WABASH NATIONAL CORP /DE
Form S-3/A
October 28, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 28, 2004

REGISTRATION NO. 333-119688

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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AMENDMENT NO. 2

TO

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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WABASH NATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

| DELAWARE | 52-1375208 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identificati |

1000 SAGAMORE PARKWAY SOUTH
LAFAYETTE, INDIANA 47905
(765) 771-5300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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WILLIAM P. GREUBEL
PRESIDENT AND CHIEF EXECUTIVE OFFICER
WABASH NATIONAL CORPORATION
1000 SAGAMORE PARKWAY SOUTH
LAFAYETTE, INDIANA 47905
(765) 771-5300
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

| MICHAEL J. SILVER | ROBERT F. WALL |
|---|---|
| HOGAN & HARTSON L.L.P. | WINSTON & STRAWN LLP |
| 111 SOUTH CALVERT STREET, SUITE 1600 | 35 W. WACKER DRIVE |
| BALTIMORE, MARYLAND 21202 | CHICAGO, ILLINOIS 60601-9 |
| (410) 659-2700 | (312) 558-5600 |

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than the securities offered only in connection with dividend or interest reinvestment plans, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ____________

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] ____________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS DATED OCTOBER 28, 2004

PROSPECTUS

3,000,000 SHARES

(WNC LOGO)

WABASH NATIONAL CORPORATION
COMMON STOCK

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Wabash National Corporation is selling 3,000,000 shares of common stock.

Our common stock trades on the New York Stock Exchange under the symbol "WNC." On October 27, 2004, the last sale price of our common stock on the New York Stock Exchange was $23.63 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 7 OF THIS PROSPECTUS.

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| | PER SHARE | TOTAL |
|---|---|---|
| Public offering price.......................... | $ | $ |
| Underwriting discount.......................... | $ | $ |
| Proceeds, before expenses, to Wabash............ | $ | $ |

The underwriters may also purchase up to an additional 450,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2004.

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MERRILL LYNCH & CO.
BEAR, STEARNS & CO. INC.
BB&T CAPITAL MARKETS

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The date of this prospectus is , 2004.

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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## INDUSTRY AND OTHER INFORMATION

Unless we indicate otherwise, we base the information concerning the transportation equipment industry contained in this prospectus on our general knowledge of and expectations concerning the industry, our market positions and market shares, which are based on estimates prepared by us using data from various industry sources, and on assumptions we made based on such data and our knowledge of the transportation equipment industry. We have not independently verified data from industry sources. In addition, we believe that data regarding the transportation equipment industry and our market positions within such industry provide general guidance but are inherently imprecise. Further, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the "Risk Factors" section beginning on page 7 of this prospectus.



## SUMMARY

This summary contains basic information about us. It does not contain all of the information that is important to your investment decision. To fully understand this offering, you should read the following summary together with the more detailed information contained elsewhere in this prospectus, including under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes thereto, and the other information incorporated by reference into this prospectus as described below under "Incorporation by Reference."

The terms "Wabash," "the Company," "we," "our," and "us" refer to Wabash National Corporation and its subsidiaries unless the context suggests otherwise. The term "you" refers to a prospective investor.

## OUR BUSINESS

### OVERVIEW

We are one of North America's leaders in designing, manufacturing and marketing standard and customized truck trailers and related transportation equipment. Founded in 1985 as a start-up, we grew to over $1.4 billion in sales in 1999, and had approximately $900 million in sales in 2003. For the nine months ended September 30, 2004, we had sales of approximately $754 million and net income of approximately $45 million.

We market our transportation equipment under the Wabash(R), DuraPlate(R), DuraPlateHD(R), FreightPro(R), ArcticLite(R) and RoadRailer(R) trademarks directly to customers, through independent dealers and through our factory-owned retail branch network. Our proprietary DuraPlate(R) composite truck trailer, which we introduced in 1996, has achieved widespread acceptance by our customers. In 2003, sales of our DuraPlate(R) trailers represented approximately 80% of our total trailers shipped. We are also a competitive producer of standardized products, and are seeking to become a low-cost producer within our industry. We are also a competitive producer of standard dry, refrigerated and intermodal vans.

CORE STRENGTHS

We believe that the following strengths differentiate us from our competitors and position us for success within our markets:

- LONG-TERM CORE CUSTOMER RELATIONSHIPS. We are the exclusive provider of trailers to a significant number of top-tier trucking companies, generating a consistent revenue base that has helped to sustain us as one of the market leaders.

- INNOVATIVE PRODUCT OFFERINGS. Our DuraPlate(R) proprietary technology provides what we believe to be a superior trailer to our customers and commands premium pricing. A DuraPlate(R) trailer is a composite plate trailer constructed with material containing a high density polyethylene core bonded between a high-strength steel skin. We believe that the competitive advantages of our DuraPlate(R) trailers over standard trailers include the following:

    - operate three to five years longer;

    - less costly to maintain; and

    - higher trade-in values.

  We have also successfully introduced innovations in our refrigerated trailers and other product lines. For example, we introduced the DuraPlate(R) HD trailer and the FreightPro(R) sheet and post trailer in 2003.



- SIGNIFICANT MARKET SHARE AND BRAND RECOGNITION. We have been one of the two largest manufacturers of trailers in North America in each of the last ten years, with one of the most widely recognized brands in the industry.

- EXTENSIVE DISTRIBUTION NETWORK. Our twenty-six factory-owned retail branch locations and over forty independent dealers extend our sales network throughout North America, diversifying our factory direct sales and supporting our national service contracts.

- COMMITTED FOCUS ON OPERATIONAL EXCELLENCE. Safety, quality, on-time delivery, productivity and cost reduction are the core elements of our program of continuous improvement. We received the 2003 U.S. Senate Productivity Award for the State of Indiana for the significant cost savings and productivity we achieved in the prior two years.

- TECHNOLOGY. We are recognized by the trucking industry as being a leader in developing technology to reduce trailer maintenance.

- CORPORATE CULTURE. We benefit from a value driven management team and dedicated union-free workforce.

STRATEGY

We are committed to an operating strategy that seeks to deliver profitability throughout industry cycles by executing on the core elements of our strategic plan:

- CORPORATE FOCUS. We intend to continue our transition from an organization focused on unit volume and revenue to one focused on earnings and cash flow.

- PRODUCT DIFFERENTIATION. We intend to continue to provide differentiated products that generate enhanced profit margins.

- CONTINUOUS IMPROVEMENTS. We are focused on continuing to reduce our cost structure by adhering to continuous improvement and lean manufacturing initiatives.

- CORE CUSTOMERS. We intend to maintain and enhance our long-standing customer partnerships and create new revenue opportunities by offering tailored transportation solutions.

- CUSTOMER DIVERSIFICATION. We intend to continue to expand and diversify our customer base by focusing on middle market carriers with trailer fleets ranging from 250 to 5,000 units.

- TRAILER PERFORMANCE IMPROVEMENTS. We are working on the development of a DuraPlate(R) trailer that minimizes maintenance for ten years.

- STRENGTHEN BALANCE SHEET. We intend to continue reducing our debt to enhance financial flexibility and enable us to capitalize on future market opportunities.

INDUSTRY

Freight transportation in the United States, according to the American Trucking Association (ATA), was estimated to be a $702 billion industry in 2003. ATA estimates that approximately 69% of all freight tonnage is carried by trucks at some point during its shipment, accounting for approximately 87% of freight industry revenue in the United States. Trailer demand is a direct function of the amount of freight to be transported. To monitor the state of the industry, we evaluate a number of indicators related to trailer manufacturing and the transportation industry. Information is obtained from sources such as A.C.T. Research Co., LLC (ACT), ATA, Cass Logistics, and Eno Transportation Foundation. Recent trends we have observed include the following:

- IMPROVEMENT IN THE NUMBER OF UNITS SHIPPED. After reaching a high of over 300,000 units shipped in 1999, shipments by the U.S.

trailer industry declined to approximately 140,000 units in each of 2001 and 2002. Unit shipments were approximately 183,000 in



2003. ACT estimates that 2004 and 2005 shipments will be approximately 230,000 units and 277,000 units, respectively. We expect, however, that the level of industry shipments in 2005 will be somewhat lower than ACT's estimate: between 250,000 units and 260,000 units.

- INCREASING AGE OF MOTOR CARRIER TRAILER FLEETS. During the three-year period ending December 31, 2003, the average age of trailer fleets increased from approximately 44 months to 55 months. We believe this increase resulted in part from deferred purchases by many motor carriers. This trend suggests to us that there may be pent-up replacement demand for trailers.

- INCREASING RATE OF NEW TRAILER ORDERS. Quarterly industry order placements were in the range of 10,000 units to 15,000 units per month during each of the six quarters ended December 31, 2003. For the first quarter of 2004, the industry monthly order placement rate averaged over 20,000 units. For the second quarter of 2004, the industry monthly order placement rate averaged 19,000 units, a 22% increase over the same period in 2003. For the third quarter of 2004, the industry monthly order placement rate averaged 18,500 units, a 32% increase over the same period in 2003.

- OTHER DEVELOPMENTS. Other developments and our view of their potential impact on the industry include:

  - New federal emission standards that come into effect in 2007 could result in improved demand for trailers in 2005 and part of 2006, as motor carriers may focus their capital spending on tractors in advance of the regulations taking effect. A similar pattern occurred in advance of the October 2002 enactment of new emission standards.

  - Technology advances in trailer tracking and route management implemented by motor carriers have increased trailer utilization and lowered trailer-to-tractor ratios and could result in reduced trailer demand.

  - New federal hours-of-service rules became effective January 4, 2004. We initially believed that these rules would negatively impact driver productivity and that this could result in increased demand for trailers. These rules were recently vacated by the U.S. Court of Appeals. However, due to Congressional action in early October, the regulation remains temporarily in effect. To date, we believe that there has been a limited amount of increased business as a result of the regulation. If the regulation is permanently suspended, there is the potential for cancellation of refrigerator units and some increase of trade-ins that could affect used trailer prices.

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Wabash National Corporation is a Delaware corporation incorporated in 1991 and is the successor by merger to a Maryland corporation organized in 1985. Our principal executive offices are located at 1000 Sagamore Parkway South, Lafayette, Indiana 47905 and our telephone number at that address is (765)

771-5300. Our website is located at www.wabashnational.com. The information on our website is not part of this prospectus.



THE OFFERING

| | |
|---|---|
| Common stock we are offering..... | 3,000,000 shares |
| Shares outstanding after this offering......................... | 30,350,725 shares |
| Use of proceeds................. | We estimate that our net proceeds from the offering, without exercise of the overallotment option, will be approximately $66.8 million. We intend to use all of the net proceeds of this offering to repay a portion of our outstanding secured bank indebtedness. See "Use of Proceeds." |
| NYSE Symbol..................... | WNC |
| Risk factors.................... | See "Risk Factors" and the other information included and incorporated by reference in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock. |

The number of shares of our common stock outstanding after this offering is based on 27,350,725 shares outstanding as of September 30, 2004, and does not include as of that date:

- 1,493,929 shares of our common stock issuable upon exercise of outstanding options granted under our stock option plans at a weighted average exercise price of $13.54 per share;

- 1,934,305 shares available for issuance or future grant under our 2000 Stock Option and Incentive Plan and our 2004 Stock Incentive Plan; and

- 6,510,416 shares issuable upon the conversion of our $125,000,000 principal amount of 3 1/4% Convertible Senior Notes due 2008 at a conversion price of $19.20 per share, which is equal to a conversion rate of 52.0833 shares of common stock per $1,000 principal amount of notes, subject to adjustment.

Unless otherwise stated, all information contained in this prospectus assumes that the underwriters do not exercise their overallotment option to purchase an additional 450,000 shares of common stock.



SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table sets forth summary consolidated and audited financial and unaudited operating data for each of the five years in the period ended

December 31, 2003, and unaudited financial and operating data for the nine months ended September 30, 2004 and 2003. The summary audited financial data for the years ended December 31, 2003, 2002 and 2001 are derived from our audited financial statements, and the historical financial data for the nine-month periods ended September 30, 2004 and 2003 are derived from our unaudited interim financial statements. Our audited financial statements for the three years ended December 31, 2003 and our unaudited interim financial statements for the nine-month periods ended September 30, 2004 and 2003 are included elsewhere in this prospectus.

The information shown in the table below may not be indicative of our future results. You should read the information below together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

| | NINE MONTHS ENDED, SEPTEMBER 30, | | YEAR ENDED DECEMBER | | |
|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 |
| | (IN MILLIONS, EXCEPT PER SHARE AMOUNTS, INDUSTRY BUILD, MARKET SH | | | | |
| SUMMARY OF OPERATIONS: | | | | | |
| Net sales | $ 753.7 | $ 668.2 | $ 887.9 | $ 819.5 | $ 863.4 |
| Cost of sales | 657.0 | 603.4 | 810.7 | 777.1(1) | 972.1(2) |
| Loss on asset impairment | -- | 28.5 | 28.5 | 2.0 | 10.5 |
| Gross profit (loss) | 96.7 | 36.3 | 48.7 | 40.4 | (119.2) |
| Selling, general and administrative | 42.5 | 47.9 | 57.7 | 77.4 | 82.3 |
| Restructuring | -- | -- | -- | 1.8 | 37.9 |
| Income (loss) from operations | 54.2 | (11.6) | (9.0) | (38.8) | (239.4) |
| Interest expense | (8.6) | (27.6) | (30.2) | (30.9) | (21.3) |
| Loss on debt extinguishment | -- | (18.9) | (19.8) | (1.3) | -- |
| Other income (expense), net | 0.7 | 2.6 | 1.8 | (0.5) | (14.3) |
| Income (loss) before income taxes | 46.3 | (55.5) | (57.2) | (71.5) | (275.0) |
| Provision (benefit) for income taxes | 0.9 | -- | -- | (15.3) | (42.8) |
| Net income (loss) | $ 45.4 | $ (55.5) | $ (57.2) | $ (56.2) | $ (232.2) |
| Diluted EPS | $ 1.42 | $ (2.19) | $ (2.26) | $ (2.43) | $ (10.17) |
| CASH FLOW DATA: | | | | | |
| Depreciation and amortization | 14.7 | 19.1 | 23.8 | 28.6 | 32.1 |
| Capital expenditures | (5.8) | (3.7) | (6.5) | (5.7) | (5.9) |
| EBITDA(4) | $ 69.6 | $ (8.8) | $ (3.2) | $ (12.0) | $ (221.6) |
| PRODUCT LINE SALES DATA: | | | | | |
| New trailers | $ 657.6 | $ 499.8 | $ 690.5 | $ 563.5 | $ 614.3 |
| Used trailers | 41.0 | 53.3 | 64.8 | 92.3 | 73.3 |

| | | | | | |
|---|---|---|---|---|---|
| Parts | 30.2 | 72.6 | 81.7 | 99.4 | 103.7 |
| Other | 24.9 | 42.5 | 50.9 | 64.3 | 72.1 |
| Total | $ 753.7 | $ 668.2 | $ 887.9 | $ 819.5 | $ 863.4 |
| SUPPLEMENTAL DATA: | | | | | |
| North American trailer industry build(5) | 172,805 | 134,343 | 182,666 | 139,658 | 140,084 |
| North American trailer market share | 20.8% | 20.0% | 19.8% | 19.4% | 22.6% |
| Backlog | $ 283.0 | $ 192.0 | $ 200.0 | $ 208.0 | $ 142.0 |
| Employees | 3,400 | 3,300 | 3,300 | 3,600 | 3,500 |



| | NINE MONTHS ENDED, SEPTEMBER 30, | | YEAR ENDED DECEMBER | | |
|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 |
| | (IN MILLIONS, EXCEPT PER SHARE AMOUNTS, INDUSTRY BUILD, MARKET SH | | | | |
| BALANCE SHEET DATA: | | | | | |
| Working capital | $ 120.7 | $ 71.8 | $ 42.0 | $ 55.1 | $ 111.3 |
| Total equipment leased to others and finance contracts | 21.8 | 46.9 | 32.1 | 132.9 | 160.1 |
| Total assets | 469.8 | 448.0 | 397.0 | 565.6 | 692.5 |
| Total debt | 243.0 | 275.2 | 227.3 | 282.0 | 334.7 |
| Capital lease obligations | -- | 1.8 | -- | 64.9 | 77.3 |
| Stockholders' equity | 74.6 | 20.0 | 22.2 | 74.0 | 131.0 |

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(1) Includes used trailer valuation charges of $5.4 million and loss contingencies and equipment impairment charges of $4.8 million.

(2) Includes used trailer inventory valuation charges of $62.1 million, a restructuring related charge of $3.7 million, and loss contingencies and impairment charges of $37.9 million related to our leasing operations.

(3) Includes a $4.5 million charge related to our restructuring activities.

(4) We use EBITDA, income (loss) before income taxes, interest expense, depreciation and amortization, as an internal measure of performance and believe it is a useful and commonly used measure of financial performance in addition to income (loss) before taxes and other profitability measures under generally accepted accounting principles (GAAP). EBITDA is not a measure of performance under GAAP. EBITDA should not be construed as an alternative to operating income and income (loss) before taxes as an indicator of our operations in accordance with GAAP, nor is EBITDA an alternative to cash flow from operating activities in accordance with GAAP. Our definition of EBITDA can differ from that of other companies. The following table reconciles net income, the most comparable measure under GAAP, to EBITDA for the periods indicated:

| | NINE MONTHS ENDED, SEPTEMBER 30, | | YEAR ENDED DECEMBER 31, | | | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 | 2000 |
| | (IN MILLIONS) | | | | | |
| Net income (loss) | $45.4 | $(55.5) | $(57.2) | $(56.2) | $(232.2) | $(6.7 |
| Add (subtract): | | | | | | |
| Provision (benefit) for income taxes | 0.9 | -- | -- | (15.3) | (42.8) | (4.3 |
| Interest expense | 8.6 | 27.6 | 30.2 | 30.9 | 21.3 | 19.7 |
| Depreciation and amortization | 14.7 | 19.1 | 23.8 | 28.6 | 32.1 | 30.1 |
| EBITDA | $69.6 | $ (8.8) | $ (3.2) | $(12.0) | $(221.6) | $38.8 |

(5) U.S. trailer industry build data represent new trailer production for the trailer industry as a whole within North America and were derived from information from A.C.T. Research Company, L.L.C.

6

RISK FACTORS

You should carefully consider the risks described below in addition to other information contained or incorporated by reference in this prospectus before making an investment decision. Realization of any of the following risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.

RISKS RELATED TO OUR BUSINESS, STRATEGY AND OPERATIONS

WE HAVE GENERATED SIGNIFICANT LOSSES IN RECENT PERIODS.

We incurred significant net losses during the last three years. While in the first nine months of 2004, ended September 30, 2004, we reported net income of $45.4 million, we have reported net losses of $232.2 million, $56.2 million and $57.2 million for the years ended December 31, 2001, 2002 and 2003, respectively. Our ability to achieve and sustain profitability in the future will depend on the successful continued implementation of measures to reduce costs and achieve sales goals. While we have taken steps to lower operating costs and reduce interest expense, and have seen our sales improve in recent periods, we cannot assure you that our cost-reduction measures will be successful, sales will be sustained or increased or that we will achieve a sustained return to profitability.

OUR INVENTORIES ARE NOT MANAGED BY PERPETUAL INVENTORY CONTROL SYSTEMS.

The systems and processes we use to manage and value our inventories require significant manual intervention and the verification of actual quantities requires physical inventories, which we take several times a year. Breakdowns of these systems and processes, and errors in inventory estimates derived from these systems and processes, could go undetected until the next physical inventory and adversely affect our operations and financial results.

WE ARE SUBJECT TO NEW CORPORATE GOVERNANCE AND INTERNAL CONTROLS REPORTING REQUIREMENTS, AND OUR COSTS RELATED TO COMPLIANCE WITH, OR OUR FAILURE TO COMPLY WITH, EXISTING AND FUTURE REQUIREMENTS COULD ADVERSELY AFFECT OUR BUSINESS.

We face new corporate governance requirements under the Sarbanes-Oxley Act of 2002, as well as new rules and regulations subsequently adopted by the SEC, the Public Company Accounting Oversight Board and the NYSE. These laws, rules and regulations continue to evolve and may become increasingly stringent in the future. In particular, we will be required to include management and auditor reports on internal controls as part of our annual report for the year ended December 31, 2004 pursuant to Section 404 of the Sarbanes-Oxley Act. We are in the process of evaluating our control structure to help ensure that we will be able to comply with Section 404 of the Sarbanes-Oxley Act. We cannot assure you that we will be able to fully comply with these laws, rules and regulations that address corporate governance, internal control reporting and similar matters. Our failure to comply with these laws, rules and regulations may materially adversely affect our reputation, financial condition and the value of our securities.

AN ADVERSE CHANGE IN OUR CUSTOMER RELATIONSHIPS OR IN THE FINANCIAL CONDITION OF OUR CUSTOMERS COULD ADVERSELY AFFECT OUR BUSINESS.

We have corporate partnering relationships with a number of customers where we supply the requirements of these customers. We do not have binding agreements with these customers. Our success is dependent, to a significant extent, upon the continued strength of these relationships and the growth of our corporate partners. We often are unable to predict the level of demand for our products from these partners, or the timing of their orders. In addition, the same economic conditions that adversely affect us also often adversely affect our customers. As some of our customers are highly leveraged and have limited access to capital, their continued existence may be uncertain. One of our customers, Grupo Transportation Marititma Mexicana SA (TMM), which is located in Mexico, has been experiencing financial difficulties



and on August 5, 2004, announced that it had completed the restructuring of its existing debt agreements. Payments from TMM to us are currently behind schedule. The customer owes us $7.4 million as of September 30, 2004 secured by highly specialized RoadRailer(R) equipment, which due to the nature of the equipment, has a minimal recovery value. The loss of a significant customer or unexpected delays in product purchases could adversely affect our business and results of operations.

OUR TECHNOLOGY AND PRODUCTS MAY NOT ACHIEVE MARKET ACCEPTANCE, WHICH COULD ADVERSELY AFFECT OUR COMPETITIVE POSITION.

We continue to introduce new products, such as the DuraPlate(R) HD and the Freight-Pro(R) trailer. We cannot assure you that these or other new products or technologies will achieve sustained market acceptance. In addition, new technologies or products that our competitors introduce may render our products obsolete or uncompetitive. We have taken steps to protect our proprietary rights in our new products. However, the steps we have taken to protect them may not be sufficient or may not be enforced by a court of law. If we are unable to protect our proprietary rights, other parties may attempt to copy or otherwise obtain or use our products or technology. If competitors are able to use our technology, our ability to compete effectively could be harmed.

WE HAVE A LIMITED NUMBER OF SUPPLIERS OF RAW MATERIALS; AN INCREASE IN THE PRICE OF RAW MATERIALS OR THE INABILITY TO OBTAIN RAW MATERIALS COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

We currently rely on a limited number of suppliers for certain key components in the manufacturing of truck trailers, such as tires, landing gear, axles and specialty steel coil used in DuraPlate(R) panels. From time to time, there have been and may in the future continue to be shortages of supplies of raw materials or our suppliers may place us on allocation, which would have an adverse impact on our ability to meet demand for our products. Raw material shortages and allocations may result in inefficient operations and a build-up of inventory, which can negatively affect our working capital position. In addition, if the price of raw materials were to increase and we were unable to increase our selling prices or reduce our operating costs to offset the price increases, our operating margins would be adversely affected. The loss of any of our suppliers or their inability to meet our price, quality, quantity and delivery requirements could have a significant impact on our results of operations.

DISRUPTION OF OUR MANUFACTURING OPERATIONS OR MANAGEMENT INFORMATION SYSTEMS WOULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We manufacture our products at two trailer manufacturing facilities in Lafayette, Indiana, and one hardwood floor facility in Harrison, Arkansas. Our primary manufacturing facility accounts for approximately 85% of our manufacturing output. An unexpected disruption in our production at either of these facilities or in our management information systems for any length of time would have an adverse effect on our business, financial condition and results of operations.

THE LOSS OF KEY PERSONNEL COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Many of our executive officers, including our CEO William P. Greubel and COO Richard J. Giromini, are critical to the management and direction of our business. Our future success depends, in large part, on our ability to retain these officers and other capable management personnel. The unexpected loss of the services of any of our key personnel could have an adverse effect on the operation of our business, as we may be unable to find suitable management to replace departing executives on a timely basis.

THE INABILITY TO REALIZE ADDITIONAL COSTS SAVINGS COULD WEAKEN OUR COMPETITIVE POSITION.

If we are unable to continue to successfully implement our program of cost reduction and continuous improvement, we may not realize additional anticipated cost savings, which could weaken our competitive position.



WE ARE SUBJECT TO CURRENCY EXCHANGE RATE FLUCTUATIONS, WHICH COULD ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE.

We are subject to currency exchange rate risk related to sales through our factory-owned retail distribution centers in Canada. For the nine months ended September 30, 2004 and the year ended December 31, 2003, currency exchange rate fluctuations had an unfavorable impact of $0.1 million and a favorable impact of $5.3 million, respectively, on our results of operations. We cannot assure you that future currency exchange rate fluctuations will not have an adverse affect on our results of operations equivalent to or more severe than that for the nine months ended September 30, 2004.

## RISKS RELATED TO OUR SUBSTANTIAL INDEBTEDNESS

OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

We are currently highly leveraged and have substantial debt in relation to our stockholders' equity. As of September 30, 2004, we had an aggregate of $243 million of outstanding indebtedness. Although this offering is intended to reduce our debt, we will continue to have substantial debt after applying the proceeds from this offering.

Our high level of debt could have important consequences to our investors, including:

- we may not be able to secure additional funds for working capital, capital expenditures, debt service requirements or general corporate purposes;

- we will need to use a portion of our cash flow from operations to pay principal of and interest on our debt, which will reduce the amount of funds available to us for other purposes;

- we may be more highly leveraged than our competitors, which could put us at a competitive disadvantage; and

- we may not be able to adjust rapidly to changing market conditions, which may make us more vulnerable in the event of a downturn in the general economic conditions of our business.

RESTRICTIVE COVENANTS IN OUR DEBT INSTRUMENTS COULD LIMIT OUR FINANCIAL AND OPERATING FLEXIBILITY AND SUBJECT US TO OTHER RISKS.

The agreements governing our indebtedness include certain covenants that restrict, among other things, our ability to:

- incur additional debt;

- pay dividends on our equity or repurchase our equity;

- make certain investments;

- create certain liens; and

- consolidate, merge or transfer all or substantially all of our assets.

Our ability to comply with such agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. In addition, upon the occurrence of an event of default under our debt agreements, the lenders could elect to declare all amounts outstanding under our debt agreements, together with accrued interest, to be immediately due and payable.



## RISKS PARTICULAR TO THE INDUSTRY IN WHICH WE OPERATE

OUR BUSINESS IS HIGHLY CYCLICAL, WHICH COULD ADVERSELY AFFECT OUR SALES AND RESULTS OF OPERATIONS.

The truck trailer manufacturing industry historically has been and is expected to continue to be cyclical, as well as affected by overall economic

conditions. New trailer production for the trailer industry as a whole was approximately 140,000 in both 2001 and 2002 and approximately 183,000 in 2003. Customers historically have replaced trailers in cycles that run from five to twelve years, depending on service and trailer type. Poor economic conditions can adversely affect demand for new trailers and in the past have led to an overall aging of trailer fleets beyond this typical replacement cycle. Customers' buying patterns can also reflect regulatory changes, such as the new federal hours-of-service rules and anticipated 2007 federal emissions standards. Our business is likely to continue to be highly cyclical based on current and expected economic conditions and regulatory factors.

SIGNIFICANT COMPETITION IN THE INDUSTRY IN WHICH WE OPERATE MAY RESULT IN OUR COMPETITORS OFFERING NEW OR BETTER PRODUCTS AND SERVICES OR LOWER PRICES, WHICH COULD RESULT IN A LOSS OF CUSTOMERS AND A DECREASE IN OUR REVENUES.

The truck trailer manufacturing industry is highly competitive. We compete with other manufacturers of varying sizes, some of which may have greater financial resources than we do. Barriers to entry in the standard truck trailer manufacturing industry are low. As a result, it is possible that additional competitors could enter the market at any time. In the recent past, the manufacturing over-capacity and high leverage of some of our competitors, along with the bankruptcies and financial stresses that affected the industry, contributed to significant pricing pressures.

If we are unable to compete successfully with other trailer manufacturers, we could lose customers and our revenues may decline. In addition, competitive pressures in the industry may affect the market prices of our new and used equipment, which, in turn, may adversely affect our sales margins and results of operations.

WE ARE SUBJECT TO EXTENSIVE GOVERNMENTAL LAWS AND REGULATIONS, AND OUR COSTS RELATED TO COMPLIANCE WITH, OR OUR FAILURE TO COMPLY WITH, EXISTING OR FUTURE LAWS AND REGULATIONS COULD ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS.

The length, height, width, maximum weight capacity and other specifications of truck trailers are regulated by individual states. The Federal government also regulates certain truck trailer safety features, such as lamps, reflective devices, tires, air-brake systems and rear-impact guards. Changes or anticipation of changes in these regulations can have a material impact on our financial results, as our customers may defer purchasing decisions and we may have to reengineer products. In addition, we are subject to various environmental laws and regulations dealing with the transportation, storage, presence, use, disposal and handling of hazardous materials, discharge of storm water and underground fuel storage tanks and may be subject to liability associated with operations of prior owners of acquired property. On September 28, 2004, we entered a plea to two misdemeanor violations of the federal Clean Water Act and agreed to pay a $400,000 fine pursuant to a plea agreement resulting from a federal environmental investigation into our former Huntsville, Tennessee facility. If we are found to be in violation of applicable laws or regulations in the future, it could have an adverse effect on our business, financial condition and results of operations. Our costs of complying with these or any other current or future environmental regulations may be significant. In addition, if we fail to comply with existing or future laws and regulations, we may be subject to governmental or judicial fines or sanctions.

A DECLINE IN THE VALUE OF USED TRAILERS COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

General economic and industry conditions, as well as the supply of used

trailers, influence the value of used trailers. As part of our normal business practices, we maintain used trailer inventories and have entered into finance contracts secured by used trailers, as well as residual guarantees and purchase



commitments for used trailers. Declines in the market value for used trailers or the need to dispose of excess inventories has had, and could in the future have, an adverse effect on our business, financial condition and results of operations.

PRODUCT LIABILITY AND OTHER CLAIMS.

As a manufacturer of products widely used in commerce, we are subject to regular product liability claims as well as warranty and similar claims alleging defective products. From time to time claims may involve material amounts and novel legal theories, and any insurance we carry may prove inadequate to insulate us from material liabilities for these claims.

## RISKS RELATED TO AN INVESTMENT IN OUR COMMON STOCK

OUR COMMON STOCK HAS EXPERIENCED, AND MAY CONTINUE TO EXPERIENCE, PRICE VOLATILITY AND A LOW TRADING VOLUME.

The trading price of our common stock has been and may continue to be subject to large fluctuations. Our common stock price may increase or decrease in response to a number of events and factors, including:

- trends in our industry and the markets in which we operate;
- changes in the market price of the products we sell;
- the introduction of new technologies or products by us or our competitors;
- changes in expectations as to our future financial performance, including financial estimates by securities analysts and investors;
- operating results that vary from the expectations of securities analysts and investors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, financings or capital commitments;
- changes in laws and regulations; and
- general economic and competitive conditions.

This volatility may adversely affect the prices of our common stock regardless of our operating performance. The price of our common stock also may be adversely affected by the amount of common stock issuable upon conversion of our 3 1/4% convertible senior notes due 2008. Assuming $125 million in aggregate principal amount of these notes are converted at a conversion price of $19.20, the number of shares of our common stock outstanding would increase by approximately 6.5 million, or approximately 21.5%, after giving effect to this offering, as of September 30, 2004.

In addition, our common stock has experienced low trading volume in the

past.

WE ARE NOT CURRENTLY ABLE TO PAY CASH DIVIDENDS.

Since December 2001, we have not declared or paid cash or other dividends on our common stock. In addition, the terms of our existing debt agreements prohibit the payment of cash dividends on our common stock.

ARTHUR ANDERSEN LLP, OUR FORMER AUDITORS, AUDITED CERTAIN FINANCIAL INFORMATION INCLUDED IN THIS PROSPECTUS. IN THE EVENT SUCH FINANCIAL INFORMATION IS LATER DETERMINED TO CONTAIN FALSE STATEMENTS, YOU MAY BE UNABLE TO RECOVER DAMAGES FROM ARTHUR ANDERSEN LLP.

Arthur Andersen LLP completed its audit of our financial statements for the year ended December 31, 2001, and issued its report with respect to such financial statements dated April 12, 2002.

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On March 14, 2002, Arthur Andersen was indicted on, and on June 15, 2002 Arthur Andersen was convicted of, federal obstruction of justice charges arising from the U.S. Government's investigation of Enron Corporation.

On May 30, 2002, we dismissed Arthur Andersen as our independent auditors and we appointed Ernst & Young LLP as our independent auditors for fiscal year 2002. We had no disagreements with Arthur Andersen on any matter of accounting principle or practice, financial statement disclosure or auditing scope or procedure. Arthur Andersen audited the financial statements that we include in this prospectus as of December 31, 2001 and for the year ending December 31, 2001, and a copy of their report thereon is included in this prospectus. However, we have not obtained the written consent of Arthur Andersen to include their report in this prospectus after reasonable efforts.

Arthur Andersen has stopped conducting business before the SEC and has limited assets available to satisfy the claims of creditors. As a result, and because we have not obtained Arthur Andersen's consent to the inclusion of their audit report in this prospectus, you may be limited in your ability to recover damages from Arthur Andersen under federal or state law if it is later determined that there are false statements contained in this prospectus relating to or contained in financial data audited by Arthur Andersen.

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FORWARD LOOKING STATEMENTS

This prospectus contains and incorporates by reference "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect," "plan" or "anticipate" and other similar words. Our "forward-looking statements" include statements regarding:

- our business plans;

- completion of contemplated asset dispositions;

- our expected revenues, income or loss and capital expenditures;

- plans for future operations;

- financing needs, plans and liquidity;
- our ability to achieve sustained profitability;
- reliance on certain customers and corporate partnerships;
- shortages of raw materials;
- availability of capital;
- dependence on industry trends;
- the outcome of any pending litigation;
- export sales and new markets;
- acceptance of new technology and products; and
- government regulation, as well as assumptions relating to the foregoing.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in this prospectus. Each forward-looking statement contained or incorporated by reference in this prospectus reflects our management's view only as of the date on which that forward-looking statement was made. We undertake no obligation to update forward-looking statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

Currently known risk factors that could cause actual results to differ materially from our expectations are described in the section of this prospectus entitled "Risk Factors" beginning on page 7. We urge you to carefully review that section for a more complete discussion of the risks of an investment in our common stock.



## USE OF PROCEEDS

We expect to receive net proceeds from this offering of approximately $66.8 million (approximately $76.9 million if the underwriters exercise their overallotment option in full), at an assumed public offering price of $23.63 per share, after deducting the underwriting discount and commissions and our estimated offering expenses. We intend to use all of the net proceeds of this offering to repay a portion of our outstanding indebtedness.

We intend to repay in full the balance of our secured bank term loan, which as of September 30, 2004 had an outstanding balance of $31.7 million. This loan, which matures on September 23, 2006, has a variable interest rate based on the London Interbank Offer Rate (LIBOR) plus 225 basis points, or the agent bank's prime rate plus 25 basis points. At September 30, 2004, the weighted

average interest rate for the quarter ended September 30, 2004 was 4.32%.

We intend to use the balance of the net proceeds, approximately $35.1 million, to pay down outstanding indebtedness under our revolving credit facility, under which as of September 30, 2004 we had $83.3 million outstanding and additional borrowing capacity of $65.1 million. The revolving credit facility is secured by inventory and accounts receivable and the amount available to borrow varies in relation to the balances of those accounts. The revolving credit facility, which is due on September 23, 2006, bears interest at LIBOR plus 225 basis points, or the agent bank's prime rate plus 25 basis points. We also pay a commitment fee on the unused portion of the facility at a rate of 37.5 basis points per annum. At September 30, 2004, the weighted average interest rate for the quarter ended September 30, 2004 was 4.43%.

If the underwriters exercise their overallotment option in full, we expect to receive additional net proceeds of approximately $10.1 million, all of which we intend to use to pay down an additional portion of the outstanding indebtedness under our revolving credit facility.



PRICE RANGE OF OUR COMMON STOCK

Our common stock is listed for trading on the New York Stock Exchange under the symbol "WNC." The following tables sets forth for the periods indicated the high and low sales prices per share of our common stock as reported on the New York Stock Exchange Composite Tape:

| YEAR ENDED DECEMBER 31, 2002 | HIGH | LOW |
|---|---|---|
| First quarter | $12.15 | $ 7.16 |
| Second quarter | 11.19 | 7.55 |
| Third quarter | 9.94 | 4.16 |
| Fourth quarter | 8.50 | 3.55 |

| YEAR ENDED DECEMBER 31, 2003 | HIGH | LOW |
|---|---|---|
| First quarter | $ 9.12 | $ 4.95 |
| Second quarter | 15.11 | 6.08 |
| Third quarter | 19.75 | 13.78 |
| Fourth quarter | 30.39 | 15.97 |

| YEAR ENDED DECEMBER 31, 2004 | HIGH | LOW |
|---|---|---|

| | | |
|---|---|---|
| First quarter | $30.73 | $22.16 |
| Second quarter | 29.53 | 22.00 |
| Third quarter | 30.91 | 24.90 |
| Fourth quarter (through October 27, 2004) | 28.55 | 21.82 |

As of October 18, 2004, there were 884 holders of record of our common stock. On October 27, 2004, the last sale price reported on the New York Stock Exchange Composite Tape for our common stock was $23.63 per share.

DIVIDEND POLICY

We do not currently pay cash dividends on our common stock. Our current debt agreements have restrictive covenants that prohibit us from paying dividends on our common stock.

We paid a regular quarterly cash dividend from 1992 until December 2001, when the Board of Directors suspended our payment of a common stock dividend. There are no assurances that any dividend will be paid in the future as any future payment of dividends depends on future earnings, capital availability and financial conditions.

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CAPITALIZATION

The following table shows as of September 30, 2004, our cash, short-term debt, long-term debt and capitalization:

- on an actual basis;

- on an as adjusted basis to give effect to our sale of 3,000,000 shares of common stock in this offering and application of the proceeds therefrom, at an assumed public offering price of $23.63 per share, after deducting the underwriting discount and commissions and estimated offering expenses payable by us.

This table does not reflect transactions and other events that have occurred since September 30, 2004.

| | AS OF SEPTEMBER 30, 2004 | |
|---|---|---|
| | ACTUAL | AS ADJUSTED(1) |
| | (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA) | |
| Cash and cash equivalents | $ 14,832 | $ 14,832 |
| Debt | | |
| Current maturities | | |
| Term loan | 6,729 | -- |
| Other | 2,000 | 2,000 |

| | | |
|---|---|---|
| | 8,729 | 2,000 |
| Long-term debt | | |
| Term loan | 24,959 | -- |
| Revolving credit facility | 83,275 | 48,118 |
| Convertible notes | 125,000 | 125,000 |
| Other | 1,000 | 1,000 |
| | 234,234 | 174,118 |
| Total debt | 242,963 | 176,118 |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value; 24,700,000 shares authorized; no shares issued or outstanding, actual or as adjusted | -- | -- |
| Series A Junior Participating Preferred Stock, $0.01 par value; 300,000 shares authorized; no shares issued and outstanding, actual or as adjusted | -- | -- |
| Common stock, $0.01 par value; 75,000,000 shares authorized; 27,350,725 shares issued and outstanding, actual; and 30,350,725 shares issued and outstanding, as adjusted | 274 | 304 |
| Additional paid-in capital | 249,408 | 316,223 |
| Retained deficit | (175,087) | (175,720) |
| Accumulated other comprehensive loss | 1,313 | 1,313 |
| Treasury stock, at cost; 59,600 shares of common stock | (1,279) | (1,279) |
| Total stockholders' equity | 74,629 | 140,841 |
| Total capitalization | $ 317,592 | $316,959 |

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(1) As a result of the application of the net proceeds to repay indebtedness prior to its scheduled maturity, we expect to incur a non-cash charge to earnings of approximately $633 in our fourth fiscal quarter of 2004, for early extinguishment of long-term debt.



## DILUTION

The net tangible book value of our common stock on September 30, 2004 was approximately $28.3 million, or $1.04 per share. Net tangible book value per share is equal to the amount of our total tangible assets, less total liabilities, divided by the number of shares of our common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of the 3,000,000 shares of common stock we are offering at an assumed public offering price of $23.63 per share, and after deducting the underwriting discount and commissions and estimated offering expenses, our net tangible book value at September 30, 2004 would have been approximately $95.2 million, or $3.14 per share. This represents an immediate increase in net tangible book value of $2.10 per share to existing

stockholders and an immediate dilution of $20.49 per share to new investors purchasing shares of common stock in this offering. The following table illustrates this dilution:

| | | |
|---|---|---|
| Assumed public offering price per share.................... | | $23.63 |
| Net tangible book value per share as of September 30, 2004............................................ | $1.04 | |
| Increase per share attributable to new investors...... | $2.10 | |
| Net tangible book value per share after this offering....... | | $ 3.14 |
| Dilution per share to new investors........................ | | $20.49 |

The foregoing table does not take into effect further dilution to new investors that could occur upon the exercise of outstanding options having a per share exercise price less than the offering price per share in the offering. As of September 30, 2004, there were 1,150,259 shares of our common stock issuable upon exercise of outstanding options granted under our stock option plans that had an exercise price less than the offering price per share in this offering with a weighted average exercise price of $9.94 per share.



## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth selected consolidated financial and other data for each of the five years in the period ended December 31, 2003, and unaudited financial and operating data for the nine months ended September 30, 2004 and 2003. The summary audited financial data for the years ended December 31, 2003, 2002 and 2001 are derived from our audited financial statements, and the historical financial data for the nine-month periods ended September 30, 2004 and 2003 are derived from our unaudited interim financial statements. Our audited financial statements and unaudited interim financial statements for these periods are included elsewhere in this prospectus.

The information shown in the table below may not be indicative of our future results. You should read the information below together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

| | NINE MONTHS ENDED, SEPTEMBER 30, | | YEAR ENDED DECEM | | |
|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 |
| | (IN MILLIONS, EXCEPT PER SHARE AMOUNTS, INDUSTRY BUILD, MARKET | | | | |
| SUMMARY OF OPERATIONS: | | | | | |
| Net sales.................... | $ 753.7 | $ 668.2 | $ 887.9 | $ 819.5 | $ 863.4 |

| | | | | | |
|---|---|---|---|---|---|
| Cost of sales | 657.0 | 603.4 | 810.7 | 777.1(1) | 972.1( |
| Loss on asset impairment | -- | 28.5 | 28.5 | 2.0 | 10.5 |
| Gross profit (loss) | 96.7 | 36.3 | 48.7 | 40.4 | (119.2) |
| Selling, general and administrative | 42.5 | 47.9 | 57.7 | 77.4 | 82.3 |
| Restructuring | -- | -- | -- | 1.8 | 37.9 |
| Income (loss) from operations | 54.2 | (11.6) | (9.0) | (38.8) | (239.4) |
| Interest expense | (8.6) | (27.6) | (30.2) | (30.9) | (21.3) |
| Loss on debt extinguishment | -- | (18.9) | (19.8) | (1.3) | -- |
| Other income (expense), net | 0.7 | 2.6 | 1.8 | (0.5) | (14.3) |
| Income (loss) before income taxes | 46.3 | (55.5) | (57.2) | (71.5) | (275.0) |
| Provision (benefit) for income taxes | 0.9 | -- | -- | (15.3) | (42.8) |
| Net income (loss) | $ 45.4 | $ (55.5) | $ (57.2) | $ (56.2) | $ (232.2) |
| Diluted EPS | $ 1.42 | $ (2.19) | $ (2.26) | $ (2.43) | $ (10.17) |
| CASH FLOW DATA: | | | | | |
| Depreciation and amortization | 14.7 | 19.1 | 23.8 | 28.6 | 32.1 |
| Capital expenditures | (5.8) | (3.7) | (6.5) | (5.7) | (5.9) |
| EBITDA(4) | $ 69.6 | $ (8.8) | $ (3.2) | $ (12.0) | $ (221.6) |
| PRODUCT LINE SALES DATA: | | | | | |
| New trailers | $ 657.6 | $ 499.8 | $ 690.5 | $ 563.5 | $ 614.3 |
| Used trailers | 41.0 | 53.3 | 64.8 | 92.3 | 73.3 |
| Parts | 30.2 | 72.6 | 81.7 | 99.4 | 103.7 |
| Other | 24.9 | 42.5 | 50.9 | 64.3 | 72.1 |
| Total | $ 753.7 | $ 668.2 | $ 887.9 | $ 819.5 | $ 863.4 |



| | NINE MONTHS ENDED, SEPTEMBER 30, | | YEAR ENDED DECEM | | |
|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 |
| | (IN MILLIONS, EXCEPT PER SHARE AMOUNTS, INDUSTRY BUILD, MARKET | | | | |
| SUPPLEMENTAL DATA: | | | | | |
| North American trailer industry build(5) | 172,805 | 134,343 | 182,666 | 139,658 | 140,084 |
| North American trailer market share | 20.8% | 20.0% | 19.8% | 19.4% | 22.6% |
| Backlog | $ 283.0 | $ 192.0 | $ 200.0 | $ 208.0 | $ 142.0 |
| Employees | 3,400 | 3,300 | 3,300 | 3,600 | 3,500 |
| BALANCE SHEET DATA: | | | | | |
| Working capital | $ 120.7 | $ 71.8 | $ 42.0 | $ 55.1 | $ 111.3 |
| Total equipment leased to others and finance | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| contracts.................. | 21.8 | 46.9 | 32.1 | 132.9 | 160.1 |
| Total assets................. | 469.8 | 448.0 | 397.0 | 565.6 | 692.5 |
| Total debt................... | 243.0 | 275.2 | 227.3 | 282.0 | 334.7 |
| Capital lease obligations..... | -- | 1.8 | -- | 64.9 | 77.3 |
| Stockholders' equity.......... | 74.6 | 20.0 | 22.2 | 74.0 | 131.0 |

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(1) Includes used trailer valuation charges of $5.4 million and loss contingencies and equipment impairment charges of $4.8 million.

(2) Includes used trailer inventory valuation charges of $62.1 million, a restructuring related charge of $3.7 million, and loss contingencies and impairment charges of $37.9 million related to our leasing operations.

(3) Includes a $4.5 million charge related to our restructuring activities.

(4) We use EBITDA, income (loss) before income taxes, interest expense, depreciation and amortization, as an internal measure of performance and believe it is a useful and commonly used measure of financial performance in addition to income (loss) before taxes and other profitability measures under generally accepted accounting principles (GAAP). EBITDA is not a measure of performance under GAAP. EBITDA should not be construed as an alternative to operating income and income (loss) before taxes as an indicator of our operations in accordance with GAAP, nor is EBITDA an alternative to cash flow from operating activities in accordance with GAAP. Our definition of EBITDA can differ from that of other companies. The following table reconciles net income, the most comparable measure under GAAP, to EBITDA for the periods indicated:

| | NINE MONTHS ENDED, SEPTEMBER 30, | | YEAR ENDED DECEMBER 31, | | | |
|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2003 | 2002 | 2001 | 2000 |
| | | | (IN MILLIONS) | | | |
| Net income (loss)...................... | $45.4 | $(55.5) | $(57.2) | $(56.2) | $(232.2) | $(6.7 |
| Add (subtract):........................ | | | | | | |
| Provision (benefit) for income taxes............................. | 0.9 | -- | -- | (15.3) | (42.8) | (4.3 |
| Interest expense..................... | 8.6 | 27.6 | 30.2 | 30.9 | 21.3 | 19.7 |
| Depreciation and amortization......... | 14.7 | 19.1 | 23.8 | 28.6 | 32.1 | 30.1 |
| EBITDA................................ | $69.6 | $ (8.8) | $ (3.2) | $(12.0) | $(221.6) | $38.8 |

(5) U.S. trailer industry build data represent new trailer production for the trailer industry as a whole within North America and were derived from information from A.C.T. Research Company, L.L.C.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") describes the matters that we consider to be important to understanding the results of our operations for each of the three years in the period ended December 31, 2003, our quarterly results for the nine months ended September 30, 2004, and our capital resources and liquidity as of September 30, 2004. Our discussion begins with our assessment of the condition of the North American trailer industry along with a summary of the actions we have taken to reposition Wabash. We then analyze the results of our operations for the three years ended December 31, 2003, including the trends in the overall business and our operations segments, followed by a discussion of our results of operations for the nine months ended September 30, 2004 compared to our results for the comparable period in the prior year. We follow this discussion with an analysis of our cash flows and liquidity for the nine months ended September 30, 2004, as well as our contractual commitments as of December 31, 2003. We then provide a review of the critical accounting judgments and estimates that we have made that we believe are most important to an understanding of our MD&A and our consolidated financial statements. These are the critical accounting policies that affect the recognition and measurement of our transactions and the balances in our consolidated financial statements. We conclude our MD&A with information on recent accounting pronouncements which we adopted during 2003 and the first nine months of 2004, as well as those not yet adopted that are expected to have an impact on our financial accounting practices.

Wabash has two reportable segments: manufacturing and retail and distribution. The manufacturing segment produces trailers which are sold to customers who purchase trailers directly or through independent dealers and to the retail and distribution segment. The retail and distribution segment includes the sale of new and used trailers, as well as the sale of aftermarket parts and service through its retail branch network.

### EXECUTIVE SUMMARY

The North American trailer industry rebounded in 2003, and the rebound continued into the third quarter of 2004, after three consecutive years of declining demand for new trailer units. Prior to 2003, the trucking industry, confronting an economic downturn, dramatic increases in fuel, insurance, labor and EPA compliance costs and weak capitalization, reduced trailer purchases from a high of approximately 306,000 in 1999 to approximately 140,000 units in each of 2001 and 2002, a 54% decline in demand. Demand recovered to approximately 183,000 units in 2003, which as an annual rate approximates the industry replacement rate, and is expected to increase to approximately 230,000 units in 2004 according to ACT estimates. During the three years ended December 31, 2003, our market share of new trailers declined from 23% in 2001 to 20% in 2003. For the nine months ended September 30, 2004, our market share of new trailers was 21%.

In response to the significant industry deterioration in prior years, we implemented a comprehensive plan to scale our operations to meet demand and to survive. Actions included:

- changed senior management;
- rationalized manufacturing capacity -- closing two plants;
- reduced manufacturing cost structure through continuous improvement

initiatives that focused on safety, quality, productivity, and product and process standardization;

- reduced used trailer inventories -- from approximately $110 million or 11,500 units as of September 2000 to $12 million or 2,200 units as of December 31, 2003;

- resolved legacy trade practices -- reducing open trade commitments to approximately $6 million as of December 31, 2003;

- divested our European operations;



- rationalized retail and distribution capacity -- closing 12 locations; and

- improved working capital management.

These actions set the stage for the following actions that occurred in 2003:

- selling certain assets of our rental and leasing business and our wholesale parts business, former branch properties and a large portion of our finance portfolio -- proceeds totaling approximately $75 million used to reduce on and off balance sheet debt;

- refinancing our debt through the sale of $125 million of 3.25% senior unsecured convertible notes and the completion of a three-year $222 million bank facility -- extended required repayment terms and significantly reducing interest rates;

- continuing the streamlining of the retail and distribution organization -- closing 12 additional locations; and

- achieving manufacturing margins exceeding those attained in 1999, the recent high point of the production cycle.

Charges totaling approximately $51 million in 2003 were incurred in connection with those initiatives.

We believe that we are well positioned to participate in improving general and trucking industry conditions. We expect to participate in the continued industry growth because our core customers are among the largest participants in the trucking industry, our DuraPlate(R) trailer continues to have increased market acceptance and penetration and we are expanding our presence into the middle market carriers -- approximately 1,250 carriers with fleet sizes ranging from 250 to 5,000 units.

As a result of our continuous improvement initiatives, we have reduced our total cost of producing a trailer and effectively increased production capacity. Additionally, we have become much more efficient in the use of working capital. In recent months, we have experienced significant price volatility in our principal raw materials, steel, aluminum and timber, and we expect this trend of rising material prices will continue in the near term. Recently, steel prices have been particularly difficult for a number of reasons, including steel imports to Asia, and the weakened U.S. dollar and higher transportation costs have made foreign steel more expensive than domestic steel, thereby reducing the supply of imports to meet market demand although at a more moderate pace than experienced in the first six months of the year. Because of these conditions, obtaining steel is currently challenging, but our long-term relationships with

suppliers have been advantageous. In response to these increases, on March 9, 2004 we implemented price increases on new trailers ranging from 4.5% to 6%, as contract terms allow. We continue to pass on raw material increases as competitive conditions allow. While we have experienced some nominal order cancellations and postponements, we do not anticipate any significant impact on our overall market share.

OPERATING PERFORMANCE

We measure our operating performance in four key areas: Safety, Quality, Productivity and Cost Reduction. Our objective, be better tomorrow than we are today, is simple, straightforward and easily understood by all our associates.

- Safety. As of September 30, 2004, we had achieved an 81% reduction in the OSHA recordable incident rate since June 2002. We believe improved safety translates into higher labor productivity and lower costs as a result of less time missed due to injuries.

- Quality. We measure our quality performance in terms of:

  - First pass yield: Our first pass yield metrics have registered improvement despite increasingly more stringent requirements. First pass yield averaged 54% in 2002; 66% in 2003; and 85% through September 2004.



  - On Time Delivery: In the third quarter of 2003, we attained 100% schedule attainment and continue to operate at that rate through September 2004.

  - Warranty: We measure, among other things, the number and severity of warranty claims. While improvements are being noted and we are encouraged by the results, a longer term perspective is required before declaring success.

- Productivity. We measure productivity on many fronts. Some key indicators include production line speed, man-hours per trailer and inventory levels. Improvements in these areas translate into:

  - Increased availability capacity which we estimated to be over 75,000 units annually based on a three-shift, five-day work week.

  - Reduced work in process inventory, which as of December 31, 2003 was $4 million as compared to $14 million at the beginning of that year, although it has increased to $5 million as of September 30, 2004.

  - Increased inventory turnover, which at September 30, 2004 was approximately eight turns per year compared to approximately six turns in 2002.

- Cost Reduction. During 2002, we introduced our continuous improvement initiative (CI). As of September 30, 2004, over 300 CI

events have been completed. We believe CI is a way of life.

INDUSTRY TRENDS

To monitor the state of the industry, we evaluate a number of indicators related to trailer manufacturing and the transportation industry. Information is obtained from sources such as A.C.T. Research Co., LLC (ACT), American Trucking Association (ATA), Cass Logistics, and Eno Transportation Foundation. Recent trends we have observed include the following:

- Improvement in the Number of Units Shipped. After reaching a high of over 300,000 units shipped in 1999, shipments by the U.S. trailer industry declined to approximately 140,000 units in each of 2001 and 2002. Unit shipments were approximately 183,000 in 2003. ACT estimates that 2004 and 2005 shipments will be approximately 230,000 units and 277,000 units, respectively. We expect, however, that the level of industry shipments in 2005 will be somewhat lower than ACT's estimate: between 250,000 units and 260,000 units.

- Increasing Age of Motor Carrier Trailer Fleets. During the three-year period ending December 31, 2003, the average age of trailer fleets increased from approximately 44 months to 55 months. We believe this increase resulted in part from deferred purchases by many motor carriers. This trend suggests to us that there may be pent-up replacement demand for trailers.

- Increasing Rate of New Trailer Orders. Quarterly industry order placements were in the range of 10,000 units to 15,000 units per month during each of the six quarters ended December 31, 2003. For the first quarter of 2004, the industry monthly order placement rate averaged over 20,000 units. For the second quarter of 2004, the industry monthly order placement rate averaged 19,000 units, a 22% increase over the same period in 2003. For the third quarter of 2004, the industry monthly order placement rate averaged 18,500 units, a 32% increase over the same period in 2003.

- Other Developments. Other developments and our view of their potential impact on the industry include:

  - New federal emission standards that come into effect in 2007 could result in improved demand for trailers in 2005 and part of 2006, as motor carriers may focus their capital



spending on tractors in advance of the regulations taking effect. A similar pattern occurred in advance of the October 2002 enactment of new emission standards.

  - Technology advances in trailer tracking and route management implemented by motor carriers have increased trailer utilization and lowered trailer-to-tractor ratios and could result in reduced trailer demand.

  - New federal hours-of-service rules became effective January 4, 2004. We initially believed that these rules would negatively impact driver productivity and that this could result in increased demand for trailers. These rules were recently vacated by the U.S. Court of Appeals. However, due to

Congressional action in early October, the regulation remains temporarily in effect. To date, we believe that there has been a limited amount of increased business as a result of the regulation. If the regulation is permanently suspended, there is the potential for cancellation of refrigerator units and some increase of trade-ins that could affect used trailer prices.

ANNUAL RESULTS OF OPERATIONS

The following table sets forth certain operating data as a percentage of net sales for the periods indicated:

| | PERCENTAGE OF NET SALES YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2003 | 2002 | 2001 |
| Net sales | 100.0% | 100.0% | 100.0% |
| Cost of sales | 91.3 | 94.8(1) | 112.6(2) |
| Loss on asset impairment | 3.2 | 0.3 | 1.2 |
| Gross profit (loss) | 5.5 | 4.9 | (13.8) |
| General and administrative expense | 4.2 | 6.6 | 6.6 |
| Selling expense | 2.3 | 2.8 | 2.9 |
| Restructuring charge | -- | 0.2 | 4.4 |
| Loss from operations | (1.0) | (4.7) | (27.7) |
| Interest expense | (3.4) | (3.8) | (2.5) |
| Trade receivables facility costs | (0.1) | (0.5) | (0.3) |
| Foreign exchange losses, net | 0.6 | -- | (0.2) |
| Equity in losses of unconsolidated affiliate | -- | -- | (0.9) |
| Restructuring charge | -- | -- | (0.2) |
| Loss on extinguishment | (2.2) | (0.2) | -- |
| Other income (expense), net | (0.3) | 0.5 | (0.1) |
| Loss before income taxes | (6.4) | (8.7) | (31.9) |
| Income tax benefit | -- | (1.8) | (5.0) |
| Net loss | (6.4)% | (6.9)% | (26.9)% |

------------

(1) Includes used trailer valuation charges of $5.4 million and $2.8 million for loss contingencies.

(2) Includes used trailer inventory valuation charges of $62.1 million (7.2%), a restructuring related charge of $3.7 million (0.4%), and loss contingencies related to our leasing operations of $27.4 million (3.2%).



2003 COMPARED TO 2002

NET SALES

Net sales improved 8% from 2002. Based upon ACT data, the first quarter

of 2002 is believed to have been the low point of the industry downturn that began in 2000. By business segment, net external sales and related units sold were as follows (dollars in millions):

| | YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2003 | 2002 | % CHANGE |
| Net Sales by segment: | | | |
| Manufacturing | $ 620.1 | $ 492.3 | 26% |
| Retail and Distribution | 267.8 | 327.3 | (18) |
| Total | $ 887.9 | $ 819.6 | 8% |
| New trailer units: | | | |
| Manufacturing | 36,900 | 30,900 | 19% |
| Retail and Distribution | 4,100 | 3,600 | 14 |
| Total | 41,000 | 34,500 | 19% |
| Used trailer units | 11,700 | 17,600 | (34)% |

The manufacturing segment's sales improvement was driven by demand for new trailers and improved product mix. Average selling price increased 4.7% primarily due to product mix: for example, we sold approximately 5,000 fewer lower priced containers and chassis in 2003 compared to 2002.

The decrease in the retail and distribution segment's net sales reflects:

- used trailer sales decline of $27.5 million as unit sales fell 34% due to completing the disposition of excess inventories during 2002 and the impact of closing certain locations;

- the sale of certain assets of the aftermarket parts distribution business and the trailer rental and leasing business in September 2003 primarily accounts for $27.7 million of the sales decline;

- branch parts and services sales decline of $8.7 million primarily due to closing full service branches; offset by

- new trailer sales increase of $4.4 million due to a 19% increase in equivalent store units sold, offset partially by the impact of closing certain locations.

GROSS PROFIT (LOSS)

Gross profit as a percent of sales was 8.7% for 2003 compared to 5.2% in 2002, before asset impairment charges of $28.5 million and $2.0 million in 2003 and 2002, respectively. The 2003 asset impairment charge was taken on certain assets of the rental and leasing and aftermarket parts businesses. A summary of gross profit by segment follows (in millions):

| | YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2003 | 2002 | $ CHANGE |

| | | | |
|---|---|---|---|
| Gross Profit by segment: | | | |
| Manufacturing | $ 59.1 | $20.8 | $ 38.3 |
| Retail and Distribution | (10.9) | 19.7 | (30.6) |
| Eliminations | 0.5 | 0.0 | 0.5 |
| Total Gross Profit | $ 48.7 | $40.5 | $ 8.2 |



The manufacturing segment's gross profit increased due to higher volumes and improved product mix, coupled with realizing cost savings driven by our continuous improvement initiatives. The segment's 2003 gross profit percentage of 9.5% exceeded the 8.9% attained in 1999, the most recent production cycle peak.

The retail and distribution segment's gross profit for 2003 was negatively impacted by the $28.5 million asset impairment charge and $3.9 million in trailer valuation charges. Gross profit for 2002 was negatively impacted by $4.8 million in loss contingencies and asset impairment charges related to equipment held for lease and $5.4 million in used trailer valuation charges. Additionally, the lower gross profit resulted from lower margins on used trailer sales and the impact of selling certain assets of the rental and leasing and aftermarket parts businesses in September 2003. New trailers margins held steady in relation to 2002.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased $16.5 million to $37.4 million for 2003, compared to $53.9 million for the same period in 2002. The 2003 expense included $2.6 million in debt restructuring costs, $0.9 million related to the branch closings, offset in part by a $0.8 million recovery of VAT taxes. The 2002 expense included $10.6 million in bad debt expense mainly related to the finance and leasing businesses, $2.2 million in severance accruals, $1.9 million in write-downs related to the disposition of Wabash's airplane and $1.2 million in debt restructuring costs.

SELLING EXPENSES

Selling expenses decreased $3.2 million to $20.3 million in 2003, compared to $23.5 million in 2002. The decrease primarily reflects the impact of retail branch closings and the September 2003 sale of certain assets of our trailer rental and leasing and aftermarket parts businesses.

OTHER INCOME (EXPENSE)

Interest expense totaled $30.2 million for 2003, a decrease of $0.7 million from the prior year. Through the first three quarters of 2003, interest expense exceeded that of 2002 due to higher interest rates and increased amortization of debt costs resulting from debt restructurings in 2002 and 2003. The debt refinancing and assets sales during the second half of 2003 resulted in lower interest rates and average borrowings, respectively.

Trade receivables facility costs declined as 2002 included $3.3 million in facility restructuring costs.

Foreign exchange gains and losses, net were gains of $5.3 million for 2003, primarily occurring in the first six months of the year reflecting a

strengthening of the Canadian dollar compared to the U.S. dollar.

Loss on debt extinguishment of $19.8 million in 2003 primarily represents the additional costs associated with the early extinguishment of our senior series notes and bank debt.

Other, net for 2003 was a net expense of $2.5 million compared to a net income of $3.5 million for the same period in 2002. The 2003 period included a $3.2 million loss on the sale of a large portion of our finance portfolio, $1.3 million charge for the settlement of a legacy RoadRailer(R) transaction and a $0.8 million loss on the sale of certain assets, offset in part by gains of $2.9 million on the sale of closed branch properties. The 2002 period included gains on the sale of closed branch properties.

INCOME TAXES

Wabash recorded no income tax benefit in 2003 due to uncertainties surrounding the realizability of benefits associated with NOLs. The 2002 benefit recorded represents an additional realizable federal NOL carry-back claim filed and received under the provisions of the Job Creation and Worker Assistance



Act of 2002, which revised the permitted carry-back period for NOLs generated during 2001 from two years to five years.

2002 COMPARED TO 2001

Net loss for 2002 was $56.2 million compared to $232.2 million in 2001. This improvement reflects a leveling off of new trailer sales and the impact on 2001 restructuring charges and losses related to used trailers.

NET SALES

Wabash finished 2002 with consolidated net sales of approximately $819.6 million compared to $863.4 million in 2001. This decrease was the result of lower net sales in both the manufacturing and retail and distribution segments.

| | YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2002 | 2001 | % CHANGE |
| | (DOLLAR AMOUNTS IN MILLIONS) | | |
| Net Sales by segment: | | | |
| Manufacturing | $492.3 | $518.2 | (5)% |
| Retail and Distribution | 327.3 | 345.2 | (5)% |
| Total | $819.6 | $863.4 | (5)% |
| New trailer units: | | | |
| Manufacturing | 30,900 | 31,000 | (0)% |
| Retail and Distribution | 3,600 | 6,100 | (41)% |
| Total | 34,500 | 37,100 | (7)% |
| Used trailer units | 17,600 | 11,500 | 53% |

The manufacturing segment's net external sales decreased $25.9 million in 2002 compared to 2001 primarily driven by a 4.8% decrease in the average selling price per new trailer sold from approximately $16,700 in 2001 to approximately $15,900 in 2002, reflecting a product mix that included approximately 7,400 units of lower priced containers and chassis. The selling price per unit in 2002 for non-container units was approximately $16,900.

The retail and distribution segment's net external sales decreased $17.9 million in 2002 compared to 2001. This decrease was primarily driven by a 41.0% decrease in new units. The decrease in new units sold reflects market conditions and our focus on reducing used trailer inventories. This decrease was partially offset by increases in used units sold and the selling price per new unit (approximately $21,900 in 2002 versus $16,800 in 2001). Our emphasis on reducing used trailer inventory resulted in a 17.5% decrease in revenues per unit from approximately $6,300 in 2001 to $5,200 in 2002. The total number of branch locations as of December 31, 2002 was 39 as compared to 47 as of December 31, 2001.



GROSS PROFIT (LOSS)

Wabash finished 2002 with gross profit (loss) as a percent of sales of 4.9% on a consolidated basis as compared to (13.8%) in 2001. As discussed below, both of our segments contributed to this increase.

| | YEARS ENDED DECEMBER 31, | | |
|---|---|---|---|
| | 2002 | 2001 | $ CHANGE |
| | (DOLLAR AMOUNTS IN MILLIONS) | | |
| Gross Profit (Loss) by Segment: | | | |
| Manufacturing | $20.8 | $ (73.9) | $ 94.7 |
| Retail and Distribution | 19.7 | (47.6) | 67.3 |
| Eliminations | 0.0 | 2.3 | (2.3) |
| Total Gross Profit (Loss) | $40.5 | $(119.2) | $159.7 |

The manufacturing segment's gross profit (loss) increased primarily as a result of the following factors:

- decrease of 19% in material costs per unit resulting from product mix including containers and continuous improvement initiatives introduced in the second half of 2002;

- new and used trailer inventory valuation adjustments of $65.1 million in 2001 compared to $2.7 million in 2002; and

- the impact of inventory write-downs related to our 2001 restructuring actions of approximately $3.7 million; partially offset by

- lower revenues per unit, as discussed previously; and

- higher labor costs resulting from temporary labor, time spent on

training and continuous improvement initiatives.

The retail and distribution segment's gross profit (loss) increased primarily as a result of the following factors:

- impairment of equipment held for lease along with certain loss contingencies recognized related to its leasing activities totaling $4.8 million and $37.9 million in 2002 and 2001, respectively;

- improved used trailers margins, which were 6.4% in 2002 compared to (15.0%) in 2001;

- improved margins from our parts distribution business; and

- new trailer and aftermarket parts inventory valuation adjustments of approximately $3.5 million in 2001; partially offset by

- declines in new trailer and parts and service gross profit, in part due to fewer locations in 2002; and

- used trailer inventory adjustments of $5.4 million in 2002.

GENERAL AND ADMINISTRATIVE

General and administrative expenses decreased $3.1 million to $53.9 million in 2002, compared to $57.0 million in 2001. This decrease was primarily due to a reduction of $10.3 million in bad debt expense representing improved collection efforts and significant write-offs taken in 2001. The decrease in bad debt expense was offset in part by increases of $3.6 million in professional fees and $3.0 million in severance related to branch closings and former corporate employees.

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RESTRUCTURING EXPENSE

Restructuring expenses decreased $36.1 million to $1.8 million in 2002, compared to $37.9 million in 2001. The 2002 expense represented additional fair market value adjustments to closed manufacturing locations which are held for sale related to 2000 and 2001 restructuring actions. The 2001 expense primarily related to asset write-downs for the Scott County, Tennessee and Fort Madison, Iowa manufacturing facilities and Montebello, California parts distribution center taken as part of the 2001 restructuring.

OTHER INCOME (EXPENSE)

Interest expense totaled $30.9 million and $21.3 million for the years ended December 31, 2002 and 2001, respectively. This increase was primarily due to higher interest rates on our senior notes and bank debt resulting from the debt restructuring in April 2002, interest on capital leases that were entered into during the fourth quarter of 2001 and significantly higher amortization from deferred debt costs in connection with the debt restructuring, offset in part by reduced overall borrowings in 2002.

Trade receivables facility costs related to our accounts receivable securitization facility, increased to $4.1 million in 2002 from $2.2 million in 2001 primarily as a result of $3.3 million in costs incurred with restructuring the facility in April 2002, offset in part by an absence of borrowings under the restructured facility from April to December 2002.

Foreign currency transaction loss, net was $1.7 million for the year

ended December 31, 2001.

Loss on debt extinguishment of $1.3 million in 2002 represents fees and the write-off of deferred debt issuance costs associated with the April 2002 debt restructuring.

Other, net was income of $3.5 million in 2002 compared to expense of $1.1 million in 2001. The increase primarily includes gains on sales of closed branch locations.

INCOME TAXES

Income tax benefit for 2002 and 2001 was $15.3 million and $42.9 million, respectively. The effective tax rate was 21.4% and 15.6% for 2002 and 2001, respectively. For 2002, the benefit recorded primarily represents an additional realizable federal net operating loss (NOL) carry-back claim filed and received under the provisions of the Job Creation and Worker Assistance Act of 2002, which revised the permitted carry-back period for NOLs generated during 2001 from two years to five years. In 2002, the effective rate differed from the U.S. federal statutory rate of 35% primarily due to the recognition of a valuation allowance against deferred tax assets that we determined were more likely than not to be realized before expiration.



QUARTERLY RESULTS OF OPERATIONS

The following table sets forth certain operating data as a percentage of net sales for the periods indicated:

| | PERCENTAGE OF NET SALES | | | |
|---|---|---|---|---|
| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | 86.7 | 92.1 | 87.2 | 90.3 |
| Loss on asset impairment | -- | -- | -- | 4.3 |
| Gross profit | 13.3 | 7.9 | 12.8 | 5.4 |
| General and administrative expense | 3.7 | 5.5 | 4.1 | 4.8 |
| Selling expense | 1.4 | 2.1 | 1.5 | 2.3 |
| Income (loss) from operations | 8.2 | 0.3 | 7.2 | (1.7) |
| Interest expense | (1.1) | (4.1) | (1.1) | (4.1) |
| Foreign exchange gains and losses, net | 0.2 | (0.1) | -- | 0.8 |
| Loss on debt extinguishment | -- | (8.8) | -- | (2.8) |
| Other, net | 0.2 | (1.1) | -- | (0.5) |
| Income (loss) before income taxes | 7.5 | (13.8) | 6.1 | (8.3) |

| | | | | |
|---|---|---|---|---|
| Income tax provision | 0.2 | -- | 0.1 | -- |
| Net income (loss) | 7.3% | (13.8)% | 6.0% | (8.3)% |

The industry recovery that began in 2003 continued into the third quarter of 2004 and it is expected to continue over the balance of the year as production of trailers is anticipated to increase from approximately 183,000 units to approximately 230,000 units in 2004 according to ACT Research Company, LLC estimates. The expansion in production is predicated on a number of factors including improving general economic conditions and pent-up trucking industry demand for replacement units as the average age of trailer fleets increases. Regulations regarding driver hours (hours of service) that became effective January 2004 have had limited impact on business to date.

The industry is enjoying a period of improvement and we expect to participate in the industry growth because our core customers are among the largest participants in the trucking industry, our DuraPlate(R) trailer continues to have increased market acceptance and penetration and we are expanding our presence into the middle market carriers -- approximately 1,250 carriers with fleet sizes ranging from 250 to 5,000 units.

We believe that we are well positioned to benefit from any increased demand for trailers because of the improvements that have been made over the last three years. As a result of our continuous improvement initiatives, we have reduced our total cost of producing a trailer and effectively increased production capacity. Additionally, we have become more efficient in the use of working capital. Since January 2004, we have experienced significant price volatility in our principal raw materials: steel, aluminum and timber. More recently, availability of raw materials due to supplier capacity constraints and a constrained distribution system have become a more serious concern. We have experienced some intermittent shortages that we have been able to manage through. We expect the trend of rising material prices and constrained availability will continue near term. We believe that our long-term relationships with suppliers have been advantageous in mitigating raw material issues. We responded to increased raw material costs by implementing price increases on new trailers in March 2004 ranging from 4.5% to 6%, as contract terms allow. We continue to pass on raw material increases as competitive conditions allow. While



we have experienced some nominal order cancellations and postponements, we do not anticipate any significant impact on our overall market share.

THREE MONTHS ENDED SEPTEMBER 30, 2004

NET SALES

Net sales increased $61.7 million from the third quarter 2003, which included $18.0 million of sales associated with certain assets of our trailer rental and leasing and aftermarket parts distribution businesses which were sold in September 2003 (Asset Sales). By business segment, net sales to external customers and related units sold were as follows (in millions):

| | THREE MONTHS ENDED SEPTEMBER 30, | | |
|---|---|---|---|
| | 2004 | 2003 | % CHANGE |
| Sales by segment: | | | |
| Manufacturing | $215.5 | $147.1 | 46% |
| Retail and Distribution | 61.7 | 68.4 | (10)% |
| Total | $277.2 | $215.5 | 29% |
| New trailer units: | | | |
| Manufacturing | 12,100 | 8,900 | 36% |
| Retail and Distribution | 1,600 | 1,000 | 60% |
| Total | 13,700 | 9,900 | 38% |
| Used trailer units | 1,700 | 3,100 | (45)% |

Improving conditions in both the overall economy and the transportation industry drove a 36% increase in unit volume in the manufacturing segment. Average selling prices increased approximately 7.5% from the prior year period as material price increases were passed along to the end users.

Third quarter 2004 sales in the retail and distribution segment were lower than the prior year period which included $18.0 million of sales associated with the aforementioned Assets Sales. The 2004 period saw a 60% increase in new trailer unit sales equal to $14.9 million in sales offset in part by reductions in used trailer sales. The decrease in used trailer sales resulted from constrained used equipment availability, as transportation companies retain equipment to meet requirements. Branch parts and service sales increased $1.2 million despite the closing of four full service branches during 2003.

GROSS PROFIT

Gross profit as a percent of sales was 13.3% in the third quarter of 2004 compared to 7.9% in the 2003 period. As discussed below, both of our segments

contributed as follows (in millions):

| | THREE MONTHS ENDED SEPTEMBER 30, | | |
|---|---|---|---|
| | 2004 | 2003 | $ CHANGE |
| Gross Profit by segment: | | | |
| Manufacturing | $30.1 | $10.9 | $19.2 |
| Retail and Distribution | 5.2 | 6.1 | (0.9) |
| Eliminations | 1.6 | -- | 1.6 |
| Total Gross Profit | $36.9 | $17.0 | $19.9 |

The increase in the manufacturing segment's gross profit primarily resulted from increased volume of $6.3 million and improved labor and overhead utilization of $10.6 million, reflecting the benefits of



continuous improvement initiatives, reductions in cycle times and cost controls. Raw material cost increases were essentially offset by increases in selling prices.

Gross profit in the retail and distribution segment in 2004 benefited from increased new trailer sales, improved margins on used trailers and higher parts and service sales. The 2003 period included $3.2 million of profit associated with the Asset Sales.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses during the third quarter of 2004 decreased $1.4 million from the 2003 period. The 2004 period included $0.6 million in increased technology costs and $0.4 million in higher employee related costs. The 2003 period included a charge of $0.9 million related to branch closings, $0.6 million in legal reserves and $0.6 million in costs from operations affected by the Asset Sales.

SELLING EXPENSE

Selling expenses decreased $0.8 million to $3.8 million for the third quarter of 2004, compared to $4.6 million in the prior year period due to the impact of the Asset Sales and the closing of 12 branch locations during the third quarter of 2003.

OTHER INCOME (EXPENSE)

Interest expense totaled $2.9 million for the third quarter of 2004; a decrease of $5.8 million from the prior year period due to lower effective interest rates resulting from the debt refinancings completed in the third quarter of 2003 and reduced average borrowings.

We recorded a foreign exchange gain of $0.5 million in the third quarter of 2004 compared to a loss of $0.3 million in the 2003 period, reflecting the relative weakness of the US dollar compared to the Canadian dollar in the third quarter of 2004.

Loss on debt extinguishment in 2003 of $18.9 million represents the additional costs associated with the early extinguishment of our senior series notes and bank debt.

Other, net was income of $0.4 million for the three months ended September 30, 2004, compared to an expense of $2.3 million for the 2003 period. The expense in the 2003 period included a $1.0 million loss on the sale of certain assets.

INCOME TAXES

We recognized income tax provision of $0.4 million related to Federal and State alternative minimum tax in the third quarter of 2004. No ordinary income tax provision was recognized in 2004 due to the utilization of net operating loss (NOL) carryforwards. No income tax provision was recognized in 2003. Because of uncertainty related to the realizability of NOLs in excess of those utilized, a full valuation allowance continues to be recorded against the related deferred tax assets at September 30, 2004.



NINE MONTHS ENDED SEPTEMBER 30, 2004

NET SALES

Net sales increased $85.5 million compared to the 2003 period. The nine months ended September 30, 2003 included $58.9 million of sales associated with the Asset Sales. By business segment, net sales to external customers and related units sold were as follows (in millions):

| | NINE MONTHS ENDED SEPTEMBER 30, |
| --- | --- |