

UNITED RENTALS NORTH AMERICA INC
Form 10-Q/A
June 24, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

on

FORM 10-Q/A

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

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

For the transition period from _____ to _____

Commission File No. 1-14387

United Rentals, Inc.

Commission File No. 1-13663

United Rentals (North America), Inc.

(Exact names of registrants as specified in their charters)

Delaware	06-1522496
Delaware (State or other jurisdiction of incorporation or organization)	06-1493538 (I.R.S. Employer Identification Nos.)
Five Greenwich Office Park, Greenwich, Connecticut (Address of principal executive offices)	06830 (Zip Code)

(203) 622-3131

(Registrants telephone number, including area code)

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 16, 2003, there were 76,572,735 shares of the United Rentals, Inc. common stock, \$.01 par value, outstanding. There is no market for the common stock of United Rentals (North America), Inc., all outstanding shares of which are owned by United Rentals, Inc.

This combined Form 10-Q is separately filed by (i) United Rentals, Inc. and (ii) United Rentals (North America), Inc. (which is a wholly owned subsidiary of United Rentals, Inc.). United Rentals (North America), Inc. meets the conditions set forth in general instruction H(1) (a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format permitted by such instruction.

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UNITED RENTALS, INC.

UNITED RENTALS (NORTH AMERICA), INC.

FORM 10-Q/A FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

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Reason for Filing Amendment to 10-Q

In August 1998, a subsidiary trust of United Rentals, Inc. sold six million shares of 6 1/2% Convertible Quarterly Income Preferred Securities. During the first quarter of 2002, we repurchased a total of 335,000 of these shares for aggregate consideration of approximately \$11.5 million, which represented a discount of approximately 32% relative to the aggregate liquidation preference of these shares.

In the original Form 10-Q that we filed, we appropriately reflected this repurchase transaction on our consolidated statement of stockholders equity. However, we did not reflect the gain associated with this transaction in our calculation of earnings (loss) per share. We have recently become aware that applicable accounting standards require that such gain be included in our earnings (loss) per share calculation and, accordingly, have restated our financial statements to do so. This restatement has a positive \$0.07 per share impact on our basic earnings (loss) per share calculation and a positive \$0.05 per share impact on our diluted earnings (loss) per share calculation for the first quarter of 2002.

Other than the change to our earnings (loss) per share calculation, there are no changes to our consolidated statement of operations, consolidated balance sheet, consolidated statement of stockholders equity or consolidated statement of cash flows.

For additional information concerning our earnings per share calculation, see Note 5 to the Unaudited Consolidated Financial Statements included elsewhere in this Report.

Table of Contents**UNITED RENTALS, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	March 31, 2003	December 31, 2002
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 32,928	\$ 19,231
Accounts receivable, net of allowance for doubtful accounts of \$44,203 in 2003 and \$48,542 in 2002	422,266	466,196
Inventory	107,781	91,798
Prepaid expenses and other assets	150,935	131,293
Rental equipment, net	1,838,098	1,845,675
Property and equipment, net	418,371	425,352
Goodwill, net	1,716,676	1,705,191
Other intangible assets, net	5,021	5,821
	<u>\$ 4,692,076</u>	<u>\$ 4,690,557</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable	\$ 191,657	\$ 207,038
Debt	2,533,631	2,512,798
Deferred taxes	220,754	225,587
Accrued expenses and other liabilities	179,181	187,079
	<u>3,125,223</u>	<u>3,132,502</u>
Total liabilities		
Commitments and contingencies		
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust	226,550	226,550
Stockholders' equity:		
Preferred stock \$.01 par value, 5,000,000 shares authorized:		
Series C perpetual convertible preferred stock \$300,000 liquidation preference, 300,000 shares issued and outstanding	3	3
Series D perpetual convertible preferred stock \$150,000 liquidation preference, 150,000 shares issued and outstanding	2	2
Common stock \$.01 par value, 500,000,000 shares authorized, 77,085,729 shares issued and outstanding in 2003 and 76,657,521 in 2002	771	765
Additional paid-in capital	1,345,128	1,341,290
Deferred compensation	(55,218)	(52,988)
Retained earnings	60,558	69,281
Accumulated other comprehensive loss	(10,941)	(26,848)
	<u>1,340,303</u>	<u>1,331,505</u>
Total stockholders' equity		
	<u>\$ 4,692,076</u>	<u>\$ 4,690,557</u>

See accompanying notes.

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UNITED RENTALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31	
	2003	2002
(In thousands)		
Revenues:		
Equipment rentals	\$ 443,648	\$ 446,288
Sales of rental equipment	35,080	39,130
Sales of equipment and merchandise and other revenues	113,123	113,547
Total revenues	591,851	598,965
Cost of revenues:		
Cost of equipment rentals, excluding depreciation	252,404	235,562
Depreciation of rental equipment	80,743	78,050
Cost of rental equipment sales	23,255	25,132
Cost of equipment and merchandise sales and other operating costs	81,460	81,013
Total cost of revenues	437,862	419,757
Gross profit	153,989	179,208
Selling, general and administrative expenses	96,761	98,495
Non-rental depreciation and amortization	16,978	13,884
Operating income	40,250	66,829
Interest expense	50,975	49,983
Preferred dividends of a subsidiary trust	3,681	4,694
Other (income) expense, net	(106)	(280)
Income (loss) before provision (benefit) for income taxes and cumulative effect of change in accounting principle	(14,300)	12,432
Provision (benefit) for income taxes	(5,577)	4,848
Income (loss) before cumulative effect of change in accounting principle	(8,723)	7,584
Cumulative effect of change in accounting principle, net of tax benefit of \$60,529		(288,339)
Net loss	\$ (8,723)	\$ (280,755)
Earnings (loss) per share basic (2002 restated):		
Income (loss) available to common stockholders before cumulative effect of change in accounting principle	\$ (0.11)	\$ 0.17
Cumulative effect of change in accounting principle, net		(3.92)

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Loss available to common stockholders	\$ (0.11)	\$ (3.75)
Earnings (loss) per share diluted (2002 restated):		
Income (loss) available to common stockholders before cumulative effect of change in accounting principle	\$ (0.11)	\$ 0.13
Cumulative effect of change in accounting principle, net		(2.96)
Loss available to common stockholders	\$ (0.11)	\$ (2.83)

See accompanying notes.

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UNITED RENTALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

	Series C Perpetual Convertible Preferred Stock	Series D Perpetual Convertible Preferred Stock	Common Stock		Additional Paid-in Capital	Deferred Compensation	Retained Earnings	Comprehensive Income	Accumulated Other Comprehensive Loss
			Number of Shares	Amount					
(In thousands)									
Balance, December 31, 2002	\$ 3	\$ 2	76,657	\$ 765	\$ 1,341,290	\$ (52,988)	\$ 69,281		\$ (26,848)
Comprehensive income (loss):									
Net loss							(8,723)	\$ (8,723)	
Other comprehensive income:									
Foreign currency translation adjustments								14,544	14,544
Derivatives qualifying as hedges, net of tax								1,363	1,363
Comprehensive income								\$ 7,184	
Issuance of common stock under deferred compensation plans			429	6	3,838	(3,844)			
Amortization of deferred compensation						1,614			
Balance March 31, 2003	\$ 3	\$ 2	77,086	\$ 771	\$ 1,345,128	\$ (55,218)	\$ 60,558		\$ (10,941)

See accompanying notes.

Table of Contents**UNITED RENTALS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended March 31	
	2003	2002
(In thousands)		
Cash Flows From Operating Activities:		
Net loss	\$ (8,723)	\$ (280,755)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	97,721	91,934
Gain on sales of rental equipment	(11,825)	(13,998)
Deferred taxes	(4,833)	4,121
Amortization of deferred compensation	1,614	2,793
Cumulative effect of change in accounting principle		288,339
Changes in operating assets and liabilities:		
Accounts receivable	43,930	29,417
Inventory	(9,021)	(7,220)
Prepaid expenses and other assets	(6,632)	(8,255)
Accounts payable	(15,381)	(14,332)
Accrued expenses and other liabilities	(4,196)	(51,443)
Net cash provided by operating activities	82,654	40,601
Cash Flows From Investing Activities:		
Purchases of rental equipment	(102,499)	(84,133)
Purchases of property and equipment	(8,885)	(7,222)
Proceeds from sales of rental equipment	35,080	39,130
In-process acquisition costs		(554)
Deposits on rental equipment purchases	(13,422)	(28,000)
Purchases of other companies	(4,162)	(48,667)
Net cash used in investing activities	(93,888)	(129,446)
Cash Flows From Financing Activities:		
Proceeds from debt	19,500	96,500
Payments of debt	(3,041)	(27,612)
Payments of financing costs	(590)	(387)
Proceeds from the exercise of common stock options		58,548
Shares repurchased and retired		(22,374)
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust repurchased and retired		(11,480)
Net cash provided by financing activities	15,869	93,195
Effect of foreign exchange rates	9,062	(426)
Net increase in cash and cash equivalents	13,697	3,924
Cash and cash equivalents at beginning of period	19,231	27,326
Cash and cash equivalents at end of period	\$ 32,928	\$ 31,250
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 39,972	\$ 43,816

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Cash paid for income taxes, net of refunds	\$ 360	\$ 593
Supplemental disclosure of non-cash investing and financing activities:		
The Company acquired the net assets and assumed certain liabilities of other companies as follows:		
Assets, net of cash acquired	\$ 3,314	\$ 52,805
Liabilities assumed	(50)	(5,154)
	<u>3,264</u>	<u>47,651</u>
Due to seller and other payments	898	1,016
	<u>898</u>	<u>1,016</u>
Net cash paid	<u>\$ 4,162</u>	<u>\$ 48,667</u>

See accompanying notes.

Table of Contents**UNITED RENTALS (NORTH AMERICA), INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	March 31, 2003	December 31, 2002
	(In thousands, except share data)	
ASSETS		
Cash and cash equivalents	\$ 32,928	\$ 19,231
Accounts receivable, net of allowance for doubtful accounts of \$44,203 in 2003 and \$48,542 in 2002	422,266	466,196
Inventory	107,781	91,798
Prepaid expenses and other assets	142,532	122,807
Rental equipment, net	1,838,098	1,845,675
Property and equipment, net	393,027	399,587
Goodwill, net	1,716,676	1,705,191
Other intangible assets, net	5,021	5,821
	\$ 4,658,329	\$ 4,656,306
LIABILITIES AND STOCKHOLDER S EQUITY		
Liabilities:		
Accounts payable	\$ 191,657	\$ 207,038
Debt	2,533,631	2,512,798
Deferred taxes	220,754	225,587
Accrued expenses and other liabilities	203,838	209,728
Total liabilities	3,149,880	3,155,151
Commitments and contingencies		
Stockholder s equity:		
Common stock \$.01 par value, 3,000 shares authorized, 1,000 shares issued and outstanding		
Additional paid-in capital	1,581,833	1,581,833
Accumulated deficit	(62,443)	(53,830)
Accumulated other comprehensive loss	(10,941)	(26,848)
Total stockholder s equity	1,508,449	1,501,155
	\$ 4,658,329	\$ 4,656,306

See accompanying notes.

Table of Contents**UNITED RENTALS (NORTH AMERICA), INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended	
	March 31	
	2003	2002
	(In thousands)	
Revenues:		
Equipment rentals	\$ 443,648	\$ 446,288
Sales of rental equipment	35,080	39,130
Sales of equipment and merchandise and other revenues	113,123	113,547
Total revenues	591,851	598,965
Cost of revenues:		
Cost of equipment rentals, excluding depreciation	252,404	235,562
Depreciation of rental equipment	80,743	78,050
Cost of rental equipment sales	23,255	25,132
Cost of equipment and merchandise sales and other operating costs	81,460	81,013
Total cost of revenues	437,862	419,757
Gross profit	153,989	179,208
Selling, general and administrative expenses	96,761	98,495
Non-rental depreciation and amortization	14,445	11,755
Operating income	42,783	68,958
Interest expense	50,975	49,983
Other (income) expense, net	(106)	(280)
Income (loss) before provision (benefit) for income taxes and cumulative effect of change in accounting principle	(8,086)	19,255
Provision (benefit) for income taxes	(3,154)	7,509
Income (loss) before cumulative effect of change in accounting principle	(4,932)	11,746
Cumulative effect of change in accounting principle, net of tax benefit of \$60,529		(288,339)
Net loss	\$ (4,932)	\$ (276,593)

See accompanying notes.

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UNITED RENTALS (NORTH AMERICA), INC.

CONSOLIDATED STATEMENT OF STOCKHOLDER S EQUITY

(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Comprehensive Income	Accumulated Other Comprehensive Loss
	Number of Shares	Amount				
(In thousands, except share data)						
Balance, December 31, 2002	1,000		\$ 1,581,833	\$ (53,830)		\$ (26,848)
Comprehensive income:						
Net loss				(4,932)	\$ (4,932)	
Other comprehensive income:						
Foreign currency translation adjustments					14,544	14,544
Derivatives qualifying as hedges, net of tax					1,363	1,363
Comprehensive income					\$ 10,975	
Dividend distributions to parent				(3,681)		
Balance, March 31, 2003	1,000		\$ 1,581,833	\$ (62,443)		\$ (10,941)

See accompanying notes.

Table of Contents**UNITED RENTALS (NORTH AMERICA), INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three Months Ended March 31	
	2003	2002
(In thousands)		
Cash Flows From Operating Activities:		
Net loss	\$ (4,932)	\$ (276,593)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	95,188	89,805
Gain on sales of rental equipment	(11,825)	(13,998)
Deferred taxes	(4,833)	4,121
Cumulative effect of change in accounting principle		288,339
Changes in operating assets and liabilities:		
Accounts receivable	43,930	29,417
Inventory	(9,021)	(7,220)
Prepaid expenses and other assets	(6,442)	(8,809)
Accounts payable	(15,381)	(14,332)
Accrued expenses and other liabilities	(2,188)	(46,524)
Net cash provided by operating activities	<u>84,496</u>	<u>44,206</u>
Cash Flows From Investing Activities:		
Purchases of rental equipment	(102,499)	(84,133)
Purchases of property and equipment	(7,046)	(6,687)
Proceeds from sales of rental equipment	35,080	39,130
Deposits on rental equipment purchases	(13,422)	(28,000)
Purchases of other companies	(4,162)	(48,667)
Net cash used in investing activities	<u>(92,049)</u>	<u>(128,357)</u>
Cash Flows From Financing Activities:		
Proceeds from debt	19,500	96,500
Payments of debt	(3,041)	(27,612)
Payments of financing costs	(590)	(387)
Capital contributions by parent		58,548
Dividend distributions to parent	(3,681)	(38,548)
Net cash provided by financing activities	<u>12,188</u>	<u>88,501</u>
Effect of foreign exchange rates	9,062	(426)
Net increase in cash and cash equivalents	<u>13,697</u>	<u>3,924</u>
Cash and cash equivalents at beginning of period	19,231	27,326
Cash and cash equivalents at end of period	<u>\$ 32,928</u>	<u>\$ 31,250</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 35,370	\$ 39,122

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Cash paid for income taxes, net of refunds	\$ 360	\$ 593
Supplemental disclosure of non-cash investing and financing activities:		
The Company acquired the net assets and assumed certain liabilities of other companies as follows:		
Assets, net of cash acquired	\$ 3,314	\$ 52,805
Liabilities assumed	(50)	(5,154)
	3,264	47,651
Due to seller and other payments	898	1,016
	4,162	48,667
Net cash paid	\$ 4,162	\$ 48,667
	4,162	48,667

See accompanying notes.

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

General

United Rentals, Inc., (Holdings or the Company) is principally a holding company and conducts its operations primarily through its wholly owned subsidiary United Rentals (North America), Inc. (URI) and subsidiaries of URI. Separate footnote information is not presented for the financial statements of URI and subsidiaries as that information is substantially equivalent to that presented below. Earnings per share data is not provided for the operating results of URI and its subsidiaries as they are wholly owned subsidiaries of Holdings.

The Consolidated Financial Statements of the Company included herein are unaudited and, in the opinion of management, such financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of the interim periods presented. Interim financial statements do not require all disclosures normally presented in year-end financial statements, and, accordingly, certain disclosures have been omitted. Results of operations for the three month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. The Consolidated Financial Statements included herein should be read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Impact of Recently Issued Accounting Standards

In April 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections . This standard rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt , and an amendment of that Statement, SFAS No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements . This standard also rescinds SFAS No. 44, Accounting for Intangible Assets of Motor Carriers . This standard amends SFAS No. 13, Accounting for Leases , to eliminate an inconsistency related to the required accounting for sale-leaseback transactions and certain lease modifications. This standard also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company adopted this standard on January 1, 2003, and will reclassify a pre-tax extraordinary loss of approximately \$18.1 million recognized during the second quarter of 2001 to operating income. The adoption of the remaining provisions of SFAS No. 145 did not have a material effect on the Company's consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure . This standard provides alternative methods of transition to the fair value method of accounting for stock-based employee compensation under SFAS No. 123, Accounting for Stock-Based Compensation, but does not require the Company to use the fair value method. This standard also amends certain disclosure requirements related to stock-based employee compensation. The Company adopted the disclosure portion of this standard as of December 31, 2002 and such adoption is reflected under Stock-Based Compensation below.

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In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, which addresses consolidation of variable interest entities (VIEs). FIN 46 requires a VIE to be consolidated by a parent company if that company is subject to a majority of the risk of loss from the variable interest entity s activities or entitled to receive a majority of the entity s residual returns or both. A VIE is a corporation, partnership, trust or any other legal structure used for business purposes that either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the entity to support its activities. The consolidation requirements of FIN 46 apply immediately to VIEs created after January 31, 2003. For entities created prior to February 1, 2003, these requirements will begin to apply in the first fiscal year or interim period beginning after June 15, 2003.

The Company leases a portion of its rental equipment under operating leases. Based on the Company's preliminary assessment, a substantial portion of these leases may be with VIEs. In accordance with currently applicable accounting standards, neither the equipment subject to these leases nor the lease obligations are reflected on the Company's balance sheet (rather the lease payments are reflected as an expense). FIN 46 will change this treatment for those operating leases that are with VIEs. If FIN 46 applies, the lease payment obligations would be reflected as debt on the Company's balance sheet and the equipment, less applicable depreciation, would be reflected as an asset. To the extent that the amount of additional debt recorded on the balance sheet in connection with adoption of FIN 46 exceeds the amount of the additional assets so recorded, the Company would recognize a non-cash expense designated as cumulative effect of change in accounting principle which could be material. The adoption of FIN 46 will not change the amount of the Company's contractual payment obligations and should not impact its compliance with its existing debt covenants. Accordingly, the adoption of FIN 46 should not have a material impact on the Company's liquidity or overall financial condition.

In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This standard amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This standard is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The provisions of this standard that relate to SFAS No. 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. The adoption of this standard regarding the provisions effective after June 30, 2003 is not expected to have a material effect on the Company's statements of financial position or results of operations.

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Stock-Based Compensation**

The Company accounts for its stock-based compensation arrangements using the intrinsic value method under the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees . At March 31, 2003, the Company had six stock-based compensation plans. Since stock options are granted by the Company with exercise prices at or greater than the fair value of the shares at the date of grant, no compensation expense is recognized. Restricted stock awards granted by the Company are recognized as deferred compensation. The Company recognizes compensation expense related to these restricted stock awards over their vesting periods. The following table provides additional information related to the Company's stock-based compensation arrangements for the three months ended March 31, 2003 and 2002 had the Company used the fair value method of accounting for stock-based employee compensation under SFAS No. 123 (in thousands, except per share data):

	<u>2003</u>	<u>2002</u>
Net loss, as reported	\$ (8,723)	\$ (280,755)
<i>Plus:</i> Stock-based compensation expense included in reported net loss, net of tax	958	1,704
<i>Less:</i> Stock-based compensation expense determined using the fair value method, net of tax	(1,591)	(2,857)
Pro forma net loss	\$ (9,356)	\$ (281,908)
Basic loss per share (2002 restated):		
As reported	\$ (0.11)	\$ (3.75)
Pro forma	\$ (0.12)	\$ (3.76)
Diluted loss per share (2002 restated):		
As reported	\$ (0.11)	\$ (2.83)
Pro forma	\$ (0.12)	\$ (2.84)

The weighted average fair value of options granted was \$4.36 and \$10.64 during the three months ended March 31, 2003 and 2002, respectively. The fair value is estimated on the date of grant using the Black-Scholes option pricing model which uses subjective assumptions which can materially affect fair value estimates and, therefore, does not necessarily provide a single measure of fair value of options. The Company used a risk-free interest rate average of 1.93% and 2.01% in 2003 and 2002, respectively, a volatility factor for the market price of the Company's common stock of 65% and 66% in 2003 and 2002, respectively, and a weighted-average expected life of options of approximately three years in 2003 and 2002. For purposes of these pro forma disclosures, the estimated fair value of options is amortized over the options' vesting period. Since the number of options granted and their fair value may vary significantly from year to year, the pro forma compensation expense in future years may be materially different.

2. Acquisitions

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During the three months ended March 31, 2003 and the year ended December 31, 2002, the Company completed one acquisition and two acquisitions, one of which is further described below, respectively, that were accounted for as purchases. The results of operations of the businesses acquired in these acquisitions have been included in the Company's results of operations from their respective acquisition dates.

On June 30, 2002, the Company acquired 35 rental locations from National Equipment Services, Inc. for approximately \$111.6 million in cash, which was determined based primarily on the number of locations acquired and their financial performance. The acquisition of these rental locations was made to complement the Company's existing network of rental locations. The results of operations of the acquisition are included in the Company's statement of operations as of the date of acquisition.

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The purchase prices for the acquisitions have been allocated to the assets acquired and liabilities assumed based on their respective fair values at their respective acquisition dates. However, the Company has not completed its valuation of all of its purchases and, accordingly, the purchase price allocations are subject to change when additional information concerning asset and liability valuations are completed. The preliminary purchase price allocations that are subject to change primarily consist of rental and non-rental equipment valuations. These allocations are finalized within 12 months of the acquisition date and are not expected to result in significant differences between the preliminary and final allocations.

The following table summarizes, on an unaudited pro forma basis, the results of operations of the Company for the three months ended March 31, 2002 as though each acquisition which was consummated during the period January 1, 2003 to March 31, 2003 as mentioned above and in Note 3 to the Notes to Consolidated Financial Statements included in the Company's 2002 Annual Report on Form 10-K was made on January 1, 2002 (in thousands, except per share data):

	Three Months
	Ended
	March 31,
	2002

Revenues	\$ 617,791
Income before cumulative effect of change in accounting principle	\$ 7,538
Net loss	\$ (280,801)
Basic earnings per share before cumulative effect of change in accounting principle (restated)	\$ 0.17

Basic earnings (loss) per share (restated)	\$ (3.75)

Diluted earnings per share before cumulative effect of change in accounting principle (restated)	\$ 0.13

Diluted earnings (loss) per share (restated)	\$ (2.83)

The unaudited pro forma results are based upon certain assumptions and estimates which are subject to change. These results are not necessarily indicative of the actual results of operations that might have occurred, nor are they necessarily indicative of expected results in the future.

Since the acquisition made in 2003 had an insignificant impact on the Company's pro forma results of operations for the three months ended March 31, 2003, such pro forma results of operations are not shown.

3. Goodwill and Other Intangible Assets

Goodwill consists of the excess of cost over the fair value of identifiable net assets acquired. The goodwill related to an acquisition is allocated to the acquired branches and other branches that are expected to benefit from synergies resulting from the acquisition. The allocation among such branches is based upon the relative financial performance of each branch.

Changes in the Company's carrying amount of goodwill for the first three months of 2003 are as follows (in thousands):

Balance at December 31, 2002	\$ 1,705,191
Foreign currency translation and other adjustments	9,530
Goodwill related to acquisitions	1,955
	<hr/>
Balance at March 31, 2003	\$ 1,716,676
	<hr/>

As required upon the adoption of SFAS No. 142 on January 1, 2002, the Company recorded a non-cash charge of approximately \$348.9 million (\$288.3 million, net of tax). This impairment charge, net of tax benefit, was recorded on the statement of operations as a Cumulative Effect of Change in Accounting Principle.

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In the fourth quarter of 2002 during the Company's first annual impairment analysis, it recorded an additional non-cash impairment charge of approximately \$247.9 million. This impairment charge was recorded on the statement of operations as goodwill impairment.

The Company will perform its next annual impairment test as required under SFAS No. 142, Goodwill and Other Intangible Assets, as of October 1, 2003. Impairment testing may be required earlier if events or circumstances suggest the Company's goodwill could be impaired. Any future goodwill impairment charge would be recorded on the statement of operations as goodwill impairment and would reduce operating income.

The Company tests for goodwill impairment on a branch-by-branch basis rather than on an aggregate basis. This means that a goodwill write-off is required even if only one or a limited number of the Company's branches has impairment and even if there is no impairment for all its branches on an aggregate basis. Factors that may cause future impairment at a particular branch, in addition to macroeconomic factors that affect all the Company's branches, include changes in local demand and local competitive conditions. The continued weakness in non-residential construction spending and the decreased business relating to traffic control rentals, in combination with the fact that the Company tests for impairment on a branch-by-branch basis, increases the likelihood that the Company will be required to take additional non-cash goodwill write-offs in the future, although the Company cannot quantify at this time the magnitude of any future write-offs. Future goodwill write-offs, if required, may have a material adverse effect on the Company's results.

Other intangible assets consist of non-compete agreements and are amortized over periods ranging from three to eight years. The cost of other intangible assets and the related accumulated amortization as of March 31, 2003 were \$17.0 million and \$12.0 million, respectively. Amortization expense of other intangible assets was \$0.9 million for the first three months of 2003.

As of March 31, 2003, estimated amortization expense of other intangible assets for the remainder of 2003 and for each of the next five years is as follows (in thousands):

Remainder of 2003	\$ 2,219
2004	1,642
2005	579
2006	298
2007	175
2008	71
Thereafter	37
	<u>\$ 5,021</u>

4. Restructuring Charges

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The Company adopted a restructuring plan in 2001 and a restructuring plan in the fourth quarter of 2002 as described below. In connection with these plans, the Company recorded pre-tax restructuring charges of \$28.9 million in 2001 and \$28.3 million in the fourth quarter of 2002.

The 2001 plan involved the following principal elements: (i) 31 underperforming branches and five administrative offices were closed or consolidated with other locations (\$18.3 million), (ii) the reduction of the Company's workforce by 489 through the termination of branch and administrative personnel (\$5.7 million) and (iii) certain information technology hardware and software was no longer used (\$4.9 million).

The 2002 plan involved the following principal elements: (i) 42 underperforming branches and five administrative offices will be closed or consolidated with other locations (including 32 closed or consolidated as of March 31, 2003) (\$24.6 million); (ii) the Company's workforce will be reduced by 412 (including 298 terminated as of March 31, 2003) (\$2.8 million), and (iii) a certain information technology project was abandoned (\$0.9 million).

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The aggregate balance of the 2001 and 2002 charges was \$23.7 million as of March 31, 2003, consisting of \$1.7 million for the 2001 charge and \$22.0 million for the 2002 charge, and \$27.1 million as of December 31, 2002, consisting of \$2.3 million for the 2001 charge and \$24.8 million for the 2002 charge. The Company estimates that approximately \$10.0 million of the aggregate amount will be incurred by December 31, 2003 (comprised of approximately \$9.4 million of cash and approximately \$0.6 million of non-cash) and approximately \$13.7 million will be paid in future periods.

Components of the restructuring charges are as follows (in thousands):

	Balance December 31, 2002	Activity in 2003	Balance March 31, 2003
Costs to vacate facilities	\$ 22,258	\$ 2,773	\$ 19,485
Workforce reduction costs	3,462	412	3,050
Information technology costs	1,395	196	1,199
	\$ 27,115	\$ 3,381	\$ 23,734

5. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share (in thousands, except per share data):

	Three Months Ended March 31	
	2003	(Restated) 2002
Numerator		
Income (loss) before cumulative effect of change in accounting principle	\$ (8,723)	\$ 7,584
Plus: Liquidation preference in excess of amounts paid for convertible preferred securities		5,270
Income (loss) available to common stockholders	\$ (8,723)	\$ 12,854
Denominator:		
Denominator for basic earnings per share weighted-average shares	76,778	73,521

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Effect of dilutive securities:		
Employee stock options		2,793
Warrants		4,027
Series C Preferred		12,000
Series D Preferred		5,000
	_____	_____
Denominator for dilutive earnings per share adjusted weighted-average shares	76,778	97,341
	_____	_____
Earnings (loss) per share basic:		
Income (loss) available to common stockholders before cumulative effect of change in accounting principle	\$ (0.11)	\$ 0.17
Cumulative effect of change in accounting principle, net		(3.92)
	_____	_____
Loss available to common stockholders	\$ (0.11)	\$ (3.75)
	_____	_____
Earnings (loss) per share diluted:		
Income (loss) available to common stockholders before extraordinary item and cumulative effect of change in accounting principle	\$ (0.11)	\$ 0.13
Cumulative effect of change in accounting principle, net		(2.96)
	_____	_____
Loss available to common stockholders	\$ (0.11)	\$ (2.83)
	_____	_____

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the first quarter of 2002, the Company repurchased a total of 335,000 shares of its 6 1/2% Convertible Quarterly Income Preferred Securities for aggregate consideration of approximately \$11.5 million. This transaction resulted in an aggregate gain of approximately \$5.3 million. In the Company's original Form 10-Q, the repurchase transaction was appropriately reflected on the consolidated statement of stockholders' equity. However, the Company did not reflect the gain associated with this transaction in the earnings (loss) per share calculation. The Company has recently become aware that applicable accounting standards require that such gain be reflected in the calculation of earnings (loss) per share and, accordingly, the Company has restated its consolidated financial statements to do so. This restatement reduced the Company's first quarter 2002 basic loss per share by \$0.07 from \$3.82 to \$3.75 and diluted loss per share by \$0.05 from \$2.88 to \$2.83. Other than the change to the earnings (loss) per share calculation, there are no changes to the Company's consolidated statement of operations, consolidated balance sheet, consolidated statement of stockholders' equity or consolidated statement of cash flows.

The diluted share base for the first three months of 2003, where the numerator represents a loss, excludes the effect of dilutive securities because of their antidilutive effect.

6. Comprehensive Income

The following table sets forth the Company's comprehensive income (loss) (in thousands):

	Three Months Ended	
	March 31	
	2003	2002
Net loss	\$ (8,723)	\$ (280,755)
Other comprehensive income (loss):		
Foreign currency translation adjustment	14,544	(426)
Derivatives qualifying as hedges, net of tax	1,363	1,166
Comprehensive income (loss)	\$ 7,184	\$ (280,015)

7. Guarantees

Restricted Stock. The Company has granted to employees other than executive officers and directors approximately 1,200,000 shares of restricted stock that contain the following provisions. The shares vest in 2004, 2005 or 2006 or earlier upon a change in control of the Company, death, disability, retirement or certain terminations of employment, and are subject to forfeiture prior to vesting on certain other terminations of

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employment, the violation of non-compete provisions and certain other events. The grants provide that the Company will pay to employees who vest in their restricted stock, and who sell their restricted stock within five trading days after vesting, a maximum aggregate amount for all these employees of: (i) approximately \$300,000 for each dollar by which the per share proceeds of these sales are less than \$27.26 but more than \$15.17; (ii) approximately \$800,000 for each dollar by which the per share proceeds of these sales are less than \$15.17 but more than \$9.18; and (iii) approximately \$1,200,000 for each dollar by which the per share proceeds of these sales are less than \$9.18.

Operating Leases. As part of certain of its equipment operating leases, the Company guarantees that the value of the equipment at the end of the lease term will not be less than a specified projected residual value. The use of these guarantees helps to lower the Company's monthly operating lease payments. The Company believes that the projected residual values are reasonable and, accordingly, that it is not likely to incur material obligations pursuant to such guarantees. However, the Company cannot be certain that the actual residual values will not turn

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

out to be significantly below the projected values that the Company guaranteed. If the residual value for all equipment subject to such guarantees were to be zero, then the Company's maximum potential liability under these guarantees would be approximately \$229.9 million. In conformity with applicable accounting standards, this potential liability is not recorded on the Company's balance sheet. However, this may change under a recently issued accounting interpretation relating to the consolidation of variable interest entities, or FIN 46, described in Note 1 above.

8. Subsequent Event

Financing Transaction in April 2003. On April 9, 2003, URI issued an additional \$200 million aggregate principal amount of its 10³/₄% Senior Notes (the 2003 10³/₄% Notes) which are due April 15, 2008. The gross proceeds to the Company from the sale of the 2003 10³/₄% Notes were \$207 million and the net proceeds were approximately \$202 million (after deducting the initial purchasers' discount and estimated offering expenses). The 2003 10³/₄% Notes contain the same guarantees, restrictive covenants and maturity date as our existing 10³/₄% senior notes. The Company used substantially all of the net proceeds from the 2003 10³/₄% Notes to pay down its outstanding borrowings under its receivables securitization facility.

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. Condensed Consolidating Financial Information of Guarantor Subsidiaries**

Certain indebtedness of URI, a 100%-owned subsidiary of Holdings (the Parent), is guaranteed by URI's United States subsidiaries (the guarantor subsidiaries) and, in certain cases, also by Parent. However, this indebtedness is not guaranteed by URI's foreign subsidiaries (the non-guarantor subsidiaries). The guarantor subsidiaries are all 100%-owned and the guarantees are made on a joint and several basis and are full and unconditional (subject to subordination provisions and subject to a standard limitation which provides that the maximum amount guaranteed by each guarantor will not exceed the maximum amount that can be guaranteed without making the guarantee void under fraudulent conveyance laws). Separate consolidated financial statements of the guarantor subsidiaries have not been presented because management believes that such information would not be material to investors. However, condensed consolidating financial information as of March 31, 2003 and December 31, 2002, and for each of the three month periods ended March 31, 2003 and 2002, are presented. The condensed consolidating financial information of the Company and its subsidiaries are as follows:

CONDENSED CONSOLIDATING BALANCE SHEET**March 31, 2003**

	<u>Parent</u>	<u>URI</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Other and Eliminations</u>	<u>Consolidated Total</u>
(In thousands)						
ASSETS						
Cash and cash equivalents			\$ 28,459	\$ 4,469		\$ 32,928
Accounts receivable, net		\$ 16,342	376,775	29,149		422,266
Intercompany receivable (payable)		614,424	(433,932)	(180,492)		
Inventory		42,315	60,056	5,410		107,781
Prepaid expenses and other assets		43,502	97,843	1,187	\$ 8,403	150,935
Rental equipment, net		1,007,923	684,350	145,825		1,838,098
Property and equipment, net	\$ 25,344	116,710	259,989	16,328		418,371
Investment in subsidiaries	1,541,509	2,275,120			(3,816,629)	
Intangible assets, net		245,435	1,344,634	131,628		1,721,697
	<u>\$ 1,566,853</u>	<u>\$ 4,361,771</u>	<u>\$ 2,418,174</u>	<u>\$ 153,504</u>	<u>\$ (3,808,226)</u>	<u>\$ 4,692,076</u>
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities:						
Accounts payable		\$ 52,086	\$ 126,649	\$ 12,922		\$ 191,657
Debt	\$ 226,550	2,472,494	392	60,745	\$ (226,550)	2,533,631

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Deferred taxes	208,842	(805)	12,717		220,754
Accrued expenses and other liabilities	113,848	83,541	6,449	(24,657)	179,181
Total liabilities	226,550	2,847,270	209,777	92,833	(251,207)
Commitments and contingencies					
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust				226,550	226,550
Stockholders' equity:					
Preferred stock	5				5
Common stock	771				771
Additional paid-in capital	1,345,128	1,581,833	1,901,936	68,395	(3,552,164)
Deferred compensation	(55,218)				(55,218)
Retained earnings	60,558	(62,443)	306,461	(1,672)	(242,346)
Accumulated other comprehensive loss	(10,941)	(4,889)		(6,052)	10,941
Total stockholders' equity	1,340,303	1,514,501	2,208,397	60,671	\$ (3,783,569)
	\$ 1,566,853	\$ 4,361,771	\$ 2,418,174	\$ 153,504	\$ (3,808,226)
					\$ 4,692,076

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****CONDENSED CONSOLIDATING BALANCE SHEET****December 31, 2002**

	<u>Parent</u>	<u>URI</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Other and Eliminations</u>	<u>Consolidated Total</u>
(In thousands)						
ASSETS						
Cash and cash equivalents			\$ 16,908	\$ 2,323		\$ 19,231
Accounts receivable, net		\$ 7,354	426,733	32,109		466,196
Intercompany receivable (payable)		604,962	(422,624)	(182,338)		
Inventory		36,602	50,450	4,746		91,798
Prepaid expenses and other assets		42,158	79,323	1,326	\$ 8,486	131,293
Rental equipment, net		1,003,791	709,615	132,269		1,845,675
Property and equipment, net	\$ 25,765	137,713	246,307	15,567		425,352
Investment in subsidiaries	1,532,290	2,216,629			(3,748,919)	
Intangible assets, net		243,529	1,344,537	122,946		1,711,012
	<u>\$ 1,558,055</u>	<u>\$ 4,292,738</u>	<u>\$ 2,451,249</u>	<u>\$ 128,948</u>	<u>\$ (3,740,433)</u>	<u>\$ 4,690,557</u>
LIABILITIES AND STOCKHOLDERS EQUITY						
Liabilities:						
Accounts payable		\$ 50,931	\$ 139,922	\$ 16,185		\$ 207,038
Debt	\$ 226,550	2,454,119	711	57,968	\$ (226,550)	2,512,798
Deferred taxes		226,392	(805)			225,587
Accrued expenses and other liabilities		58,968	115,430	8,699	3,982	187,079
Total liabilities	226,550	2,790,410	255,258	82,852	(222,568)	3,132,502
Commitments and contingencies						
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust					226,550	226,550
Stockholders' equity:						
Preferred stock	5					5
Common stock	765					765
Additional paid-in capital	1,341,290	1,562,410	1,901,936	68,395	(3,532,741)	1,341,290
Deferred compensation	(52,988)					(52,988)
Retained earnings	69,281	(53,830)	294,055	(1,703)	(238,522)	69,281
Accumulated other comprehensive loss	(26,848)	(6,252)		(20,596)	26,848	(26,848)
Total stockholders' equity	<u>1,331,505</u>	<u>1,502,328</u>	<u>2,195,991</u>	<u>46,096</u>	<u>\$ (3,744,415)</u>	<u>1,331,505</u>
	<u>\$ 1,558,055</u>	<u>\$ 4,292,738</u>	<u>\$ 2,451,249</u>	<u>\$ 128,948</u>	<u>\$ (3,740,433)</u>	<u>\$ 4,690,557</u>

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

For the Three Months Ended March 31, 2003

	<u>Parent</u>	<u>URI</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Other and Eliminations</u>	<u>Consolidated Total</u>
Revenues:						
Equipment rentals		\$ 200,718	\$ 217,140	\$ 25,790		\$ 443,648
Sales of rental equipment		16,293	15,915	2,872		35,080
Sales of equipment and merchandise and other revenues		53,832	50,994	8,297		113,123
Total revenues		270,843	284,049	36,959		591,851
Cost of revenues:						
Cost of equipment rentals, excluding depreciation		105,009	132,803	14,592		252,404
Depreciation of rental equipment		38,969	35,651	6,123		80,743
Cost of rental equipment sales		10,737	10,919	1,599		23,255
Cost of equipment and merchandise sales and other operating costs		38,782	36,490	6,188		81,460
Total cost of revenues		193,497	215,863	28,502		437,862
Gross profit		77,346	68,186	8,457		153,989
Selling, general and administrative expenses		45,117	45,000	6,644		96,761
Non-rental depreciation and amortization	\$ 2,450	7,360	6,372	713	\$ 83	16,978
Operating income (loss)	(2,450)	24,869	16,814	1,100	(83)	40,250
Interest expense	3,681	50,137	11	827	(3,681)	50,975
Preferred dividends of a subsidiary trust					3,681	3,681
Other (income) expense, net		3,205	(3,535)	224		(106)
Income (loss) before provision (benefit) for income taxes	(6,131)	(28,473)	20,338	49	(83)	(14,300)
Provision (benefit) for income taxes	(2,391)	(11,104)	7,932	18	(32)	(5,577)
Income (loss) before equity in net earnings of subsidiaries	(3,740)	(17,369)	12,406	31	(51)	(8,723)
Equity in net loss of subsidiaries	(4,932)	12,437			(7,505)	
Net income (loss)	\$ (8,672)	\$ (4,932)	\$ 12,406	\$ 31	\$ (7,556)	\$ (8,723)

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended March 31, 2002

	Parent	URI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Other and Eliminations	Consolidated Total
Revenues:						
Equipment rentals		\$ 195,853	\$ 230,488	\$ 19,947		\$ 446,288
Sales of rental equipment		29,281	5,359	4,490		39,130
Sales of equipment and merchandise and other revenues		57,148	50,666	5,733		113,547
Total revenues		282,282	286,513	30,170		598,965
Cost of revenues:						
Cost of equipment rentals, excluding depreciation		95,843	128,215	11,504		235,562
Depreciation of rental equipment		35,444	37,678	4,928		78,050
Cost of rental equipment sales		18,524	3,810	2,798		25,132
Cost of equipment and merchandise sales and other operating costs		41,838	35,046	4,129		81,013
Total cost of revenues		191,649	204,749	23,359		419,757
Gross profit		90,633	81,764	6,811		179,208
Selling, general and administrative expenses		43,865	48,738	5,892		98,495
Non-rental depreciation and amortization	\$ 2,129	5,893	5,202	660		13,884
Operating income (loss)	(2,129)	40,875	27,824	259		66,829
Interest expense	4,694	45,021	3,731	1,231	\$ (4,694)	49,983
Preferred dividends of a subsidiary trust					4,694	4,694
Other (income) expense, net		2,448	(3,110)	382		(280)
Income (loss) before provision (benefit) for income taxes and cumulative effect of change in accounting principle	(6,823)	(6,594)	27,203	(1,354)		12,432
Provision (benefit) for income taxes	(2,661)	(2,571)	10,693	(613)		4,848
Income (loss) before cumulative effect of change in accounting principle and equity in net earnings of subsidiaries	(4,162)	(4,023)	16,510	(741)		7,584
Cumulative effect of change in accounting principle		(86,598)	(168,078)	(33,663)		(288,339)
Income (loss) before equity in net earnings of subsidiaries	(4,162)	(90,621)	(151,568)	(34,404)		(280,755)
Equity in net loss of subsidiaries	(276,593)	(185,972)			462,565	

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Net income (loss)	\$ (280,755)	\$ (276,593)	\$ (151,568)	\$ (34,404)	\$ 462,565	\$ (280,755)
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Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****CONDENSED CONSOLIDATING CASH FLOW INFORMATION**

For the Three Months Ended March 31, 2003

	<u>Parent</u>	<u>URI</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Other and Eliminations</u>	<u>Consolidated</u>
(In thousands)						
Net cash provided by (used in) operating activities	\$ (1,842)	\$ 59,691	\$ 23,375	\$ 1,430		\$ 82,654
Cash flows from investing activities:						
Purchases of rental equipment		(70,048)	(22,996)	(9,455)		(102,499)
Purchases of property and equipment	(1,839)	(2,027)	(4,580)	(439)		(8,885)
Proceeds from sales of rental equipment		16,293	15,915	2,872		35,080
Purchases of other companies		(4,162)				(4,162)
Deposits on rental equipment purchases		(13,422)				(13,422)
Net cash used in investing activities	(1,839)	(73,366)	(11,661)	(7,022)		(93,888)
Cash flows from financing activities:						
Proceeds from debt		19,500				19,500
Payments of debt		(1,554)	(163)	(1,324)		(3,041)
Payments of financing costs		(590)				(590)
Dividend distributions to parent		(3,681)			\$ 3,681	
Proceeds from dividends from subsidiary	3,681				(3,681)	
Net cash provided by (used in) financing activities	3,681	13,675	(163)	(1,324)		15,869
Effect of foreign exchange rates				9,062		9,062
Net increase in cash and cash equivalents			11,551	2,146		13,697
Cash and cash equivalents at beginning of period			16,908	2,323		19,231
Cash and cash equivalents at end of period			\$ 28,459	\$ 4,469		\$ 32,928
Supplemental disclosure of cash flow information:						
Cash paid for interest	\$ 4,602	\$ 34,324	\$ 202	\$ 844		\$ 39,972
Cash paid for income taxes, net of refunds		\$ (91)		\$ 451		\$ 360
Supplemental disclosure of non-cash investing and financing activities:						
The Company acquired the net assets and assumed certain liabilities of other companies as follows:						
Assets, net of cash acquired		\$ 3,314				\$ 3,314
Liabilities assumed		(50)				(50)
		3,264				3,264

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Due to seller and other payments	<u> </u>	<u>898</u>	<u> </u>	<u> </u>	<u> </u>	<u>898</u>
Net cash paid	<u> </u>	<u>\$ 4,162</u>	<u> </u>	<u> </u>	<u> </u>	<u>\$ 4,162</u>

Table of Contents**UNITED RENTALS, INC.****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****CONDENSED CONSOLIDATING CASH FLOW INFORMATION**

For the Three Months Ended March 31, 2002

	Parent	URI	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Other and Eliminations	Consolidated
(In thousands)						
Net cash provided by (used in) operating activities	\$ (15,639)	\$ 13,832	\$ 27,348	\$ 3,026	\$ 12,034	\$ 40,601
Cash flows from investing activities:						
Purchases of rental equipment		(60,278)	(19,340)	(4,515)		(84,133)
Purchases of property and equipment	(535)	(2,880)	(3,422)	(385)		(7,222)
Proceeds from sales of rental equipment		29,281	5,359	4,490		39,130
Capital contributed to subsidiary	(58,548)				58,548	
Purchases of other companies		(48,667)				(48,667)
Deposits on rental equipment purchases		(28,000)				(28,000)
In-process acquisition costs					(554)	(554)
Net cash used in investing activities	(59,083)	(110,544)	(17,403)	(410)	57,994	(129,446)
Cash flows from financing activities:						
Proceeds from debt		96,500				96,500
Payments of debt		(25,786)	(477)	(1,349)		(27,612)
Payments of financing costs		(387)				(387)
Capital contributions by parent		58,548			(58,548)	
Dividend distributions to parent		(38,548)			38,548	
Shares repurchased and retired	(22,374)					(22,374)
Proceeds from the exercise of common stock options	58,548					58,548
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust repurchased and retired					(11,480)	(11,480)
Proceeds from dividends from subsidiary	38,548				(38,548)	
Net cash provided by (used in) financing activities	74,722	90,327	(477)	(1,349)	(70,028)	93,195
Effect of foreign exchange rates				(426)		(426)
Net increase (decrease) in cash and cash equivalents		(6,385)	9,468	841		3,924
Cash and cash equivalents at beginning of period		6,385	19,798	1,143		27,326
Cash and cash equivalents at end of period			\$ 29,266	\$ 1,984		\$ 31,250
Supplemental disclosure of cash flow information:						

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Cash paid for interest	\$ 4,875	\$ 33,781	\$ 3,904	\$ 1,256	\$ 43,816
Cash paid for income taxes, net of refunds		\$ (127)		\$ 720	\$ 593
Supplemental disclosure of non-cash investing and financing activities:					
The Company acquired the net assets and assumed certain liabilities of other companies as follows:					
Assets, net of cash acquired		\$ 52,805			\$ 52,805
Liabilities assumed		(5,154)			(5,154)
		47,651			47,651
Due to seller and other payments		1,016			1,016
Net cash paid		\$ 48,667			\$ 48,667

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PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

The list of exhibits included in the original 10-Q is not being modified. However, the following additional exhibits are being filed with this amendment.

Exhibit Number	Description of Exhibit
99(a)	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99(b)	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

1. Form 8-K filed on February 25, 2003 (earliest event reported February 24, 2003); Item 9 was reported.

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CERTIFICATIONS

I, Bradley S. Jacobs, certify that:

1. I have reviewed this quarterly report* on Form 10-Q of United Rentals, Inc. and United Rentals (North America), Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this quarterly report;
4. The registrants' other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrants and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrants' disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrants' other certifying officers and I have disclosed, based on our most recent evaluation, to the registrants' auditors and the audit committee of registrants' boards of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrants' ability to record, process, summarize and report financial data and have identified for the registrants' auditors any material weaknesses in internal controls; and

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b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal controls; and

6. The registrants' other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

June 23, 2003

/s/ BRADLEY S. JACOBS

Bradley S. Jacobs
Chief Executive Officer

* All references to this quarterly report refer to the original quarterly report filed on Form 10-Q, as amended by this Amendment No. 1 on Form 10-Q/A.

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CERTIFICATIONS

I, John N. Milne, certify that:

1. I have reviewed this quarterly report* on Form 10-Q of United Rentals, Inc. and United Rentals (North America), Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this quarterly report;
4. The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrants and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrants disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrants other certifying officers and I have disclosed, based on our most recent evaluation, to the registrants auditors and the audit committee of registrants boards of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrants ability to record, process, summarize and report financial data and have identified for the registrants auditors any material weaknesses in internal controls; and

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b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal controls; and

6. The registrants' other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

June 23, 2003

/s/ JOHN N. MILNE

John N. Milne

President and Chief Financial Officer

* All references to this quarterly report refer to the original quarterly report filed on Form 10-Q, as amended by this Amendment No. 1 on Form 10-Q/A.