

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTER ENDED SEPTEMBER 30, 1999
OR
 TRANSITION REPORT UNDER 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 of Incorporation)

52-1375208

(IRS Employer
Identification Number)

1000 Sagamore Parkway South,
Lafayette, Indiana

(Address of Principal
Executive Offices)

47905

(Zip Code)

Registrant's telephone number, including area code: (765) 771-5300

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 and has been subject to such filing requirements for the past 90 days.

Yes X No
--- ---

The number of shares of common stock outstanding at November 15, 1999 was 22,979,017.

WABASH NATIONAL CORPORATION

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FORM 10-Q

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September 30, 1999 and December 31, 1998

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WABASH NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	September 30, 1999	December 31, 1998
	----- (Unaudited)	----- (Note 1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 32,373	\$ 67,122
Accounts receivable, net	138,386	92,872
Current portion of finance contracts	7,556	7,603
Inventories	248,636	225,385
Prepaid expenses and other	15,827	19,833
	-----	-----
Total current assets	442,778	412,815
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, net	164,591	136,001
	-----	-----
EQUIPMENT LEASED TO OTHERS, net	42,834	43,066
	-----	-----
FINANCE CONTRACTS, net of current portion	65,570	66,369
	-----	-----
INTANGIBLE ASSETS, net	30,737	32,637
	-----	-----
OTHER ASSETS	19,769	13,598
	-----	-----
	\$ 766,279	\$ 704,486
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 2,890	\$ 3,089
Accounts payable	136,917	108,963
Accrued liabilities	40,182	29,507
	-----	-----
Total current liabilities	179,989	141,559
	-----	-----
LONG-TERM DEBT, net of current maturities	162,188	165,215
	-----	-----

DEFERRED INCOME TAXES	34,227	31,849
OTHER NONCURRENT LIABILITIES AND CONTINGENCIES	20,970	20,087
STOCKHOLDERS' EQUITY:		
Preferred stock, aggregate liquidation value of \$30,600	5	5
Common stock, 22,979,017 and 22,965,090 shares issued and outstanding	230	230
Additional paid-in capital	236,382	236,127
Retained earnings	133,567	110,693
Treasury stock at cost, 59,600 common shares	(1,279)	(1,279)
Total stockholders' equity	368,905	345,776
	\$ 766,279	\$ 704,486

See Notes to Condensed Consolidated Financial Statements.

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WABASH NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
NET SALES	\$ 374,708	\$ 334,113	\$1,096,535	\$ 965,458
COST OF SALES	339,669	306,479	1,000,171	887,898
Gross Profit	35,039	27,634	96,364	77,560
GENERAL AND ADMINISTRATIVE EXPENSES	7,613	6,187	21,557	18,217
SELLING EXPENSE	4,978	3,286	14,956	9,483
Income from operations	22,448	18,161	59,851	49,860
OTHER INCOME (EXPENSE):				
Interest expense	(3,341)	(3,382)	(9,329)	(11,558)
Accounts receivable securitization costs	(1,481)	(1,282)	(4,231)	(2,616)
Equity in losses of unconsolidated affiliate	(1,000)	(900)	(3,000)	(2,200)
Other, net	345	494	2,160	1,501
Income before income taxes	16,971	13,091	45,451	34,987
PROVISION FOR INCOME TAXES	6,606	5,182	18,371	13,917
Net Income	\$ 10,365	\$ 7,909	\$ 27,080	\$ 21,070
PREFERRED STOCK DIVIDENDS	474	418	1,623	946
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 9,891	\$ 7,491	\$ 25,457	\$ 20,124
Earnings per share:				
Basic	\$ 0.43	\$ 0.33	\$ 1.11	\$ 0.93
Diluted	\$ 0.43	\$ 0.33	\$ 1.10	\$ 0.92
Cash dividends per share	\$ 0.038	\$ 0.035	\$ 0.113	\$ 0.105

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30	
	1999	1998
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 27,080	\$ 21,070
Adjustments to reconcile net income to net cash provided by (used in) operating activities-		
Depreciation and amortization	15,121	12,606
Net gain on sale of property, plant and equipment	(665)	---
Bad debt provision	1,761	614
Deferred income taxes	(1,921)	6,370
Equity in losses of unconsolidated affiliate	3,000	2,200
Change in operating assets and liabilities:		
Accounts receivable	(47,274)	4,548
Inventories	(23,251)	(23,783)
Prepaid expenses and other	8,305	(575)
Accounts payable and accrued liabilities	38,598	28,689
Other, net	1,018	(634)
	21,772	51,105
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(47,010)	(22,847)
Net addition to equipment leased to others	(6,561)	(8,665)
Net additions to finance contracts	(17,188)	(24,313)
Acquisition, net of cash acquired	---	(9,515)
Investment in unconsolidated affiliate	(2,355)	(1,965)
Proceeds from the sale of property, plant and equipment	5,219	---
Proceeds from sale of leased equipment and finance contracts	11,051	9,833
Principal payments on finance contracts	7,470	5,495
Other, net	(1)	117
	(49,375)	(51,860)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
Long-term revolver	120,300	247,400
Common stock, net of expense	256	87,484
Payments:		
Long-term debt	(3,226)	(28,280)
Long-term revolver	(120,300)	(292,000)
Common stock dividends	(2,584)	(2,201)
Preferred stock dividends	(1,592)	(792)
	(7,146)	11,611
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(34,749)	10,856
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	67,122	14,647
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 32,373	\$ 25,503

See Notes to Condensed Consolidated Financial Statements.

WABASH NATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL

The condensed consolidated financial statements included herein have been prepared by Wabash National Corporation and its subsidiaries (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The condensed consolidated financial statements included herein should be read in conjunction with the financial statements and the notes thereto included in the Company's 1998 Annual

In the opinion of the Company, the accompanying financial statements contain all material adjustments (consisting only of normal recurring adjustments), necessary to present fairly the consolidated financial position of the Company at September 30, 1999 and December 31, 1998, its results of operations for the three and nine months ended September 30, 1999 and 1998 and cash flows for the nine months ended September 30, 1999 and 1998.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement requires that all derivative instruments be recorded on the balance sheet at their fair value. As amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133, this standard is effective for the Company's financial statements beginning January 1, 2001, with early adoption permitted. Management anticipates that, due to its limited use of derivative instruments, the adoption of SFAS No. 133, as amended by SFAS No. 137, will not have a significant effect on the Company's results of operations or its financial position.

The Company adopted Statement of Position No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, during the first quarter of 1999. This pronouncement specifies the appropriate accounting for costs incurred to develop or obtain computer software for internal use. The new pronouncement provides guidance on which costs should be capitalized, when and over what period such costs should be amortized and what disclosures should be made regarding such costs. The adoption of this pronouncement did not have a material effect on the Company's results of operations or financial position.

b. Inventories

Inventories consisted of the following (in thousands):

	September 30, 1999	December 31, 1998
	----- (Unaudited)	-----
Raw material and components	\$ 93,733	\$104,174
Work in process	18,885	12,159
Finished goods	48,670	44,743
Aftermarket parts	30,130	28,733
Used trailers	57,218	35,576
	----- \$248,636 =====	----- \$225,385 =====

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c. Reclassifications

Certain items previously reported in specific consolidated financial statement captions have been reclassified to conform with the 1999 presentation. Such reclassifications had no impact on net income.

NOTE 3. SEGMENTS

Under the provisions of SFAS No. 131, the Company has three reportable segments; manufacturing, retail and distribution, and leasing and finance operations. The manufacturing segment principally produces new trailers and sells them directly to certain customers or through independent dealers. The manufacturing segment also produces trailers for the retail and distribution segment. The retail and distribution segment sells new and used trailers, aftermarket parts, and performs service repair on used trailers through the Company's retail branch network. The leasing and finance segment provides leasing and finance programs to the Company's customers for new and used trailers. Reportable segment information is as follows (in thousands):

	Manufacturing	Retail and Distribution	Leasing and Finance	Combined Segments	Eliminations	Consolidated Totals
Three Months Ended September 30, 1999 ----- (unaudited)						
Revenues						
External customers	\$285,648	\$ 78,640	\$10,420	\$ 374,708	\$ ---	\$ 374,708
Intersegment sales	28,693	483	1,625	30,801	(30,801)	---
Total Revenues	<u>\$314,341</u>	<u>\$ 79,123</u>	<u>\$12,045</u>	<u>\$ 405,509</u>	<u>\$(30,801)</u>	<u>\$ 374,708</u>
Income from Operations	\$ 19,593	\$ 1,622	\$ 1,552	\$ 22,767	\$ (319)	\$ 22,448
Three Months Ended September 30, 1998 ----- (unaudited)						
Revenues						
External customers	\$261,998	\$ 66,122	\$ 5,993	\$ 334,113	\$ ---	\$ 334,113
Intersegment sales	12,394	2,295	658	15,347	(15,347)	---
Total Revenues	<u>\$274,392</u>	<u>\$ 68,417</u>	<u>\$ 6,651</u>	<u>\$ 349,460</u>	<u>\$(15,347)</u>	<u>\$ 334,113</u>
Income from Operations	\$ 13,899	\$ 2,451	\$ 1,615	\$ 17,965	\$ 196	\$ 18,161
Nine Months Ended September 30, 1999 ----- (unaudited)						
Revenues						
External customers	\$835,260	\$231,971	\$29,304	\$1,096,535	\$ ---	\$1,096,535
Intersegment sales	67,406	664	9,044	77,114	(77,114)	---
Total Revenues	<u>\$902,666</u>	<u>\$232,635</u>	<u>\$38,348</u>	<u>\$1,173,649</u>	<u>\$(77,114)</u>	<u>\$1,096,535</u>
Income from Operations	\$ 52,820	\$ 3,916	\$ 4,635	\$ 61,371	\$ (1,520)	\$ 59,851
Nine Months Ended September 30, 1998 ----- (unaudited)						
Revenues						
External customers	\$734,169	\$213,909	\$17,380	\$ 965,458	\$ ---	\$ 965,458
Intersegment sales	61,514	3,680	1,384	66,578	(66,578)	---
Total Revenues	<u>\$795,683</u>	<u>\$217,589</u>	<u>\$18,764</u>	<u>\$1,032,036</u>	<u>\$(66,578)</u>	<u>\$ 965,458</u>
Income from Operations	\$ 37,959	\$ 7,587	\$ 4,436	\$ 49,982	\$ (122)	\$ 49,860

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NOTE 4. EARNINGS PER SHARE

A reconciliation of the numerators and denominators of the basic and diluted EPS computations, as required by SFAS No. 128, is presented below (in thousands except per share amounts):

	Income	Weighted Average Shares	Earnings Per Share
----- (Unaudited) -----			
Three Months Ended September 30, 1999 -----			
Basic	\$ 9,891	22,979	\$0.43
Options	---	80	
Preferred Stock	295	823	
Diluted	<u>\$10,186</u>	<u>23,882</u>	<u>\$0.43</u>

Three Months Ended September 30, 1998 -----			

Basic	\$ 7,491	22,962	\$0.33
Options	---	26	
Preferred Stock	264	823	

Diluted	\$ 7,755	23,811	\$0.33
=====			
Nine Months Ended September 30, 1999			

Basic	\$25,457	22,970	\$1.11
Options	---	38	
Preferred Stock	854	823	

Diluted	\$26,311	23,831	\$1.10
=====			
Nine Months Ended September 30, 1998			

Basic	\$20,124	21,662	\$0.93
Options	---	98	

Diluted	\$20,124	21,760	\$0.92
=====			

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NOTE 5. SUPPLEMENTAL CASH FLOW INFORMATION

(In thousands)	Nine Months Ended September 30,	
	1999	1998

Cash paid during the period for:		
Interest	\$ 10,710	\$ 10,752
Income taxes	14,623	10,464

Noncash investing and financing activities:		
Preferred stock issued for acquisition	---	13,004
Common stock issued for acquisition	---	---

Acquisitions, net of cash acquired:		
Accounts receivable, net	\$ ---	\$ 4,952
Inventory, net	---	16,405
Prepaid expenses and other	---	743
Property, plant and equipment	---	8,333
Goodwill and other intangibles	---	22,956
Deferred income taxes	---	1,265
Other assets	---	1,203
Current liabilities	---	(8,243)
Current maturities of long-term debt	---	(18,753)
Non-current liabilities	---	(3,400)
Long-term debt, net of current maturities	---	(2,942)
Stock issued	---	(13,004)

Net cash paid for acquisition	\$ ---	\$ (9,515)

NOTE 6. 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 and possible tax assessments. None of these claims are expected to have a material adverse effect on the Company's financial position or its annual results of operations.

From January 22, 1999 through February 24, 1999, five purported class action complaints were filed against the Company and certain of its officers in the United States District Court for the Northern District of Indiana. The complaints purported to be brought on behalf of a class of investors who purchased the Company's common stock between April 20, 1998 and January 15, 1999. The complaints alleged that the Company violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under the Act by disseminating false and misleading financial statements and reports respecting the first three quarters of the Company's fiscal year 1998. The complaints sought unspecified compensatory damages and attorney's fees, as well as other relief. In addition, on March 23, 1999, another purported class action lawsuit was also filed in the United States District Court for the Northern District of Indiana, naming the Company, its directors and the underwriters of the Company's April 1998 public offering. That complaint alleged that the Company and the individual defendants violated Section 11 of the Securities Act of 1933, and the Company, the individual defendants as "controlling persons" of the Company, and the underwriters are liable under Section 12 of that Act, by making untrue statements of material fact in and omitting material facts from the prospectus used in that offering. The complaint sought unspecified compensatory damages and attorney's fees, as well as other relief. Both the Securities Exchange Act complaints and the Securities Act complaint arise out of the restatement of the Company's financial statements for the first three quarters of 1998. At a hearing on

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May 10, 1999 and in an order entered on June 22, 1999, Judge Allen Sharp consolidated the six pending cases under the caption In re Wabash National Corporation Securities Litigation, No. 4:99CV0003AS, and established a schedule for further proceedings. Pursuant to the order, selected lead plaintiffs filed a Consolidated Class Action Complaint on July 6, 1999. The consolidated complaint repeats the claims made in the original complaints respecting the restatement and also alleges that the loss contingency for certain excise taxes, which Wabash disclosed on January 19, 1999, should have been recorded earlier. Under the schedule established and modified by the Court, defendants filed motions to dismiss the consolidated complaint on September 7, 1999, plaintiffs filed their opposing briefs on October 4, 1999 and defendants filed their reply briefs on October 12, 1999. A hearing on those motions is currently scheduled to take place on December 8, 1999.

The Company believes the allegations in the consolidated complaint are without merit, and intends to defend itself and its directors and officers vigorously. The Company believes the resolution of the lawsuit (as to which the Company is self-insured), including any Company indemnification obligations to its officers and directors and to the underwriters of its April 1998 public offering, will not have a material adverse effect on its financial position or future results of operations; however, at this early stage of the proceedings, no assurance can be given as to the ultimate outcome of the case.

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 September 30, 1999, the estimated potential exposure for such costs ranges from approximately \$0.6 million to approximately \$2.2 million, for which the Company has a reserve of approximately \$1.0 million. The reduction in the reserve during the first nine months of 1999 reflects payments made during the period and a \$0.3 million change in estimate resulting from experience and the availability of additional information. These reserves were recorded for exposures associated with the costs of environmental remediation projects to address soil and ground water contamination at certain of its facilities as well as the costs of removing underground storage tanks at its branch service locations. The possible recovery of insurance proceeds has not been considered

in the Company's estimated contingent environmental costs.

The Company acquired two new manufacturing sites in July 1998 in connection with its acquisition of a trailer flooring business in Arkansas (the "Cloud Acquisition") and voluntarily disclosed to the United States Environmental Protection Agency (EPA) and the Arkansas Department of Pollution Control and Ecology (ADPC&E) potential soil and groundwater contamination. In association with both the EPA and the ADPC&E, the Company has submitted a sampling plan to ADPC&E for monitoring and any required remediation. This matter is at an early stage and it is not possible to predict the outcome with certainty. The Company has recorded a reserve of \$1.0 million related to these issues based on currently available information and does not believe the outcome of this matter will be material to the consolidated results of operations or financial condition of the Company. The Company is indemnified by the Sellers of the acquired companies and the Company believes that these matters would be covered by the indemnification.

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Future information and developments will require the Company to continually reassess the expected impact of these environmental matters. However, the Company has evaluated its total environmental exposure based on currently available data and believes that compliance with all applicable laws and regulations will not have a materially adverse effect on the consolidated financial position of the Company.

c. Tax Assessment

On December 24, 1998, the Company received notice from the Internal Revenue Service that it intends to assess federal excise tax on certain used trailers restored by the Company for a single customer during 1996 and 1997. The Company strongly disagrees with and intends to vigorously contest the assessment. In applying generally accepted accounting principles, the Company recorded a \$4.6 million accrual in 1998 for this loss contingency that is reflected in the accompanying Condensed Consolidated Balance Sheets. The Company continued the restoration program with the same customer during 1998 and 1999. As a result, the Company has a contingent liability and a corresponding receivable in the accompanying Condensed Consolidated Balance Sheets of \$4.9 million and \$2.4 million at September 30, 1999 and December 31, 1998, respectively. The customer has agreed to indemnify the Company for any potential excise tax assessed by the IRS for trailers sold and delivered after January 1, 1998.

d. Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting an entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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ITEM 2.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report and the information incorporated by reference, may include "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position, operating results and our business strategy are forward-looking statements. These statements can sometimes be identified by our use of forward-looking words such as "may," "will," "anticipate," "estimate," "expect," or "intend." Known and unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions.

Although we believe that our expectations that are expressed in these forward-looking statements are reasonable, we cannot promise that our expectations will turn out to be correct. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations include the factors that are listed in our Registration Statement on Form S-3 (SEC File No. 333-48589) under the heading "Risk Factors."

RESULTS OF OPERATIONS

The Company has three reportable business segments;

- manufacturing,
- retail and distribution, and
- leasing and finance operations

The manufacturing segment principally produces trailers and related components and sells to customers who purchase directly from the Company or through independent dealers. The manufacturing segment also produces trailers and related components for the Company's retail and distribution segment. The retail and distribution segment sells new and used trailers, aftermarket parts, and performs service repair on used trailers through its retail branch network. The leasing and finance segment provides leasing and finance programs to its customers for new and used trailers.

Net Sales

Consolidated net sales for the three-month period ended September 30, 1999 increased approximately \$40.6 million or 12.2% compared to the same period in 1998 and were \$131.1 million or 13.6% higher for the nine-month period ended September 30, 1999, compared to the same period in 1998. Sales increased in all of the Company's business segments.

The manufacturing segment's external net sales rose 9.0% or \$23.6 million in the third quarter of 1999 compared to the same period in 1998 and were \$101.1 million or 13.8% higher for the nine-month period ended September 30, 1999 compared to the same period in 1998. These increases were primarily driven by a 10.2% increase (16,200 units vs. 14,700 units) and a 13.7% increase (48,000 units vs. 42,200 units) in the number of new trailers sold during the three and nine-month periods ended September 30, 1999 compared to the same periods in 1998, respectively. Strong demand for the

Company's proprietary DuraPlate trailer continues to drive increased new trailer revenues in the manufacturing segment.

The retail and distribution segment's external net sales rose 18.9% or \$12.5 million in the third quarter of 1999 compared to the same period in 1998 and were \$18.1 million or 8.4% higher for the nine-month period ended September 30, 1999 compared to the same period in 1998. The increase in net sales during the three and nine-month periods ending September 30, 1999 was due to an increase in new and used trailer revenues offset partially by decreases in aftermarket parts and service revenues. The increase in new trailer revenue was driven primarily by a 54.5% increase (1,700 vs. 1,100) and a 5.1% increase (4,100 vs. 3,900) in the number of new trailers sold during the three and nine-month periods ended September 30, 1999 compared to the same periods in 1998, respectively. The increase in used trailer revenues is a result of the

Company's strategy to increase its used trailer marketing efforts and capacity through its retail branch network, particularly related to used trailers taken in trade on new trailer transactions. Inclement weather conditions throughout the mid-western part of the country during the first quarter of 1999 coupled with the temporary adverse impact of the Company's consolidation of its aftermarket parts operations negatively impacted sales of new trailers, aftermarket parts and service compared to 1998.

The Company continues to pursue its branch expansion strategy of approximately 20 locations; which includes the replacement of certain existing sites within the same market as well as the addition of locations in new markets throughout North America. The majority of the new locations are expected to become operational in the second half of 1999 and the first half of 2000 with the remainder becoming operational thereafter. The Company has entered into a letter of intent to acquire 4 retail branch locations in the Midwest and expects to complete this acquisition during the fourth quarter of 1999.

The leasing and finance segment's external net sales rose 73.9% or \$4.4 million in the third quarter of 1999 compared to the same period in 1998 and were 68.6% or \$11.9 million higher for the nine-month period ended September 30, 1999 compared to the same period in 1998. These increases were primarily due to an increase in the sale of used trailers to external customers and to the retail branch network, for used trailers coming off lease, and to an increase in sales-type finance leases during the periods.

Gross Profit

Gross profit as a percentage of sales totaled 9.4% for the third quarter of 1999 compared to 8.3% for the same period in 1998 and totaled 8.8% for the nine-month period ended September 30, 1999 compared to 8.0% for the same period in 1998. The increase in gross profit percentages in 1999 is primarily due to an improved production mix toward more proprietary products and reduced material costs (specifically hardwood flooring costs) following the Company's July 1998 Cloud Acquisition. Partially offsetting these factors is the temporary adverse impact caused by the Company's consolidation of its two aftermarket parts operations, the continued reconfiguration of its retail and distribution network and the severe adverse weather impact incurred during the first quarter of 1999.

Income from Operations

Income from operations as a percentage of sales was 6.0% for the third quarter of 1999 compared to 5.4% for the same period in 1998 and was 5.5% for the nine-month period ended September 30, 1999 compared to 5.2% for the same period in 1998. Income from operations in 1999 was impacted primarily by the increase in gross profit margins previously discussed offset somewhat by increased selling, general and administrative expenses. The increase in selling, general and administrative expenses

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primarily reflects increased selling expenses incurred in the retail and distribution segment principally to support increased used trailer sales and other sales-related expenses in the manufacturing segment associated with higher sales volume.

Interest Expense

Interest expense for the third quarter of 1999 totaled \$3.3 million compared to \$3.4 million for the same period in 1998 and totaled \$9.3 million for the nine-month period ended September 30, 1999 compared to \$11.6 million for the same period in 1998. The decrease in interest expense primarily reflects lower borrowings on the Company's revolving credit facility during 1999 as a result of the cash generated from the Company's accounts receivable securitization facility established in March 1998 and the Company's April 1998 common stock offering.

Taxes

The provision for income taxes for the three and nine-month periods ended September 30, 1999 of \$6.6 million and \$18.4 million, respectively, represents 38.9% and 40.4% of pre-tax income for the periods

compared to the provision of \$5.2 million and \$13.9 million, or 39.6% and 39.8% of pre-tax income, respectively, for the same periods in 1998. The effective tax rates are higher than the Federal statutory rates of 35% due primarily to state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Net cash provided by operating activities was \$21.8 million during the first nine months of 1999 primarily as a result of net income, the add-back of non-cash charges for depreciation and amortization, and changes in working capital. Changes in working capital consisted primarily of increased inventory and accounts receivable balances due to higher sales activity partially offset by related increases in accounts payable and accrued liabilities. In addition, a refund for the overpayment of income taxes in 1998 resulted in a favorable decrease in Prepaid expenses and other.

On March 31, 1998, the Company replaced its existing \$40 million receivable sale and servicing agreement with a new three-year trade receivable securitization facility. The new facility allows the Company to sell, without recourse on an on-going basis, all of its accounts receivable to Wabash Funding Corporation (Funding Corp.), a wholly-owned unconsolidated subsidiary of the Company. Simultaneously, the Funding Corp. has sold and, subject to certain conditions, may from time to time sell an undivided interest in those receivables to a large financial institution. At September 30, 1998 and 1999, \$83 million and \$105 million of proceeds, respectively, were outstanding under this facility.

Investing Activities

Net cash used in investing activities of \$49.4 million during the nine months ended September 30, 1999 was primarily due to capital expenditures of \$47.0 million coupled with a \$5.2 million net cash outflow related to the Company's leasing portfolio. Partially offsetting this investing activity is a \$4.0 million sale and leaseback transaction completed in September 1999 involving certain of the Company's manufacturing equipment.

Capital expenditures during the period were associated with the following:

- Increasing productivity within the Company's manufacturing operations in Lafayette, Indiana;
- Development of a new state of the art painting and coating system and plant expansion at its trailer manufacturing facility in Huntsville, Tennessee;
- Increasing capacity and manufacturing productivity at its hardwood flooring operations in Arkansas;
- The acquisition of property related to the Company's branch expansion strategy;
- The development of a new computer system in the Company's retail branch network; and
- Other operating purposes.

The Company anticipates future capital expenditures related to the continuation of the capital projects previously discussed and other activities to be \$40 to \$60 million over the next twelve to twenty-four months.

Financing Activities

Net cash used in financing activities of \$7.1 million during the nine months ended September 30, 1999, was primarily due to the paydown of long-term debt of \$3.2 million and the payment of common stock dividends and preferred stock dividends of \$4.2 million in the aggregate.

Other sources of funds for capital expenditures, continued expansion of businesses, dividends, principal repayments on debt, stock

repurchase and working capital requirements are expected to be cash from operations, additional borrowings under the credit facilities, term borrowings and equity offerings. The Company believes that these funding sources will be adequate for its anticipated requirements.

YEAR 2000 READINESS DISCLOSURE

The Company continues to address the impact of the Year 2000 issue on its business. If not corrected, certain computer applications may fail or create erroneous results at the year 2000. Specifically, with respect to the Company, this includes applications within information technology (IT) as well as non-IT equipment and machinery that may contain embedded date-sensitive microcontrollers or microchips.

Information Technology Systems

The Company's assessment of all business critical IT hardware and software is complete and will continue throughout the remainder of 1999 on any subsequent acquisitions of IT systems. It has been determined that many of the Company's applications and systems are Year 2000 ready, however, it will be necessary to modify or replace other applications and systems. During this assessment, it was determined that systems in place within the Company's retail and distribution network and certain of its manufacturing operations are not Year 2000 ready. As a result, during 1999, the Company has installed and continues to install new application systems or modify existing systems within these areas in order to be Year 2000 ready. The installation and testing of the Company's retail and distribution system is on schedule for completion during the fourth quarter of 1999. Other modifications are being made to the hardware and software at certain of the Company's manufacturing locations. These modifications are on schedule to be completed during 1999. If such projects are not completed timely, the Year 2000 issue could create a disruption in normal business operations but would not have a material impact on the

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operations of the Company. The Company's plan for IT items includes the following phases and timeline: (1) Assessment and Strategy - completed in 1999 and (2) Design, Implementation, Testing and Validation - in process and scheduled to be completed during the fourth quarter 1999.

Non-Information Technology Equipment

The Company's assessment of business critical non-IT manufacturing equipment is complete and will continue throughout the remainder of 1999 on any subsequent acquisitions of non-IT manufacturing equipment. It is expected that the necessary replacements or upgrades on this equipment, resulting from this assessment, will be completed during the remainder of 1999. If upgrades and replacements are not completed timely, the Year 2000 issue could have a material adverse impact on the operations of the Company. Assuming the "worst case scenario," without the use of essential manufacturing equipment, production would cease or be severely restricted until Year 2000 ready equipment can be installed. Testing of these systems will continue throughout 1999 as new manufacturing equipment is acquired.

External Parties

The Company has contacted its vendors and suppliers regarding the status of their Year 2000 readiness. Many vendors have given a positive indication that they are or will be ready. A follow-up inquiry program is in place with the parties identified as business critical. This process is ongoing and will continue throughout the remainder of 1999. While compliance issues may be identified and addressed, this process may not fully ensure these parties' Year 2000 readiness. Disruptions in the operations of these parties could have an adverse financial and operational effect on the Company. The Company has formulated a contingency plan in the event business critical vendors do not achieve Year 2000 readiness and suffer substantial disruptions in their operations. This plan includes advance purchasing of critical production materials, identification of substitute materials already existing at the manufacturing sites and to contact alternate vendors previously identified for availability of critical materials or viable substitutes. In the event of IT failure in this area, purchase orders can be handwritten and forwarded via U.S. mail or fax.

The Company's major banking partners have indicated that they are Year 2000 ready and do not anticipate disruptions to normal business operations. These banks indicate that they have done extensive testing and have created contingency plans in the event that they are affected by the Year 2000 issue.

Costs of Compliance

The Company estimates the total costs to be incurred in installing new application systems in the retail and distribution network and certain manufacturing operations, along with costs associated with Year 2000 readiness to be between \$7.4 to \$8.1 million. Through September 30, 1999, the Company has spent approximately \$6.3 million, including internal labor costs, related to such activities.

Management believes that, with modifications to existing software and conversions to new software and hardware, the Year 2000 issue is not likely to materially impact the Company's results of operations or financial position. The Company expects all of its internal business critical IT and non-IT systems to be Year 2000 ready; however, a contingency plan is in place in the event of a particular system not being Year 2000 ready. This plan includes, at a minimum, the generation of payroll and production data necessary for the Company to operate in the event of a system failure. However, because most computer systems are interdependent by nature, there can be no assurance that the systems of other

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companies on which the Company's systems rely, will be timely converted and not have an adverse effect on the Company's systems.

BACKLOG

The Company's backlog of orders was approximately \$1.1 billion and \$1.0 billion at September 30, 1999 and December 31, 1998, respectively. The Company expects to fill a majority of its backlog within the next twelve months.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement requires that all derivative instruments be recorded on the balance sheet at their fair value. As amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133, this standard is effective for the Company's financial statements beginning January 1, 2001, with early adoption permitted. Management anticipates that, due to its limited use of derivative instruments, the adoption of SFAS No. 133, as amended by SFAS No. 137, will not have a significant effect on the Company's results of operations or its financial position.

The Company adopted, Statement of Position No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, during the first quarter of 1999. This pronouncement specifies the appropriate accounting for costs incurred to develop or obtain computer software for internal use. The new pronouncement provides guidance on which costs should be capitalized, when and over what period such costs should be amortized and what disclosures should be made regarding such costs. The adoption of this pronouncement did not have a material effect on its results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company has limited exposure to financial risk resulting from volatility in interest rates and foreign exchange rates. As of September 30, 1999, the Company had approximately \$6 million of LIBOR based debt outstanding under its Revolving Credit Facility and \$105 million of proceeds from its accounts receivable securitization facility, which also requires LIBOR based interest payments. A hypothetical 100 basis-point increase in the floating interest rate from the current level would correspond to a \$1.1 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.

The Company enters into foreign currency forward contracts (principally against the German Deutschemark and French Franc) to hedge the net receivable/payable position arising from trade sales (including lease revenues) and purchases primarily with regard to the Company's European RoadRailer operations. The Company does not hold or issue derivative financial instruments for speculative purposes. A hypothetical 10% adverse change in foreign currency exchange rates would have an immaterial effect on the Company's financial position and results of operations. Additional disclosure related to the Company's risk management policies are discussed in Note 2 to the Consolidated Financial Statements included in the Company's 1998 Annual Report on Form 10-K.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Footnote 6 to the Condensed Consolidated Financial Statements for information related to Legal Proceedings.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

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

Not Applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

27.01 Financial Data Schedule

(b) Reports on Form 8-K:

The Company did not file any reports on Form 8-K during the quarter ended September 30, 1999

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SIGNATURES

Pursuant to the requirements 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

Date: November 15, 1999

By: /s/ Rick B. Davis

Rick B. Davis
Corporate Controller
(Principal Accounting Officer)
and
Duly Authorized Officer

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET, STATEMENT OF INCOME, AND STATEMENT OF CASH FLOW AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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