buyer of our products is the equipment rental industry, which has sustained a compound annual growth rate of 25% over the past 16 years, reaching an estimated $21 billion in 1998. As one of the fastest growing industry segments, it is projected to grow at a low double-digit rate annually into the foreseeable future. Spurring this vibrancy are a variety of factors, chief among them being the increased need for workplace productivity, demand for multi-purpose equipment, and lower cost of equipment ownership and maintenance.

As the United States market grows, JLG continues to seek and earn preferred supplier status with the major rental companies. Being a preferred supplier places JLG's products on the list of two or three acceptable vendors from which the rental companies' branch and regional locations make their purchases.

Rental industry growth, coupled with our preferred supplier designations, were critical factors in the nearly doubling of our North American distribution network over the past year. Currently, our products are available at more than 1,500 outlets owned by major equipment rental companies, and that number is expected to surpass 2,000 in the coming year. While the major rental companies are obviously an important part of our business, we have not forgotten our other independent rental customers. Although individually smaller, they represent a growing and important sector of our customer base.

Having a broader portfolio of products also affords JLG a distinct advantage in penetrating the equipment rental outlets. Adding the Gradall brand to our mix will give our customers two of the top equipment types used in rental fleets today, AWPs and telescopic material handlers.

One of the important synergies of the Gradall acquisition is the combination of our sales forces to give us better coverage coast-to-coast to address the needs of our growing marketplace.

Europe and the World

Our European market is also experiencing monumental growth as AWPs are being used in greater numbers for more and more applications.

In some respects, the European marketplace lags a few years behind the trends seen in the United States. Equipment rental is becoming more popular on the continent for many of the same reasons it is growing in North

Expanding Our

that recharges electric batteries right on the job. This product family also satisfies health and safety regulations with respect to acceptable noise levels. These machines feature drive systems equally at home on concrete slabs or in rough terrain situations.

■ In certain industrial applications, the flexibility to maneuver the work platform basket in many directions is important. JLG's answer is the new 30-foot electric boom lift family, featuring a unique JibPLUS™ boom with side swing capability. This feature, coupled with a near vertical jib, permits the operator to position up, out, and around obstacles in commercial and industrial buildings for unmatched maneuverability.

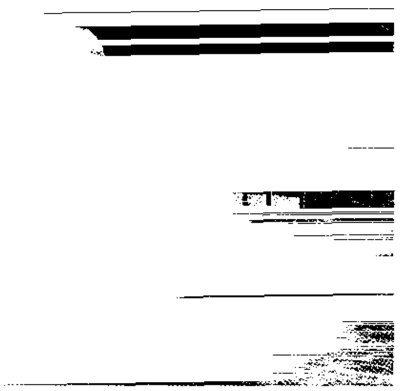
■ The industry need for a machine that can travel in narrow aisles is met with JLG's new compact electric scissor lift that can reach heights up to 32 feet, yet fits in four-foot wide aisles found in most warehouse-type environments.

■ We have also met the product needs of users in harsh conditions. Our new 60-foot boom lift is designed to operate in the tough environments frequently encountered in shipyards. With the use of a hostile environment package, this machine is designed to work effectively and efficiently in this tough work atmosphere.

In addition to the many new products introduced in fiscal 1999 that will become major contributors to this year's sales and beyond, we are developing more than 20 other innovative new and redesigned products that will further broaden and strengthen each of JLG's and Gradall's major product categories.

We will continue to develop a revolutionary new boom lift introduced earlier in the year. This machine is

Expanding Our **R E A C H**



JLG drive systems are equally at home on concrete slabs or in rough terrain situations.

powered by a hydrogen fuel cell employing space-age technology where a chemical reaction of hydrogen and oxygen generates electric power to drive the machine, yet produces pure water as its only by-product. While still several years away from commercial production, we are keeping pace with development trends in the automotive industry, where work with fuel cell vehicles is also underway as an alternative to the internal combustion engine.

The acquisition of Gradall meets many aspects of our overall corporate growth strategy. Both companies have quality products, a customer-oriented focus and brand leadership. Together with AWPs, Gradall's telescopic material handlers are among the most popular product lines carried in rental fleets today. JLG now has a broader and more diverse line-up of products to offer our customers.

While aerial work platforms and telescopic material handlers are in high demand by rental users, Gradall excavators are standard tools of the trade in infrastructure and road maintenance applications. The addition of excavators to the JLG product portfolio is particularly timely in light of the passage of the previously mentioned Federal Highway Bill. Gradall's excavator product line is expected to benefit from the increased focus on building and repairing the United States infrastructure.

Just as JLG product innovations are meeting customer needs, the Gradall products are also in tune with the changing needs of a growing market.

■ For example, Gradall's new 45-foot, 10,000-lb capacity material handler is able to precisely place heavy materials at heights in excess of four stories. It is further enhanced by features and benefits shared by all Gradall brand material handlers, making these multi-purpose machines efficient to operate and maneuver and exceptionally stable on rugged terrain.

■ When customers need a compact, multi-purpose excavator, Gradall's new 28,000-lb machine fills the bill. The ability of this machine to handle high output excavation, yet do fine finishing work, earned it a top 100 product designation by *Construction Equipment* magazine.

■ Again, non-traditional markets are being explored and exploited. For example, Gradall excavators are becoming more common sights in mining and steel mills, just as material handlers are gaining acceptance in manufacturing and related industrial applications.

... through Leadership in Customer Service and Support

Today's rental customer requires faster delivery, greater equipment reliability, low cost of ownership, better product support and, more than ever, flexible financing plans.

Product support takes many forms. Starting with service parts sales, JLG's more than 100 customer service professionals process orders received by telephone, fax or directly on-line. Using Internet-based technology systems that are available 24 hours a day, customers may order spare parts through our ON-LINE EXPRESS® system and be assured that 98% of the time their orders will be filled in less than 24 hours.

Since its initial launch in 1995, this parts ordering system has been used for processing nearly 50% of parts sales, covering more than 16,000 active part numbers. Also, through our website, customers may file warranty claims, register new equipment purchases, check product availability, track their orders, review product selection criteria and pricing, and get immediate access to the latest service and safety bulletins. We have additional Internet-based initiatives on the drawing board that we will introduce in the coming months. We call your attention to the recently upgraded JLG homepage, which offers more information about JLG, its products and services as well as historical financial results. This attractive and user-friendly service can be accessed at www.jlg.com.

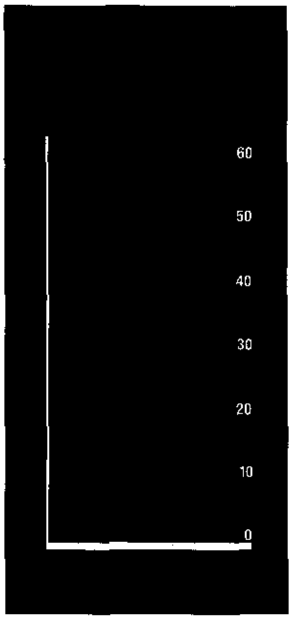
Processing orders and shipping parts is just one aspect of product support. Providing training to our customers is another key aspect. Service training in fiscal 1999 included more than 140 schools, ranging from a single day to a four-day program, and reached more than 1,400 students.

Additionally, our educational programs focus on technical, safety and sales training designed to provide our customers with the skill sets needed to lower their cost of ownership, improve their productivity, and ultimately enhance their profitability. Well over 3,500 customer-students attended various JLG schools in fiscal 1999, and we expect to broaden these programs to meet anticipated higher demand in the coming year.

Product support doesn't stop there. The ability to bundle financing with equipment purchases is growing in importance to our rental customers. Using operating leases, conventional financing, and floor-plan programs

Expanding Our REACH

...Gradall excavators are standard tools of the trade in infrastructure and road maintenance applications.



Managing our manufacturing capacity has been a ceaseless endeavor. In some cases, process changes have been an effective solution. For example, at our two Bedford facilities, where scissor lifts are manufactured, process changes have allowed us to increase shipment rates by 30% compared to a year ago, without adding bricks and mortar.

Additional capacity provided by our new 300,000 square-foot plant in Shippensburg, Pennsylvania is expected to come on stream in calendar 2000. This facility, which will produce both boom and scissor lifts, will utilize some of the latest technology in both equipment and manufacturing operations.

At the same time, Gradall's expansion into the 330,000 square-foot Orrville, Ohio manufacturing facility will provide dedicated space to increase production of telescopic material handler products, and free capacity at the New Philadelphia, Ohio plant for excavator production growth.

Implementing these manufacturing efficiencies at all plants should translate into faster product deliveries and a lower product cost structure, which should ultimately lead to improved customer satisfaction and higher profitability. JLG is also exploring an overseas manufacturing presence in order to reduce product delivery times and to further lower our cost structure.

Our manufacturing acumen was acknowledged in being named by *Industry Week* magazine as one of "America's Best Plants" in 1997. This year, the McConnellsburg facility has been named as one of the top 10 manufacturing plants in the country out of more than 400 companies evaluated.

Fiscal 2000 begins our fourth decade as both a pioneer and leader in producing equipment that enables materials and workers to access elevated work sites more safely and efficiently. With the addition of Gradall, we are a larger, more diverse, and stronger company. We are committed to providing customer solutions by anticipating their needs, building new markets, and continuing to invest in our people and plants. JLG has the resources, determination, and experience to achieve its goal of growing sales and profits, and thereby enhancing shareholder value.

In the years since JLG's founding, its products have become tools of the trade and a familiar part of the industrial landscape. With this success, JLG Industries is growing into a $1 billion enterprise. This milestone is being achieved by people with both insight and foresight, by people who go the distance and beyond, and by people whose fortitude is matched by their problem-solving abilities. They have made JLG the largest, most respected and technologically advanced company of its kind. The pioneering spirit at JLG is as strong as ever as we continue to ***expand our reach****, each and every year.*

Financial
C O N T E N T S

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

	Years ended July 31	**1999**	1998	1997
RESULTS OF OPERATIONS	Net sales	**$720,224**	$530,859	$526,266
	Gross profit	**166,953**	128,157	130,005
	Selling, administrative and product development expenses	**(75,431)**	(55,388)	(56,220)
	Goodwill amortization	**(750)**	—	—
	Restructuring charge	—	(1,689)	(1,897)
	Income (loss) from operations	**90,772**	71,080	71,888
	Interest expense	**(1,772)**	(254)	(362)
	Other income (expense), net	**2,016**	(356)	(288)
	Income (loss) before taxes	**91,016**	70,470	71,238
	Income tax (provision) benefit	**(29,745)**	(23,960)	(25,090)
	Net income (loss)	**61,271**	46,510	46,148
PER SHARE DATA	Earnings per common share	**$ 1.40**	$ 1.07	$ 1.06
	Earnings per common share—assuming dilution	**1.36**	1.05	1.04
	Cash dividends	**.02**	.02	.02
PERFORMANCE MEASURES	Return on sales	**8.5%**	8.8%	8.8%
	Return on average assets	**17.3%**	17.9%	21.7%
	Return on average shareholders' equity	**28.1%**	26.2%	33.6%
FINANCIAL POSITION	Working capital	**$176,315**	$122,672	$ 84,129
	Current assets as a percent of current liabilities	**226%**	248%	218%
	Property, plant and equipment, net	**100,534**	57,652	56,064
	Total assets	**625,817**	307,339	248,374
	Total debt	**175,793**	3,708	3,952
	Shareholders' equity	**271,283**	207,768	160,927
	Total debt as a percent of total capitalization	**39%**	2%	2%
	Book value per share	**6.13**	4.71	3.68
OTHER DATA	Product development expenditures	**$ 9,279**	$ 9,579	$ 7,280
	Capital expenditures, net of retirements	**24,838**	13,577	29,757
	Additions to rental fleet, net of disposals	**4,645**	5,377	14,199
	Depreciation and amortization	**19,530**	15,750	10,389
	Employees	**3,960**	2,664	2,686

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. Fiscal 1999 reflects the acquisition of Gradall Industries, Inc. in June 1999.

1996	1995	1994	1993	1992	1991	1990	1989
$413,407	$269,211	$176,443	$123,034	$110,479	$ 94,439	$149,281	$121,330
108,716	65,953	42,154	28,240	22,542	20,113	37,767	32,384
(44,038)	(33,254)	(27,147)	(23,323)	(22,024)	(21,520)	(21,834)	(18,974)
—	—	—	—	—	—	—	—
—	—	—	—	(4,922)	(2,781)	(1,015)	—
64,678	32,699	15,007	4,917	(4,404)	(4,188)	14,918	13,410
(293)	(376)	(380)	(458)	(1,218)	(1,467)	(2,344)	(1,375)
1,281	376	(24)	180	(149)	(707)	858	399
65,666	32,699	14,603	4,639	(5,771)	(6,362)	13,432	12,434
(23,558)	(11,941)	(5,067)	(1,410)	2,733	3,122	(4,950)	(4,882)
42,108	20,758	9,536	3,229	(3,038)	(3,240)	8,482	7,552
$ .98	$ .49	$ .23	$ .08	$ (.07)	$ (.08)	$ .20	$ .18
.96	.48	.23	.08	(.07)	(.08)	.20	.18
.015	.0092	.0083	—	.005	.0208	.0167	.0125
10.2%	7.7%	5.4%	2.6%	(2.8%)	(3.4%)	5.7%	6.2%
28.5%	20.2%	12.1%	4.6%	(4.0%)	(4.2%)	10.4%	11.9%
47.9%	37.1%	23.8%	8.5%	(7.9%)	(7.7%)	21.8%	23.5%
$ 71,807	$ 45,404	$ 32,380	$ 26,689	$ 33,304	$ 36,468	$ 47,289	$ 34,745
226%	216%	208%	217%	268%	266%	304%	254%
34,094	24,785	19,344	13,877	13,511	13,726	14,402	11,343
182,628	119,708	91,634	72,518	73,785	74,861	86,741	70,570
2,194	2,503	7,578	4,471	12,553	14,175	18,404	13,799
113,208	68,430	45,706	38,939	37,186	38,596	44,109	35,331
2%	4%	14%	10%	25%	27%	29%	28%
2.61	1.60	1.09	.89	.86	.90	1.05	.84
$ 6,925	$ 5,542	$ 4,373	$ 3,385	$ 3,628	$ 3,430	$ 3,520	$ 2,904
16,668	8,618	7,762	3,570	1,364	1,637	4,615	4,054
9,873	1,548	1,455	273	3,470	534	—	(1,437)
6,505	3,875	2,801	2,500	2,569	1,953	1,771	1,609
2,705	2,222	1,620	1,324	1,014	1,182	1,565	1,455

REPORT OF MANAGEMENT

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 nonaudit services performed by the independent auditors.

L. David Black
Chairman of the Board,
President and
Chief Executive Officer

Charles H. Diller, Jr.
Executive Vice President
and Chief Financial Officer

October 5, 1999

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

RESULTS OF OPERATIONS

For the fiscal year ended July 31, 1999, the Company reported record sales of $720.2 million, an increase of 36% from $530.9 million in the prior year. Domestic sales were $527.0 million, up 46% from $362.1 million. International sales were $193.2 million, representing 27% of total revenues and up 15% from the $168.7 million for the previous year. The acquisition of Gradall on June 18, 1999 contributed $28.2 million to 1999 sales.

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 modest increase in sales from 1997 to 1998 reflected record international sales that were partially offset by lower domestic sales. Sales from new and redesigned products, defined as those introduced over a two-year period, represented 30%, 32% and 46% of sales in 1999, 1998 and 1997, respectively.

Gross profit, as a percent of sales, decreased to 23% in 1999 from 24% in 1998. Gross profit was impacted by competitive and program-related pricing, costs of meeting higher product demand and costs relating to new product introductions. These higher costs were partially offset by ongoing cost reduction efforts. Gross profit, as a percent of sales, decreased to 24% in 1998 from 25% in 1997. The major contributors to this decrease were the effects of increased sales discounts associated with higher volume program pricing and competitive market conditions as well as unfavorable currency effects due to the strength of the U.S. dollar. These reductions were partially offset by the effects of cost improvement programs.

Selling, general and product development expenses increased by $20.0 million in 1999 compared to a decrease of $832,000 in 1998. As a percent of sales, these expenses were 11% in 1999 and 1997, and 10% in 1998. 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 1998, the decrease in dollars compared to 1997 was primarily attributable to reduced personnel and related costs and consulting expenses. Partially offsetting these reductions were higher product development costs.

For 1999, higher interest expense related to borrowings to finance the Gradall acquisition. Miscellaneous income included higher investment income earned on cash balances and lower currency conversion losses. In 1998, miscellaneous expense was primarily comprised of currency conversion losses of $1.6 million, partially offset by investment income.

The effective income tax rates were 33%, 34% and 35% for 1999, 1998 and 1997, respectively. The decreases in the effective income tax rates are primarily due to tax benefits related to the increasing level of export sales. The current year's rate also included a $1.2 million benefit to net income resulting from a change in accounting estimate, primarily attributable to additional tax incentives related to export sales for the prior year.

FINANCIAL CONDITION

Working capital increased by $54 million in 1999. The increase included additional inventory to support the Company's strategic decision to provide a higher level of product availability to its worldwide customer base, the effect of the Gradall acquisition and higher accounts receivable balances principally attributable to higher sales volume and extended payment terms resulting from competitive market pressures. Working capital increased by $39 million in 1998 primarily due to increased cash and higher receivable balances associated with extended payment terms and a higher percent of international sales which typically have longer payment terms.

On June 18, 1999, the Company acquired Gradall Industries, Inc., a leading manufacturer of rough-terrain, telescopic material handlers and telescopic hydraulic excavators for $208.3 million. Gradall products are used in infrastructure, residential, non-residential, and institutional construction. This transaction was financed principally using a $250 million five-year, unsecured revolving credit facility.

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

At July 31, 1999, the Company had unused credit lines totaling $101 million. The Company believes these resources coupled with cash expected to be generated by operations to be sufficient to fund its ongoing operations and capital-related projects for fiscal 2000. These expenditures are expected to consist of higher inventory levels associated with a change in manufacturing strategy, $55 million for capital projects primarily for the Shippensburg, Pennsylvania and Orrville, Ohio facilities and additions to equipment held for rental.

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.

OUTLOOK

This Outlook section and other parts of this Management's Discussion and Analysis, the Letter to Stakeholders, and accompanying Annual Report contain forward-looking information as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements may involve certain risks and uncertainties, including cyclical demand, a consolidating customer base, product liability, availability of product components, risks associated with business acquisitions and others. Actual future events and circumstances, including future performance, results and trends, could differ materially from the forward-looking statements in this Annual Report and from other forward-looking statements filed with the Securities and Exchange Commission, including the Form 10-K for the year ended July 31, 1999.

Management expects fiscal 2000 to be another challenging, but rewarding year. Management expects it to be a year of growth fueled by a continuing favorable economy, strong market demand for the Company's products, the contribution of Gradall, and another active year for new products with more than 20 machines currently under development. It will also be a year of assimilating the substantial investments that were made in fiscal 1999.

In calendar 2000, the Company's new Shippensburg, Pennsylvania plant should be coming on line, and the transfer of material handler products to a dedicated plant in Orrville, Ohio should be nearing completion. These two facilities will not only give the Company additional capacity to expand its major product groups, but will also free up the New Philadelphia, Ohio plant to support expected excavator sales growth. Additionally, these moves will allow improved processes and manufacturing efficiencies to be implemented at all three plants, leading to a lower product cost structure and better production lead times over the long term.

During fiscal 2000, the Company also intends to adopt a manufacturing strategy that will enable it to maintain a relatively constant level of production throughout the year. Although this strategy will most likely result in elevated inventory levels in the historically slower first half of the year, it will smooth the manufacturing cycle throughout the year, giving the Company more efficient use of its facilities, people and suppliers.

As the Company enters the new millennium, management expects to continue enhancing the Company's industry leadership position by expanding its markets, adding new products, bringing the new plants on line, and increasing its customer service and support functions. Increased costs associated with its growth strategy will likely impact the gross and operating margin percentages in the first half of the new year. However, as the synergies and cost savings stemming from the integration of Gradall are realized and as the Company attains the expected return on its investment in new plants, markets, products and people, beginning in the second half, management looks forward to higher margins and improved levels of profitability.

YEAR 2000

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. These programs treat years as occurring between 1900 and the end of 1999 and do not self-convert to reflect the upcoming change in the century. If not corrected, computer applications could fail or create erroneous results in date sensitive applications.

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

The Company has undertaken a program to understand the nature and extent of the work required to make its systems year 2000 compliant. This program encompasses information systems, shop floor equipment and facilities systems, the Company's products, and the readiness of the Company's suppliers and customers. The program includes the following phases: identification and assessment; compliance plan development; remediation and testing; production implementation; and contingency plan development for critical areas.

The Company has completed identification and assessment, compliance plan development, remediation and testing, and production implementation for its critical activities and systems. The financial software in the Company's Australian operation is being upgraded and is expected to be completed prior to the end of calendar 1999. The Company has determined that it has no exposure to contingencies related to the year 2000 issue for products it has sold. The Company has received assurances from most of its significant suppliers and customers that they are addressing this issue to ensure that there will be no major disruptions to the Company's business. The Company has developed contingency plans where applicable.

The total cost of the year 2000 project to date has not been material and, based on its program to date, the Company does not expect that future costs related to the project will have a material adverse effect on the Company's financial position or results of operations. Because the Company believes that its internal systems are substantially year 2000 compliant, the Company believes that the most reasonably likely worst case year 2000 scenario would result from suppliers' or other third parties' failures to be year 2000 compliant. Depending upon the number of third parties, their identity and the nature of the non-compliance, the year 2000 issue could have a material adverse effect on the Company's financial position or results of operations. Altogether, the Company does not expect year 2000 problems to result in any material adverse effect on the Company's financial position or results of operations.

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, 1999 was $175.8 million, consisting of $169.9 million in variable rate borrowing and $5.9 million in fixed rate borrowing. At this level of variable rate borrowing and 45 days of outstanding *debt since the Gradall acquisition, a hypothetical 10% increase in interest rates would* decrease pre-tax current year earnings by approximately $141,000 for that period ended July 31, 1999. 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, 1999, 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 result in a decrease in operating income of approximately $10.8 million for the year ending July 31, 1999. 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, which are a changed dollar value of the resulting sales, changes in exchange rates also affect the volume of sales or the foreign currency sales price as competitors' services 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

(in thousands)	July 31 1999	July 31 1998
ASSETS		
Current Assets		
Cash	$ 19,033	$ 56,793
Accounts receivable, less allowance for doubtful accounts of $2,985 in 1999 and $1,597 in 1998	162,820	94,610
Inventories	125,571	47,568
Other current assets	8,563	6,544
Total Current Assets	315,987	205,515
Property, Plant and Equipment		
Land and improvements	7,417	5,140
Buildings and improvements	40,152	28,778
Machinery and equipment	102,185	61,592
	149,754	95,510
Less allowance for depreciation	49,220	37,858
	100,534	57,652
Equipment Held for Rental, net of accumulated depreciation of $7,692 in 1999 and $5,166 in 1998	23,068	25,103
Goodwill, net of accumulated amortization of $750	155,655	—
Other Assets	30,573	19,069
	$625,817	$307,339
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 2,656	$ —
Current portion of long-term debt	625	1,253
Accounts payable	78,793	43,119
Accrued payroll and related taxes	16,708	11,652
Income taxes	8,097	7,251
Other current liabilities	32,793	19,568
Total Current Liabilities	139,672	82,843
Long-term Debt	172,512	2,455
Accrued Postretirement Benefits	21,471	412
Other Long-term Liabilities	9,463	5,473
Provisions for Contingencies	11,416	8,388
Shareholders' Equity		
Capital stock:		
Authorized shares: 100,000 at $.20 par value		
Issued and outstanding shares: 1999—44,250 shares; 1998—44,096 shares	8,850	8,819
Additional paid-in capital	17,246	15,626
Unearned compensation	(1,324)	(2,633)
Accumulated other comprehensive income	(3,495)	(3,662)
Retained earnings	250,006	189,618
Total Shareholders' Equity	271,283	207,768
	$625,817	$307,339

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 **1999**	1998	1997
Net Sales	**$720,224**	$530,859	$526,266
Cost of sales	**553,271**	402,702	396,261
Gross Profit	**166,953**	128,157	130,005
Selling, administrative and product development expenses	**75,431**	55,388	56,220
Goodwill amortization	**750**	—	—
Restructuring charges	—	1,689	1,897
Income from Operations	**90,772**	71,080	71,888
Other income (deductions):			
Interest expense	**(1,772)**	(254)	(362)
Miscellaneous, net	**2,016**	(356)	(288)
Income before Taxes	**91,016**	70,470	71,238
Income tax provision	**29,745**	23,960	25,090
Net Income	**$ 61,271**	$ 46,510	$ 46,148
Earnings per Common Share	**$ 1.40**	$ 1.07	$ 1.06
Earnings per Common Share—Assuming Dilution	**$ 1.36**	$ 1.05	$ 1.04

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in thousands, except per share data)	Capital Stock Shares	Capital Stock Par Value	Additional Paid-In Capital	Unearned Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
Balances at July 31, 1996	43,382	$8,676	$ 7,879		($2,060)	$ 98,713	$113,208
Comprehensive income:							
Net income for the year						46,148	
Aggregate translation adjustment, net of deferred tax benefit of $168					(120)		
Total comprehensive income							46,028
Dividends paid: $.02 per share						(872)	(872)
Shares issued under stock option plans and restricted share awards	344	69	3,512	(1,516)			2,065
Amortization of unearned compensation				498			498
Balances at July 31, 1997	43,726	8,745	11,391	(1,018)	(2,180)	143,989	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 stock option plans and restricted share awards	370	74	4,235	(3,219)			1,090
Amortization of unearned compensation				1,604			1,604
Balances at July 31, 1998	44,096	8,819	15,626	(2,633)	(3,662)	189,618	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 stock option plans and restricted share awards	**154**	**31**	**1,620**	**(259)**			**1,392**
Amortization of unearned compensation				**1,568**			**1,568**
Balances at July 31, 1999	**44,250**	**$8,850**	**$17,246**	**($1,324)**	**($3,495)**	**$250,006**	**$271,283**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(in thousands)	Years Ended July 31 1999	1998	1997
OPERATIONS	Net income	**$ 61,271**	$ 46,510	$ 46,148
	Adjustments to reconcile net income to cash provided by operating activities:			
	Depreciation and amortization	**19,530**	15,750	10,389
	Provision for self-insured losses	**5,100**	4,844	2,745
	Deferred income taxes	**(2,880)**	1,924	775
	Changes in operating assets and liabilities:			
	Accounts receivable	**(42,434)**	(24,446)	(15,822)
	Inventories	**(25,284)**	6,159	(14,294)
	Other current assets	**(1,158)**	(672)	(997)
	Accounts payable	**17,521**	92	8,492
	Accrued expenses and other current liabilities	**4,946**	9,148	5,499
	Changes in other assets and liabilities	**(2,658)**	(9,085)	(7,310)
	Cash provided by operations	**33,954**	50,224	35,625
INVESTMENTS	Purchases of property, plant and equipment	**(24,838)**	(13,577)	(29,757)
	Additions to equipment held for rental	**(4,645)**	(5,377)	(14,199)
	Purchase of Gradall Industries, Inc. net of cash received of $5,065	**(203,192)**	—	—
	Cash used for investments	**(232,675)**	(18,954)	(43,956)
FINANCING	Net issuance of short-term debt	**2,656**	—	—
	Issuance of long-term debt	**206,500**	—	2,000
	Repayment of long-term debt	**(50,378)**	(244)	(242)
	Payment of dividends	**(883)**	(881)	(872)
	Exercise of stock options and issuance of restricted awards	**2,960**	2,694	2,563
	Cash provided by financing	**160,855**	1,569	3,449
CURRENCY ADJUSTMENTS	Effect of exchange rate changes on cash	**106**	(1,482)	(120)
CASH	Net change in cash	**(37,760)**	31,357	(5,002)
	Beginning balance	**56,793**	25,436	30,438
	Ending balance	**$ 19,033**	$ 56,793	$ 25,436

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. Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the presentation used for 1999.

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.

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.

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.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the LIFO (last-in, first-out) method because it results in a better matching of current product costs and revenues.

Inventories consist of the following at July 31:

	1999	1998
Finished goods	$ 68,994	$27,784
Work in process	12,544	9,291
Raw material	48,561	15,067
	130,099	52,142
Less LIFO provision	4,528	4,574
	$125,571	$47,568

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.

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 ten to twenty-five 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)*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employees
Twelve percent of the Company's employees at July 31, 1999 are represented by a union under a contract which expires April 20, 2003.

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 $9,279, $9,579 and $7,280 in 1999, 1998 and 1997, 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. 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 $5,742, $2,928 and $3,461 in 1999, 1998, and 1997, respectively.

Translation of Foreign Currencies
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 $398, $1,611 and $768 in 1999, 1998 and 1997, respectively.

Recent Accounting Pronouncements
In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Developing or Obtaining Computer Internal-Use Software." This statement will require the capitalization of certain costs incurred after the date of adoption in connection with developing or obtaining software for internal use. It is effective for the Company beginning August 1, 1999. The Company does not believe its adoption will have a material impact on its results of operations or financial position.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

ACQUISITION

The Company acquired Gradall Industries, Inc. in June 1999 for $208,257. Gradall is a leading manufacturer of rough-terrain, telescopic material handlers and telescopic hydraulic excavators used in infrastructure, residential, non-residential and institutional construction. The excess of purchase price over the fair values of the net assets acquired was $155,531, and has been recorded as goodwill, which is being amortized on a straight-line basis over 25 years.

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company as if the Gradall acquisition had taken place at the beginning of the respective periods. The pro forma financial information is not necessarily indicative of the results of operations had the transactions been effected on the assumed dates.

	1999	1998
Net sales	**$874,273**	$706,582
Net income	**60,246**	45,030
Earnings per common share	**1.37**	1.03
Earnings per common share—assuming dilution	**1.34**	1.01

BANK CREDIT LINES AND LONG-TERM DEBT

The Company has a credit agreement with a group of financial institutions that provides for a five-year, unsecured revolving credit facility with an aggregate commitment of $250 million. Borrowings under the agreement 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 agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance of specified consolidated interest coverage, leverage ratios and a minimum net worth. The Company also has available 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%.

Long-term debt was as follows at July 31:

	1999	1998
Revolving credit facility due 2004 with an average interest rate of 6.2% at July 31, 1999	**$169,912**	—
Other	**3,225**	3,708
	173,137	3,708
Less current portion	**625**	1,253
	$172,512	$2,455

Interest paid on all borrowings was $811, $251 and $348 in 1999, 1998 and 1997, respectively. The aggregate amounts of long-term debt outstanding at July 31, 1999 which will become due in 2000 through 2004 are: $625, $535, $328, $328 and $170,000, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

EMPLOYEE RETIREMENT PLANS

Substantially all employees of the Company participate in defined contribution or noncontributory defined benefit plans. Approximately 12% of the Company's employees are covered by union-sponsored, collectively bargained multi-employer pension plans. The expense related to funding the multi-employer plan for the year ended July 31, 1999 was $48.

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 common stock. The aggregate expense relating to these plans was $6,565, $5,332 and $4,716 in 1999, 1998 and 1997, respectively. The Company also has non-qualified defined benefit plans that provide senior management with supplemental retirement, medical, disability and death benefits.

Pension benefits are included in other long-term liabilities on the consolidated balance sheets.

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

	Pension Benefits		Postretirement Benefits	
	1999	1998	**1999**	1998
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 3,217**	$ 4,647	**$ 412**	$395
Acquisition	**13,806**	—	**20,798**	—
Service cost	**300**	220	**113**	22
Interest cost	**348**	199	**227**	25
Change in assumptions	**962**	—	—	—
Change in participation	—	(1,720)	**60**	(30)
Benefits paid	**(64)**	(129)	**(139)**	—
Benefit obligation at end of year	**$18,659**	$ 3,217	**$21,471**	$412
Change in plan assets:				
Acquisition	**$12,477**	—	—	—
Return on plan assets	**128**	—	—	—
Contributions	**64**	129	—	—
Benefits paid	**(64)**	(129)	—	—
Fair value of plan assets at end of year	**$12,605**	—	—	—
Funded status	**($ 5,964)**	($ 3,217)	**($21,471)**	($412)
Unrecognized net actuarial (gain)/loss	**(2,014)**	(3,241)	—	—
Unrecognized transition obligation	**155**	187	—	—
Unrecognized prior service cost	**1,791**	2,047	—	—
Accrued benefit cost	**($ 6,032)**	($ 4,224)	**($21,471)**	($412)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

EMPLOYEE RETIREMENT PLANS
(continued)

Components of pension and postretirement expense for the years ended July 31:

	Pension Benefits			Postretirement Benefits		
	1999	1998	1997	**1999**	1998	1997
Service cost	**$300**	$220	$473	**$113**	$22	$37
Interest cost	**348**	199	276	**227**	25	23
Expected return	**(128)**	—	—	—	—	—
Amortization of prior service cost	**255**	255	255	—	—	—
Amortization of transition obligation	**32**	32	32	**28**	26	27
Amortization of net gains	**(265)**	(295)	(140)	—	—	—
	$542	$411	$896	**$368**	$73	$87

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

	Pension Benefits			Postretirement Benefits		
	1999	1998	1997	**1999**	1998	1997
Discount rate	**7.5%**	7%	7%	**7.5%**	7%	7%
Expected return on plan assets	**8.5%**	8%	8%	—	—	—
Rate of compensation increase	**4.5%**	6%	6%	—	—	—

For measurement purposes, a 7.75% annual rate increase in the per capita cost of covered health care benefits was assumed for 1999. 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 postretirement benefit reported as follows:

	One Percentage Point	
	Increase	Decrease
Service and interest cost components	$ 325	$ 240
Postretirement benefit obligation	2,746	2,277

SEGMENT INFORMATION

The Company operates in a single industry segment—the design, manufacture and marketing of mobile, hydraulically operated construction and industrial equipment. The Company groups its products and services into two categories: machinery, which consists of the design, manufacture and sale of new equipment, and customer services and support, which consists of 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. One customer accounted for 12% and 13% of machinery sales for 1998 and 1997, respectively. No single customer accounted for 10% or more of sales for 1999.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

SEGMENT INFORMATION *(continued)*

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

	1999	1998	1997
External sales:			
Machinery	**$645,479**	$463,638	$475,065
Customer services and support	**74,745**	67,221	51,201
	$720,224	$530,859	$526,266
Segment profit (loss):			
Machinery	**$101,417**	$ 71,946	$ 81,867
Customer services and support	**23,544**	23,338	18,011
General corporate	**(34,189)**	(24,204)	(27,990)
	$ 90,772	$ 71,080	$ 71,888
Depreciation and amortization:			
Machinery	**$ 10,820**	$ 8,853	$ 5,617
Customer services and support	**6,587**	5,265	3,490
General corporate	**2,123**	1,632	1,282
	$ 19,530	$ 15,750	$ 10,389
Expenditures for long-lived assets:			
Machinery	**$ 22,223**	$ 12,181	$ 26,900
Customer services and support	**4,611**	5,549	14,838
General corporate	**2,649**	1,224	2,218
	$ 29,483	$ 18,954	$ 43,956
Assets:			
Machinery	**$541,386**	$187,178	$169,515
Customer services and support	**41,340**	43,337	33,308
General corporate	**43,091**	76,824	45,551
	$625,817	$307,339	$248,374

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. No single foreign country is significant to the consolidated operations. Sales by geographic area were as follows for the years ended July 31:

	1999	1998	1997
United States	**$526,984**	$362,144	$366,086
Europe	**137,805**	93,554	80,445
Other	**55,435**	75,161	79,735
	$720,224	$530,859	$526,266

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

INCOME TAXES

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

	1999	1998	1997
Current:			
Federal	**$30,507**	$23,900	$23,442
State	**2,118**	1,984	2,423
	32,625	25,884	25,865
Deferred:			
Federal	**(2,620)**	(1,828)	(674)
State	**(260)**	(96)	(101)
	(2,880)	(1,924)	(775)
	$29,745	$23,960	$25,090

The Company made income tax payments of $29,505, $16,790 and $24,928 in 1999, 1998 and 1997, 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:

	1999	1998	1997
Statutory U.S. federal income tax rate	**35%**	35%	35%
State tax provision, net of federal effect	**1**	1	2
Effect of export profits taxed at lower rates	**(3)**	(2)	(2)
	33%	34%	35%

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

	1999	1998
Future income tax benefits:		
Employee benefits	**$ 15,485**	$ 2,736
Contingent liabilities provisions	**8,679**	5,908
Translation adjustments	**1,227**	1,561
Other	**1,676**	1,471
	27,067	11,676
Deferred tax liabilities for depreciation and asset basis differences	**10,719**	2,307
Net deferred tax assets	**$ 16,348**	$ 9,369

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 4,859 common shares 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:

	1999		1998		1997	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding options at the beginning of the year	**1,795**	**$ 7.51**	1,466	$ 4.88	1,705	$ 4.28
Options granted	**522**	**20.78**	479	14.59	36	17.44
Options canceled	**(10)**	**17.46**	(40)	8.66	(34)	3.96
Options exercised	**(143)**	**5.21**	(110)	3.00	(241)	2.33
Outstanding options at the end of the year	**2,164**	**$10.81**	1,795	$ 7.51	1,466	$ 4.88
Exercisable options at the end of the year	**1,366**	**$ 6.18**	1,281	$ 4.63	1,082	$ 3.95

Information with respect to stock options outstanding at July 31, 1999 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	*Number* Outstanding	Weighted *Average* Remaining Life	Weighted *Average* Exercise Price	*Number* Exercisable	Weighted *Average* Exercise Price
$ 1.12 to $ 1.59	439	4	$ 1.15	439	$ 1.15
$ 2.93 to $ 3.30	298	5	3.01	298	3.01
$ 5.64 to $ 9.21	281	6	6.78	281	6.78
$11.41 to $15.19	386	8	12.99	242	13.57
$17.31 to $21.94	759	10	19.85	105	17.62

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:

	1999	1998	1997
Volatility factor	**.475**	.478	.484
Expected life in years	**2.8**	3.0	2.0
Dividend yield	**.10%**	.15%	.11%
Interest rate	**5.38%**	5.73%	5.69%
Weighted average fair market value at date of grant	**$3.96**	$5.12	$5.37

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 ending July 31:

	1999	1998	1997
Net income	**$60,142**	$46,021	$45,837
Earnings per common share	**1.37**	1.05	1.05
Earnings per common share—assuming dilution	**1.34**	1.03	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:

	1999	1998	1997
Net income	**$61,271**	$46,510	$46,148
Denominator for basic earnings per share—weighted average shares	**43,846**	43,666	43,606
Effect of dilutive securities—employee stock options and unvested restricted shares	**1,116**	765	795
Denominator for diluted earnings per share—weighted average shares adjusted for dilutive securities	**44,962**	44,431	44,401
Earnings per common share	**$ 1.40**	$ 1.07	$ 1.06
Earnings per common share—assuming dilution	**$ 1.36**	$ 1.05	$ 1.04

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 1999 was comprised of a self-insured retention of $5 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 $14.1 million and $12.4 million were established at July 31, 1999 and 1998, 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, 1999 and 1998, 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 and $1,897 for 1998 and 1997, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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
1999					
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**
	$720,224	**$166,953**	**$61,271**	**$1.40**	**$1.36**
1998					
October 31	$ 95,644	$ 21,168	$ 4,626	$ .11	$ .10
January 31	111,707	24,885	7,646	.17	.17
April 30	146,323	35,954	14,071	.32	.32
July 31	177,185	46,150	20,167	.47	.46
	$530,859	$128,157	$46,510	$1.07	$1.05

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

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, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended July 31, 1999. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of JLG Industries, Inc. at July 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 31, 1999, in conformity with generally accepted accounting principles.

Ernst + Young LLP

Baltimore, Maryland
September 9, 1999

CORPORATE INFORMATION

Corporate Headquarters

JLG Industries, Inc.
1 JLG Drive
McConnellsburg, PA 17233-9533
Tel: 717-485-5161
Fax: 717-485-6417

Manufacturing Locations

New Philadelphia, OH
Orrville, OH
Bedford, PA
McConnellsburg, PA
Shippensburg, PA

Stock Exchange Listing

New York Stock Exchange: trading symbol JLG.

Shareholder Profile

As of September 28, 1999, there were 2,178 shareholders of record and approximately 22,000 shareholders in street names.

Annual Meeting

Wednesday, November 17, 1999 at 4:30 p.m. (EST) at the Company's headquarters in McConnellsburg, PA.

JLG on the Internet

The Company's home page, www.jlg.com, contains company news, information on products and services and more.

Shareholder Communications

Copies of Form 10-K Annual Report and Form 10-Q Quarterly Reports filed with the Securities and Exchange Commission are available by contacting:

Investor Relations
JLG Industries, Inc.
1 JLG Drive
McConnellsburg, PA 17233-9533
Tel: 717-485-6523
Fax: 717-485-6417
E-mail: ir@jlg.com

Shareholder Services

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

ChaseMellon Shareholder Services
85 Challenger Road
Overpeck Centre
Ridgefield Park, NJ 07660
Tel: 800-756-3353

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 $0.02 per share.

Common Stock Price

The high and low trading prices of JLG's common stock were as follows for years ended July 31:

	1999		1998	
Quarter Ended	*High*	*Low*	*High*	*Low*
October 31	**$17.25**	**$13.69**	$13.44	$11.00
January 31	**$19.13**	**$14.00**	$14.88	$11.38
April 30	**$16.25**	**$11.50**	$17.25	$13.00
July 31	**$21.94**	**$15.88**	$20.75	$15.50

DIRECTORS

L. David Black [1]
Chairman of the Board, President and Chief Executive Officer, JLG Industries, Inc.

Charles H. Diller, Jr. [1]
Executive Vice President and Chief Financial Officer, JLG Industries, Inc.

George R. Kempton [1,2,3]
Retired Chairman of the Board and Chief Executive Officer, Kysor Industrial Corporation

James A. Mezera [1,2,4]
President, Mezera & Associates, Inc.

Stephen Rabinowitz [3,4]
Chairman of the Board, President and Chief Executive Officer, General Cable Corporation

Thomas C. Wajnert [3,4]
Chairman of the Board, EPIX Holding Corporation

Charles O. Wood, III [1,2,4]
President, Wood Holdings, Inc.

Committee Membership
[1] Executive
[2] Audit
[3] Compensation
[4] Directors and Corporate Governance

CORPORATE OFFICERS

Ben A. Appleby
Vice President-Corporate Development

L. David Black
Chairman of the Board, President and Chief Executive Officer

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 Chief Financial Officer

John F. Louderback
Vice President-Customer Support Services

Craig E. Paylor
Senior Vice President-Sales and Market Development

Philip H. Rehbein
Vice President and Corporate Controller

Dale L. Robertson
Vice President and Chief Information Officer

Daniel P. Sandonato
Vice President-Marketing

Thomas D. Singer
Vice President and General Counsel

Samuel D. Swope
Vice President-Human Resources

Raymond F. Treml
Senior Vice President-Operations

GRADALL MANAGEMENT

James C. Cahill
Vice President-Manufacturing

Bruce A. Jonker
Vice President and Chief Financial Officer

Joseph H. Keller, Jr.
Vice President-Engineering

Barry L. Phillips
President and Chief Executive Officer

David S. Williams
Vice President-Marketing and Sales