

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

WABASH NATIONAL CORP /DE
Form 10-K/A
April 05, 2004

=====

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K/A
AMENDMENT NO. 3

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-10883

WABASH NATIONAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

52-1375208
(IRS EMPLOYER
IDENTIFICATION NUMBER)

[WABASH NATIONAL LOGO]

1000 SAGAMORE PARKWAY SOUTH,
LAFAYETTE, INDIANA
(ADDRESS OF PRINCIPAL
EXECUTIVE OFFICES)

47905
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (765) 771-5300

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class ----- | Name of each exchange on which registered ----- |
|-------------------------------|---|
| Common Stock, \$.01 Par Value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

amendment to this Form 10-K. []

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No []

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2003 was \$230,188,920 based upon the closing price of the Company's common stock as quoted on the New York Stock Exchange composite tape on such date.

The number of shares outstanding of the registrant's Common Stock as of February 6, 2004 was 26,914,517.

=====

EXPLANATORY NOTE

This is Amendment No. 3 to the Registrant's annual report on Form 10-K for the year ended December 31, 2003. This filing amends and restates the Form 10-K, including Amendments No. 1 and 2, changes footnotes 5 and 20 of the Registrant's financial statements, changes the liquidity and capital resources subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations section and makes minor clerical changes in Part III of the report. In all other respects, the Form 10-K filed February 12, 2004 remains unchanged. This Amendment No. 3 continues to speak as of the date of the original filing of the Form 10-K, and the Registrant has not updated the disclosure contained herein to reflect any events that occurred at a later date.

TABLE OF CONTENTS

WABASH NATIONAL CORPORATION
FORM 10-K FOR THE FISCAL
YEAR ENDED DECEMBER 31, 2003
AMENDMENT NO. 3

PART I

Item 1 Business.....
Item 2 Properties.....
Item 3 Legal Proceedings.....
Item 4 Submission of Matters to a Vote of Security Holders.....

PART II

Item 5 Market for Registrant's Common Equity and Related Stockholder Matters.....
Item 6 Selected Financial Data.....
Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.....
Item 7A Quantitative and Qualitative Disclosures about Market Risk.....

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Item 7B Risk Factors.....

Item 8 Financial Statements and Supplementary Data.....

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....

Item 9A Controls and Procedures.....

PART III

Item 10 Directors and Executive Officers of the Registrant.....

Item 11 Executive Compensation.....

Item 12 Security Ownership of Certain Beneficial Owners and Management

Item 13 Certain Relationships and Related Transactions.....

Item 14 Principal Accountant Fees and Services.....

PART IV

Item 15 Exhibits, Financial Statement Schedules and Reports on Form 8-K.....

SIGNATURE

FORWARD LOOKING STATEMENTS

This Report, including documents incorporated by reference, 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 of 1934 (the "Exchange Act"). Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "expect," "plan" or "anticipate" and other similar words. Our "forwarding-looking statements" include, but are not limited to, statements regarding:

- our business plan;
- 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;

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

- 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 Report. Each forward-looking statement contained in this Report reflects our management's view only as of the date on which that forward-looking statement was made. We are not obligated 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 report 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 Report entitled "Risk Factors." We urge you to carefully review that section for a more complete discussion of the risks of an investment in the notes and our common stock.

PART I

ITEM 1--BUSINESS

Wabash National Corporation ("Wabash," "Company," "us," "we" or "our") is 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. We believe our success has been the result of our longstanding relationships with our core customers, innovative product development, broad product line, large distribution and service network and corporate culture. Our management team is focused on becoming the low-cost producer in the truck trailer industry through continuous improvement and lean manufacturing initiatives.

We seek to identify and produce proprietary products that offer added value to customers with the potential to generate higher profit margins than those of standardized products. We believe that we have the engineering and manufacturing capability to produce these products efficiently. Our proprietary DuraPlate(R) composite truck trailer,

3

which we introduced in 1996, has achieved widespread acceptance by our customers. In 2003 and 2002, 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 expect to continue a program of product development and selective acquisitions of quality proprietary products that further differentiate us from our competitors and increase profit opportunities.

We market our transportation equipment under the Wabash(R), FreightPro(R), Articlite(R), RoadRailer(R) and DuraPlate(R) trademarks directly to customers, through independent dealers and through our factory-owned retail branch network. Our factory-direct marketing effort focuses on our longstanding core customers that represent many of the largest companies in the trucking industry, including Schneider National, Inc., J.B. Hunt Transport Services,

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Inc., Swift Transportation Corporation, Werner Enterprises, Inc., U.S. Xpress Enterprises, Inc., Heartland Express, Inc., Safeway, Inc. and Yellow Roadway, Inc. Our relationship with our core customers has been central to our growth since inception. Our factory-owned retail branch network, which we acquired in 1997, provides additional opportunities to distribute our products and also offers national service and support capabilities for our customers. The retail sale of new and used trailers, aftermarket parts and maintenance service through our retail branch network generally provides enhanced margin opportunities.

Wabash was incorporated in Delaware in 1991 and is the successor by merger to a Maryland corporation organized in 1985. Wabash operates in two segments: (1) manufacturing and (2) retail and distribution. Financial results by segment and financial information regarding geographic areas and export sales are discussed in detail within Footnote 18, Segment Reporting, of the accompanying Consolidated Financial Statements. Additional information concerning the Company can be found on the Company's website at www.wabashnational.com. The Company makes its electronic filings with the SEC, including its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports, available on its website free of charge as soon as practicable after it files or furnishes them with the SEC. Information on the website is not part of this Form 10-K.

TURNAROUND INITIATIVES

A three-year industry downturn from 2000 through 2002, and its effects on our results, led us to implement a comprehensive plan to scale our operations to meet reduced demand, reduce our cost structure, and take aggressive actions to position us for the future. Among other things we have taken the following steps:

- changed senior management;
- rationalized our manufacturing capacity through the closure of two facilities that manufactured flatbed, van and dump trailers;
- reduced our cost structure through continuous improvement initiatives;
- reduced used trailer inventories from approximately \$110 million, or 11,500 units, as of September 30, 2000, to less than \$12 million, or 2,200 units as of December 31, 2003;
- significantly reduced our exposure to used trailer trade-in commitments;
- divested our European operations;
- instituted a program of rationalizing our retail distribution channels by closing 12 retail locations;
- reduced total debt from \$460 million, including \$48 million of off balance sheet debt, at December 31, 2001, to \$239 million, including \$12 million of off balance sheet debt, at December 31, 2003;
- refinanced our debt through the sale of \$125 million of 3.25% senior unsecured convertible notes and a three-year \$222 million bank facility;
- sold certain assets of our rental and leasing business, wholesale aftermarket parts business and a large portion of

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

our finance portfolio;

4

- converted our outstanding preferred stock with a redemption value of \$17.6 million into approximately 823,000 shares of common stock; and
- improved our working capital management.

After two years of demand well below replacement levels, the industry showed improvement during 2003. Market and industry analysts are forecasting that improvements should continue into 2004.

STRATEGY

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

- continue our transition from an organization focused on revenue growth to one focused on earnings and cash flow;
- continue to provide differentiated products that generate enhanced profit margins;
- continue to reduce our cost structure by adhering to continuous improvement and lean manufacturing initiatives;
- continue to focus on our longstanding customer partnerships and create new revenue opportunities by offering tailored transportation solutions; and
- reduce debt to enhance financial flexibility and enable us to capitalize on future market opportunities.

INDUSTRY

Trucking in the United States, according to the American Trucking Association, was estimated to be a \$605 billion industry in 2002 (the latest date such information is available), leading all other modes of transportation. They estimate that approximately 69% of all freight tonnage is carried by truck at some point during its shipment, accounting for approximately 87% of freight industry revenues. Trailer demand is a direct function of the amount of freight to be transported. As the economy improves, it is forecasted that truck carriers will need to expand their fleets, which typically results in increased trailer orders. According to ACT Research Company, LLC (ACT), there are approximately 2.8 million trailers in use today and the trailer replacement demand is estimated at between 180,000 and 200,000 trailers per year.

In general, the trucking industry grew throughout the 1990's and peaked in 1999. A number of factors, including an economic downturn, fluctuations in fuel prices, declining asset values, limited capital, record trucking company failures and industry consolidation led to a historic reduction of 54% in trailer purchases from 1999 to 2002. In early 2003, the trailer industry started seeing signs of gradual improvement. From a net order standpoint, each month in 2003 saw an improvement over the same month in 2002. As an indicator of future production, the year ended with November and December being two of the highest net order months in nearly three years for the industry. 2003 ended with approximately 183,000 units built by the industry, a 30% improvement over 2002. The truckload market continues to consolidate and failures reached an

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

unprecedented number of approximately 3,000 per year from 2000 to 2002, it is believed that the top 10 carriers only haul approximately 11% of the truckload market, according to the ENO Foundation.

New truck emission regulations became effective on October 1, 2002, resulting in cleaner, yet less fuel-efficient and costlier engines. As a consequence, many trucking firms accelerated purchases of tractors prior to the effective date of the regulation, significantly reducing the historical trailer-to-tractor ratio of 1.5 to 1, to less than 1 to 1 during parts of 2002, according to ACT. We believe that a return to historical averages could result in a significant increased demand in trailers. Additional emission regulations are to become effective in 2007 and may result in similar purchasing patterns during 2006. In January 2004, regulations reducing driver hours (hours of service) for commercial motor vehicles that carry property became effective. While we expect that the effects of the regulations on our industry to be positive, it is too early to confirm.

5

Wabash, Great Dane and Utility are generally viewed as the top three trailer manufacturers and have accounted for greater than 50% of new trailer market share in recent years. During the severe industry downturn in 2001 and 2002, a number of trailer manufacturers went out of business, resulting in greater industry consolidation. Despite market concentration, price competition is fierce and differentiation is primarily through superior products, customer relationships, service availability and cost.

The following table sets forth new trailer production for the Company, its largest competitors and for the trailer industry as a whole within North America:

| | 2003 ----- | 2002 ----- | 2001 ----- | 2000 ----- | 1999 ----- | 1998 ----- |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| WABASH(1) | 36,000 | 27,000 | 32,000 | 66,000 | 70,000 | 61,000 |
| Great Dane | 41,000 | 33,000 (2) | 22,000 | 47,000 | 58,000 | 51,000 |
| Utility | 24,000 | 18,000 | 16,000 | 29,000 | 31,000 | 27,000 |
| Stoughton | 9,900 | 10,000 | 6,000 | 15,000 | 15,000 | 12,000 |
| Other principal producers | 34,000 | 28,000 | 32,000 | 63,000 | 68,000 | 51,000 |
| Total Industry | 183,000 | 140,000 | 140,000 | 271,000 | 306,000 | 279,000 |

(1) Does not include approximately 1,300 and 6,000 intermodal containers in 2003 and 2002, respectively.

(2) Data revised by publisher in 2004.

Sources: Individual manufacturer information, some of which is estimated, provided by Southern Motor Cargo Magazine (C)1999 (for 1998 data) and Trailer Body Builders Magazine (C)2003 (for 1999-2003 data). Industry totals provided by Southern Motor Cargo Magazine (C)1999 (for 1998 data) and A.C.T. Research Company, L.L.C. (for 1999-2003 data).

COMPETITIVE STRENGTHS

We believe our core competitive strengths include:

- LONG TERM CORE CUSTOMER RELATIONSHIPS - We are the exclusive

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

provider of trailers to a significant number of top tier trucking companies, generating a 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;
 - lighter weight; 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.

- EXTENSIVE DISTRIBUTION NETWORK - 26 factory-owned retail branch locations extend our sales network throughout North America, diversifying our factory direct sales and supporting our national service contracts.

REGULATION

Truck trailer length, height, width, maximum weight capacity and other specifications are regulated by individual states. The federal government also regulates certain safety features incorporated in the design of truck trailers, including regulations that require anti-lock braking systems (ABS) and that define rear impact guard standards. Manufacturing operations are subject to environmental laws enforced by federal, state and local agencies (See "Environmental Matters").

6

PRODUCTS

Since our inception, we have expanded our product offerings from a single truck trailer product to a broad line of trailer related transportation equipment. Our manufacturing segment specializes in the development of innovative proprietary products for our key markets. Manufacturing segment sales represented approximately 70%, 60%, and 60% of consolidated net sales in 2003, 2002 and 2001, respectively. Our current transportation equipment products include the following:

- DuraPlate(R) Trailers. DuraPlate(R) trailers utilize a proprietary technology that consists of a composite plate wall for increased durability and greater strength. Our DuraPlate(R) trailers include our newly introduced DuraPlate(R)HD, a heavy duty version of our regular DuraPlate(R) trailers.
- DuraPlate(R) Domestic Containers. DuraPlate(R) domestic

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

containers utilize a proprietary technology and consist of stackable containers, carried either on flat cars or stacked two-high on special "Double-Stack" railcars.

- Smooth Aluminum Trailers. Smooth aluminum trailers, commonly known as "sheet and post" trailers, are the standard trailer product purchased by the trucking industry. In 2003, we commercialized our new FreightPro(R) trailer to increase our focus on sheet and post trailers, which is the largest segment of the trailer market.
- Refrigerated Trailers. Refrigerated trailers have insulating foam in the sidewalls and roof, which improves both the insulation capabilities and durability of the trailers. Our refrigerated trailers use our proprietary SolarGuard(R) technology, which we believe enables customers to achieve lower costs through reduced fuel consumption and reduced operating hours.
- Aluminum Plate Trailers. Aluminum plate trailers utilize thicker and more durable sidewalls than standard trailers, which reduces maintenance costs and extends the trailer's life.
- RoadRailer(R) Equipment. The RoadRailer(R) intermodal system is a patented bimodal technology consisting of a truck trailer and detachable rail "bogie" which permits a trailer to run both over the highway and directly on railroad lines.
- Other. Our other transportation equipment includes container chassis, soft-sided trailers and converter dollies.

Our retail and distribution segment focuses on the sale of new and used trailers and providing parts and maintenance services as described below. In September 2003, we sold certain assets of our rental and leasing business and wholesale aftermarket parts business and in December 2003 we sold a large portion of our finance portfolio.

- New transportation equipment produced by the manufacturing segment. Additionally, we sell specialty trailers including tank trailers, dump trailers and platform trailers produced by third parties. Customers for this equipment typically purchase in smaller quantities for local or regional transportation needs. The sale of new transportation equipment through the retail branch network represented approximately 9.4%, 9.6% and 11.9% of net sales during 2003, 2002 and 2001, respectively.
- Replacement parts and accessories and maintenance service both for our own and competitors' trailers and related equipment. This business is less cyclical than trailer sales and generally has higher gross profit margins. Management expects that the sale of aftermarket parts and maintenance service will be a growing part of its product mix as the number and age of trailers in service increases. Sales of these products and service represented approximately 11%, 14% and 15% of net sales during 2003, 2002 and 2001, respectively.
- Used transportation equipment primarily taken in trade from our customers upon the sale of new trailers. The ability to remarket used equipment promotes new sales by permitting trade-in allowances and offering customers an outlet for the disposal of used equipment. The sale of used trailers

represented approximately 7.3%, 11.3% and 8.5% of net sales during 2003, 2002 and 2001, respectively.

CUSTOMERS

Our customer base includes many of the nation's largest truckload common carriers, leasing companies, private fleet carriers, less-than-truckload (LTL) common carriers, and package carriers. Our five largest customers accounted for 27%, 30% and 34% of our aggregate net sales in 2003, 2002 and 2001, respectively.

One customer, Schneider National, Inc., accounted for approximately 14% of net sales in 2003. In 2002 and 2001, J.B. Hunt Transportation Services, Inc. accounted for approximately 11% and 19% of net sales, respectively. International sales, primarily to Canadian customers, accounted for approximately 9% of net sales for each of the last three years. We have established relationships as a supplier to many large customers in the transportation industry, including the following:

- Truckload Carriers: Schneider National, Inc.; J.B. Hunt Transport Services, Inc.; Swift Transportation Corporation; Werner Enterprises, Inc.; Heartland Express, Inc.; Crete Carrier Corporation; U.S. Xpress Enterprises, Inc.; Knight Transportation, Inc.; and Interstate Distributor Co.
- Leasing Companies: Transport International Pool, Inc.; Penske Truck Leasing Co. LP; Wells Fargo Equipment Finance, Inc.; Xtra Lease, Inc.; and Transport Services, Inc.
- Private Fleets: Safeway, Inc.; The Home Depot, Inc.; The Kroger Co.; and Sysco Corporation.
- Less-Than-Truckload Carriers: Yellow Roadway, Inc.; Old Dominion Freight Lines, Inc.; SAIA Motor Freightlines, Inc.; and Vitran Express, Inc.

MARKETING AND DISTRIBUTION

We market and distribute our products through the following channels:

- factory direct accounts;
- our factory-owned distribution network; and
- independent dealerships.

Factory direct accounts are generally large fleets, over 5,000 trailers that are high volume purchasers. Historically, we have focused on the factory direct market where customers are highly aware of the life-cycle costs of trailer equipment and, therefore, are best equipped to appreciate the design and value-added features of our products. In 2003, we launched sales and marketing initiatives targeted at the mid-size fleet segment (operations with between 250 and 5,000 trailers) of the industry.

Our factory-owned distribution network generates retail sales of trailers to smaller fleets and independent operators located in geographic regions where our branches are located. This branch network enables us to provide maintenance and other services to customers. The branch network and our

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Used Trailer Centers provide an outlet for used trailers taken in trade upon the sale of new trailers, which is a common practice with fleet customers.

We also sell our products through a nationwide network of over 40 independent dealerships. The dealers primarily serve intermediate and smaller sized carriers and private fleets in the geographic region where the dealer is located and on occasion may sell to large fleets. The dealers may also perform service work for many of their customers.

RAW MATERIALS

We utilize a variety of raw materials and components including steel, polyethylene, aluminum, lumber, tires and suspensions, which we purchase from a limited number of suppliers. Significant price fluctuations or shortages in raw materials or finished components may adversely affect our results of operations. In 2003 and for the foreseeable future, we expect that the raw materials used in the greatest quantity will be the steel, aluminum and

8

polyethylene used in our dry freight and refrigerated trailers. Currently, all components are in ready supply. Price increases in our principal raw materials, aluminum, steel, plastic and timber, occurred during 2003 and are expected to continue into 2004. Our Harrison, Arkansas laminated hardwood floor facility provides the majority of our requirements for trailer floors.

BACKLOG

Orders that have been confirmed by the customer in writing and can be produced during the next 18 months are included in our backlog. Orders that comprise backlog may be subject to changes in quantities, delivery, specifications and terms. Our backlog of orders was approximately \$200 million and \$208 million at December 31, 2003 and 2002, respectively. We expect to complete the majority of our backlog orders during 2004.

PATENTS AND INTELLECTUAL PROPERTY

Wabash holds or has applied for 66 patents in the United States on various components and techniques utilized in our manufacture of truck trailers. In addition, we hold or have applied for 91 patents in 12 foreign countries including the European patent community. Our patents include our proprietary DuraPlate(R) product, which we believe offers us a significant competitive advantage.

Wabash also holds or has applied for 32 trademarks in the United States as well as 28 trademarks in foreign countries. These trademarks include the Wabash(R) brand name as well as trademarks associated with our proprietary products such as the DuraPlate(R) trailer and the RoadRailer(R) trailer.

RESEARCH AND DEVELOPMENT

Research and development expenses are charged to earnings as incurred and were approximately \$2 million in each of 2003, 2002 and 2001.

ENVIRONMENTAL MATTERS

Our facilities are subject to various environmental laws and regulations, including those relating to air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes, and occupational safety and health. Our operations and facilities have been and in the future may become the subject of enforcement actions or proceedings for non-compliance with such laws or for remediation of company-related releases of substances into the

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

environment. Resolution of such matters with regulators can result in commitments to compliance abatement or remediation programs and in some cases the payment of penalties. (See Item 3 "Legal Proceedings.")

We believe that our facilities are in substantial compliance with applicable environmental laws and regulations. Our facilities have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with these laws and regulations in both the United States and abroad. However, we currently do not anticipate that the future costs of environmental compliance will have a material adverse effect on our business, financial condition or results of operations.

EMPLOYEES

As of December 31, 2003, we had approximately 3,300 full-time associates, compared to approximately 3,600 full-time associates as of December 31, 2002. No full-time associates were under a labor union contract as of December 31, 2003. We place a strong emphasis on employee relations through educational programs and quality improvement teams. We believe our employee relations are good.

ITEM 2--PROPERTIES

MANUFACTURING FACILITIES

We own two trailer manufacturing facilities in Lafayette, Indiana and a trailer floor manufacturing facility, 0.5 million sq. ft., in Harrison, Arkansas. Our main facility, 1.2 million sq. ft., houses truck trailer and composite material production, tool and die operations, research laboratories, management offices and headquarters. The

9

second Lafayette facility is 0.6 million sq. ft. We have the capacity to produce approximately 75,000 trailers annually on a three-shift, five-day work week schedule.

We closed trailer manufacturing plants located in Ft. Madison, Iowa (255,000 sq. ft.) and Huntsville, Tennessee (287,000 sq. ft.) during 2001, and a flooring operation in Sheridan, Arkansas (117,000 sq. ft.) during 2000. These properties are held for sale and are classified in Prepaid Expenses and Other in the accompanying Consolidated Balance Sheets at both December 31, 2003 and 2002.

RETAIL AND DISTRIBUTION FACILITIES

Retail and distribution facilities include 19 sales and service branches (three of which are leased), and seven locations that sell new and used trailers (six of which are leased). Each branch facility consists of an office, parts warehouse and service space, and each facility generally ranges in size from 20,000 to 50,000 square feet per facility. Nineteen branches are located in 13 states and seven branches are located in six Canadian provinces.

We own a 0.3 million sq. ft. distribution facility in Lafayette, Indiana that is currently leased.

At December 31, 2003, we have four branch properties held for sale and classified as Prepaid Expenses and Other in the accompanying Consolidated Balance Sheets.

Wabash owned properties are subject to security interests held by our bank lenders.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

ITEM 3--LEGAL PROCEEDINGS

There are certain lawsuits and claims pending against the Company that arose in the normal course of business. None of these claims are expected to have a material adverse effect on the Company's financial position or its results of operations.

Brazil Joint Venture

In March 2001, Bernard Krone Industria e Comercio de Maquinas Agricolas Ltda. ("BK") filed suit against Wabash in the Fourth Civil Court of Curitiba in the State of Parana, Brazil. This action seeks recovery of damages plus pain and suffering. Because of the bankruptcy of BK, this proceeding is now pending before the Second Civil Court of Bankruptcies and Creditors Reorganization of Curitiba, State of Parana (No. 232/99).

This case grows out of a joint venture agreement between BK and Wabash related to marketing the RoadRailer(R) trailer in Brazil and other areas of South America. When BK was placed into the Brazilian equivalent of bankruptcy late in 2000, the joint venture was dissolved. BK subsequently filed its lawsuit against the Company alleging that it was forced to terminate business with other companies because of exclusivity and non-compete clauses purportedly found in the joint venture agreement. BK asserts damages of approximately \$8.4 million.

We answered the complaint in May 2001, denying any wrongdoing. We believe that the claims asserted by BK are without merit and we intend to defend our position. We believe that the resolution of this lawsuit will not have a material adverse effect on our financial position, liquidity or future results of operations; however, at this stage of the proceeding, no assurance can be given as to the ultimate outcome of the case.

Environmental

In October 2003, the Company reached a verbal agreement with federal officials to resolve a federal environmental investigation related to its Huntsville, Tennessee facility. The plea agreement includes payment of a \$0.4 million fine and a plea to two misdemeanor violations of the Clean Water Act. The parties expect to submit the agreement to the court for resolution in the near future. The expected resolution of this matter does not have a material impact on the Company's financial position, liquidity or future results of operations.

In September 2003, the Company was noticed as a potentially responsible party (PRP) by the United States Environmental Protection Agency pertaining to the Motorola 52nd Street (Phoenix, Arizona) Superfund Site pursuant to the Comprehensive Environmental Response, Compensation and Liability Act. PRPs include current and former owners and operators of facilities at which hazardous substances were disposed of. EPA's allegation that the

Company was a PRP arises out of the operation of a former branch facility located approximately five miles from the original site, which the Company acquired and subsequently disposed of. According to the notice, the site currently encompasses an area of groundwater contaminated by volatile organic compounds seven miles long and one mile wide. The site was placed on the National Priorities List in 1989. Motorola has been operating an interim groundwater containment remedy since 2001. The Company does not expect that these proceedings will have a material adverse effect on the Company's financial condition or results of operations.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

ITEM 4--SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None to report.

PART II

ITEM 5--MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange (ticker symbol: WNC). The number of record holders of the Company's common stock at February 6, 2004 was 898.

The Company has not paid cash dividends on common shares since the third quarter of 2001 and there is no assurance that dividend payments will resume in the future. Payments of cash dividends depend on future earnings, capital availability and financial condition.

High and low stock prices for the last two years were:

| | | High | Low |
|------|----------------|----------|----------|
| | | ----- | ----- |
| 2002 | First Quarter | \$ 12.15 | \$ 7.16 |
| | Second Quarter | \$ 11.19 | \$ 7.55 |
| | Third Quarter | \$ 9.94 | \$ 4.18 |
| | Fourth Quarter | \$ 8.50 | \$ 3.55 |
| 2003 | First Quarter | \$ 9.12 | \$ 4.95 |
| | Second Quarter | \$ 15.11 | \$ 6.08 |
| | Third Quarter | \$ 19.75 | \$ 13.78 |
| | Fourth Quarter | \$ 30.39 | \$ 15.97 |

11

ITEM 6--SELECTED FINANCIAL DATA

The following selected consolidated financial data with respect to the Company for the five years in the period ended December 31, 2003, have been derived from the Company's consolidated financial statements. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere herein.

| | Years Ended December 31, | | | |
|-------------------------------|--|-------------|-------------|------------|
| | 2003 | 2002 | 2001 (1) | 2000 |
| | ----- | ----- | ----- | ----- |
| | (Dollar amounts in thousands, except per s | | | |
| STATEMENT OF OPERATIONS DATA: | | | | |
| Net sales | \$ 887,940 | \$ 819,568 | \$ 863,392 | \$ 1,332,1 |
| Cost of sales | 810,746 | 777,117 (4) | 972,105 (2) | 1,216,2 |
| Loss on asset impairment | 28,500 | 2,000 | 10,500 | |
| | ----- | ----- | ----- | ----- |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | | | |
|--|-------------|-------------|--------------|---------|
| Gross profit (loss) | 48,694 | 40,451 | (119,213) | 115,9 |
| Selling, general and administrative expenses | 57,716 | 77,398 | 82,325 | 55,8 |
| Restructuring charge | - | 1,813 | 37,864 | 36,3 |
| | ----- | ----- | ----- | ----- |
| Income (loss) from operations | (9,022) | (38,760) | (239,402) | 23,7 |
| Interest expense | (30,162) | (30,873) | (21,292) | (19,7 |
| Trade receivable facility costs | (1,022) | (4,072) | (2,228) | (7,0 |
| Foreign exchange gains and losses, net | 5,291 | 5 | (1,706) | |
| Equity in losses of unconsolidated affiliate | - | - | (7,668) | (3,0 |
| Restructuring charges | - | - | (1,590) | (5,8 |
| Loss on debt extinguishment | (19,840) | (1,314) | - | |
| Other, net | (2,472) | 3,546 | (1,139) | 8 |
| | ----- | ----- | ----- | ----- |
| Income (loss) before income taxes | (57,227) | (71,468) | (275,025) | (11,0 |
| Income tax provision (benefit) | - | (15,278) | (42,857) | (4,3 |
| | ----- | ----- | ----- | ----- |
| Net income (loss) | \$ (57,227) | \$ (56,190) | \$ (232,168) | \$ (6,7 |
| | ===== | ===== | ===== | ===== |
| Basic earnings (loss) per common share | \$ (2.26) | \$ (2.43) | \$ (10.17) | \$ (0. |
| | ===== | ===== | ===== | ===== |
| Diluted earnings (loss) per common share | \$ (2.26) | \$ (2.43) | \$ (10.17) | \$ (0. |
| | ===== | ===== | ===== | ===== |
| Cash dividends declared per common share | \$ - | \$ - | \$ 0.09 | \$ 0. |
| | ===== | ===== | ===== | ===== |

- (1) The 2001 amounts reflect the results of operations for the 10 branches acquired in January 2001.
- (2) Includes used trailer inventory valuation charges of \$62.1 million, a restructuring related charge of \$3.7 million, and loss contingencies related to the Company's leasing operations of \$27.4 million.
- (3) Includes a \$4.5 million charge related to the Company's restructuring activities.
- (4) Includes used trailer valuation charges of \$5.4 million and \$2.8 million for equipment impairment charges.

| | Years Ended December 31, | | | | |
|--|-------------------------------|-----------|-----------|-----------|-------|
| | 2003 | 2002 | 2001 | 2000 | 1 |
| | ----- | ----- | ----- | ----- | ----- |
| | (Dollar amounts in thousands) | | | | |
| BALANCE SHEET DATA: | | | | | |
| Working capital | \$ 41,970 | \$ 55,052 | \$111,299 | \$270,722 | \$22 |
| Total equipment leased to others & finance contracts | 32,069 | 132,853 | 160,098 | 108,451 | 13 |
| Total assets | 397,036 | 565,569 | 692,504 | 781,614 | 79 |
| Total debt and capital lease obligations | 227,316 | 346,857 | 412,017 | 238,260 | 16 |
| Stockholders' equity | 22,162 | 73,984 | 130,985 | 367,233 | 37 |

ITEM 7--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, and our capital resources and liquidity as of December 31, 2003 and 2002. 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 the Company. We then analyze the results of our operations for the last three years, including the trends in the overall business and our operations segments, followed by a discussion of our cash flows and liquidity, capital markets events and transactions, our new credit facility, and contractual commitments. We then provide a review of the critical accounting judgments and estimates that we have made which 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 the year, as well as those not yet adopted that are expected to have an impact on our financial accounting practices.

The Company 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 and leasing 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 after three consecutive years of declining demand for new trailer units. The trucking industry confronting an economic downturn, dramatic increases in fuel, insurance, labor and EPA compliances cost and weak capitalization reduced trailer purchases from a high of approximately 306,000 in 1999 to approximately 140,000 units in 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. During the last three years, our market share of new trailers declined from 23% in 2001 to 20% in 2003.

In response to the significant industry deterioration, 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

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

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.

13

These actions resulting in net losses of \$57 million in 2003, \$56 million in 2002 and \$232 million in 2001, set the stage for:

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

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

Entering 2004, we believe that Wabash is well positioned to fully participate in improving general and trucking industry conditions.

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. We have achieved a four-fold improvement in the total reportable incident rate since June 2002; our safety metrics have improved each quarter for six straight quarters. 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: How many units pass all inspection criteria without requiring rework? Our first pass yield metrics have improved from 20% to 88% during 2003.
 - On Time Delivery: Are we meeting our delivery commitments to customers? In the third quarter of 2003, we attained 100% and continue to operate at

that rate.

- 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 is currently \$4 million compared to \$14 million at the beginning of the year.
 - Increased inventory turnover which is currently about nine turns per year compared to approximately six turns in 2002.

14

- Cost Reduction. During 2002, we introduced our continuous improvement initiative (CI). As of December 2003, we believe CI has become a way of life. Since introduction, over 250 CI events have been completed.

INDUSTRY TRENDS

To monitor the state of the industry we evaluate a number of indicators related to trailer manufacturing and to the transportation industry. Information is obtained from sources such as ACT Research Co., LLC (ACT), American Trucking Association (ATA), Cass Logistics, and Eno Transportation Foundation. Trends we are currently seeing include:

- Improvement in the number of units shipped by the U.S. trailer industry. After reaching a high of over 300,000 units shipped in 1999, shipments declined to approximately 140,000 units in 2001. Unit shipments were approximately 183,000 in 2003 and ACT is estimating that 2004 shipments will be approximately 247,000 units.
- Increasing age of motor carrier trailer fleets. For the three-year period 2000 to 2002, the average age of trailer fleets have increased from approximately 44 months to 54 months as many motor carriers have deferred purchases. This trend suggests to us that there is a pent-up replacement demand for trailers.
- Increasing rate of new trailer orders. Quarterly industry order placements have been in the 10,000 to 15,000 units range for the last six quarters. In the fourth quarter of 2003, the rate was approximately 20,000 units.
- Other developments and our view of their potential impact on

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

the industry include:

- 2007 Emission Standards could result in improved demand for trailers in 2004, 2005 and part of 2006 in advance of motor carriers focusing capital spending on tractors in advance of the regulations going into effect. A similar pattern occurred in advance of the October 2002 enactment of emission standards.
- Technology advances in trailer tracking and route management implemented by motor carriers are improving trailer utilization and lower trailer-to-tractor ratios and could result in reduced trailer demand.
- Federal Hours-of-Service Rules became effective January 4, 2004. Based on the assessment of a large truck load carrier these will negatively impact driver productivity. In our view, this could result in increased demand for trailers but it is too early to confirm.

15

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) |
| | ----- | ----- | ----- |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

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 the Company's leasing operations of \$27.4 million (3.2%).

2003 COMPARED TO 2002

NET SALES

Net sales improved 8% from 2002. Base 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)% |
| | ===== | ===== | |

16

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

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

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 (Loss) 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 the Company's airplane and \$1.2 million in debt restructuring costs.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

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 the Company's 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 the Company's 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

The Company 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

The Company 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,

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | 2002 | 2001 | % Change |
|--------------------------------|----------|----------|----------|
| (Dollar amounts in millions) | | | |
| Net External 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% |

18

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 the Company's 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). The Company's 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)

The Company 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 the Company's 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) |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | | |
|---------------------------|---------|------------|----------|
| | ----- | ----- | ----- |
| 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 the Company's 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

19

- 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.

RESTRUCTURING EXPENSE

Restructuring expenses decreased \$36.1 million to \$1.8 million in 2002,

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

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 the Company's 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 the Company's 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 the Company determined were more likely than not to be realized before expiration.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL STRUCTURE

Today, our capital structure is primarily supported by debt as a result of the significant losses incurred during the years 2000 through 2003. Significant improvements have been made over the last three years and in 2003 we were able to stabilize our financial footing through a series of asset sales, branch network reorganization, debt refinancing and the conversion of preferred shares. These actions, described below, resulted in repayment or refinancing of essentially all of our indebtedness, increased our financial flexibility and substantially reduced the

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

effective rate on borrowings. Our objective is to generate operating cash flows sufficient to satisfy normal requirements for working capital and capital expenditures and to better balance the mix of debt and equity in our capital structure.

Asset Sales

On September 19, 2003, we completed the sale of certain of the assets of our trailer leasing and rental and aftermarket parts businesses for approximately \$53.5 million in cash. Net proceeds from the sale were used to repay a portion of the Company's outstanding indebtedness. Loss on the disposition amounted to \$29.3 million, including a \$28.5 million asset impairment charge recorded in the second quarter of 2003.

In the fourth quarter of 2003, we completed the sale of a large portion of our finance contracts. Proceeds of approximately \$12.2 million were used to reduce outstanding debt. The sale resulted in a loss of \$4.1 million, including a \$0.9 million debt extinguishment charge.

During 2003, we realized proceeds of approximately \$6 million from the sale of 6 branch properties.

Branch Network Reorganization

In the third quarter of 2003, we closed 12 retail branch locations and closed our Lafayette Modification Center in the fourth quarter. We currently operate 19 full service branches, four retail only branches and three used trailer centers. The closings reduced branch headcount by 20% and yielded an annualized cost savings of approximately \$5 million. We recorded a charge in the third quarter of approximately \$2 million in connection with the closings.

Debt Refinancing

On August 1, 2003, we completed the sale of \$125 million of 3.25% five-year senior unsecured convertible notes, which are currently convertible into approximately 6.5 million shares of the Company's common stock. The net proceeds were used to repay a portion of our outstanding indebtedness. The notes have a conversion price of \$19.20 or a rate of 52.0833 shares per \$1,000 principal amount of note. If the notes convert, the number of shares of our common stock outstanding would increase by approximately 24%. The notes bear interest at 3.25% per annum payable semi-annually on February 1 and August 1. If not converted, the balance will become due on August 1, 2008. Costs associated with the transaction amounted to approximately \$4.2 million and are being amortized over the term of the notes.

On September 23, 2003, we entered into a \$222.1 million three-year asset-based loan arrangement that includes a \$47.1 million term loan (bank term loan) and a \$175 million revolver (bank revolver). The new financing replaced existing indebtedness and is expected to substantially lower our cost of debt as a result of lower interest rates on borrowings. Our current effective interest rate is approximately 4% compared to approximately 10% under our previous borrowing arrangements.

The bank term loan is secured by property, plant and equipment. The bank revolver is secured by inventory and accounts receivable and the amount available to borrow varies in relation to the balances of those accounts.

Interest on the bank term loan is variable, based on the London Interbank Offer Rate (LIBOR) plus 300 basis points, decreasing to 275 basis points after six months, or the bank's alternative rate, as defined in the agreement. Interest on the bank revolver is at LIBOR plus 275 basis points,

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

decreasing to 250 basis points after six months, or the bank's alternative rate, as defined in the agreement. We pay a commitment fee on the unused portion of the facility at a rate of 37.5 basis points per annum. Costs associated with the transaction amounted to approximately \$4.4 million and are being amortized over the term of the loan.

The bank term loan requires a \$5.0 million principal payment on January 1, 2004 and quarterly principal payments of \$1.7 million commencing on January 1, 2004, with the balance due on September 23, 2006. The January 1, 2004 payments were made on December 31, 2003. The bank revolver is due on September 23, 2006. Beginning in March 2005, excess cash flow, as defined, is required to be used to reduce term loan indebtedness.

The refinancing resulted in debt extinguishment charges of approximately \$18.9 million.

21

Preferred Share Conversion

In December of 2003, we forced the conversion of preferred shares with a redemption value of approximately \$17.6 million into approximately 823,000 shares of common stock. The transaction will save approximately \$1 million in annual mandatory dividend payments.

Cash Flow

Operating activities provided \$41.8 million in cash during 2003 compared to providing \$104.3 million during 2002. Operating activities for 2003 saw further reductions in new and used trailer and work in process inventories, net cash flows from income after adjusting for non-cash items and accounts payable timing, offset by increased levels of accounts receivable associated with strong December sales. The 2002 period benefited from reduced accounts receivables, inventories, the collection of tax refunds and accounts payable timing. Accounts receivable, net were \$66.6 million and \$34.4 million as of December 31, 2003 and 2002, respectively. Days sales outstanding (DSO) were approximately 27 in 2003 compared to 15 in 2002 reflecting strong end-of-year sales. Inventory balances were reduced approximately \$50 million in 2003. Inventory turns increased to approximately nine in 2003 compared to approximately six in 2002.

Investing activities provided \$76.8 million in cash during 2003 primarily due to the asset sales discussed previously along with the impact of our decision not to reinvest in our financing and leasing businesses.

Net cash used in financing activities of \$141.7 million during 2003 was primarily for the repayment of debt from the proceeds of asset sales of \$75.5 million with the remainder coming from operating cash flows and available cash balances.

Capital Expenditures

Capital spending amounted to approximately \$6.5 million for 2003 and is anticipated to be approximately \$10 million for 2004. Spending is focused on productivity improvement and capacity maintenance.

Outlook

The industry recovery that began in 2003 is expected to accelerate in 2004 as production of trailers is anticipated to increase from approximately 183,000 units to approximately 247,000 units based on ACT estimates. The

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

expansion in production is predicated on a number of factors including improving general economic conditions, pent-up trucking industry demand for replacement units as the average age of trailer fleets increases and Department of Transportation regulations regarding driver hours (hours of service) that may require additional trailers to maintain driver productivity.

We expect to participate in the industry growth because our core customers are among the dominant 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 Wabash is well positioned to benefit from an 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 the total cost of producing a trailer and effectively increased production capacity. Additionally, we have become much more efficient in the use of working capital. Key to 2004 will be our ability to counter the effects of price volatility in our principal raw materials, aluminum, steel, plastic and timber with productivity gains and selective selling price increases.

As of December 31, 2003, our liquidity position, cash on hand and available borrowing capacity amounted to approximately \$44 million and debt and lease obligations, both on and off the balance sheet, amounted to approximately \$239 million (including \$12 million not on the balance sheet). We expect that in 2004, Wabash will be able to generate sufficient cash flow from operations to fund working capital and capital spending requirements and to further reduce indebtedness. However, it is possible that we may not generate sufficient cash flow or secure additional funds for these purposes. Because we must use a portion of our cash from operations to pay our debt service obligations, our high level of debt means we have less funds available for working capital, capital spending requirements and other purposes than we would otherwise have. Further, we may be more highly leveraged than our competitors, which would be a competitive disadvantage in the event of a downturn in the general economic condition of our business.

22

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

A summary of payments of the Company's contractual obligations and commercial commitments, both on and off balance sheet, as of December 31, 2003 are as follows:

| \$ Millions | 2004 | 2005 | 2006 | 2007 | 2008 | Thereafter |
|-----------------------------------|---------------|---------------|----------------|-------------|-----------------|-------------|
| DEBT (excluding interest): | | | | | | |
| Senior Convertible Notes | \$ - | \$ - | \$ - | \$ - | \$ 125.0 | \$ - |
| Bank Revolver | - | - | 60.3 | - | - | - |
| Bank Term Loan | 5.1 | 6.7 | 25.0 | - | - | - |
| Other Notes Payable | 2.3 | 2.3 | 0.6 | - | - | - |
| TOTAL DEBT | \$ 7.4 | \$ 9.0 | \$ 85.9 | \$ - | \$ 125.0 | \$ - |
| OTHER: | | | | | | |
| Currency Forward Contracts | \$ 3.9 | \$ - | \$ - | \$ - | \$ - | \$ - |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | | | | | |
|-------------------------------|---------|---------|----------|--------|----------|-------|
| Operating Leases | 6.1 | 3.8 | 3.1 | 1.9 | 1.5 | 0. |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| TOTAL OTHER | \$ 10.0 | \$ 3.8 | \$ 3.1 | \$ 1.9 | \$ 1.5 | \$ 0. |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| OTHER COMMERCIAL COMMITMENTS: | | | | | | |
| Letters of Credit | \$ 7.0 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Purchase Commitments | 20.4 | 15.0 | 15.0 | - | - | - |
| Residual Guarantees | 5.3 | 5.0 | 9.7 | 5.0 | - | - |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | \$ 32.7 | \$ 20.0 | \$ 24.7 | \$ 5.0 | \$ - | \$ - |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| TOTAL OBLIGATIONS | \$ 50.1 | \$ 32.8 | \$ 113.7 | \$ 6.9 | \$ 126.5 | \$ 0. |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Residual Guarantees represent purchase commitments related to certain new and used trailer transactions as well as certain production equipment. We also have purchase options of \$78.0 million on the aforementioned trailers and equipment. To the extent that the value of the underlying property is less than the residual guarantee and the value is not expected to be recovered, we have recorded a loss contingency.

Purchase Commitments primarily represent minimum purchase commitments under a parts purchase agreement we entered into in connection with the sale of certain assets of our aftermarket parts distribution business. We are required to purchase \$45 million in parts over the next three years with a minimum of \$15 million per year. The purchase price for the parts will be at current market prices, will not exceed business requirements and is subject to certain performance requirements.

Operating leases represent the total future minimum lease payments for off balance sheet debt.

OFF-BALANCE SHEET TRANSACTIONS

We had no off-balance sheet financing transactions in 2002 and 2003. As of December 31, 2003, we have operating leases with future minimum lease payments of \$16.5 million, as disclosed in the preceding table.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are more fully described in Footnote 2 to our consolidated financial statements. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate.

We consider an accounting estimate to be critical if:

- it requires us to make assumptions about matters that were uncertain at the time we were making the estimate; and

- changes in the estimate or different estimates that we could have selected would have had a material impact on our

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

financial or results of operations.

The table below presents information about the nature and rationale for Wabash's critical accounting estimates:

| BALANCE SHEET CAPTION | CRITICAL ESTIMATE ITEM | NATURE OF ESTIMATES REQUIRED | ASSUMPTIONS AND APPROACHES |
|--|--|---|--|
| Accrued liabilities and other long-term liabilities | Warranty | Estimating warranty requires us to forecast the resolution of existing claims and expected future claims on products sold. | We base our estimate on historical trends of units sold amounts, combined with our understanding of the nature of existing claims, recent discussions with our customers and |
| Accounts Receivable - allowance for doubtful accounts | Allowance for doubtful accounts | Estimating the allowance for doubtful accounts requires us to estimate the financial capability of customers to pay for products. | We base our estimates on our experience, the time period outstanding, customer condition and information regarding services. |
| Inventory | Lower of cost or market write-downs | We evaluate future demand for products, market conditions and incentive programs. | Estimates are based on current data, historical experience, market analysis and third party appraisal services. |
| Property, plant and equipment, goodwill and other long-term assets | Valuation of long-lived assets and investments | We are required from time-to-time to review the recoverability of certain of our assets based on projections of anticipated future cash flows, including future profitability assessments of various product lines. | We estimate cash flow budgets based on recent data and independent third party volume estimates. |
| Deferred income taxes | Recoverability of deferred tax assets - in particular, net operating loss carry-forwards | We are required to estimate whether recoverability of our deferred tax assets is more likely than not based on forecasts of taxable earnings. | We use historical and current future operating results in our business plans, in addition to a review of the eligible period, tax planning and other relevant conditions. |

In addition, there are other items within our financial statements that require estimation, but are not as critical as those discussed above. Changes in estimates used in these and other items could have a significant effect on our consolidated financial statements. The determination of the market value of new and used trailers is subject to variation particularly in times of rapidly changing market conditions. A 5% change in the valuation of our inventories would be approximately \$4 million.

OTHER

INFLATION

We have historically been able to offset the impact of rising costs through productivity improvements as well as selective price increases. As a

result, inflation has not had, and is not expected to have a significant impact on our business.

NEW ACCOUNTING PRONOUNCEMENTS

Variable Interest Entities

In 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 defines a variable interest entity (VIE) as a corporation, partnership, trust or any other legal structure that does not have equity investors with a controlling financial interest or has equity investors that do not provide sufficient financial resources for the entity to support its activities. The Company has evaluated its financial arrangements that had potential FIN 46 impact and determined that none of these arrangements are with a VIE and that the adoption will have no impact on its consolidated results of operations, financial position or liquidity.

Derivatives

In April 2003, the FASB issued Statement of Financial Accounting (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies financial accounting and reporting for derivative instruments and hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, by requiring contracts with similar characteristics to be accounted for comparably. The adoption of SFAS No. 149, effective for contracts entered into or modified after June 30, 2003, did not have any effect on financial position, results of operations, or cash flow.

Financial Instruments

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS No. 150 may require that those instruments be classified as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the interim period beginning after June 15, 2003. We currently have no such instruments.

CUSTOMER CREDIT RISK

We sublease certain highly specialized RoadRailer(R) equipment to Grupo Transportation Marititma Mexicana SA (TMM), who is experiencing financial difficulties. Due to the nature of the equipment, recovery value is considered to be minimal. As of December 31, 2003, we have approximately \$5.6 million of leased equipment with TMM recorded as Equipment Leased to Others on the Consolidated Balance Sheets. The obligation is current and as a result no provision for loss has been recorded.

ITEM 7A--QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to the risks inherent in its operations, the Company has exposure to financial and market risk resulting from volatility in commodity prices, interest rates and foreign exchange rates. The following discussion provides additional detail regarding the Company's exposure to these risks.

a. Commodity Price Risks

The Company is exposed to fluctuation in commodity prices through the purchase of raw materials that are processed from commodities such as aluminum, steel, wood and virgin plastic pellets. Given the historical volatility of certain commodity prices, this exposure can significantly impact product costs. The Company may manage aluminum price changes by entering into fixed price contracts with its suppliers. As of December 31, 2003, the Company had outstanding purchase commitments of approximately \$5.4 million. Because the Company typically does not set prices for its products in advance of its commodity purchases, it can take into account the cost of the commodity in setting its prices for each order. To the extent that the Company is unable to offset the increased commodity costs in its product prices, the Company's results would be materially and adversely affected.

25

b. Interest Rates

As of December 31, 2003, the Company had approximately \$97.1 million of floating rate debt outstanding under its various financing agreements. A hypothetical 100 basis-point increase in the floating interest rate from the current level would correspond to approximately a \$1.0 million increase in interest expense over a one-year period. This sensitivity analysis does not account for the change in the Company's competitive environment indirectly related to the change in interest rates and the potential managerial action taken in response to these changes.

c. Foreign Exchange Rates

The Company is subject to fluctuations in the Canadian dollar exchange rate that impact intercompany transactions between the Company and its Canadian subsidiary, as well as U.S. denominated transactions between the Canadian subsidiaries and unrelated parties. A five cent change in the Canadian exchange rate would result in an approximately \$0.3 million impact on results of operations. In July 2003, the Company began purchasing Canadian dollar foreign currency forward contracts in an effort to mitigate potential Canadian currency fluctuation impact on working capital requirements. As of December 31, 2003, the Company had outstanding \$3.9 million in forward contracts to be settled in various increments over the next seven months. The contracts are marked-to-market and not subject to hedge accounting. The Company does not hold or issue derivative financial instruments for speculative purposes.

ITEM 7B - RISK FACTORS

You should carefully consider the risks described below in addition to other information contained or incorporated by reference in this Report before investing in our securities. 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 NOT GENERATED PROFITABILITY IN RECENT PERIODS.

Wabash incurred significant net losses during the last three years. 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 implementation of measures to reduce costs and achieve sales goals. While we have taken steps to improve cost performance, lower operating costs and reduce interest expense, and have seen our sales improve in the recent periods, we

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

cannot assure you that our cost-reduction measures will be successful, sales will be sustained or increased or that we can achieve a sustained return to profitability.

OUR INVENTORIES ARE NOT MANAGED BY PERPETUAL INVENTORY CONTROL SYSTEMS.

Systems and processes used to manage and value our inventories require significant manual intervention and the verification of actual quantities requires a physical inventory which is taken once 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.

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. 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 condition that adversely affects us also often adversely affects 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), located in Mexico is experiencing financial difficulties. Although this customer is current in its payment obligation to us, the customer owes us \$6.9 million secured by highly specialized RoadRailer(R) equipment, which due to the nature of the equipment has a minimal recovery value. The loss of a

26

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 FreightPro(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 landing gear, axles, and specialty steel coil used in Duraplate(R) panels. The loss 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

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

OPERATIONS.

We manufacture our products at two facilities in Lafayette, Indiana, with our primary manufacturing facility accounting 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, CFO Mark R. Holden, 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 COST 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 year ended December 31, 2003, currency exchange rate fluctuations had a favorable impact of \$5.3 million on our results of operations. However, we cannot assure you that we will continue to experience such benefits or that currency exchange rate fluctuations will not have an adverse affect on our results of operations.

RISKS PARTICULAR TO THE INDUSTRIES 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 totaled approximately 183,000 in 2003. Customers historically

27

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. Our business is likely to continue to be adversely affected unless economic conditions improve.

SIGNIFICANT COMPETITION IN THE INDUSTRIES 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

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

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 addition, we believe that the manufacturing over-capacity and high leverage of some of our competitors, along with the recent bankruptcies and financial stresses that have affected the industry, have 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 customer 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. If we are found to be in violation of applicable laws or regulations, 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.

RISKS RELATED TO OUR SUBSTANTIAL INDEBTEDNESS

OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION.

We are highly leveraged and have substantial debt in relation to our shareholders' equity. As of December 31, 2003, we had an aggregate of \$227 million of outstanding indebtedness. Although our recent sale in 2003 of our unsecured 3.25% Convertible Senior Notes due August 1, 2008, and the completion of a three-year \$222 million asset based debt refinancing strengthen our balance sheet, we continue to be highly leveraged.

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

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

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

28

- 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 general economic condition 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 RELATED TO AN INVESTMENT IN OUR SECURITIES

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 and, therefore, the trading price of the notes may fluctuate significantly, which may result in losses to investors. Our 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

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

- 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 and the 3.25% Convertible Senior Notes (Notes) 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 the notes. Assuming \$125 million in

29

aggregate principal amount of the notes are converted at a conversion price of \$19.20, the number of shares of our common stock outstanding would increase by approximately 6,510,416 shares, or approximately 24%.

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

THERE IS A LIMITED TRADING MARKET FOR THE NOTES.

There is limited market activity in the notes. Although the initial purchasers of the notes are currently making a market in the notes, they are not obligated to do so and may discontinue such market making at any time without notice. In addition, such market making activity will be subject to the limits imposed by the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended. Accordingly, there can be no assurance that any market for the notes will be maintained. If an active market for the notes fails to develop or be sustained, the trading price of the notes could be materially adversely affected. The notes are traded on the Portal Market; however, we do not intend to apply for listing of the notes on any securities exchange.

The liquidity of the trading market in these notes, and the market price quoted for these notes, may be materially adversely affected by:

- changes in the overall market for convertible subordinated securities;
- changes in our financial performance or prospects;
- the prospects for companies in our industry generally;
- the number of holders of the notes;
- the interest of securities dealers in making a market for the notes; and
- prevailing interest rates.

30

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

ITEM 8--FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

| | PAG |
|---|-----|
| Reports of Independent Public Accountants..... | 3 |
| Consolidated Balance Sheets as of December 31, 2003 and 2002..... | 3 |
| Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001..... | 3 |
| Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001..... | 3 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001..... | 3 |
| Notes to Consolidated Financial Statements..... | 3 |

Report of Independent Auditors

To the Shareholders of Wabash National Corporation:

We have audited the accompanying consolidated balance sheets of Wabash National Corporation as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of Wabash National Corporation for the year ended December 31, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated April 12, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wabash National Corporation as of December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Indianapolis, Indiana
February 5, 2004

This report is a copy of a report previously issued by Arthur Andersen LLP. The report has not been reissued by Arthur Andersen nor has Arthur Andersen LLP provided a consent to the inclusion of its report in this Form 10-K.

Report of Independent Public Accountants

To the Shareholders of Wabash National Corporation:

We have audited the accompanying consolidated balance sheets of WABASH NATIONAL CORPORATION (a Delaware corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wabash National Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Indianapolis, Indiana,
April 12, 2002.

WABASH NATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

| | Dec |
|--------------------------------------|---------|
| | ----- |
| | 2003 |
| | ----- |
| ASSETS | |
| CURRENT ASSETS: | |
| Cash and cash equivalents | \$ 12,5 |
| Accounts receivable, net | 66,6 |
| Current portion of finance contracts | 4,7 |
| Inventories | 84,9 |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | |
|---|----------|
| Prepaid expenses and other | 10,2 |
| | ----- |
| Total current assets | 179,1 |
| PROPERTY, PLANT AND EQUIPMENT, net | 130,5 |
| EQUIPMENT LEASED TO OTHERS, net | 21,1 |
| FINANCE CONTRACTS, net of current portion | 6,1 |
| GOODWILL, net | 36,0 |
| OTHER ASSETS | 23,8 |
| | ----- |
| | \$ 397,0 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT LIABILITIES: | |
| Current maturities of long-term debt | \$ 7,3 |
| Current maturities of capital lease obligations | |
| Accounts payable | 68,4 |
| Other accrued liabilities | 61,4 |
| | ----- |
| Total current liabilities | 137,1 |
| LONG-TERM DEBT, net of current maturities | 219,9 |
| LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current maturities | |
| OTHER NONCURRENT LIABILITIES AND CONTINGENCIES | 17,7 |
| STOCKHOLDERS' EQUITY: | |
| Preferred stock, 25 million shares authorized, 0 and 352,000 shares issued and outstanding with an aggregate liquidation value of \$0 and \$17,600 respectively | |
| Common stock, 75 million shares authorized, \$0.01 par value, 26,849,257 and 25,647,060 shares issued and outstanding, respectively | 2 |
| Additional paid-in capital | 242,6 |
| Retained deficit | (220,5 |
| Accumulated other comprehensive income (loss) | 9 |
| Treasury stock at cost, 59,600 common shares | (1,2 |
| | ----- |
| Total stockholders' equity | 22,1 |
| | ----- |
| | \$ 397,0 |
| | ===== |

The accompanying notes are an integral part of these Consolidated Statements.

34

WABASH NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

| Years Ended December 31, | | |
|--------------------------|-------|-------|
| 2003 | 2002 | 2001 |
| ----- | ----- | ----- |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | | |
|--|-------------|-------------|--------------|
| NET SALES | \$ 887,940 | \$ 819,568 | \$ 863,392 |
| COST OF SALES | 810,746 | 777,117 | 972,105 |
| LOSS ON ASSET IMPAIRMENT | 28,500 | 2,000 | 10,500 |
| Gross profit (loss) | 48,694 | 40,451 | (119,213) |
| GENERAL AND ADMINISTRATIVE EXPENSES | 37,383 | 53,897 | 56,955 |
| SELLING EXPENSES | 20,333 | 23,501 | 25,370 |
| RESTRUCTURING CHARGE | - | 1,813 | 37,864 |
| Loss from operations | (9,022) | (38,760) | (239,402) |
| OTHER INCOME (EXPENSE): | | | |
| Interest expense | (30,162) | (30,873) | (21,292) |
| Trade receivables facility costs | (1,022) | (4,072) | (2,228) |
| Foreign exchange gains and losses, net | 5,291 | 5 | (1,706) |
| Equity in losses of unconsolidated affiliate | - | - | (7,668) |
| Restructuring charges | - | - | (1,590) |
| Loss on debt extinguishment | (19,840) | (1,314) | - |
| Other, net | (2,472) | 3,546 | (1,139) |
| Loss before income taxes | (57,227) | (71,468) | (275,025) |
| INCOME TAX BENEFIT | - | (15,278) | (42,857) |
| Net loss | \$ (57,227) | \$ (56,190) | \$ (232,168) |
| PREFERRED STOCK DIVIDENDS | 1,053 | 1,563 | 1,845 |
| NET LOSS APPLICABLE TO COMMON STOCKHOLDERS | \$ (58,280) | \$ (57,753) | \$ (234,013) |
| BASIC AND DILUTED NET LOSS PER SHARE | \$ (2.26) | \$ (2.43) | \$ (10.17) |
| COMPREHENSIVE LOSS | | | |
| Net loss | \$ (57,227) | \$ (56,190) | \$ (232,168) |
| Foreign currency translation adjustment | 1,256 | 42 | (306) |
| NET COMPREHENSIVE LOSS | \$ (55,971) | \$ (56,148) | \$ (232,474) |

The accompanying notes are an integral part of these Consolidated Statements.

WABASH NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

Preferred Stock Common Stock Additional Retained

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | Shares | Amount | Capital | Amount | Paid-in Capital | Earnings (Deficit) |
|---------------------------------|-----------|--------|------------|--------|--------------------|-----------------------|
| BALANCES, December 31, 2000 | 482,041 | \$ 5 | 23,002,490 | \$ 230 | \$ 236,660 | \$ 131,617 |
| Net loss for the year | - | - | - | - | - | (232,168) |
| Foreign currency translation | - | - | - | - | - | - |
| Cash dividends declared: | | | | | | |
| Common stock (\$0.09 per share) | - | - | - | - | - | (2,073) |
| Preferred stock | - | - | - | - | - | (1,845) |
| Common stock issued under: | | | | | | |
| Employee stock purchase plan | - | - | 7,138 | - | 70 | - |
| Employee stock bonus plan | - | - | 1,960 | - | 27 | - |
| Outside directors' plan | - | - | 2,259 | - | 47 | - |
| BALANCES, December 31, 2001 | 482,041 | \$ 5 | 23,013,847 | \$ 230 | \$ 236,804 | \$(104,469) |
| Net loss for the year | - | - | - | - | - | (56,190) |
| Foreign currency translation | - | - | - | - | - | - |
| Preferred stock dividends | - | - | - | - | - | (1,563) |
| Preferred stock conversion | (130,041) | (2) | 2,589,687 | 26 | 334 | - |
| Common stock issued under: | | | | | | |
| Employee stock purchase plan | - | - | 5,312 | 1 | 47 | - |
| Employee stock bonus plan | - | - | 10,300 | - | 89 | - |
| Stock option plan | - | - | 11,168 | - | 82 | - |
| Outside directors' plan | - | - | 16,746 | - | 133 | - |
| BALANCES, December 31, 2002 | 352,000 | \$ 3 | 25,647,060 | \$ 257 | \$ 237,489 | \$(162,222) |
| Net loss for the year | - | - | - | - | - | (57,227) |
| Foreign currency translation | - | - | - | - | - | - |
| Preferred stock dividends | - | - | - | - | - | (1,053) |
| Preferred stock conversion | (352,000) | (3) | 823,256 | 8 | (7) | - |
| Restricted stock amortization | - | - | - | - | 225 | - |
| Common stock issued under: | | | | | | |
| Employee stock bonus plan | - | - | 6,370 | - | 74 | - |
| Stock option plan | - | - | 360,114 | 4 | 4,800 | - |
| Outside directors' plan | - | - | 12,457 | - | 101 | - |
| BALANCES, December 31, 2003 | - | \$ - | 26,849,257 | \$ 269 | \$ 242,682 | \$(220,502) |

The accompanying notes are an integral part of these Consolidated Statements.

WABASH NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

Years End

2003

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | |
|---|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net loss | \$ (57,227) \$ |
| Adjustments to reconcile net cash provided by (used in) operating activities: | |
| Depreciation and amortization | 23,788 |
| Net (gain) loss on the sale of assets | 723 |
| Provision for losses on accounts receivable and finance contracts | 474 |
| Deferred income taxes | - |
| Equity in losses of unconsolidated affiliate | - |
| Cash used for restructuring activities | (3,372) |
| Restructuring and other related charges | - |
| Used trailer valuation charges | 2,562 |
| Loss contingencies | - |
| Loss on debt extinguishment | 19,840 |
| Loss on asset impairments | 28,500 |
| Change in operating assets and liabilities: | |
| Accounts receivable | (40,749) |
| Inventories | 51,416 |
| Refundable income taxes | 824 |
| Prepaid expenses and other | 5,009 |
| Accounts payable and accrued liabilities | 11,286 |
| Other, net | (1,280) |
| | ----- |
| Net cash provided by (used in) operating activities | 41,794 |
| | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Capital expenditures | (6,518) |
| Additions to equipment leased to others | - |
| Additions to finance contracts | - |
| Acquisitions, net of cash acquired | - |
| Investment in unconsolidated affiliate | - |
| Proceeds from Asset Sales | 53,479 |
| Proceeds from sale of leased equipment and finance contracts | 15,189 |
| Principal payments received on finance contracts | 7,778 |
| Proceeds from the sale of property, plant and equipment | 6,861 |
| | ----- |
| Net cash provided by (used in) investing activities | 76,789 |
| | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Proceeds from issuance of bank term loan and revolving credit facility | 135,309 |
| Proceeds from convertible senior notes | 125,000 |
| Proceeds from exercise of stock options | 4,804 |
| Borrowings under trade receivables and revolving credit facilities | 197,650 |
| Payments under trade receivables and revolving credit facilities | (225,501) |
| Payments under long-term debt and capital lease obligations | (367,089) |
| Common stock dividends paid | - |
| Preferred stock dividends paid | (1,584) |
| Debt issuance costs paid | (10,279) |
| | ----- |
| Net cash provided by (used in) financing activities | (141,690) |
| | ----- |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (23,107) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 35,659 |
| | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 12,552 \$ |
| | ===== |
| Supplemental disclosures of cash flow information: | |
| Cash paid during the period for: | |
| Interest | \$ 21,774 \$ |
| Income taxes refunded, net | \$ (832) \$ |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

The accompanying notes are an integral part of these Consolidated Statements.

37

WABASH NATIONAL CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE BUSINESS, INDUSTRY AND FINANCIAL CONDITION

Wabash National Corporation (the Company) designs, manufactures and markets standard and customized truck trailers and intermodal equipment under the Wabash(R), FreightPro(R), Articlite(R) and RoadRailer(R) trademarks. The Company's wholly-owned subsidiary, Wabash National Trailer Centers, Inc. (WNTC), sells new and used trailers through its retail network and provides aftermarket parts and maintenance service for the Company's and competitors' trailers and related equipment.

After achieving the recent peak production of over 305,000 units in 1999, the North American trucking industry suffered three years of declining production bottoming at just under 140,000 units in 2002. As a result of these conditions, the Company implemented a comprehensive plan to scale its operations to meet demand and to survive.

Beginning in 2001 and continuing into 2002, the Company closed two of its three trailer assembly facilities, conducted an employee layoff for the first time in the Company's history, liquidated approximately \$110 million of used trailers under an aggressive liquidation plan, completed the divestiture of its European operations, closed approximately 10 of its 49 factory-owned branch locations, closed one of its two wood flooring facilities and closed one of two parts distribution centers. As a result of these steps, the Company increased its liquidity position (cash on hand and available borrowings under existing credit facilities) from approximately \$19 million as of September 30, 2001 to approximately \$78 million at the end of 2002. These actions also began to improve the results from operations during 2002. The net losses incurred in both 2001 and 2002 resulted in the Company being in technical violation of financial covenants with certain of its lenders on December 31, 2001 and on February 28, 2003. The Company received a waiver of the violation from its lenders and subsequently amended its debt agreements to cure the violations.

In 2003, the truck trailer industry rebounded with production reaching approximately 183,000 units. Buoyed by improving industry and general economic conditions the Company continued its operational and financial turnaround by:

- selling certain assets of the rental and leasing and wholesale parts businesses, former branch properties and a large portion of its finance portfolios - proceeds totaling approximately \$75 million used to reduce on and off balance sheet debt;
- refinancing the Company's debt through the sale of \$125 million of 3.25% senior unsecured convertible notes and the completion of a \$222 million bank facility - extending required repayment terms and significantly reducing interest rates; and
- continuing the streamlining of the retail and distribution organization - closing 12 locations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Consolidation

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

The consolidated financial statements reflect the accounts of the Company and its wholly-owned and majority-owned subsidiaries with the exception of ETZ, which as discussed in Footnote 5 was divested in January 2002. Accordingly, ETZ's operating results are included in Equity in Losses of Unconsolidated Affiliate in the Consolidated Statements of Operations. All significant intercompany profits, transactions and balances have been eliminated in consolidation. Certain reclassifications have been made to prior periods to conform to the current year presentation. These reclassifications had no effect on net losses for the periods previously reported.

38

b. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that directly affect the amounts reported in its consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

c. Foreign Currency Accounting

The financial statements of the Company's Canadian subsidiary have been translated into U.S. dollars in accordance with Financial Accounting Standards Board (FASB) Statement No. 52, Foreign Currency Translation. Assets and liabilities have been translated using the exchange rate in effect at the balance sheet date. Revenues and expenses have been translated using a weighted-average exchange rate for the period. The resulting translation adjustments are recorded as Accumulated Other Comprehensive Income (Loss) in Stockholders' Equity. Gains or losses resulting from foreign currency transactions are included in Foreign Exchange Gains and Losses, net on the Company's Consolidated Statements of Operations. The Company recorded foreign currency (gains) losses of (\$5.3) million in 2003, \$0 million in 2002 and \$1.7 million in 2001.

As a result of a reevaluation of the retail and distribution business, the Company concluded to close 12 locations, including two in Canada. In addition, the review resulted in management designating \$30 million CDN of intercompany loans to its Canadian subsidiary as a permanent investment. Accordingly, beginning July 1, 2003 gains and losses associated with the permanent investment were charged to Accumulated Other Comprehensive Income (Loss) on the Consolidated Balance Sheets. As of December 31, 2003, accumulated gains of \$0.9 million have been recorded related to this permanent investment.

d. Revenue Recognition

The Company recognizes revenue from the sale of trailers and aftermarket parts when the customer has made a fixed commitment to purchase the trailers for a fixed or determinable price, collection is reasonably assured under the Company's billing and credit terms and ownership and all risk of loss has been transferred to the buyer, which is normally upon shipment or pick up by the customer.

The Company recognizes revenue from direct finance leases based upon a constant rate of return while revenue from operating leases is recognized on a straight-line basis in an amount equal to the invoiced rentals.

e. Used Trailer Trade Commitments

The Company has commitments with certain customers to accept used trailers on trade for new trailer purchases. These commitments arise in the

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

normal course of business related to future new trailer orders. The Company has accepted trade-ins from customers of approximately \$32.8 million, \$40.5 million, and \$135.5 million in 2003, 2002 and 2001, respectively. As of December 31, 2003 and 2002, the Company had approximately \$6.1 million and \$7.0 million, respectively, of outstanding trade commitments with customers. The net realizable value of these commitments was approximately \$6.1 million and \$6.4 million as of December 31, 2003 and 2002, respectively. The Company's policy is to recognize losses related to these commitments, if any, at the time the new trailer revenue is recognized.

f. Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have maturities of three months or less.

g. Accounts Receivable and Finance Contracts

Accounts receivable and finance contracts are shown net of allowance for doubtful accounts. Accounts receivable primarily includes trade receivables. The Company records and maintains a provision for doubtful accounts for customers based upon a variety of factors including the Company's historical experience, the length of time the account has been outstanding and the financial condition of the customer. If the circumstances related to specific customers were to change, the Company's estimates with respect to the collectibility of the related accounts

39

could be further adjusted. Provisions to the allowance for doubtful accounts are charged to General and Administrative Expenses on the Consolidated Statements of Operations. The activity in the allowance for doubtful accounts was as follows (in thousands):

| | Years Ended December 31, | | |
|------------------------------|--------------------------|-----------|-----------|
| | 2003 | 2002 | 2001 |
| | ----- | ----- | ----- |
| Balance at beginning of year | \$ 16,217 | \$ 14,481 | \$ 3,745 |
| Provision | 474 | 9,773 | 20,959 |
| Write-offs, net | (12,531) | (8,037) | (10,223) |
| | ----- | ----- | ----- |
| Balance at end of year | \$ 4,160 | \$ 16,217 | \$ 14,481 |
| | ===== | ===== | ===== |

h. Inventories

Inventories are primarily stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or market. The cost of manufactured inventory includes raw material, labor and overhead. Inventories consist of the following (in thousands):

| | December 31, | |
|--|--------------|-------|
| | 2003 | 2002 |
| | ----- | ----- |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | |
|------------------------------|-----------|-----------|
| Raw materials and components | \$ 24,189 | \$ 27,646 |
| Work in progress | 4,364 | 14,447 |
| Finished goods | 38,198 | 55,523 |
| Aftermarket parts | 5,953 | 15,054 |
| Used trailers | 12,292 | 22,202 |
| | ----- | ----- |
| | \$ 84,996 | \$134,872 |
| | ===== | ===== |

The Company continually reviews the valuation of the used trailer inventory and writes down the value of individual units when the carrying value exceeds the estimated market value. Write downs amounting to \$2.6 million, \$5.4 million and \$62.1 million were charged to Cost of Sales on the Consolidated Statement of Operations for 2003, 2002 and 2001, respectively.

i. Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, and expenditures that extend the useful life of the asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the depreciable assets. Estimated useful lives are 33 years for buildings and building improvements and range from three to 10 years for machinery and equipment. Depreciation expense on property plant and equipment was \$13.4 million, \$14.7 million and \$16.7 million for 2003, 2002 and 2001, respectively.

Property, plant and equipment consist of the following (in thousands):

| | December 31, | |
|-------------------------------------|--------------|------------|
| | 2003 | 2002 |
| | ----- | ----- |
| Land | \$ 23,376 | \$ 25,059 |
| Buildings and building improvements | 86,193 | 91,774 |
| Machinery and equipment | 114,498 | 112,796 |
| Construction in progress | 3,059 | 3,108 |
| | ----- | ----- |
| | 227,126 | 232,737 |
| Less--accumulated depreciation | (96,532) | (87,034) |
| | ----- | ----- |
| | \$ 130,594 | \$ 145,703 |
| | ===== | ===== |

In the second quarter of 2003, as part of an evaluation of certain assets of its aftermarket parts business, the Company recorded a loss on asset impairment, which included \$5.1 million for property, plant and equipment. See Footnote 5 for further discussion of this impairment.

40

j. Equipment Leased to Others

Equipment leased to others at December 31, 2003 and 2002 was \$21.2 million and \$100.8 million, net of accumulated depreciation of \$8.9 million and \$11.2 million, respectively. Additions to equipment leased to others are

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

classified as investing activities on the Consolidated Statements of Cash Flows. The equipment leased to others is depreciated over the estimated life of the equipment or the term of the underlying lease arrangement, not to exceed 15 years, with a 20% residual value or a residual value equal to the estimated market value of the equipment at lease termination. Depreciation expense on equipment leased to others, including capital lease assets, was \$6.4 million, \$9.3 million and \$9.6 million for 2003, 2002 and 2001, respectively.

During the second quarter of 2003, the Company recorded an asset impairment charge of approximately \$22 million on certain assets of its trailer leasing and rental business and later on September 19, 2003, completed the sale of these assets, which were included in Equipment Leased to Others on the Consolidated Balance Sheets. See Footnote 5 for further discussion of this transaction.

k. Goodwill

The changes in the carrying amount of goodwill, net of accumulated amortization of \$2.2 million and \$1.9 million, respectively, for the years ended December 31, 2002 and 2003 are as follows (in thousands):

| | Manufacturing | Retail and Distribution | Total |
|---------------------------------|---------------|----------------------------|-----------|
| | ----- | ----- | ----- |
| Balance as of January 1, 2002 | \$ 18,357 | \$ 16,183 | \$ 34,540 |
| Effects of foreign currency | - | 112 | 112 |
| | ----- | ----- | ----- |
| Balance as of December 31, 2002 | \$ 18,357 | \$ 16,295 | \$ 34,652 |
| | ===== | ===== | ===== |
| Effects of foreign currency | - | 2,743 | 2,743 |
| Asset Impairment | - | (1,350) | (1,350) |
| | ----- | ----- | ----- |
| Balance as of December 31, 2003 | \$ 18,357 | \$ 17,688 | \$ 36,045 |
| | ===== | ===== | ===== |

The Company adopted SFAS No. 142, Goodwill and Other Intangible Assets, as of January 1, 2002. This standard changes the accounting for goodwill from an amortization method to an impairment-only approach and introduces a new model for determining impairment charges. The new model involves the comparing of the carrying value of the goodwill to its fair value. The Company estimates fair value based upon the present value of future cash flows. In estimating the future cash flows, the Company takes into consideration the overall and industry economic conditions and trends, market risk of the Company and historical information. The Company completed the initial transition impairment test as of January 1, 2002 and has conducted annual impairment tests as of October 1, 2002 and 2003 and determined that no impairment of goodwill existed. The Company tests goodwill for impairment on an annual basis or more frequently if an event occurs or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying amount. In the second quarter of 2003, as part of an evaluation of certain assets of its aftermarket parts business, the Company recorded a loss on asset impairment, which included \$1.4 million of goodwill related to its aftermarket parts business. See Footnote 5 for further discussion of this impairment.

The following table presents, on a pro forma basis, net loss and loss per share as if SFAS No. 142 had been in effect for all years presented (in thousands, except for loss-per-share amounts).

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | Years Ended December 31, | | |
|--|--------------------------|-------------|--------------|
| | 2003 | 2002 | 2001 |
| Reported net loss | \$ (57,227) | \$ (56,190) | \$ (232,168) |
| Goodwill amortization (net of tax) | - | - | 1,124 |
| Adjusted net loss | \$ (57,227) | \$ (56,190) | \$ (231,044) |
| Basic and diluted loss per share: | | | |
| Reported net loss per share | \$ (2.26) | \$ (2.43) | \$ (10.17) |
| Goodwill amortization (net of tax) per share | - | - | 0.05 |
| Adjusted net loss per share | \$ (2.26) | \$ (2.43) | \$ (10.12) |

41

1. Other Assets

The Company has other intangible assets including patents and licenses, non-compete agreements and technology costs which are being amortized on a straight-line basis over periods ranging from two to 12 years. As of December 31, 2003 and 2002, the Company had gross intangible assets of \$17.3 million (\$4.3 million net of amortization) and \$19.9 million (\$6.0 million net of amortization), respectively. Amortization expense for 2003, 2002 and 2001 was \$1.8 million, \$2.4 million and \$1.9 million, respectively, and is estimated to be \$1.4 million, \$0.9 million, \$0.7 million, \$0.5 million and \$0.3 million for 2004, 2005, 2006, 2007 and 2008, respectively.

The Company capitalizes the cost of computer software developed or obtained for internal use in accordance with Statement of Position No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Capitalized software is amortized using the straight-line method over three to five years. As of December 31, 2003 and 2002, the Company had software costs, net of amortization of \$2.1 million and \$4.1 million, respectively. Amortization expense for 2003, 2002 and 2001 was \$2.1 million, \$2.2 million and \$3.0 million, respectively.

m. Long-Lived Assets

Long-lived assets are reviewed for impairment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, whenever facts and circumstances indicate that the carrying amount may not be recoverable. Specifically, this process involves comparing an asset's carrying value to the estimated undiscounted future cash flows the asset is expected to generate over its remaining life. If this process were to result in the conclusion that the carrying value of a long-lived asset would not be recoverable, a write-down of the asset to fair value would be recorded through a charge to operations. Fair value is determined based upon discounted cash flows or appraisals as appropriate.

n. Other Accrued Liabilities

The following table presents the major components of Other Accrued Liabilities (in thousands):

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | Years Ended December 31, | |
|---------------------------|--------------------------|----------|
| | 2003 | 2002 |
| Payroll and related taxes | \$12,980 | \$11,066 |
| Warranty accruals | 10,614 | 12,587 |
| Accrued taxes | 8,131 | 8,840 |
| Self-insurance accruals | 7,446 | 6,738 |
| All other | 22,250 | 22,193 |
| | ----- | ----- |
| | \$61,421 | \$61,424 |
| | ===== | ===== |

The following table presents the changes in certain significant accruals included in Other Accrued Liabilities as follows (in thousands):

| | Warranty Accruals | Self-Insurance Accruals |
|---------------------------------|-------------------|-------------------------|
| | ----- | ----- |
| Balance as of January 1, 2002 | \$ 11,313 | \$ 7,428 |
| Accruals | 7,951 | 19,767 |
| Payments | (6,677) | (20,457) |
| | ----- | ----- |
| Balance as of December 31, 2002 | \$ 12,587 | \$ 6,738 |
| Accruals | 6,310 | 23,728 |
| Payments | (8,283) | (23,020) |
| | ----- | ----- |
| Balance as of December 31, 2003 | \$ 10,614 | \$ 7,446 |
| | ===== | ===== |

The Company's warranty policy generally provides coverage for components of the trailer the Company produces or assembles. Typically, the coverage period is five years. The Company's policy is to accrue the estimated cost of warranty coverage at the time of the sale.

42

The Company is self-insured up to specified limits for medical and workers' compensation coverage. The self-insurance reserves have been recorded to reflect the undiscounted estimated liabilities, including claims incurred but not reported, as well as catastrophic claims as appropriate.

The Company recognizes a loss contingency for used trailer residual commitments for the difference between the equipment's purchase price and its fair market value when it becomes probable that the purchase price at the guarantee date will exceed the equipment's fair market value at that date.

o. Income Taxes

The Company determines its provision or benefit for income taxes under the asset and liability method. The asset and liability method measures the expected tax impact at current enacted rates of future taxable income or deductions resulting from differences in the tax and financial reporting basis

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

of assets and liabilities reflected in the Consolidated Balance Sheets. Future tax benefits of tax losses and credit carryforwards are recognized as deferred tax assets. Deferred tax assets are reduced by a valuation allowance to the extent the Company concludes there is uncertainty as to their realization.

p. Stock-Based Compensation

The Company follows APB No. 25, Accounting for Stock Issued to Employees, in accounting for its stock options and, accordingly, no compensation cost has been recognized for stock options in the consolidated financial statements. However, SFAS No. 123, Accounting for Stock-Based Compensation, as amended requires pro forma presentation as if compensation costs had been expensed under the fair value method. For purposes of pro forma disclosure, the estimated fair value of the options at the date of grant is amortized to expense over the vesting period. Additional information regarding stock-based compensation is included in Footnote 13. The following table illustrates the effect on net loss and loss per share as if compensation expense had been recognized (in thousands, except for loss-per-share amounts):

| | Years Ended December 31, | | |
|--|--------------------------|-------------|-----------|
| | 2003 | 2002 | 2001 |
| Reported net loss | \$ (57,227) | \$ (56,190) | \$ (232,) |
| Stock- based compensation expense (net of tax) | (2,445) | (1,671) | (1, |
| Adjusted net loss | \$ (59,672) | \$ (57,861) | \$ (234, |
| Basic and diluted loss per share: | | | |
| Reported net loss per share | \$ (2.26) | \$ (2.43) | \$ (10 |
| Stock- based compensation expense (net of tax) per share | (0.10) | (0.07) | (0 |
| Adjusted net loss per share | \$ (2.36) | \$ (2.50) | \$ (10 |

q. New Accounting Pronouncements

Variable Interest Entities

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. FIN 46 defines a variable interest entity (VIE) as a corporation, partnership, trust or any other legal structure that does not have equity investors with a controlling financial interest or has equity investors that do not provide sufficient financial resources for the entity to support its activities. The Company has evaluated its financial arrangements that had potential FIN 46 impact and determined that none of these arrangements are with a VIE and that the adoption has no impact on its consolidated results of operations, financial position or liquidity.

Derivatives

In April 2003, the FASB issued Statement of Financial Accounting (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends and clarifies financial accounting and reporting for derivative instruments and hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, by

requiring contracts with similar characteristics to

43

be accounted for comparably. The adoption of SFAS No. 149, effective for contracts entered into or modified after June 30, 2003, did not have a material effect on financial position, results of operations, or cash flow.

Financial Instruments

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This statement changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS No. 150 may require that those instruments be classified as liabilities. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the interim period beginning after June 15, 2003. The Company currently has no such instruments.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, Disclosures About Fair Value of Financial Instruments, requires disclosure of fair value information for certain financial instruments. The differences between the carrying amounts and the estimated fair values, using the methods and assumptions listed below, of the Company's financial instruments at December 31, 2003, and 2002 were immaterial, with the exception of the Senior Convertible Notes.

Cash and Cash Equivalents, Accounts Receivable and Accounts Payable. The carrying amounts reported in the Consolidated Balance Sheets approximate fair value.

Long-Term Debt. The fair value of long-term debt, including the current portion, is estimated based on current quoted market prices for similar issues or debt with the same maturities. The interest rates on the Company's bank borrowings under its Bank Facility are adjusted regularly to reflect current market rates. The estimated fair value of the Company's Senior Convertible Notes, based on market quotes, is approximately \$214 million compared to a carrying value of \$125 million as of December 31, 2003. The carrying values of the remainder of the Company's long-term borrowings approximate fair value.

Foreign Currency Forward Contracts. As of December 31, 2003, the Company has \$3.9 million in outstanding foreign currency forward contracts that are not in a material gain or loss position.

4. RESTRUCTURING AND OTHER RELATED CHARGES

a. 2001 Restructuring Plan

In 2001, the Company recorded restructuring and other related charges totaling \$40.5 million primarily related to the closure of the Company's flatbed trailer manufacturing facility in Huntsville, Tennessee, and its dry van facility in Fort Madison, Iowa. In addition, the Company closed a parts distribution facility in Montebello, California. In 2002, additional charges totaling \$1.6 million were recorded for asset impairment of the aforementioned manufacturing facilities. The provisions were fully utilized by December 31, 2002. During 2003, the Company recorded an additional asset impairment charge of \$0.5 million on the Huntsville, Tennessee property which is included in Other, net on the Consolidated Statements of Operations.

The Company continues to pursue the disposal of the two manufacturing

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

facilities. The assets have an estimated fair market value of \$4.2 million and \$4.7 million as of December 31, 2003 and 2002, respectively, and are classified in Prepaid Expenses and Other on the Consolidated Balance Sheets. Depreciation has been discontinued on the assets pending their disposal. In accordance with SFAS No. 144, the Company continues to review the assets for potential impairment and appropriate classification as assets held for sale.

b. 2000 Restructuring Plan

In December 2000, the Company recorded restructuring and other related charges totaling \$46.6 million, \$40.8 million as a component of Income from Operations and \$5.8 million as Other Income (Expense), primarily related to the Company's exit from manufacturing products for export to markets outside of North America, international leasing and financing activities and the consolidation of certain domestic operations.

44

The Company continues to pursue the sale of the Sheridan, Arkansas facility, which had a fair market value of \$0.8 million at December 31, 2003 and 2002, and is classified in Prepaid Expenses and Other on the Consolidated Balance Sheets. In accordance with SFAS No. 144, the Company continues to review the assets for potential impairment and appropriate classification as an asset held for sale.

In January 2002, the Company completed its divestiture of ETZ, which resulted in the Company increasing its restructuring reserve by \$1.4 million to recognize the assumption of certain financial guarantees.

Details of the restructuring charges and reserve for the 2000 Restructuring Plan are as follows (in thousands):

| | Original Provision | Additional Provision | Utilized | | Bal 12/ |
|--|-----------------------|-------------------------|--------------------|---------------|------------|
| | | | ----- 2000-2002 | ----- 2003 | ----- |
| Restructuring of majority-owned operations: | | | | | |
| Impairment of long-lived assets | \$ 20,819 | \$ 227 | \$ (21,046) | \$ - | \$ |
| Loss related to equipment guarantees | 8,592 | - | (2,902) | (3,179) | |
| Write-down of other assets & other charges | 6,927 | - | (5,941) | (561) | |
| | ----- | ----- | ----- | ----- | ----- |
| | 36,338 | 227 | (29,889) | (3,740) | |
| | ----- | ----- | ----- | ----- | ----- |
| Restructuring of minority interest operations: | | | | | |
| ETZ equity interest | 5,832 | - | (5,832) | - | |
| Financial guarantees | - | 1,381 | (307) | 159 | |
| | ----- | ----- | ----- | ----- | ----- |
| | 5,832 | 1,381 | (6,139) | 159 | |
| | ----- | ----- | ----- | ----- | ----- |
| Inventory write-down and other charges | 4,480 | - | (4,480) | - | |
| | ----- | ----- | ----- | ----- | ----- |
| Total restructuring and other related charges | \$ 46,650 | \$ 1,608 | \$ (40,508) | \$ (3,581) | \$ |
| | ===== | ===== | ===== | ===== | ===== |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

The Company's total restructuring reserves were \$4.2 million and \$7.8 million at December 31, 2003 and 2002, respectively. These reserves are included in Other Accrued Liabilities on the Consolidated Balance Sheets. During 2003, the Company was required to fund \$3.1 million of guarantees and has been notified that an additional \$1.2 million will be required in early 2004. The Company anticipates that these reserves will be adequate to cover the remaining charges to be incurred through 2004, which is the anticipated completion date for this restructuring plan.

5. DIVESTITURES

a. ETZ

In January 2002, the Company completed the divestiture of its equity interest in Europäische Trailerzug Beteiligungsgesellschaft mbH (ETZ). During 2001, the Company recognized approximately \$7.7 million for its share of ETZ losses which is recorded as Equity in Losses of Unconsolidated Affiliate on the accompanying Consolidated Statements of Operations.

b. Asset Sale

In September 2003, the Company completed the sale of a portion of its trailer leasing and finance operations and a portion of its aftermarket parts distribution operations for approximately \$53.5 million in cash. The principal assets sold consisted of tangible assets (i.e., accounts receivable, inventory and equipment held for lease), relationships with a specific subset of the Company's customers and a portion of the Company's Retail and Distribution business. In accordance with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company has not reflected these sales as discontinued operations as only a portion of a component was sold, the Company will continue to generate cash flows from these components and the Company will continue to be involved in the operations of the disposed assets through, among other things, purchase and supply agreements. Net proceeds from the sale were used to repay a portion of the Company's outstanding indebtedness. Loss on the disposition amounted to \$29.3 million, including a \$28.5 million asset impairment charge recorded in the second quarter of 2003 to recognize that estimated cash flows were insufficient to support the carrying value. The additional \$0.8 million loss was derived as follows (in thousands):

| | |
|-------------------|----------|
| Assets sold | \$52,801 |
| Transaction costs | 1,503 |
| Less proceeds | 53,479 |
| | ----- |
| | \$ 825 |
| | ===== |

The pro forma impact of the asset sale is presented in Footnote 20.

45

c. Finance Portfolio Sale

In the fourth quarter of 2003, the Company completed the sale of a large portion of the remaining finance contracts in its finance portfolio. Proceeds approximated \$12.2 million and resulted in a charge of approximately \$4.1 million, reflecting the Company's loss on the sale, including \$0.9 million for debt extinguishment charges.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

6. PER SHARE OF COMMON STOCK

Per share results have been computed based on the average number of common shares outstanding. The computation of basic and diluted loss per share is determined using net loss applicable to common stockholders as the numerator and the number of shares included in the denominator as follows (in thousands):

| | Years Ended December 31, | | |
|------------------------------------|--------------------------|--------|--------|
| | 2003 | 2002 | 2001 |
| Average shares outstanding basic | 25,778 | 23,791 | 23,006 |
| Options | - | - | - |
| Preferred Stock | - | - | - |
| Average shares outstanding diluted | 25,778 | 23,791 | 23,006 |

Average shares outstanding diluted exclude the antidilutive effects of convertible preferred stock and redeemable stock options totaling approximately 1.1 million shares, 850,000 shares and 1.2 million shares in 2003, 2002 and 2001, respectively.

Effective January 1, 2004, 6.5 million shares from the Convertible Notes will be included in the calculation of diluted per share amounts having met the criteria. See Footnote 11 for a discussion of the Convertible Notes.

7. EQUIPMENT LEASED TO OTHERS

The Company has equipment on lease under both short-term and long-term lease arrangements with its customers. This equipment includes trailers manufactured by the Company and used trailers acquired on trade. Equipment on short-term lease represents lease contracts that are less than one year and typically run month-to-month, while long-term leases have terms ranging from one to five years in duration. Items being leased include both Company-owned equipment, which is reflected on the Consolidated Balance Sheets, as well as equipment that was sold by the Company and then simultaneously leased back to the Company which are accounted for as operating leases.

a. Equipment On Balance Sheet

The Company's equipment leased to others, net was approximately \$21.2 million and \$100.8 million at December 31, 2003 and 2002, respectively.

Impairment charges related to this equipment amounting to \$22.0 million, \$2.0 million and \$10.5 million were recorded in 2003, 2002 and 2001, respectively. These charges were determined based upon the Company's estimate of the equipment's fair value.

The future minimum lease payments to be received by the Company under these lease transactions as of December 31, 2003 are as follows (in thousands):

| | Receipts |
|------|----------|
| | ----- |
| 2004 | \$ 1,437 |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | |
|------------|-------|
| 2005 | 1,095 |
| 2006 | 1,095 |
| 2007 | 1,095 |
| 2008 | 1,095 |
| Thereafter | 1,275 |
| | ----- |
| \$ | 7,092 |
| | ===== |

46

b. Equipment Off Balance Sheet

In certain situations, the Company sold equipment leased to others to independent financial institutions and simultaneously leased the equipment back under operating leases. All of this equipment had been subleased to customers under long-term arrangements, typically five years. In December 2003, all remaining sublease arrangements were sold to a third party as discussed further in Footnote 5, and the residual leaseback obligations were paid off. Rental payments made by the Company totaled \$1.3 million, \$1.3 million and \$4.9 million during 2003, 2002 and 2001, respectively.

8. CAPITAL LEASES

In conjunction with the asset sale discussed in Footnote 5, the remaining capital lease obligations were paid off. Assets recorded under capital lease arrangements included in Equipment Leased to Others, net were \$43.6 million in 2002 and none in 2003. Accumulated depreciation recorded on leased assets at December 31, 2002 was \$2.1 million. Depreciation expense recorded on leased assets in 2003 and 2002 was \$1.6 million and \$2.2 million, respectively.

In April 2002, a sale and leaseback facility with an independent financial institution related to its rental equipment was amended which resulted in a new lease. Rent expense related to this lease was approximately \$9.2 million in 2001. In accordance with SFAS No. 13, Accounting for Leases, the new lease was accounted for as a capital lease. The \$23.0 million difference between the unamortized lease value (\$65.2 million) and the fair value of the leased equipment (\$42.2 million) was recorded as a charge to Cost of Sales in the Consolidated Statement of Operations for the year ended December 31, 2001. As of December 31, 2002, the Company had \$36.1 million of equipment financed and \$50.1 million under the capital lease obligation for this facility.

During the fourth quarter of 2002, sale and leaseback arrangements with independent financial institutions related to certain of its other rental equipment were amended, resulting in new leases. Rent expense related to these leases was approximately \$4.3 million in 2002 and \$4.4 million in 2001. In accordance with SFAS No. 13, the new leases have been accounted for as capital leases with the unamortized lease value and the fair value of leased equipment reflected in the Consolidated Balance Sheets as of December 31, 2002. The \$7.2 million difference between the unamortized lease value (\$14.7 million) and the fair value of the leased equipment (\$7.5 million) was recorded as a charge to Cost of Sales in the Consolidated Statements of Operations with \$4.4 million being recorded as a loss contingency as of December 31, 2001, and the remaining \$2.8 million being recorded in 2002. The capital lease obligation of this equipment was paid off in the fourth quarter of 2003.

During the second quarter of 2002, the decision was made to dispose of the Company airplane which was accounted for as a capital lease in accordance with SFAS No. 13. In accordance with SFAS No. 144, the capital lease asset was written down to fair market value and reclassified, as an asset held for sale,

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

to Prepaid Expenses and Other in the Consolidated Balance Sheets. Adjustments to reduce the fair value of the aircraft of \$1.1 million and \$0.8 million were recognized in the second and third quarters of 2002, respectively, as charges to General and Administrative Expense in the Consolidated Statements of Operations. The airplane was sold in December 2002, and the remaining lease liability of \$11.3 million was paid off.

9. OTHER LEASE ARRANGEMENTS

a. Equipment Financing

The Company has entered into agreements for the sale and leaseback of certain production equipment at its manufacturing locations. As of December 31, 2003, the unamortized lease values related to these agreements are approximately \$11.9 million. Under these agreements, the initial lease terms expired during 2001. The Company elected to renew these agreements and anticipates renewing them through their maximum lease terms (2004-2008). Future minimum lease payments related to these arrangements are \$4.2 million, \$2.5 million, \$2.3 million, \$1.5 million and \$1.4 million for 2004, 2005, 2006, 2007 and 2008, respectively. The end of term residual guarantees and purchase options are \$2.4 million and \$3.6 million, respectively. These agreements contain no financial covenants; however, they do contain non-financial covenants including cross default provisions which could be triggered if the Company is not in compliance with covenants in other debt or leasing arrangements.

47

Total rent expense for these leases in 2003, 2002 and 2001 were \$4.2 million, \$4.4 million and \$4.1 million, respectively.

b. Other Lease Commitments

The Company leases office space, manufacturing, warehouse and service facilities and equipment under operating leases, the majority of which expire through 2006. Future minimum lease payments required under these other lease commitments as of December 31, 2003 are as follows (in thousands):

| | Amounts |
|------------|----------|
| | ----- |
| 2004 | \$ 1,930 |
| 2005 | 1,376 |
| 2006 | 789 |
| 2007 | 378 |
| 2008 | 146 |
| Thereafter | 52 |
| | ----- |
| | \$ 4,671 |
| | ===== |

Total rental expense under operating leases was \$4.0 million, \$5.4 million and \$5.8 million for 2003, 2002 and 2001, respectively.

10. FINANCE CONTRACTS

The Company previously provided financing for the sale of new and used trailers to its customers. The Company no longer originates finance contracts. The financing is principally structured in the form of finance leases, typically

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

for a five-year term.

Finance Contracts, as shown on the accompanying Consolidated Balance Sheets, are as follows (in thousands):

| | December 31, | |
|---------------------------|--------------|-----------|
| | 2003 | 2002 |
| Lease payments receivable | \$ 11,439 | \$ 34,817 |
| Estimated residual value | 801 | 5,636 |
| | ----- | ----- |
| | 12,240 | 40,453 |
| Unearned finance charges | (1,479) | (6,881) |
| | ----- | ----- |
| | 10,761 | 33,572 |
| Other, net | 121 | (1,556) |
| | ----- | ----- |
| | 10,882 | 32,016 |
| Less: current portion | (4,727) | (9,528) |
| | ----- | ----- |
| | \$ 6,155 | \$ 22,488 |
| | ===== | ===== |

Other, net at December 31, 2002 includes an asset of \$0.9 million related to the sale of certain finance contracts. In addition, other, net at December 31, 2002 included \$2.5 million for loss contingencies on finance contracts recorded as charges to General and Administrative Expenses on the Company's Consolidated Statements of Operations. The future minimum lease payments to be received from finance contracts as of December 31, 2003 are as follows (in thousands):

| | Amounts |
|------------|----------|
| | ----- |
| 2004 | \$ 5,561 |
| 2005 | 2,957 |
| 2006 | 2,661 |
| 2007 | 230 |
| 2008 | 30 |
| Thereafter | - |
| | ----- |
| | \$11,439 |
| | ===== |

11. DEBT

a. Long-term debt consists of the following (in thousands):

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | December 31, | |
|---|--------------|------------|
| | 2003 | 2002 |
| Bank Revolver (due 2006) | \$ 60,358 | \$ - |
| Bank Term Loan (due 2006) | 36,766 | - |
| Senior Convertible Notes (due 2008) | 125,000 | - |
| Other Notes Payable (3.0% - 7.25%, due 2004-2006) | 5,192 | 16,962 |
| Bank Term Loan | - | 75,273 |
| Series A and C-I Senior Notes | - | 182,047 |
| Make Whole and Deferral Fee Notes | - | 7,722 |
| | ----- | ----- |
| | \$ 227,316 | \$ 282,004 |
| Less: Current maturities | (7,337) | (42,961) |
| | ----- | ----- |
| | \$ 219,979 | \$ 239,043 |
| | ===== | ===== |

b. Maturities of long-term debt at December 31, 2003, are as follows (in thousands):

| | Amounts |
|------------|-----------|
| | ----- |
| 2004 | \$ 7,337 |
| 2005 | 9,031 |
| 2006 | 85,948 |
| 2007 | - |
| 2008 | 125,000 |
| Thereafter | - |
| | ----- |
| | \$227,316 |
| | ===== |

c. Debt Refinancing

On August 1, 2003, the Company completed the sale of \$125 million of 3.25% five-year senior unsecured convertible notes (convertible notes), which are currently convertible into approximately 6.5 million shares of the Company's common stock. The Company used the net proceeds to repay a portion of its outstanding indebtedness. The convertible notes have a conversion price of \$19.20 or a rate of 52.0833 shares per \$1,000 principal amount of note. The convertible notes bear interest at 3.25% per annum payable semi-annually on February 1 and August 1. If not converted, the balance is due on August 1, 2008. Costs associated with the transaction amounted to approximately \$4.2 million and are being amortized over the term of the convertible notes.

On September 23, 2003, the Company entered into a \$222.1 million three-year asset-based loan that includes a \$47.1 million term loan (bank term loan) and a \$175 million revolver (bank revolver). The new financing replaced the existing Trade Receivables Facility, Bank and Senior Series Notes.

The bank term loan is secured by the Company's property, plant and equipment. The bank revolver is secured by inventory and accounts receivable and the amount available to borrow varies in relation to the balances of those accounts among other things, as defined in the agreements.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Interest on the bank term loan is variable, based on the London Interbank Offer Rate (LIBOR) plus 300 basis points, decreasing to 275 basis points after six months, or the bank's alternative rate, as defined in the agreement. Interest on the bank revolver is at LIBOR plus 275 basis points, decreasing to 250 basis points after six months or the bank's alternative rate, as defined in the agreement. The Company pays a commitment fee on the unused portion of the facility at a rate of 37.5 basis points per annum. Costs associated with the transaction amounted to approximately \$4.4 million and are being amortized over the term of the loan. All interest and fees are paid monthly. The rate in effect at December 31, 2003 was 4.75% for the revolver and 5.00% for the term loan, based on the bank's alternative rate.

The term loan requires a \$5.0 million payment on January 1, 2004 and quarterly principal payments of \$1.7 million commencing on January 1, 2004, with the balance due on September 23, 2006. The January 1, 2004

49

payments were made on December 31, 2003. The revolver is due on September 23, 2006. Beginning in March 2005, excess cash flow, as defined, is required to be used to reduce term loan indebtedness.

The debt refinancing resulted in a loss on debt extinguishment of approximately \$18.9 million, including prepayment penalties, payment deferral fees and the write-off of previously deferred debt costs.

d. Covenants

The bank term loan and revolver contain covenants that require, among other things, minimum fixed charge coverage and maximum senior debt to EBITDA coverage. Also, the agreement places limits on capital expenditures and additional borrowings and prohibits the payment of dividends on its common stock. As of December 31, 2003, the Company was in compliance with its financial covenants.

12. STOCKHOLDERS' EQUITY

a. Capital Stock

On December 29, 2003, the Company converted its issued and outstanding shares of Series B 6% Cumulative Convertible Exchangeable Preferred Stock (Series B Stock) into approximately 823,300 shares, including 1,916 from accrued and unpaid dividends, of the Company's common stock. The Series B Stock converted into common stock at the rate of approximately 2.3 shares of common stock for each full share of Series B Stock based on the conversion price of \$21.375.

In September 2002, the Company converted its Series C Preferred Stock, along with accrued and unpaid dividends and applicable interest, into approximately 2.6 million shares of the Company's common stock.

As of December 31, 2003 and 2002, the Company had 300,000 shares of Series A Junior Participating Preferred Shares authorized with no shares issued and outstanding.

The Board of Directors has the authority to issue up to 25 million shares of unclassified preferred stock and to fix dividends, voting and conversion rights, redemption provisions, liquidation preferences and other rights and restrictions.

b. Stockholders' Rights Plan

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

In November 1995, our Board of Directors adopted a Stockholders' Rights Plan (the "Rights Plan"). The Rights Plan is designed to deter coercive or unfair takeover tactics in the event of an unsolicited takeover attempt. It is not intended to prevent a takeover of Wabash on terms that are favorable and fair to all stockholders and will not interfere with a merger approved by the Board of Directors. Each right entitles stockholders to buy one one-thousandth of a share of Series A Junior Participating Preferred Stock at an exercise price of \$120. The rights will be exercisable only if a person or a group acquires or announces a tender or exchange offer to acquire 20% or more of our Common Stock or if we enter into other business combination transactions not approved by the Board of Directors. In the event the rights become exercisable, the rights plan allows for our stockholders to acquire stock of Wabash or the surviving corporation, whether or not Wabash is the surviving corporation having a value twice that of the exercise price of the rights. The rights will expire December 28, 2005 or are redeemable for \$0.01 per right by our Board under certain circumstances.

13. STOCK-BASED INCENTIVE PLANS

a. Stock Option and Stock Related Plans

The Company has stock incentive plans that provide for the issuance of stock appreciation rights (SAR) and the granting of common stock options to officers and other eligible employees.

SARs. During 2001, the Company adopted a SAR Plan giving eligible participants the right to receive, upon exercise thereof, the excess of the fair market value of one share of stock on the date of exercise over the exercise price of the SAR as determined by the Company. All SARs granted expire ten years after the date of grant.

50

The Company had granted 130,000 SARs in 2001 that were terminated in 2002. No SARs were granted by the Company in 2002 or 2003. During 2001 and 2002, expense related to SARs was not material.

Restricted Stock. From time-to-time, the Company has granted to certain key employees and outside directors shares of the Company's stock to be earned over time. These shares are granted at par value and recorded at the market price on the date of grant with an offsetting balance representing the unearned portion. These grants have been made under the 2000 Stock Option Plan. The grants generally vest over periods ranging from one to three years. As of December 31, 2003, there were 55,467 shares of restricted stock grants outstanding and not fully vested with an unearned balance of \$0.3 million included in additional paid-in-capital. In 2003, the Company recorded amortization expense of \$0.2 million related to restricted stock.

Stock Options. The Company has two non-qualified stock option plans (the 1992 and 2000 Stock Option Plans) which allow eligible employees to purchase shares of common stock at a price not less than market price at the date of grant. Under the terms of the Stock Option Plans, up to an aggregate of 3,750,000 shares are reserved for issuance, subject to adjustment for stock dividends, recapitalizations and the like. Options granted to employees under the Stock Option Plans generally become exercisable in annual installments over three years for options granted under the 2000 Plan and five years for options granted under the 1992 Plan. Options granted to non-employee directors of the Company are fully vested on the date of grant and are exercisable six months thereafter. All options granted expire ten years after the date of grant.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

A summary of stock option activity and weighted-average exercise prices for the periods indicated are as follows:

| | Number of Options | Weighted-Average Exercise Price |
|----------------------------------|----------------------|------------------------------------|
| Outstanding at December 31, 2000 | 1,919,625 | \$19.59 |
| Granted | 89,500 | 9.47 |
| Exercised | - | - |
| Cancelled | (231,400) | 16.79 |
| ----- | | |
| Outstanding at December 31, 2001 | 1,777,725 | 19.39 |
| Granted | 375,000 | 10.01 |
| Exercised | (11,168) | 7.38 |
| Cancelled | (294,981) | 17.37 |
| ----- | | |
| Outstanding at December 31, 2002 | 1,846,576 | 17.93 |
| Granted | 953,250 | 8.46 |
| Exercised | (360,114) | 13.34 |
| Cancelled | (563,360) | 25.16 |
| ----- | | |
| Outstanding at December 31, 2003 | 1,876,352 | \$11.83 |
| ===== | | |

The following table summarizes information about stock options outstanding at December 31, 2003:

| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Life | Weighted Average Exercise Price | Number Exercisable at 12/31/03 | Weighted Average Exercise Price |
|--------------------------------|-----------------------|--|--|--------------------------------------|--|
| \$ 6.68 to \$10.01 | 1,454,652 | 8.9 yrs. | \$ 8.63 | 85,069 | \$ 8.45 |
| \$10.02 to \$13.35 | 4,500 | 7.4 yrs. | \$ 12.95 | 4,500 | \$ 12.95 |
| \$13.36 to \$16.69 | 58,200 | 4.9 yrs. | \$ 15.35 | 58,200 | \$ 15.35 |
| \$16.70 to \$20.03 | 32,150 | 3.0 yrs. | \$ 18.91 | 32,150 | \$ 18.91 |
| \$20.04 to \$23.36 | 209,350 | 4.7 yrs. | \$ 21.77 | 163,700 | \$ 21.84 |
| \$26.70 to \$30.04 | 85,000 | 3.3 yrs. | \$ 28.75 | 85,000 | \$ 28.75 |
| \$30.05 to \$33.38 | 32,500 | 1.4 yrs. | \$ 33.38 | 32,500 | \$ 33.38 |

51

Using the Black-Scholes option valuation model, the estimated fair values of options granted during 2003, 2002 and 2001 were \$4.61, \$5.67 and \$5.20 per option, respectively. Principal assumptions used in applying the Black-Scholes model were as follows:

| Black-Scholes Model Assumptions | 2003 | 2002 | 2001 |
|---------------------------------|-------|-------|-------|
| Risk-free interest rate | 4.02% | 5.11% | 5.07% |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | | |
|-------------------------|---------|---------|---------|
| Expected volatility | 53.50% | 49.40% | 45.58% |
| Expected dividend yield | 1.30% | 1.26% | 1.26% |
| Expected term | 10 yrs. | 10 yrs. | 10 yrs. |

b. Other Stock Plans

The 1993 Employee Stock Purchase Plan enabled eligible employees of the Company to purchase shares of the Company's \$0.01 par value common stock. Employees may contribute up to 15% of their eligible compensation toward the semi-annual purchase of common stock. The purchase price is based on the fair market value of the common stock on the date of purchase. No compensation expense is recorded in connection with the plan. During 2002, 5,312 shares were issued to employees at an average price of \$8.88 per share. The plan was discontinued effective December 31, 2002.

The Company has a Stock Bonus Plan (the "Bonus Plan"). Under the terms of the Bonus Plan, common stock may be granted to employees under terms and conditions as determined by the Board of Directors. During 2003 and 2002, 6,370 and 10,300 shares, respectively, were issued to employees at an average price of \$11.58 and \$8.64, respectively. The expense associated with the grants is recognized when the shares are granted and amounted to \$74,000, \$89,000 and \$27,000 in 2003, 2002 and 2001, respectively. At December 31, 2003 and 2002, there were 460,010 and 466,380 shares, respectively, available for offering under the Bonus Plan.

14. EMPLOYEE 401(k) SAVINGS PLAN

Substantially all of the Company's employees are eligible to participate in a defined contribution plan that qualifies under Section 401(k) of the Internal Revenue Code. The Plan provides for the Company to match, in cash, a percentage of each employee's contributions up to certain limits. On January 1, 2003, Plan amendments went into effect that among other things increased the potential Company matching contribution and changed the vesting period of those contributions. The Plan was also amended to be a Safe Harbor Plan and thus subject to those restrictions. The Company's matching contribution and related expense for the plan was approximately \$2.6 million, \$1.0 million and \$1.0 million for 2003, 2002 and 2001, respectively.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Selected cash payments and non-cash activities were as follows (in thousands):

| | December 31, | | |
|---|--------------|-----------|------------|
| | 2003 | 2002 | 2001 |
| Non-cash transactions: | | | |
| Capital lease obligation incurred | \$ - | \$ 14,731 | \$ 77,363 |
| Purchase option exercised related to equipment guarantees | 6,746 | - | 13,825 |
| Receivable Securitization Facility | - | - | 17,700 |
| Acquisitions, net of cash acquired: | | | |
| Fair value of assets acquired | - | - | 59,012 |
| Liabilities assumed | - | - | (52,676) |
| Net cash paid | \$ - | \$ - | \$ (6,336) |
| | ===== | ===== | ===== |

16. INCOME TAXES

a. Income Tax (Benefit) Provision

The consolidated income tax (benefit) provision for 2003, 2002 and 2001 consists of the following components (in thousands):

| | 2003 | 2002 | 2001 |
|--|-------|-------------|-------------|
| | ----- | ----- | ----- |
| Current: | | | |
| U.S. Federal | \$ - | \$ (13,789) | \$ (27,597) |
| Foreign | - | 979 | (819) |
| State | - | (2,468) | - |
| Deferred | - | - | (14,441) |
| | ----- | ----- | ----- |
| Total consolidated provision (benefit) | \$ - | \$ (15,278) | \$ (42,857) |
| | ===== | ===== | ===== |

The Company's effective tax rate differed from the U.S. Federal statutory rate of 35% as follows:

| | 2003 | 2002 | 2001 |
|---|-------------|-------------|--------------|
| | ----- | ----- | ----- |
| Pretax book loss | \$ (57,227) | \$ (71,468) | \$ (275,025) |
| Federal tax benefit at 35% statutory rate | (20,029) | (25,014) | (96,259) |
| State and local income taxes | | (1,604) | (554) |
| Foreign income taxes - rate differential | | - | (142) |
| Valuation allowance | 18,857 | 12,706 | 55,305 |
| Other | 1,172 | (1,366) | (1,207) |
| | ----- | ----- | ----- |
| Total income tax expense/(benefit) | \$ - | \$ (15,278) | \$ (42,857) |
| | ===== | ===== | ===== |

b. Deferred Taxes

Deferred income taxes are primarily due to temporary differences between financial and income tax reporting for the depreciation of property, plant and equipment and equipment under lease, the recognition of income from assets under finance leases, charges the Company recorded in 2003, 2002 and 2001 related to the restructuring of certain operations, and tax credits and losses carried forward.

The Company has a federal tax net operating loss carryforward of approximately \$250 million, which will expire beginning in 2022, if unused, and which may be subject to other limitations under IRS rules. The Company has various tax credit carryforwards which will expire beginning in 2013, if unused. Under SFAS No. 109, Accounting for Income Taxes, deferred tax assets are reduced

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has determined that a valuation allowance is necessary and, accordingly, has recorded a valuation allowance for all deferred tax assets as of December 31, 2003 and 2002, respectively. In future periods, the Company will evaluate the income tax valuation allowance and adjust (reduce) the allowance when management has determined that impairment to realizability of the related deferred tax assets, or a portion thereof, has been removed.

53

The components of deferred tax assets and deferred tax liabilities as of December 31, 2003 and 2002 were as follows (in thousands):

| | 2003 | 2002 |
|--|-------------|-------------|
| | ----- | ----- |
| Deferred tax (assets): | | |
| Rentals on finance leases | \$ - | \$ (22,998) |
| Leasing difference | - | (11,989) |
| Operations restructuring | (22,852) | (26,799) |
| Tax credits and loss carryforwards | (104,814) | (53,360) |
| Other | (52,328) | (85,280) |
| Deferred tax liabilities: | | |
| Book-tax basis differences-property, plant and equipment | 68,979 | 73,557 |
| Earned finance charges on finance leases | - | 10,770 |
| Other | 24,147 | 48,088 |
| | ----- | ----- |
| Net deferred tax liability/(asset), before valuation allowance | \$ (86,868) | \$ (68,011) |
| | ----- | ----- |
| Valuation allowance | \$ 86,868 | \$ 68,011 |
| | ----- | ----- |
| Net deferred tax asset | \$ - | \$ - |
| | ===== | ===== |

17. COMMITMENTS AND CONTINGENCIES

a. Litigation

Various lawsuits, claims and proceedings have been or may be instituted or asserted against the Company arising in the ordinary course of business, including those pertaining to product liability, labor and health related matters, successor liability, environmental and possible tax assessments. While the amounts claimed could be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are currently pending or asserted will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

Brazil Joint Venture

In March 2001, Bernard Krone Industria e Comercio de Maquinas Agricolas

Ltda. ("BK") filed suit against the Company in the Fourth Civil Court of Curitiba in the State of Parana, Brazil. This action seeks recovery of damages plus pain and suffering. Because of the bankruptcy of BK, this proceeding is now pending before the Second Civil Court of Bankruptcies and Creditors Reorganization of Curitiba, State of Parana (No.232/99).

This case grows out of a joint venture agreement between BK and the Company, which was generally intended to permit BK and the Company to market the RoadRailer(R) trailer in Brazil and other areas of South America. When BK was placed into the Brazilian equivalent of bankruptcy late in 2000, the joint venture was dissolved. BK subsequently filed its lawsuit against the Company alleging among other things that it was forced to terminate business with other companies because of the exclusivity and non-compete clauses purportedly found in the joint venture agreement. In its complaint, BK asserts that it has been damaged by these alleged wrongs by the Company in the approximate amount of \$8.4 million.

The Company answered the complaint in May 2001, denying any wrongdoing. The Company believes that the claims asserted against it by BK are without merit and intends to defend itself vigorously against those claims. The Company believes that the resolution of this lawsuit will not have a material adverse effect on its financial position, liquidity or future results of operations; however, at this early stage of the proceeding, no assurance can be given as to the ultimate outcome of the case.

54

Environmental

In October 2003, the Company reached a verbal agreement with federal officials to resolve a federal environmental investigation related to its Huntsville, Tennessee facility. The plea agreement includes payment of a \$0.4 million fine and a plea to two misdemeanor violations of the Clean Water Act. The parties expect to submit the agreement to the court for resolution in the near future. The expected resolution of this matter does not have a material impact on the Company's financial position, liquidity or future results of operations.

In September 2003, the Company was noticed as a potentially responsible party (PRP) by the United States Environmental Protection Agency pertaining to the Motorola 52nd Street, Phoenix, Arizona Superfund Site pursuant to the Comprehensive Environmental Response, Compensation and Liability Act. PRPs include current and former owners and operators of facilities at which hazardous substances were disposed of. EPA's allegation that the Company was a PRP arises out of the operation of a former branch facility located approximately five miles from the original site. The Company does not expect that these proceedings will have a material adverse effect on the Company's financial condition or results of operations.

b. Environmental

The Company generates and handles certain material, wastes and emissions in the normal course of operations that are subject to various and evolving federal, state and local environmental laws and regulations.

The Company assesses its environmental liabilities on an on-going basis by evaluating currently available facts, existing technology, presently enacted laws and regulations as well as experience in past treatment and remediation efforts. Based on these evaluations, the Company estimates a lower and upper range for the treatment and remediation efforts and recognizes a liability for such probable costs based on the information available at the time. As of

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

December 31, 2003, the Company was not aware of any of its branch or manufacturing locations where remediation activities would be required in its current state and usage and therefore has no reserves. The \$0.9 million environmental reserve at December 31, 2002 was related to sites disposed of in 2003.

c. Used Trailer Restoration Program

During 1999, the Company reached a settlement with the IRS related to federal excise tax on certain used trailers restored by the Company during 1996 and 1997. The Company has continued the restoration program with the same customer since 1997. The customer has indemnified the Company for any potential excise tax assessed by the IRS for years subsequent to 1997. As a result, the Company has recorded a liability and a corresponding receivable of approximately \$9.0 and \$8.6 million in the accompanying Consolidated Balance Sheets at December 31, 2003 and 2002, respectively. During 2001, the IRS completed its federal excise tax audit of 1999 and 1998 resulting in an assessment of approximately \$5.4 million. The Company believes it is fully indemnified for this liability and that the related receivable is fully collectible.

d. Letters of Credit

As of December 31, 2003, the Company had standby letters of credit totaling approximately \$7.0 million issued in connection with workers compensation claims and surety bonds.

e. Royalty Payments

The Company is obligated to make quarterly royalty payments in accordance with a licensing agreement related to the development of the Company's composite plate material used on its proprietary DuraPlate(R) trailer. The amount of the payments varies with the production volume of usable material, but requires minimum royalties of \$0.5 million annually through 2005. Annual payments for the last three years were approximately \$1 million.

f. Used Trailer Residual Guarantees and Purchase Commitments

In connection with certain historical new trailer sale transactions, the Company had entered into agreements to guarantee end-of-term residual value, which contain an option to purchase the used equipment at a pre-determined price. By policy, the Company no longer provides used trailer residual guarantees.

55

Under these agreements, future payments which may be required as of December 31, 2003 are as follows (in thousands):

| | Purchase Option ----- | Guarantee Amount ----- |
|------------|--------------------------|---------------------------|
| 2004 | \$ 51,679 | \$ 4,465 |
| 2005 | 22,758 | 4,976 |
| 2006 | - | 9,680 |
| 2007 | - | 3,527 |
| Thereafter | - | - |
| | ----- | ----- |
| | \$ 74,437 | \$ 22,648 |
| | ===== | ===== |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

In relation to the guarantees, as of December 31, 2003 and 2002, the Company recorded loss contingencies of \$1.4 million and \$1.2 million, respectively.

g. Purchase Commitments

As part of the sale of certain assets of our aftermarket parts business, as discussed in Footnote 5, the Company entered into a parts purchase agreement with the buyer that requires the Company to purchase \$45 million in parts over the next three years with a minimum of \$15 million per year. The purchase price for the parts will be at current market prices, will not exceed business requirements and is subject to certain performance requirements.

18. SEGMENTS AND RELATED INFORMATION

a. Segment Reporting

Under the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, the Company has two reportable segments: manufacturing and retail and distribution. The manufacturing segment produces and sells new trailers to the retail and distribution segment or to customers who purchase trailers direct or through independent dealers. The retail and distribution segment includes the sale, leasing and financing of new and used trailers, as well as the sale of aftermarket parts and service through its retail branch network. In addition, the retail and distribution segment includes the sale of aftermarket parts through Wabash National Parts.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that the Company evaluates segment performance based on income from operations. The Company has not allocated certain corporate related charges such as administrative costs, interest and income taxes from the manufacturing segment to the Company's other reportable segment. The Company accounts for intersegment sales and transfers at cost plus a specified mark-up. Reportable segment information is as follows (in thousands):

56

| | Manufacturing | Retail and Distribution | Combined Segments | Elimina |
|--|---------------|----------------------------|----------------------|---------|
| | ----- | ----- | ----- | ----- |
| 2003 | | | | |
| Net sales | | | | |
| External customers | \$ 620,120 | \$ 267,820 | \$ 887,940 | \$ |
| Intersegment sales | 52,172 | 878 | 53,050 | (53, |
| | ----- | ----- | ----- | ----- |
| Total net sales | \$ 672,292 | \$ 268,698 | \$ 940,990 | \$ (53, |
| | ===== | ===== | ===== | ===== |
| Depreciation and amortization | 13,843 | 9,945 | 23,788 | |
| Loss from operations | 27,828 | (37,283) | (9,455) | |
| Reconciling items to net loss: | | | | |
| Interest income | | | | |
| Interest expense | | | | |
| Foreign exchange gains and losses, net | | | | |
| Trade receivables facility costs | | | | |
| Loss on debt extinguishment | | | | |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | | | |
|--|------------|------------|------------|----------|
| Other (income) expense | | | | |
| Net loss | | | | |
| Capital expenditures | \$ 5,672 | \$ 846 | \$ 6,518 | \$ |
| Assets | \$ 370,325 | \$ 188,477 | \$ 558,802 | \$ (161, |
| 2002 | | | | |
| Net sales | | | | |
| External customers | \$ 492,267 | \$ 327,301 | \$ 819,568 | \$ |
| Intersegment sales | 37,793 | 4,188 | 41,981 | (41, |
| | ----- | ----- | ----- | ----- |
| Total net sales | \$ 530,060 | \$ 331,489 | \$ 861,549 | \$ (41, |
| | ===== | ===== | ===== | ===== |
| Depreciation and amortization | 15,152 | 13,474 | 28,626 | |
| Restructuring charge from operations | 1,813 | - | 1,813 | |
| Loss from operations | (16,566) | (22,287) | (38,853) | |
| Reconciling items to net loss: | | | | |
| Interest income | | | | |
| Interest expense | | | | |
| Foreign exchange gains and losses, net | | | | |
| Trade receivables facility costs | | | | |
| Loss on debt extinguishment | | | | |
| Other (income) expense | | | | |
| Income tax benefit | | | | |
| Net loss | | | | |
| Capital expenditures | \$ 4,514 | \$ 1,189 | \$ 5,703 | \$ |
| Assets | \$ 387,263 | \$ 340,505 | \$ 727,768 | \$ (162, |
| 2001 | | | | |
| Net sales | | | | |
| External customers | \$ 518,212 | \$ 345,180 | \$ 863,392 | \$ |
| Intersegment sales | 61,854 | 2,427 | 64,281 | (64, |
| | ----- | ----- | ----- | ----- |
| Total net sales | \$ 580,066 | \$ 347,607 | \$ 927,673 | \$ (64, |
| | ===== | ===== | ===== | ===== |
| Depreciation and amortization | 18,191 | 13,952 | 32,143 | |
| Restructuring charge from operations | 37,493 | 371 | 37,864 | |
| Loss from operations | (148,727) | (92,975) | (241,702) | 2, |
| Reconciling items to net loss: | | | | |
| Interest income | | | | |
| Interest expense | | | | |
| Equity in losses of unconsolidated affiliate | | | | |
| Restructuring charges | | | | |
| Foreign exchange gains and losses, net | | | | |
| Trade receivables facility costs | | | | |
| Other (income) expense | | | | |
| Income tax benefit | | | | |
| Net loss | | | | |
| Capital expenditures | \$ 4,463 | \$ 1,436 | \$ 5,899 | \$ |
| Assets | \$ 449,012 | \$ 348,155 | \$ 797,167 | \$ (104, |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

International sales, primarily to Canadian customers, accounted for approximately 9% in each of the last three years.

At December 31, 2003 and 2002, the amount reflected in property, plant and equipment, net of accumulated depreciation related to the Company's Canadian subsidiary was approximately \$2.0 million.

c. Product Information

The Company offers products primarily in three general categories of new trailers, used trailers and parts. Other sales include trailer service work performed at branch locations, leasing revenues, interest income from finance contracts and freight. The following table sets forth the major product category sales and their percentage of consolidated net sales (dollars in thousands):

| | 2003 | | 2002 | | 2001 | |
|---------------|-----------|--------|-----------|--------|-----------|--------|
| | ----- | | ----- | | ----- | |
| New Trailers | \$690,465 | 77.8% | \$563,496 | 68.8% | \$614,363 | 71.2% |
| Used Trailers | 64,843 | 7.3 | 92,317 | 11.3 | 73,287 | 8.5 |
| Parts | 81,710 | 9.2 | 99,447 | 12.1 | 103,694 | 12.0 |
| Other | 50,922 | 5.7 | 64,308 | 7.8 | 72,048 | 8.3 |
| | ----- | | ----- | | ----- | |
| Total Sales | \$887,940 | 100.0% | \$819,568 | 100.0% | \$863,392 | 100.0% |
| | ===== | | ===== | | ===== | |

d. Major Customers

The Company had one customer that represented 14% of consolidated net sales in 2003, and another customer that represented 11% and 19% of consolidated net sales in 2002 and 2001, respectively. The Company's consolidated net sales in the aggregate to its five largest customers were 27%, 30% and 34% of its consolidated net sales in 2003, 2002 and 2001, respectively.

58

19. CONSOLIDATED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal years 2003, 2002 and 2001 (Dollars in thousands except per share amounts).

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|-------------------------------------|------------------|-------------------|------------------|-------------------|
| | ----- | ----- | ----- | ----- |
| 2003 | | | | |
| Net sales | \$ 222,508 | \$ 230,231 | \$ 215,450 | \$ 219,751 |
| Gross profit | 22,341 | (4,811) | 15,905 | 15,259 |
| Net loss | 1,430 | (27,268) (4) | (29,641) (5) | (1,748) (6) |
| Basic and diluted loss per share(1) | \$ 0.05 | \$ (1.07) | \$ (1.16) | \$ (0.08) |
| 2002 | | | | |
| Net sales | \$ 161,952 | \$ 210,251 | \$ 241,474 | \$ 205,891 |
| Gross profit | 39 | 6,227 | 21,731 | 12,454 |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| | | | | | |
|------|-------------------------------------|------------|------------|--------------|---------------|
| | Net loss | (14,589) | (21,677) | (8,319) | (11,605) |
| | Basic and diluted loss per share(1) | \$ (0.65) | \$ (0.96) | \$ (0.37) | \$ (0.46) |
| 2001 | Net sales | \$ 242,629 | \$ 212,172 | \$ 241,945 | \$ 166,646 |
| | Gross loss | (1,743) | (26) | (32,733) | (84,711) |
| | Net loss | (17,730) | (18,117) | (61,373) (2) | (134,948) (3) |
| | Basic and diluted loss per share(1) | \$ (0.79) | \$ (0.81) | \$ (2.69) | \$ (5.88) |

- (1) Earnings (loss) per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may differ from annual earnings per share due to rounding.
- (2) The third quarter 2001 results include restructuring and other related charges of \$40.5 million (\$25.6 million, net of tax).
- (3) The fourth quarter 2001 results include loss contingencies and impairment charge related to the Company's leasing operations of \$37.9 million and used trailer inventory valuation of \$18.6 million.
- (4) The second quarter 2003 results include a \$28.5 million loss on asset impairment, as discussed in Footnote 5.
- (5) The third quarter 2003 results include a \$18.9 million loss on debt extinguishment, related to its debt refinancing, as discussed in Footnote 11.
- (6) The fourth quarter 2003 results includes a \$4.1 million loss on the sale of a large portion of the Company's finance contracts.

59

20. PRO FORMA FINANCIAL INFORMATION

The Company has prepared the following Unaudited Pro Forma Consolidated Statement of Operations for the twelve months ended December 31, 2003 to illustrate the estimated effects of the sale (the "Asset Sale") of a portion of its trailer leasing and finance operations and a portion of its aftermarket parts distribution operations to Aurora Trailer Holdings, LLC and the refinancing of its capital structure through the sale of \$125 million of 3.25% five-year senior unsecured convertible notes and entering into a \$222 million three-year asset-based loan arrangement (the "Refinancing").

In accordance with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company has not reflected the Asset Sale as discontinued operations as only a portion of a component was sold, the Company will continue to generate cash flows from these components and the Company will continue to be involved in the operations of the disposed assets through, among other things, purchase and supply agreements.

The Company believes the pro forma data to be useful in understanding the operating results in view of the recently completed transactions. The Unaudited Pro Forma Consolidated Statement of Operations gives effect to the transactions, described in Footnotes 5 and 11, as if they had occurred as of the beginning of the year. The Pro Forma Financial Statement is based upon available information and certain assumptions that management believes are reasonable. The Company has not attempted to allocate various costs and expenses, including indirect factory-owned branch operating costs and selling,

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

general and administrative expenses to the pro-forma data as the costs are not separately identifiable. The Pro Forma Financial Statement does not purport to represent what the Company's results of operations or financial condition would actually have been had the transactions in fact occurred on such dates or to project the Company's results of operations or financial condition for any future period or date.

60

Wabash National Corporation
Pro Forma Statement of Operations for the Twelve Months Ended December 31, 2003
Dollars in Thousands, Except Per Share Amounts

| | Historical | Adjustments | | Pro Forma |
|---|-------------|-------------|-------------|------------|
| | | Asset Sale | Refinancing | |
| Net sales | \$ 887,940 | \$ (58,904) | \$ - | \$ 829,036 |
| Cost of sales | 810,746 | (48,639) | - | 762,107 |
| Loss on asset impairment | 28,500 | (28,500) | - | - |
| Gross profit | 48,694 | 18,235 | - | 66,929 |
| General and administrative expenses | 37,383 | (1,498) | (1,576) | 34,309 |
| Selling expenses | 20,333 | (1,920) | - | 18,413 |
| Income (loss) from operations | (9,022) | 21,653 | 1,576 | 14,207 |
| Other income (expense): | | | | |
| Interest expense | (30,162) | 1,745 | 13,663 | (14,754) |
| Trade receivable facility costs | (1,022) | - | 1,022 | - |
| Foreign exchange gains and losses, net | 5,291 | - | - | 5,291 |
| Loss on debt extinguishment | (19,840) | - | 18,940 | (940) |
| Other, net | (2,472) | 853 | - | (1,619) |
| Income (loss) before income taxes | (57,227) | 24,251 | 35,201 | 2,225 |
| Income tax (benefit) expense | - | - | - | - |
| Net income (loss) | (57,227) | 24,251 | 35,201 | 2,225 |
| Preferred stock dividends | 1,053 | - | - | 1,053 |
| Net income (loss) applicable to common stockholders | \$ (58,280) | \$ 24,251 | \$ 35,201 | \$ 1,173 |
| Basic and diluted net income (loss) per share | \$ (2.26) | | | \$ 0.04 |
| Weighted average shares outstanding | 25,778 | | | 25,778 |

ITEM 9--CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

ITEM 9A--CONTROLS AND PROCEDURES

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) were effective as of December 31, 2003 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal control over financial reporting identified in management's evaluation during the fourth quarter of fiscal 2003 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

61

PART III

ITEM 10--EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS OF THE REGISTRANT

The name, age, business experience, current committee memberships, and directorships of each nominee for director, during at least the last five years, are set forth in the table below.

| | |
|--------------------|---|
| David C. Burdakin | Member - Audit, Compensation, Nominating and Corporate Governance Committees Age 49 Director of the Corporation since February 2002. Mr. Burdakin is President of HON Company, a manufacturer of office furniture, since February 2000 and Executive Vice President of HON Industries, a diversified manufacturer, since February 2001. Previously, Mr. Burdakin was President of the HON Group and has held a variety of positions of increasing responsibility with HON since 1993. |
| William P. Greubel | Member - Executive Committee. Age 52 President and Chief Executive Officer of the Corporation since May, 2002. Director of the Corporation since May, 2002. Mr. Greubel was a Director and Chief Executive Officer of Accuride Corporation, a manufacturer of wheels for trucks and trailers, from 1998 until April 2002 and served as President of Accuride Corporation from 1994 to 1998. Previously, Mr. Greubel was employed by AlliedSignal Corporation from 1974 to 1994 in a variety of positions of increasing responsibility, most recently as Vice President and General Manager of the Environmental Catalysts and Engineering Plastics business units. Mr. Greubel is a Board member of the Truck Trailer Manufacturers Association (TTMA) since 2002 and a board member of the United Way of Lafayette since 2004. |
| John T. Hackett | Member--Audit, Compensation, and Nominating and |

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Corporate Governance Committees

Age 71

Director of the Corporation since November 1991 and Chairman of the Board of Directors of Wabash National Corporation since October 2001. Mr. Hackett was Managing General Partner of CID Equity Partners, L.P., a private investment partnership, from 1991 until his retirement in 2001. He previously served as Vice President--Finance and Administration of Indiana University from 1988 to 1991 and Executive Vice President, Chief Financial Officer and director of Cummins Engine Corporation from 1964 to 1988. Mr. Hackett is also a director of Irwin Financial Corporation.

Dr. Martin C. Jischke

Member--Audit, Compensation, and Nominating and Corporate Governance Committees

Age 62

Director of the Corporation since January 2002. Dr. Jischke is President of Purdue University, West Lafayette, Indiana, since August 2000. Previously, Dr. Jischke was president of Iowa State University from 1991-2000, chancellor of the University of Missouri-Rolla from 1986-1991, and served in various capacities at the University of Oklahoma between 1968 and 1986, including dean and interim president. Dr. Jischke also serves as a director of Kerr-McGee Corporation.

62

Ludvik F. Koci

Member--Audit and Compensation Committees

Age 67

Director of the Corporation since December 1993. Mr. Koci was Chairman and Chief Executive Officer of Detroit Diesel Corporation in Detroit, Michigan from 1997 until his retirement in 2002. He had previously served as President and Chief Operating Officer from December 1989. Mr. Koci also serves on the Board of Directors of Penske Corporation, Penske Transportation Components LLC., VM Motori S.p.A., American Trucking Research Institute, Focus Hope, Mary's Children Family Center of Michigan and the Board of Regents of Orchard Lake Schools, and of Saints Cyril & Methodius Seminary.

Stephanie K. Kushner

Member--Audit, Compensation, and Nominating and Corporate Governance Committees

Age 48

Director of the Corporation since February 2004. Ms. Kushner is Vice President and Chief Financial Officer of Federal Signal Corporation, a manufacturer and supplier of diverse industrial products. Prior to joining Federal Signal, she was employed by FMC Corporation for 14 years, most recently as Vice President and Treasurer. Before joining FMC, she held various financial positions with AMOCO Corporation, Cyprus Minerals and Homestake Mining Company.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Directors' Fees

From January 1, 2003 until June 30, 2003, Directors who were not officers or otherwise affiliated with the Corporation received total compensation of \$10,000 per calendar quarter (paid 1/3 in cash and 2/3 in common stock of the Corporation) and \$1,000 for each Committee meeting attended.

Effective July 1, 2003, Directors who are not officers or otherwise affiliated with the Corporation receive compensation of \$10,000 per calendar quarter (paid 1/2 in cash and 1/2 in common stock of the Corporation), except for the Chairman of the Board who receives compensation of \$11,250 per calendar quarter (paid 1/2 in cash and 1/2 in common stock of the Corporation). Directors who are not officers or otherwise affiliated with the Corporation also receive \$1,000 for each Committee meeting attended except for the Chairman of each committee who receive \$2,000 for each committee meeting attended.

Beginning with fiscal year 2003, directors who are not officers or otherwise affiliated with the Corporation annually receive a restricted stock award of 1,000 shares on the last day of the fiscal year. One-half of these shares vest on the first anniversary of the grant date and one-half vest on the secondary anniversary of the grant date. Vesting of the restricted stock will be accelerated on the first to occur of either (1) an involuntary termination of the directorship and (2) the voluntary resignation of the director if the director has served for one year since the date of grant.

EXECUTIVE OFFICERS OF THE REGISTRANT

In addition to Mr. Greubel, who is identified above under the heading "Directors of the Registrant," the table below sets forth the names, ages, and current positions of each of the executive officers of the Corporation. The business experience for each of these executive officers for the last five years is described below the table.

| NAME | AGE | POSITION |
|---------------------------|-----|---|
| Rodney P. Ehrlich | 58 | Senior Vice President--Chief Technology Officer |
| Richard J. Giromini | 50 | Senior Vice President--Chief Operating Officer |
| Mark R. Holden | 44 | Senior Vice President--Chief Financial Officer |
| Timothy J. Monahan..... | 51 | Senior Vice President--Human Resources |

Rodney P. Ehrlich. Mr. Rodney Ehrlich has been Senior Vice President -- Chief Technology Officer of the Corporation since January 2004. From 2001 - 2003, Mr. Ehrlich was Senior Vice President--Product Development. Mr. Ehrlich has been in charge of the Corporation's engineering operations since the Corporation's founding.

63

Richard J. Giromini. Mr. Giromini has been Senior Vice President--Chief Operating Officer since joining the Corporation on July 15, 2002. He also has served as President and a Director of Wabash National Trailer Centers, Inc. since January 2004. Prior to joining the Corporation, Mr. Giromini was with Accuride Corporation, a manufacturer of wheels for trucks and trailers, from April 1998 to July 2002, where he served in capacities as Senior Vice President - Technology and Continuous Improvement; Senior Vice President and General Manager - Light Vehicle Operations; and President and CEO of AKW LP. Previously, Mr. Giromini was employed by ITT Automotive, Inc. from 1996 to 1998 serving as the Director of Manufacturing.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Mark R. Holden. Mr. Holden has been Senior Vice President--Chief Financial Officer since October 2001. In addition, Mr. Holden served in the Office of the CEO during 2001 and 2002. Mr. Holden served as Vice President--Chief Financial Officer and Director of the Corporation from May 1995 to October 2001.

Timothy J. Monahan. Mr. Monahan has been Senior Vice President--Human Resources since October 2003. Prior to that, Mr. Monahan was with Textron Fastening Systems from 1999 to October 2003 where he served as Vice President--Human Resources. Previously, Mr. Monahan served as Vice President--Human Resources at Beloit Corporation. Mr. Monahan serves on the board of directors of North American Tool Corporation.

AUDIT COMMITTEE

The Board of Directors of the Corporation has a standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee is comprised of John T. Hackett, Ludvik F. Koci, David C. Burdakin, Martin C. Jischke and Stephanie K. Kushner. The Board of Directors determined that Mr. Hackett is an "audit committee financial expert" as defined by the Securities and Exchange Commission and is "independent" as that term is used in Item 7(d)(3) of Schedule 14A under the Exchange Act.

DIRECTOR NOMINATIONS BY STOCKHOLDERS

The Nominating and Corporate Governance Committee of the Board of Directors will consider stockholder recommendations for directors sent to the Nominating and Corporate Governance Committee, c/o VP, General Counsel and Corporate Secretary, Wabash National Corporation, P.O., Box 6129, Lafayette, Indiana 47903. Stockholder recommendations for director should include (i) the name and address of the stockholder recommending the person to be nominated, (ii) a representation that the stockholder is a holder of record of stock of the Corporation including the number of shares held and the period of holding, (iii) a description of all arrangements or understandings between the stockholder and the recommended nominee, (iv) such other information regarding the recommended nominee as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended and (v) the consent of the recommended nominee to serve as the director of the Corporation if so elected. To submit a recommendation for a director for an upcoming annual stockholder meeting, it is necessary that you notify the Corporation not less than 120 days or more than 180 days before the first anniversary of the date that the proxy statement for the preceding year's annual meeting was first sent to stockholder. In addition, the notice must meet all other requirements contained in our bylaws, if any. Upon receipt by the VP, General Counsel and Corporate Secretary of a stockholder notice of a Director nomination, the Corporate Secretary will notify the stockholder that the notice has been received and will be presented to the Nominating and Corporate Governance Committee for their review. Stockholders' nominees that comply with these procedures will receive the same consideration as other candidates identified to the Nominating and Corporate Governance Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation's directors, executive officers and 10% stockholders to file reports of ownership of equity securities of the Corporation. To the Corporation's knowledge, based solely on review of the copies of such reports furnished to the Corporation related to the year ended December 31, 2003, all such reports were made on a timely basis, except for one Form 4 for Chris Black reporting one transaction, which was not filed due to an oversight. For the year ended

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

December 31, 2002, due to clerical errors at the Corporation, each of William Greubel, Richard Giromini and Chris Black failed to timely file one Form 4 reporting one transaction each.

64

CODE OF ETHICS

As part of our system of corporate governance, our Board of Directors has adopted a code of ethics that is specifically applicable to our Chief Executive Officer and Senior Financial Officers. This code of ethics is available on the About Us page of our website at www.wabashnational.com.

ITEM 11--EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The following table sets forth the annual and long-term compensation for services in all capacities to the Corporation for the fiscal years ended December 31, 2003, 2002, and 2001 of the Chief Executive Officer and the other four most highly compensated executive officers of the Corporation as of December 31, 2003, which includes all of the executive officers of the Corporation as of that date (together, the "Named Officers").

SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION(1) | YEAR | ANNUAL COMPENSATION | | | LONG - TERM | SECURITIES |
|---|------|---------------------|-------------------|------------------------------------|------------------------|-----------------------|
| | | SALARY (\$) | BONUS (2) (\$) | RESTRICTED STOCK AWARDS (\$) | COMPENSATION AWARDS | UNDERLYING OPTIONS |
| William P. Greubel President and Chief Executive Officer | 2003 | \$ 600,000 | \$ 528,300 | \$ 0 | | 1 |
| | 2002 | \$ 393,461 | \$ 200,000 | \$ 262,500 | | 2 |
| | 2001 | \$ 0 | \$ 0 | \$ 0 | | |
| Rodney P. Ehrlich Senior Vice President - Chief Technology Officer | 2003 | \$ 251,275 | \$ 143,126 | \$ 0 | | |
| | 2002 | \$ 251,275 | \$ 0 | \$ 0 | | |
| | 2001 | \$ 251,275 | \$ 0 | \$ 0 | | |
| Richard J. Giromini Senior Vice President - Chief Operating Officer | 2003 | \$ 330,305 | \$ 242,361 | \$ 0 | | |
| | 2002 | \$ 150,208 | \$ 235,264 | \$ 70,000 | | 1 |
| | 2001 | \$ 0 | \$ 0 | \$ 0 | | |
| Mark R. Holden Senior Vice President - Chief Financial Officer | 2003 | \$ 355,833 | \$ 261,093 | \$ 0 | | |
| | 2002 | \$ 349,167 | \$ 150,000 | \$ 0 | | 1 |
| | 2001 | \$ 287,500 | \$ 0 | \$ 0 | | |
| Timothy Monahan Senior Vice President - Human Resources | 2003 | \$ 44,558 | \$ 75,000 | \$ 0 | | |
| | 2002 | \$ 0 | \$ 0 | \$ 0 | | |
| | 2001 | \$ 0 | \$ 0 | \$ 0 | | |

(1) Mr. Greubel became our Chief Executive Officer on May 6, 2002. Mr. Giromini became the Corporation's Chief Operating Officer on July 15, 2002. Mr. Monahan became the Corporation's Senior Vice President-- Human Resources on October 26, 2003.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

- (2) "All Other Compensation" consists of (i) contributions to the Corporation's 401(k) Plan, which, in 2003, consisted of \$8,000 in respect of each of Messrs. Greubel and Ehrlich, \$7,625 in respect of Mr. Giromini, and \$2,000 in respect of Mr. Holden; (ii) payments by the Corporation with respect to term life insurance for the benefit of the respective officer, which, in 2003, consisted of \$1,518 in respect of each of Messrs. Greubel and Giromini, \$660 in respect of Mr. Holden and \$2,337 in respect of Mr. Ehrlich; (iii) payments by the Corporation with respect to the Executive Life Insurance Plan (which provides employees with a

65

bonus to pay for a universal life insurance policy that is fully owned by the employee), which, in 2003, consisted of \$38,913 in respect of Mr. Greubel, \$18,250 in respect of Mr. Giromini and \$20,000 in respect of Mr. Holden; and (iv) reimbursement of relocation expenses, which, in 2003, consisted of \$140,127 in respect of Mr. Greubel, \$53,693 in respect of Mr. Giromini and \$1,376 for Mr. Monahan.

OPTION GRANTS

Shown below is information on grants of stock options during the year ended December 31, 2003, to the Named Officers pursuant to the Corporation's 2000 Stock Option and Incentive Plan, and inducement options granted outside of any corporate plan.

| NAME | NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED | PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2003 | EXERCISE OR BASE PRICE (PER SHARE) (1) | EXPIRATION DATE | INDIVIDUAL GRANTS |
|--------------------------|---|--|--|--------------------|---|
| | | | | | POTENTIAL APPROXIMATE STOCK PRICE 5% |
| William P. Greubel..... | 175,000 (3) | 18.36% | \$ 9.03 | 1/17/2013 | \$ 99 |
| Rodney P. Ehrlich..... | 20,000 (3) | 2.10% | \$ 9.03 | 1/17/2013 | \$ 11 |
| Richard J. Giromini..... | 70,000 (3) | 7.34% | \$ 9.03 | 1/17/2013 | \$ 39 |
| Mark R. Holden..... | 70,000 (3) | 7.34% | \$ 9.03 | 1/17/2013 | \$ 39 |
| Timothy J. Monahan..... | 10,000 (4) | 1.05% | \$ 20.15 | 10/27/2013 | \$ 6 |

- (1) Options were granted having exercise prices at fair market values on the date of grant.

- (2) The dollar amounts set forth under these columns are the result of calculations of assumed annual rates of stock price appreciation from the date of grant to the date of expiration of such options of 5% and 10%. These assumptions are not intended to forecast future appreciation of the Corporation's stock price. The Corporation's stock price may increase or decrease in value over the time period set forth above.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

- (3) Options granted to Messrs. Greubel, Ehrlich, Giromini and Holden vest with respect to 2/3 of the options on the two-year anniversary from the date of grant and the remainder vest on the three-year anniversary of the date of grant.
- (4) Options granted to Mr. Monahan vest with respect to 1/3 of the options on each of the first three anniversaries of the date of grant.

OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

Shown below is information with respect to the exercise of options by the Named Officers to purchase the Company's common stock during the fiscal year-ended December 31, 2003 and unexercised options to purchase the Company's common stock pursuant to the Company's Amended 1992 Stock Option and Incentive Plan, 2000 Stock Option Plan and inducement options granted outside of any corporate plan held by the Named Officers.

| NAME | SHARES ACQUIRED ON EXERCISE | VALUE REALIZED | NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS HELD AT DECEMBER 31, 2003 | | VALUE |
|--------------------|-----------------------------------|----------------|---|---------------|-----------------------------|
| | | | EXERCISABLE | UNEXERCISABLE | IN-TH AT DEC EXERCISA |
| William P. Greubel | 0 | -- | 83,334 | 341,666 | \$ 1,607, |
| Rodney P. Ehrlich | 25,000 | \$ 340,663 | 37,200 | 24,000 | \$ 162, |
| Richard Giromini | 0 | -- | 0 | 195,000 | |
| Mark R. Holden | 0 | -- | 89,553 | 201,667 | \$ 1,077, |
| Timothy J. Monahan | 0 | -- | 0 | 10,000 | |

- (1) Based on the closing price on the New York Stock Exchange-Composite Transactions of the Corporation's common stock on December 31, 2003 (\$29.30 per share).

66

EMPLOYMENT AND SEVERANCE AGREEMENTS

In April 2002, the Corporation entered into an employment agreement with Mr. Greubel to serve as President and Chief Executive Officer of the Corporation effective April 12, 2002 through March 31, 2005. The term of Mr. Greubel's employment automatically renews for successive one-year periods unless and until either party provides written notice, not less than 60 days prior to the end of the then current term, of their intent not to renew the agreement. The agreement requires the Corporation to use its commercially reasonable efforts while Mr. Greubel is serving as the Chief Executive Officer to cause him to be nominated for election to the Board of Directors. Pursuant to this agreement, Mr. Greubel's initial salary was set at \$600,000 per year, subject to annual adjustment in connection with annual performance reviews and discussions between Mr. Greubel and the Corporation. Mr. Greubel is also eligible for an annual bonus targeted at 50% of his base salary and which may range from 0% to 100% of that year's base salary. This agreement provided that his bonus for 2002 would be at least \$200,000. Pursuant to the terms of the agreement, the Board of Directors granted Mr. Greubel an option to purchase 250,000 shares of our common stock at an exercise price of \$10.01 per share. One-third of these options vested on the first anniversary of Mr. Greubel's employment and on each of the next two anniversaries thereafter, an additional one-third of these options will

vest.

In the event that the Corporation terminates Mr. Greubel's employment without cause, or it is terminated by Mr. Greubel as a result of a material diminishment of his position, duties or responsibilities, the assignment by the Corporation to Mr. Greubel of substantial additional duties or responsibilities which are inconsistent with the duties or responsibilities then being carried out by him and which are not duties of an executive nature, a material breach of this agreement by the Corporation, which is not corrected within twenty (20) business days of the receipt of a written notice specifying the breach, material fraud on the part of the Corporation, or the discontinuance of the active operation of business of the Corporation or its insolvency or bankruptcy, the Corporation will pay to him the sum of three times his then current base salary if the termination is prior to or on March 31, 2003 and two times his salary if after March 31, 2003. In addition, all unvested options then held by Mr. Greubel shall become vested. If the Corporation terminates Mr. Greubel's employment without cause, upon the attainment of corporate objectives, he is entitled to receive a pro-rata portion of his bonus for the year in which he is terminated. Mr. Greubel has agreed not to compete with the Corporation during the term of his agreement and for a period of two years after termination for any reason.

In June 2002, the Corporation entered into an employment agreement with Mr. Holden to serve as Chief Financial Officer of the Corporation effective June 14, 2002 through June 14, 2003. The term of Mr. Holden's employment automatically renews for successive one-year periods unless and until either party provides written notice, not less than 60 days prior to the end of the then current term, of their intent not to renew the agreement. Pursuant to this agreement, Mr. Holden's initial salary was set at \$350,000 per year, subject to annual adjustment in connection with annual performance reviews and discussions between Mr. Holden and the Corporation. Mr. Holden is also eligible for an annual bonus targeted at 50% of his base salary and which may range from 0% to 100% of that year's base salary. This agreement provided that his bonus for 2002 would be at least \$150,000. Pursuant to the terms of the agreement, the Board of Directors granted Mr. Holden an option to purchase 125,000 shares of the Corporation's common stock at an exercise price of \$7.79 per share. Two-thirds of these options will vest on the second anniversary of Mr. Holden's execution of his employment agreement and on the next anniversary thereafter the remaining one-third of these options will vest.

In the event that the Corporation terminates Mr. Holden's employment without cause, or it is terminated by Mr. Holden as a result of a material diminishment of his position, duties or responsibilities, the assignment by the Corporation to Mr. Holden of substantial additional duties or responsibilities which are inconsistent with the duties or responsibilities then being carried out by him and which are not duties of an executive nature, a material breach of this agreement by the Corporation, which is not corrected within twenty (20) business days of the receipt of a written notice specifying the breach, material fraud on the part of the Corporation, or the discontinuance of the active operation of business of the Corporation or its insolvency or bankruptcy, the Corporation will pay to him the sum of two times his then current base salary. In addition, all unvested options then held by Mr. Holden shall become vested. If the Corporation terminates Mr. Holden's employment without cause, upon the attainment of corporate objectives, he is entitled to receive a pro-rata portion of his bonus for the year in which he is terminated.

Mr. Holden has agreed not to compete with the Corporation during the term of his agreement and for a period of two years after termination for any reason.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

In June 2002, the Corporation also entered into an employment agreement with Mr. Giromini to serve as Chief Operating Officer of the Corporation effective July 15, 2002 through July 15, 2003. The term of Mr. Giromini's employment automatically renews for successive one-year periods unless and until either party provides written notice, not less than 60 days prior to the end of the then current term, of their intent not to renew the agreement. Pursuant to this agreement, Mr. Giromini's initial salary was set at \$325,000 per year, subject to annual adjustment in connection with annual performance reviews and discussions between Mr. Giromini and the Corporation. Mr. Giromini is also eligible for an annual bonus targeted at 50% of his base salary and which may range from 0% to 100% of that year's base salary. This agreement provided that his bonus for 2002 would be at least \$150,000. Pursuant to the terms of the agreement, the Board of Directors granted Mr. Giromini an option to purchase 125,000 shares of the Corporation's common stock at an exercise price of \$8.65 per share. Two-thirds of these options will vest on the second anniversary of Mr. Giromini's employment and on the next anniversary thereafter, the remaining one-third of these options will vest.

In the event that the Corporation terminates Mr. Giromini's employment without cause, or it is terminated by Mr. Giromini as a result of a material diminishment of his position, duties or responsibilities, the assignment by the Corporation to Mr. Giromini of substantial additional duties or responsibilities which are inconsistent with the duties or responsibilities then being carried out by him and which are not duties of an executive nature, a material breach of this agreement by the Corporation, which is not corrected within twenty (20) business days of the receipt of a written notice specifying the breach, material fraud on the part of the Corporation, or the discontinuance of the active operation of business of the Corporation or its insolvency or bankruptcy, the Corporation will pay to him the sum of two times his then current base salary. In addition, all unvested options then held by Mr. Giromini shall become vested. If the Corporation terminates Mr. Giromini's employment without cause, upon the attainment of corporate objectives, he is entitled to receive a pro-rata portion of his bonus for the year in which he is terminated. Mr. Giromini has agreed not to compete with the Corporation during the term of his agreement and for a period of two years after termination for any reason.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of the Board of Directors in 2003 consisted of Messrs. Hackett, Koci, Burdakin and Jischke. None of these individuals is currently, or was during 2003, an officer or employee of the Corporation. In addition, none of these individuals serves as a member of the Board of Directors or on the compensation committee of any corporation that has an executive officer serving on the Board of Directors of the Corporation or its Compensation Committee.

68

ITEM 12--SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth certain information as of March 15, 2004 (unless otherwise specified), with respect to the beneficial ownership of the Corporation's common stock by each person who is known to own beneficially more than 5% of the outstanding shares of common stock, each person currently serving as a director, each nominee for director, each Named Officer (as defined below), and all directors and executive officers as a group:

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

| NAME AND ADDRESS OF BENEFICIAL OWNER | SHARES OF COMMON STOCK BENEFICIALLY OWNED (1) | PERCENT OF CLASS |
|--|--|---------------------|
| FMR Corp. 82 Devonshire Street Boston, MA 02109..... | 3,891,697 (2) | 14.37% |
| Pioneer Global Asset Management S.p.A. Galleria San Carlo, 6 20122 Milan, Italy..... | 2,083,332 (3) | 7.69% |
| Goldman Sachs Asset Management, L.P. 32 Old Slip New York, NY 10005..... | 1,741,431 (4) | 6.43% |
| Barclays Private Bank Limited 59/60 Grosvenor Street London, W1X 9DA England..... | 1,379,642 (5) | 5.09% |
| David C. Burdakin..... | 6,376 | * |
| Rodney P. Ehrlich..... | 21,200 (6) | * |
| Richard J. Giromini..... | 20,592 | * |
| William P. Greubel..... | 221,159 (7) | * |
| John T. Hackett..... | 21,818 (8) | * |
| Mark R. Holden..... | 19,050 (9) | * |
| Martin C. Jischke..... | 6,063 | * |
| Ludvik F. Koci..... | 20,457 (10) | * |
| Stephanie K. Kushner..... | 0 | 0% |
| Timothy J. Monahan..... | 0 | 0% |
| All Executive Officers and Directors as a group (10 persons).... | 336,715 | 1.24% |

* Less than one percent

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or exercisable within 60 days of March 15, 2004 are deemed outstanding for purposes of computing the percentage ownership of the person holding such options but are not deemed outstanding for purposes of computing the percentage ownership of any other person. Except where indicated otherwise, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

69

(2) Based solely on a Schedule 13G filed December 10, 2003 and a Schedule 13G/A filed February 17, 2004. FMR Corp. has sole voting power with respect to 572,900 shares of common stock, or 2.12% of the Corporation's common stock. Fidelity Management & Research Company ("Fidelity"), a wholly-owned subsidiary of FMR Corp. and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 3,319,397 shares or 12.25% of the common stock outstanding of the Corporation as a result of acting as investment adviser to various investment companies registered under

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Section 8 of the Investment Company Act of 1940. The ownership of one investment company, Fidelity Small Cap Stock Fund, amounted to 1,478,500 shares or 5.46% of the outstanding common stock of the Corporation.

Edward C. Johnson 3d, Chairman of FMR Corp., FMR Corp., through its control of Fidelity, and the funds each has sole power to dispose of the 3,319,397 shares owned by the Funds. Neither FMR Corp. nor Edward C. Johnson 3d, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees.

Fidelity Management Trust Company, a wholly-owned subsidiary of FMR Corp. and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, is the beneficial owner of 465,100 shares or 1.72% of the common stock outstanding of the Corporation as a result of its serving as investment manager of the institutional account(s). Edward C. Johnson 3d and FMR Corp., through its control of Fidelity Management Trust Company, each has sole dispositive power over the 465,100 shares and sole power to vote or to direct the voting of the 465,100 shares of common stock.

Members of the Edward C. Johnson 3d family are the predominant owners of Class B shares of common stock of FMR Corp., representing approximately 49% of the voting power of FMR Corp. Mr. Johnson 3d owns 12.0% and Abigail Johnson owns 24.5% of the aggregate outstanding voting stock of FMR Corp. Mr. Johnson 3d is Chairman of FMR Corp. and Abigail P. Johnson is a Director of FMR Corp. The Johnson family group and all other Class B shareholders have entered into a shareholders' voting agreement under which all Class B shares will be voted in accordance with the majority vote of Class B shares. Accordingly, through their ownership of voting common stock and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR Corp.

- (3) Based solely on Schedules 13G filed August 28, 2003 and February 9, 2004.
- (4) Based solely on a Schedule 13G filed February 13, 2004. Goldman Sachs Asset Management, L.P. has sole voting power with respect to 1,604,424 shares of common stock, or 5.92% of the Corporation's common stock.
- (5) Based solely on a Schedule 13G filed February 17, 2004. Barclays Private Bank Limited has sole voting and investment power with respect to 1,182,631 shares of common stock, or 4.37% of the Corporation's common stock.
- (6) Includes options to purchase 21,200 shares that are currently, or will be within 60 days of March 15, 2004, exercisable.
- (7) Includes options to purchase 146,667 shares that are currently, or will be within 60 days of March 15, 2004, exercisable.
- (8) Includes options to purchase 10,500 shares that are currently, or will be within 60 days of March 15, 2004, exercisable.
- (9) Includes options to purchase 18,000 shares that are currently, or will be within 60 days of March 15, 2004, exercisable.

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

- (10) Includes options to purchase 1,500 shares that are currently, or will be within 60 days of March 15, 2004, exercisable.

70

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information regarding the Corporation's equity compensation plans as of December 31, 2003.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights |
|--|---|---|
| | (A) | (B) |
| Equity Compensation plans approved by security holders | 589,850 (1) | \$18.38 |
| Equity Compensation plans not approved by security holders | 1,269,485 (2) | \$ 8.75 |
| Total..... | 1,859,335 | \$11.81 |

(1) Consists of shares of common stock to be issued upon exercise of outstanding options granted under the Wabash National Corporation Amended 1992 Stock Option Plan, and shares of common stock to be issued upon exercise of outstanding options granted under the Wabash National Corporation 1992 Directors Stock Option Plan and shares of common stock to be issued under the Wabash National Corporation Directors and Executives Deferred Compensation Plan. The number of shares that may be granted under the Wabash National Corporation Directors and Executives Deferred Compensation Plan is based on compensation deferral by directors and executives.

(2) Consists of shares of common stock to be issued upon exercise of outstanding options granted under the Wabash National Corporation 2000 Stock Option and Incentive Plan, shares of common stock to be issued under the Wabash National Corporation Stock Bonus Plan, shares of common stock to be issued under the Wabash National Corporation Employee Stock Purchase Plan and inducement options that were granted outside of any formal corporate plan.

2000 STOCK AND OPTION INCENTIVE PLAN

The Corporation's Board of Directors adopted the 2000 Stock and Option Incentive Plan effective November 2000. This plan provides for the grant of non-qualified stock options and restricted stock in order to attract, retain and compensate directors, highly qualified officers, key employees and other persons. There were 2,000,000 shares of stock originally authorized for issuance under the plan. The exercise price for each option granted is set by the Compensation Committee, but is required to be at least the aggregate fair market

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

value of the shares subject to the option. The Compensation Committee sets the vesting schedule for each option granted and sets the restricted period for each grant of restricted stock. Upon a change in control of the Corporation, all outstanding shares subject to options vest and all restrictions and conditions applicable to shares subject to restricted stock lapse. The term of the plan is 10 years, unless earlier terminated by the Board of Directors.

EMPLOYEE STOCK PURCHASE PLAN

The Corporation's Board of Directors adopted the Employee Stock Purchase Plan effective June 1993. This plan provides for the purchase of the Corporation's common stock by certain employees in order to increase the employee's interest in the Corporation's growth and success and to retain the employee's services. The employee purchases the stock by electing to have deducted from his or her payroll a whole percentage amount of at least two percent and no more than 15 percent of the employee's daily compensation. There were 200,000 shares of common stock originally authorized for issuance under the Employee Stock Purchase Plan. The purchase price for each share of common stock is the fair market value of the common stock on the last day of the applicable period. The Board of Directors may terminate this plan at any time.

71

STOCK BONUS PLAN

The Corporation's Board of Directors adopted the Stock Bonus Plan effective January 1, 1997. This plan provides that stock may be awarded as supplementary compensation as an incentive and reward to eligible long service employees who, through industry, ability and exceptional service, contribute materially to the success of the Corporation. There were 500,000 shares of stock originally authorized for issuance under the Stock Bonus Plan. The Board of Directors has the authority to determine, in its sole discretion, the amount of individual stock bonus awards. This plan may be amended, suspended or terminated by the Board of Directors at any time.

INDUCEMENT GRANTS

The Corporation has issued non-qualified stock options outside of any plan in connection with inducing certain individuals to start work for the Corporation. In the aggregate, the Corporation has issued options to purchase 385,000 shares of common stock to three individuals. The exercise price for each option granted was set by the Compensation Committee at the fair market value of the shares subject to that option. The Compensation Committee set vesting schedules that vest over three years. Upon a change in control of the Corporation, all outstanding shares subject to options vest. The term of each option is 10 years.

ITEM 13--CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In July 2001, the Corporation entered into a three-year consulting and non-compete agreement with Donald J. Ehrlich, former President and Chief Executive Officer of the Corporation. At the time the agreement was executed, Mr. Ehrlich was a director of the Corporation. The agreement provides for Mr. Ehrlich to provide certain consulting services to the Corporation and precludes Mr. Ehrlich from engaging in defined activities that are deemed competitive to the interests of the Corporation. The agreement provides for payments to Mr. Ehrlich for consulting services rendered to the Corporation of \$50,000 per month during the first year of the agreement term, \$41,667 per month during the second year of the agreement term, and \$33,333 per month during the third year of the

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

Audit-Related Fees. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements and are not reported under "Audit Fees." In 2003, these services include audits of benefit plans, audits, accounting consultation, consulting on internal controls and other audit-related services.

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. In 2003, these services include assistance related to state tax filing and incentives reviews of corporation tax filings, consulting or net operating loss treatments, and review of tax audits.

All Other Fees. In 2003, these services include assistance related to expatriate tax liability for a single non-executive officer.

With the exception of \$46,000 of tax fees, which constituted 2.4% of total Ernst & Young fees billed for 2003, for which pre-approval was waived pursuant to the rules of the Securities and Exchange Commission, all Ernst & Young fees were pre-approved by the audit committee pursuant to the policy described below, or related to contracts existing on May 6, 2003.

POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT SERVICES AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITORS

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services performed by the independent public accountants. These services may include audit services, audit related services, tax services and other services. For audit services, the independent auditor provides an engagement letter in advance of the meeting of the Audit Committee that occurs in connection with the Corporation's Annual Meeting, outlining the scope of the audit and related audit fees. If agreed to by the Audit Committee, this engagement letter is formally accepted by the Audit Committee at the meeting.

For all services, the Corporation's senior management submits from time to time to the Audit Committee for approval services that it recommends the Audit Committee engage the independent auditor to provide for the fiscal year. In addition, the audit committee pre-approves specific non-audit services that the independent auditor can provide from time-to-time during the year. All fee proposals for those non-audit services must be approved in advance in writing by the requesting department head and by the Corporate Controller. Any fee proposal greater than \$25,000 must also be approved in advance in writing by the Chief Financial Officer. Any fee proposal greater than \$100,000 must also be approved in advance in writing by the Chairman of the Audit Committee. The Audit Committee will be informed routinely as to the non-audit services actually provided by the independent auditor pursuant to this pre-approval process.

73

PART IV

ITEM 15--EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) Financial Statements: The Company has included all required financial statements in Item 8 of this Form 10-K. The financial statement schedules have been omitted as they are not applicable or the required information is included in the Notes to the consolidated financial statements.
- (b) Reports on Form 8-K:

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

None.

- (c) Exhibits: The following exhibits are filed with this Form 10-K or incorporated herein by reference to the document set forth next to the exhibit listed below:
- 2.01 Purchase Agreement dated March 31, 1997, as amended(1)
 - 2.02 Asset Purchase Agreement dated July 22, 2003(14)
 - 2.03 Amendment No. 1 to the Asset Purchase Agreement dated September 19, 2003(14)
 - 3.01 Certificate of Incorporation of the Company(2)
 - 3.02 Certificate of Designations of Series A Junior Participating Preferred Stock(2)
 - 3.03 Amended and restated By-laws of the Company(9)
 - 4.01 Specimen Stock Certificate(7)
 - 4.02 Rights Agreement between the Company and Harris Trust and Savings Bank as Rights Agent dated December 4, 1995(2)
 - 4.03 First Amendment to Shareholder Rights Agreement dated October 21, 1998(3)
 - 4.04 Second Amendment to Shareholder Rights Agreement dated December 18, 2000(5)
 - 4.05 Indenture for the 3.25% Convertible Senior Notes due August 1, 2008, between the registrant, as issuer, and Wachovia Bank, National Association, as Trustee, dated as of August 1, 2003(13)
 - 4.06 Registration Rights Agreement for 3.25% Convertible Senior Notes due August 1, 2008, dated August 1, 2003(13)
 - 10.01 1992 Stock Option Plan(2)
 - 10.02 Indemnification Agreement between the Company and Roadway Express, Inc.(4)
 - 10.03 2000 Stock Option Plan(6)
 - 10.04 Consulting and Non-Competition Agreement dated July 16, 2001 between Donald J. Ehrlich and Wabash National Corporation(7)
 - 10.05 2001 Stock Appreciation Rights Plan(8)
 - 10.06 Executive Employment Agreement dated April 2002 between the Company and William P. Greubel(9)
 - 10.07 Executive Employment Agreement dated June 28, 2002 between the Company and Richard J. Giromini(10)
 - 10.08 Nonqualified Stock Option Agreement dated July 15, 2002 between the Company and Richard J. Giromini(10)
 - 10.09 Restricted Stock Agreement between the Company and Richard J. Giromini(10)
 - 10.10 Executive Employment Agreement dated June 14, 2002 between the Company and Mark R. Holden(10)
 - 10.11 Nonqualified Stock Option Agreement dated May 6, 2002 between the Company and Mark R. Holden(10)

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

- 10.12 Non-qualified Stock Option Agreement between the Company and William P. Greubel(10)
- 10.13 First Amendment to Executive Employment Agreement dated December 4, 2002 between the Company and William P. Greubel(11)
- 10.14 Restricted Stock Agreement between the Company and William P. Greubel(11)
- 10.15 Second Amendment to Executive Employment Agreement dated June 2, 2003 between the Company and William P. Greubel(12)
- 10.16 Loan and Security Agreement dated September 23, 2003(15)
- 10.17 Amendment No. 1 to Loan and Security Agreement dated October 23, 2003(15)
- 10.18 Amendment No. 3 to Loan and Security Agreement dated December 11, 2003(15)
- 21.00 List of Significant Subsidiaries(15)
- 23.01 Consent of Ernst & Young LLP(16)

74

- 23.02 Notice Regarding Consent of Arthur Andersen LLP(16)
- 31.01 Certification of Principal Executive Officer(16)
- 31.02 Certification of Principal Financial Officer(16)
- 32.01 Written Statement of Chief Executive Officer and Chief Financial Officer Pursuant to Section 9.06 of the Sarbanes-Oxley Act of 2002(18 U.S.C. Section 1350)(16)
 - (1) Incorporated by reference to the Registrant's Form 8-K filed on May 1, 1997
 - (2) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-42810) or the Registrant's Registration Statement on Form 8-A filed December 6, 1995 (item 3.02 and 4.02)
 - (3) Incorporated by reference to the Registrant's Form 8-K filed on October 26, 1998
 - (4) Incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 1999
 - (5) Incorporated by reference to the Registrant's Amended Form 8-A filed January 18, 2001
 - (6) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended March 31, 2001
 - (7) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 30, 2001
 - (8) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended September 30, 2001

Edgar Filing: WABASH NATIONAL CORP /DE - Form 10-K/A

- (9) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended March 31, 2002
- (10) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 30, 2002
- (11) Incorporated by reference to the Registrant's Form 10-K for the year ended December 31, 2002
- (12) Incorporated by reference to the Registrant's Form 10-Q for the quarter ended June 30, 2003
- (13) Incorporated by reference to the Registrant's registration statement Form S-3 (Registration No. 333-109375) filed on October 1, 2003
- (14) Incorporated by reference to the Registrant's Form 8-K filed on September 29, 2003
- (15) Previously filed on February 12, 2004
- (16) Filed herewith

75

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WABASH NATIONAL CORPORATION

April 5, 2004

By: /s/ Mark R. Holden

Mark R. Holden
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

76