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UNITED RENTALS INC /DE
Form 10-Q/A
October 09, 2001

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 June 30, 2001

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

X Yes No

As of October 1, 2001, there were 73,295,189 shares of the United Rentals,

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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.

UNITED RENTALS, INC.
UNITED RENTALS (NORTH AMERICA), INC.

FORM 10-Q/A FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

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UNITED RENTALS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

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	June 30, 2001	June 30, 2001	December 31, 2000
	Pro Forma (See Note 1)	Restated (See Note 1)	
	(In thousands, except share data)		
ASSETS			
Cash and cash equivalents.....	\$ 36,135	\$ 36,135	\$ 34,384
Accounts receivable, net of allowance for doubtful accounts of \$49,693 in 2001 and \$55,624 in 2000.....	490,555	490,555	469,594
Inventory.....	114,570	114,570	133,380
Prepaid expenses and other assets.....	183,885	183,885	104,493
Rental equipment, net.....	1,851,404	1,851,404	1,732,835
Property and equipment, net.....	428,576	428,576	422,239
Goodwill, net of accumulated amortization of \$131,975 in 2001 and \$103,219 in 2000.....	2,199,876	2,199,876	2,215,532
Other intangible assets, net.....	9,645	9,645	11,476
	-----	-----	-----
	\$5,314,646	\$5,314,646	\$5,123,933
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Accounts payable.....	\$ 312,014	\$ 312,014	\$ 260,155
Debt.....	2,759,748	2,759,748	2,675,367
Deferred taxes.....	230,106	230,106	206,243
Accrued expenses and other liabilities.....	172,013	172,013	136,225
	-----	-----	-----
Total liabilities.....	3,473,881	3,473,881	3,277,990
Commitments and contingencies			
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust.....	300,000	300,000	300,000
Series A and B preferred stock.....		430,800	430,800
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		
Series D perpetual convertible preferred stock--\$150,000 liquidation preference, 150,000 shares issued and outstanding.....	2		
Common stock--\$.01 par value, 500,000,000 shares authorized, 73,150,359 shares issued and outstanding in 2001 and 71,065,707 in 2000.....	732	732	711
Additional paid-in capital.....	1,241,127	810,332	765,529
Deferred compensation.....	(59,255)	(59,255)	
Retained earnings.....	372,880	372,880	355,850
Accumulated other comprehensive loss...	(14,724)	(14,724)	(6,947)
	-----	-----	-----
Total stockholders' equity.....	1,540,765	1,109,965	1,115,143
	-----	-----	-----
	\$5,314,646	\$5,314,646	\$5,123,933

=====

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

1

UNITED RENTALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2001	2000	2001	2000

(In thousands, except per share data)				
Revenues:				
Equipment rentals.....	\$1,043,750	\$ 911,632	\$ 582,368	\$ 511,534
Sales of rental equipment.....	72,239	155,171	33,117	84,839
Sales of equipment and merchandise and other revenues...	271,128	242,105	152,528	133,573
	-----	-----	-----	-----
Total revenues.....	1,387,117	1,308,908	768,013	729,946
Cost of revenues:				
Cost of equipment rentals, excluding depreciation.....	500,136	396,614	270,103	222,314
Depreciation of rental equipment.....	158,354	159,035	81,553	85,532
Cost of rental equipment sales....	42,381	91,168	19,305	50,082
Cost of equipment and merchandise sales and other operating costs.....	197,616	184,309	110,989	100,220
	-----	-----	-----	-----
Total cost of revenues.....	898,487	831,126	481,950	458,148
	-----	-----	-----	-----
Gross profit.....	488,630	477,782	286,063	271,798
Selling, general and administrative expenses.....	221,715	210,969	112,822	109,119
Restructuring charge.....	28,922		28,922	
Non-rental depreciation and amortization.....	53,238	40,721	27,131	20,703
	-----	-----	-----	-----
Operating income.....	184,755	226,092	117,188	141,976
Interest expense.....	114,589	106,210	57,059	56,527
Preferred dividends of a subsidiary trust.....	9,750	9,750	4,875	4,875
Other (income) expense, net.....	6,935	(312)	7,605	(108)
	-----	-----	-----	-----
Income before provision for income taxes and extraordinary item.....	53,481	110,444	47,649	80,682
Provision for income taxes.....	25,134	45,834	22,714	33,483
	-----	-----	-----	-----
Income before extraordinary item... Extraordinary item, net of tax benefit of \$6,759.....	28,347	64,610	24,935	47,199
	-----	-----	-----	-----
	11,317		11,317	

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Net income.....	\$ 17,030	\$ 64,610	\$ 13,618	\$ 47,199
=====				
Earnings per share--basic:				
Income before extraordinary				
item.....	\$ 0.40	\$ 0.90	\$ 0.35	\$ 0.66
Extraordinary item, net.....	0.16		0.16	

Net income.....	\$ 0.24	\$ 0.90	\$ 0.19	\$ 0.66
=====				
Earnings per share--diluted:				
Income before extraordinary				
item.....	\$ 0.31	\$ 0.70	\$ 0.26	\$ 0.51
Extraordinary item, net.....	0.13		0.12	

Net income.....	\$ 0.18	\$ 0.70	\$ 0.14	\$ 0.51
=====				

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

2

UNITED RENTALS, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

		Common Stock							Accu
		Number of	Additional	Deferred	Retained	Comprehensive	Compre		
		Shares	Paid-in	Compensation	Earnings	Income			
		Amount	Capital						
(In thousands, except share data)									
Balance, December 31,									
2000.....	71,065,707	\$711	\$765,529		\$355,850			\$ (
Comprehensive income:									
Net income.....					17,030	\$17,030			
Other comprehensive									
income:									
Foreign currency									
translation									
adjustments.....						(3,448)		(
Cumulative effect on									
equity of adopting FAS									
133, net of tax of									
\$1,784.....						(2,516)		(
Derivatives qualifying									
as hedges, net of tax									
of \$1,287.....						(1,813)		(

Comprehensive income....						\$ 9,253			
						=====			
Issuance of common stock									

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under deferred compensation plans.....	2,767,041	28	60,621	\$ (60,649)	
Amortization of deferred compensation.....				1,394	
Issuance of common stock.....	2,770		50		
Exercise of common stock options.....	665,441	7	8,876		
Shares repurchased and retired.....	(1,350,600)	(14)	(24,744)		
	-----	----	-----	-----	-----
Balance, June 30, 2001..	73,150,359	\$732	\$810,332	\$ (59,255)	\$372,880
	=====	====	=====	=====	=====

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

3

UNITED RENTALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2001	2000

	(In thousands)	
Cash Flows From Operating Activities:		
Net income.....	\$ 17,030	\$ 64,610
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	211,592	199,756
Gain on sales of rental equipment.....	(29,858)	(64,003)
Deferred taxes.....	17,427	14,571
Amortization of deferred compensation.....	1,394	
Extraordinary item.....	18,076	
Restructuring charge.....	10,893	
Changes in operating assets and liabilities:		
Accounts receivable.....	(20,853)	(31,981)
Inventory.....	19,355	(13,616)
Prepaid expenses and other assets.....	(50,663)	(1,430)
Accounts payable.....	51,567	137,285
Accrued expenses and other liabilities.....	52,495	(42,367)
	-----	-----
Net cash provided by operating activities.....	298,455	262,825
Cash Flows From Investing Activities:		
Purchases of rental equipment.....	(303,281)	(513,817)
Purchases of property and equipment.....	(31,426)	(69,241)
Proceeds from sales of rental equipment.....	72,239	155,171
In-process acquisition costs.....	(2,140)	(2,445)
Payments of contingent purchase price.....		(6,553)
Purchases of other companies.....	(37,801)	(265,084)
	-----	-----

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Net cash used in investing activities.....	(302,409)	(701,969)
Cash Flows From Financing Activities:		
Proceeds from debt.....	1,979,155	376,903
Payments of debt.....	(1,926,282)	(38,217)
Proceeds from sale-leaseback.....		147,515
Payments of financing costs.....	(27,118)	(7,164)
Proceeds from the exercise of common stock options....	8,156	96
Shares repurchased and retired.....	(24,758)	(30,950)
	-----	-----
Net cash provided by financing activities.....	9,153	448,183
Effect of foreign exchange rates.....	(3,448)	342
	-----	-----
Net increase in cash and cash equivalents.....	1,751	9,381
Cash and cash equivalents at beginning of period.....	34,384	23,811
	-----	-----
Cash and cash equivalents at end of period.....	\$ 36,135	\$ 33,192
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest.....	\$ 110,023	\$ 101,046
Cash paid for income taxes, net of refunds.....	\$ 719	\$ 62,720
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.....	\$ 5,457	\$ 392,873
Liabilities assumed.....	(1,036)	(102,592)
Less:		
Amounts paid through issuance of debt.....	(600)	(25,197)
	-----	-----
	3,821	265,084
Due to seller and other payments.....	33,980	
	-----	-----
Net cash paid.....	\$ 37,801	\$ 265,084
	=====	=====

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

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UNITED RENTALS (NORTH AMERICA), INC.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2001	December 31, 2000
	-----	-----
(In thousands, except share data)		
ASSETS		
Cash and cash equivalents.....	\$ 36,135	\$ 34,384
Accounts receivable, net of allowance for doubtful accounts of \$49,693 in 2001 and \$55,624 in 2000.....	490,555	469,594
Inventory.....	114,570	133,380
Prepaid expenses and other assets.....	174,899	104,493
Rental equipment, net.....	1,851,404	1,732,835

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Property and equipment, net.....	393,465	387,432
Goodwill, net of accumulated amortization of \$131,975 in 2001 and \$103,219 in 2000.....	2,199,876	2,215,532
Other intangible assets, net.....	9,645	11,476
	-----	-----
	\$ 5,270,549	\$ 5,089,126
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities:		
Accounts payable.....	\$ 312,014	\$ 260,155
Debt.....	2,759,748	2,675,367
Deferred taxes.....	230,106	206,243
Accrued expenses and other liabilities..	149,825	119,172
	-----	-----
Total liabilities.....	3,451,693	3,260,937
Commitments and contingencies		
Stockholder's equity:		
Common stock--\$0.01 par value, 3,000 shares authorized, 1,000 shares issued and outstanding.....		
Additional paid-in capital.....	1,515,817	1,507,661
Retained earnings.....	317,763	327,475
Accumulated other comprehensive loss....	(14,724)	(6,947)
	-----	-----
Total stockholder's equity.....	1,818,856	1,828,189
	-----	-----
	\$ 5,270,549	\$ 5,089,126
	=====	=====

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

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UNITED RENTALS (NORTH AMERICA), INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2001	2000	2001	2000

	(In thousands)			
Revenues:				
Equipment rentals.....	\$1,043,750	\$ 911,632	\$582,368	\$ 511,534
Sales of rental equipment.....	72,239	155,171	33,117	84,839
Sales of equipment and merchandise and other revenues..	271,128	242,105	152,528	133,573
	-----	-----	-----	-----
Total revenues.....	1,387,117	1,308,908	768,013	729,946
Cost of revenues:				
Cost of equipment rentals, excluding depreciation.....	500,136	396,614	270,103	222,314
Depreciation of rental				

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equipment.....	158,354	159,035	81,553	85,532
Cost of rental equipment sales...	42,381	91,168	19,305	50,082
Cost of equipment and merchandise sales and other operating costs.....	197,616	184,309	110,989	100,220
Total cost of revenues.....	898,487	831,126	481,950	458,148
Gross profit.....	488,630	477,782	286,063	271,798
Selling, general and administrative expenses.....	221,715	210,969	112,822	109,119
Restructuring charge.....	28,922		28,922	
Non-rental depreciation and amortization.....	48,952	37,155	24,909	18,838
Operating income.....	189,041	229,658	119,410	143,841
Interest expense.....	114,589	106,210	57,059	56,527
Other (income) expense, net.....	6,935	(312)	7,605	(108)
Income before provision for income taxes and extraordinary item....	67,517	123,760	54,746	87,422
Provision for income taxes.....	31,404	51,409	26,104	36,280
Income before extraordinary item..	36,113	72,351	28,642	51,142
Extraordinary item, net of tax benefit of \$6,759.....	11,317		11,317	
Net income	\$ 24,796	\$ 72,351	\$ 17,325	\$ 51,142

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

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UNITED RENTALS (NORTH AMERICA), INC.

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
(Unaudited)

	Common Stock	Additional		Comprehensive	Accumulated
	Number of Shares	Paid-In Amount	Capital	Income	Other Comprehensive Loss
			Retained Earnings		
(In thousands, except share data)					
Balance, December 31, 2000.....	1,000	\$1,507,661	\$327,475		\$(6,947)
Comprehensive income:					
Net income.....			24.796	\$24.796	
Other comprehensive income:					
Foreign currency translation					

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adjustments.....			(3,448)	(3,448)
Cumulative effect on equity of adopting FAS 133, net of tax of \$1,784.....			(2,516)	(2,516)
Derivatives qualifying as hedges, net of tax \$1,287.....			(1,813)	(1,813)
	---		-----	
Comprehensive income.....			\$17,019	
			=====	
Contributed capital from parent.....		8,156		
Dividend distributions to parent.....			(34,508)	
	-----	-----	-----	-----
Balance, June 30, 2001...	1,000	\$1,515,817	\$317,763	\$(14,724)
	=====	=====	=====	=====

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

7

UNITED RENTALS (NORTH AMERICA), INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2001	2000

	(In thousands)	
Cash Flows From Operating Activities:		
Net income.....	\$ 24,796	\$ 72,351
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	207,306	196,190
Gain on sales of rental equipment.....	(29,858)	(64,003)
Deferred taxes.....	17,427	14,571
Extraordinary item.....	18,076	
Restructuring charge.....	10,893	
Changes in operating assets and liabilities:		
Accounts receivable.....	(20,853)	(31,981)
Inventory.....	19,355	(13,616)
Prepaid expenses and other assets.....	(43,429)	(14,124)
Accounts payable.....	51,567	127,822
Accrued expenses and other liabilities.....	46,583	(56,461)
	-----	-----
Net cash provided by operating activities.....	301,863	230,749
Cash Flows From Investing Activities:		
Purchases of rental equipment.....	(303,281)	(513,817)

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Purchases of property and equipment.....	(27,224)	(55,656)
Proceeds from sales of rental equipment.....	72,239	155,171
Payments of contingent purchase price.....		(6,553)
Purchases of other companies.....	(37,801)	(265,084)
	-----	-----
Net cash used in investing activities.....	(296,067)	(685,939)
Cash Flows From Financing Activities:		
Proceeds from debt.....	1,979,155	376,903
Payments of debt.....	(1,926,282)	(38,217)
Proceeds from sale-leaseback.....		147,515
Payments of financing costs.....	(27,118)	(7,155)
Due to parent.....		30,950
Capital contributions by parent.....	8,156	96
Dividend distributions to parent.....	(34,508)	(45,863)
	-----	-----
Net cash provided by (used in) financing activities.....	(597)	464,229
Effect of foreign exchange rates.....	(3,448)	342
	-----	-----
Net increase in cash and cash equivalents.....	1,751	9,381
Cash and cash equivalents at beginning of period.....	34,384	23,811
	-----	-----
Cash and cash equivalents at end of period.....	\$ 36,135	\$ 33,192
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest.....	\$ 100,273	\$ 91,296
Cash paid for income taxes, net of refunds.....	\$ 719	\$ 62,720
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.....	\$ 5,457	\$ 392,873
Liabilities assumed.....	(1,036)	(102,592)
Less:		
Amounts paid through issuance of debt.....	(600)	(25,197)
	-----	-----
	3,821	265,084
Due to seller and other payments.....	33,980	
	-----	-----
Net cash paid.....	\$ 37,801	\$ 265,084
	=====	=====

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

UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

General

United Rentals, Inc., is principally a holding company ("Holdings" or the "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

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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 six and three month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. 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, 2000.

Impact of Recently Issued Accounting Standards

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a replacement of FASB Statement No. 125". This standard revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures. This standard is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of SFAS No. 140 did not have a material effect on the Company's consolidated financial position or results of operations.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations". This standard addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "Business Combinations" and SFAS No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises". All business combinations in the scope of this Statement are to be accounted for using one method, the purchase method. This standard is effective for all business combinations initiated after June 30, 2001.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets". This standard addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets". This standard is effective for fiscal years beginning after December 15, 2001. However, this standard is immediately effective in cases where goodwill and intangible assets are acquired after June 30, 2001. Under this standard, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. The Company is currently evaluating the impact SFAS No. 142 will have on its financial statements and will perform a fair value analysis of its goodwill in connection with the adoption of this standard on January 1, 2002.

Preferred Stock

The Company issued Series A Perpetual Convertible Preferred Stock ("Series A Preferred") and Series B Perpetual Convertible Preferred Stock ("Series B Preferred") in 1999 and included such preferred in stockholders' equity. In July 2001, the SEC issued guidance to all public companies as to when redeemable preferred stock may be classified as stockholders' equity. This guidance indicates that preferred stock that would

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

be subject to redemption on the occurrence of an event outside the control of the issuer may not be classified as equity and that the probability of the event occurring is not a factor to be considered. Under this guidance, the Series A Preferred and Series B Preferred would not be included in stockholders' equity because this stock would be subject to mandatory redemption on a hostile change of control. On September 28, 2001, the Company entered into an agreement effecting the exchange of new Series C Perpetual Convertible Preferred Stock ("Series C Preferred") for the Series A Preferred and new Series D Perpetual Convertible Preferred Stock ("Series D Preferred") for the Series B Preferred (see note 11). The Series C Preferred and Series D Preferred stock is not subject to mandatory redemption on a hostile change of control, and will be classified as stockholders' equity under the recently issued SEC guidance.

The effect of the foregoing is that the Company's perpetual convertible preferred stock will be classified as stockholders' equity as of September 28, 2001 and thereafter, but will be classified outside of stockholders' equity for earlier dates. Accordingly, the Company has restated the accompanying balance sheets to show its \$430.8 million of perpetual convertible preferred stock under "Series A and B Preferred Stock" rather than under "Stockholders' Equity." The Company has also made a corresponding change to the related Consolidated Statements of Stockholders' Equity. In all other respects, the financial statements remain unchanged, including total assets and liabilities, revenues, operating income, net income and earnings per share. The Company's balance sheets for dates after September 28, 2001, will include the perpetual convertible preferred stock in stockholders' equity.

The pro forma amounts on the accompanying balance sheet gives effect to the above-referenced exchange, as if it had occurred on June 30, 2001.

Reclassifications

Certain prior year balances have been reclassified to conform to the 2001 presentation.

2. Acquisitions

During the six months ended June 30, 2001 and the year ended December 31, 2000, the Company completed two acquisitions and 53 acquisitions, 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.

The purchase prices for such 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 consists 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 six months ended June 30, 2000 as though each acquisition which was consummated during the period January 1, 2000 to

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June 30, 2001 as mentioned above and in Note 3 to the Notes to Consolidated Financial Statements included in the Company's 2000 Annual Report on Form 10-K was made on January 1, 2000 (in thousands, except per share data):

Revenues.....	\$1,455,247
Net income.....	\$ 71,418
Basic earnings per share.....	\$ 0.98
Diluted earnings per share.....	\$ 0.77

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Since the acquisitions made during the six months ended June 30, 2001 had an insignificant impact on the Company's pro forma results of operations, the pro forma results of operations for the six months ended June 30, 2001 are not shown.

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.

3. Restructuring Charge

During the second quarter of 2001, the Company recorded a restructuring charge of approximately \$28.9 million. The charge primarily relates to the closure or consolidation of underperforming branches and administrative offices, a reduction in the Company's workforce, and certain information technology project costs. Approximately \$10.9 million of the charge is non-cash. Approximately \$3.2 million has been paid during the second quarter of 2001. Of the remaining \$14.8 million of this charge, approximately \$8.6 million will be paid by December 31, 2001 and approximately \$6.2 million will be paid in future periods.

Components of the restructuring charge are as follows:

	Restructuring Charge	Activity in 2001	Balance June 30, 2001
Costs to vacate facilities.....	\$18,291	\$ 9,779	\$ 8,512
Workforce reduction costs.....	5,666	1,296	4,370
Information technology costs.....	4,965	3,042	1,923
	-----	-----	-----
	\$28,922	\$14,117	\$14,805
	=====	=====	=====

Under the restructuring plan, 31 underperforming branches and five administrative offices will be closed or consolidated, the Company's workforce will be reduced by 489 through the termination of branch and administrative

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personnel (including 437 terminated as of June 30, 2001), and certain information technology hardware and software will no longer be used. The employee termination costs primarily represent severance. The costs to vacate facilities primarily represent the payment of obligations under leases offset by estimated sublease opportunities (\$9.9 million), the write-off of capital improvements made to such facilities (\$2.8 million) and the write-off of related goodwill (\$5.6 million). As of June 30, 2001, 18 of the 31 underperforming branches have been closed or consolidated and the remaining 13 underperforming branches will be closed or consolidated by December 31, 2001. The information technology costs represent the abandonment of certain information technology projects (\$2.5 million) and the payment of obligations under equipment leases relating to such projects (\$2.5 million).

4. Refinancing of Debt

In April 2001, URI issued \$450.0 million aggregate principal amount of 10 3/4% senior notes. Concurrent with the issuance of the senior notes, URI entered into a new senior secured credit facility. The new credit facility is comprised of a \$750.0 million term loan and a \$750.0 million revolving credit facility. The proceeds from the new senior notes and new senior secured credit facility were used to refinance outstanding secured indebtedness of approximately \$1,664.5 million and obligations under a synthetic lease of \$31.2 million. As a result of the refinancing, the Company recorded an extraordinary charge of approximately \$18.1 million (\$11.3 million, net of tax), primarily related to the write-off of financing fees, and a charge of approximately \$7.8 million recorded in other (income) expense, net related to refinancing costs of the synthetic lease.

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

10 3/4% Senior Notes. On April 20, 2001, URI sold \$450 million aggregate principal amount of 10 3/4% Senior Notes Due 2008. The net proceeds from the sale of the notes were approximately \$439.9 million (after deducting the initial purchasers' discount and offering expenses). The notes mature on April 15, 2008. The notes are unsecured and are guaranteed by Holdings and by URI's domestic subsidiaries. URI may, at its option, redeem the notes on or after April 15, 2005, at specified redemption prices which range from 105.375% in 2005 to 100.0% in 2007 and thereafter. In addition, on or prior to April 15, 2004, URI may, at its option, use the proceeds of a public equity offering to redeem up to 35% of the outstanding notes, at a redemption price of 110.75%. The indenture governing the notes contains certain restrictive covenants, including limitations on (i) additional indebtedness, (ii) restricted payments, (iii) liens, (iv) dividends and other payments, (v) preferred stock of certain subsidiaries, (vi) transactions with affiliates, (vii) the disposition of proceeds of asset sales and (viii) the Company's ability to consolidate, merge or sell all or substantially all of its assets.

New Revolving Credit Facility. The revolving credit facility enables URI to borrow up to \$750 million on a revolving basis and enables one of its Canadian subsidiaries to borrow up to \$40 million (provided that the aggregate borrowings of URI and the Canadian subsidiary may not exceed \$750 million). Up to \$100 million of the revolving credit facility is available in the form of letters of credit. The revolving credit facility will mature and terminate on October 20, 2006.

Borrowings under the revolving credit facility will until October 20, 2001,

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accrue interest, at our option, at either (A) the ABR Rate (which is equal to the greater of (i) the Federal Funds Rate plus 0.5% or (ii) the Chase Manhattan Bank's prime rate) plus a margin of 1.00% or (B) an adjusted LIBOR rate plus a margin of 2.0%. From and after October 20, 2001, the above interest rate margins will be adjusted quarterly based on our financial leverage ratio, up to maximum margins of 1.75% and 2.75%, for revolving loans based on the ABR rate and the adjusted LIBOR rate, respectively, and down to minimum margins of 0.75% and 1.75%, for revolving loans based on the ABR rate and the adjusted LIBOR rate, respectively.

Borrowings by the Canadian subsidiary under the revolving credit facility will until October 20, 2001, accrue interest, at such subsidiary's option, at either (X) the Prime rate (which is equal to the Chase Manhattan Bank of Canada's prime rate) plus a margin of 1.00% or (Y) the B/A rate (which is equal to the Chase Manhattan Bank of Canada's B/A rate) plus a margin of 2.0%. From and after October 20, 2001, the above interest rate margins will be adjusted quarterly based on our financial leverage ratio, up to maximum margins of 1.75% and 2.75%, for revolving loans based on the Prime rate and the B/A rate, respectively, and down to minimum margins of 0.75% and 1.75%, for revolving loans based on the Prime rate and the B/A rate, respectively.

If at any time an event of default exists, the interest rate applicable to each loan will increase by 2% per annum.

The Company is also required to pay the lenders a commitment fee equal to 0.5% per annum in respect of undrawn commitments under the revolving credit facility.

New Term Loan. On April 20, 2001, URI obtained a \$750 million term loan. Amounts repaid in respect of the term loan may not be reborrowed. URI must repay the principal of the term loan in installments, over six and one-half years, as follows: (i) on June 30, 2001 and on the last day of each calendar quarter thereafter up to and including September 30, 2006, URI must repay \$1.9 million and (ii) on the last day of each calendar quarter thereafter up to and including September 30, 2007, URI must repay \$177.2 million.

Borrowings under the term loan accrue interest, at our option, at either (a) the ABR rate (which is equal to the greater of (i) the Federal Funds Rate plus 0.5% or (ii) the Chase Manhattan Bank's prime rate) plus a margin of 2.0%, or (b) an adjusted LIBOR rate plus a margin of 3.0%.

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Covenants. The agreements governing the new senior secured credit facility contain certain covenants that requires the Company to, among other things, satisfy certain financial tests relating to: (a) the ratio of senior debt to cash flow, (b) minimum interest coverage ratio, (c) the ratio of funded debt to cash flow, and (d) the ratio of senior debt to tangible assets. These agreements also contain various other covenants that restrict the Company's ability to, among other things, (i) incur additional indebtedness, (ii) permit liens to attach to its assets, (iii) pay dividends or make other restricted payments on its common stock and certain other securities and (iv) make acquisitions unless certain financial conditions are satisfied.

Security and Guarantees. URI's obligations under the new senior secured facility are, subject to limited exceptions, (i) guaranteed by Holdings and

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URI's United States subsidiaries and (ii) secured by substantially all of URI's assets, the stock of URI and the stock of Holding's other United States subsidiaries and a portion of the stock of Holding's Canadian subsidiaries. The obligations of the Canadian subsidiary that may borrow under the revolving credit facility are guaranteed by our other Canadian subsidiaries and secured by substantially all of the assets of this Canadian subsidiary and the stock of its subsidiaries.

5. Receivables Securitization

During the quarter ended June 30, 2001, the Company obtained an additional \$112.0 million in cash through the securitization of certain of its accounts receivable through its existing \$250.0 million receivable securitization facility. In the securitization transactions, the Company transferred accounts receivable to a special purpose vehicle (the "SPV"), which in turn pledged those receivables to secure borrowings that the SPV incurred to finance its acquisition of those receivables. The borrowings generally accrue interest at the blended commercial paper rate for commercial paper issued by Gramercy Capital Corporation to fund such borrowings plus a margin of 0.75% per annum. The SPV's borrowings are an obligation of the SPV and not of the Company or URI, and the lenders' recourse in respect of the borrowings is generally limited to collections that the SPV receives on the receivables. Collections on the receivables are used to service the borrowings. From time to time prior to June 2002, subject to certain conditions, collections from the receivables may be reinvested by the SPV in additional accounts receivable originated by the Company. Subject to certain conditions, the term of the receivables securitization may be extended until December 2003. As of June 30, 2001, approximately \$212.0 million of borrowings was outstanding under the receivables securitization facility.

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. Earnings Per Share

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2001	2000	2001	2000
Numerator:				
Income before extraordinary item.....	\$28,347	\$64,610	\$24,935	\$47,199
Denominator:				
Denominator for basic earnings per share-- weighted-average shares.....	71,026	71,844	71,318	71,631
Effect of dilutive securities:				
Employee stock options.....	1,850	1,144	2,404	1,024
Warrants.....	3,056	2,435	3,433	2,303
Series A perpetual convertible preferred stock.....	12,000	12,000	12,000	12,000
Series B perpetual convertible preferred stock.....	5,000	5,000	5,000	5,000

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	-----	-----	-----	-----
Denominator for diluted earnings per share-- adjusted weighted-average shares.....	92,932	92,423	94,155	91,958
	=====	=====	=====	=====
Earnings per share-basic:				
Income before extraordinary item.....	\$ 0.40	\$ 0.90	\$ 0.35	\$ 0.66
Extraordinary item, net.....	0.16		0.16	
	-----	-----	-----	-----
Net Income.....	\$ 0.24	\$ 0.90	\$ 0.19	\$ 0.66
	=====	=====	=====	=====
Earnings per share-diluted:				
Income before extraordinary item.....	\$ 0.31	\$ 0.70	\$ 0.27	\$ 0.51
Extraordinary item, net.....	\$ 0.13		\$ 0.13	
	=====	=====	=====	=====
Net income.....	\$ 0.18	\$ 0.70	\$ 0.14	\$ 0.51
	=====	=====	=====	=====

7. Stock Plans

2001 Senior Stock Plan. In June 2001, the Company's shareholders approved the adoption of the 2001 Senior Stock Plan. This plan provides for the awarding of common stock and other equity-linked awards to our officers and directors. The maximum number of shares of common stock that can be issued under the plan is 4,000,000. The Company records each share that is awarded under this plan at an amount no less than 100% of the fair market value per share at the date of the award. No shares may be awarded under this plan after June 5, 2011. As of June 30, 2001, 2,015,000 shares had been awarded under this plan. Determinations concerning the persons to receive awards, the form, amount and timing of such awards and terms and provisions of such awards are made by the Board of Directors (or a committee appointed by the Board of Directors).

2001 Stock Plan. In March 2001, the Company adopted the 2001 Stock Plan. This plan provides for the awarding of common stock and other equity-linked awards to certain employees (other than officers and directors) and others who render services to the Company. The maximum number of shares of common stock that can be issued under the plan is 2,000,000. The Company records each share that is awarded under this plan at an amount no less than 100% of the fair market value per share at the date of the award. No shares may be awarded under this plan after March 23, 2011. As of June 30, 2001, 752,041 shares had been awarded under this plan. Determinations concerning the persons to receive awards, the form, amount and timing of such awards and

UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

terms and provisions of such awards are made by the Board of Directors (or a committee appointed by the Board of Directors).

The Company records the issuance of restricted shares at the quoted market price on the date of the grants. Amortization of deferred compensation is then recognized on a straight-line basis over the related vesting period.

8. Comprehensive Income

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

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	Six Months Ended June 30,		Three Months Ended June 30,	
	2001	2000	2001	2000
Net income.....	\$17,030	\$64,610	\$13,618	\$47,199
Other comprehensive gain (loss):				
Foreign currency translation adjustment.....	(3,448)	342	8,565	1,112
Cumulative effect on equity of adopting FAS 133.....	(2,516)			
Derivatives qualifying as hedges.....	(1,813)		627	
Comprehensive income.....	\$ 9,253	\$64,952	\$22,810	\$48,311

9. Derivative Financial Instruments

The FASB issued, and subsequently amended, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which became effective for the Company on January 1, 2001. Under SFAS No. 133, all derivatives are required to be recorded as assets or liabilities and measured at fair value. Gains or losses resulting from changes in the values of derivatives are recognized immediately or deferred, depending on the use of the derivative and whether or not it qualifies as a hedge.

The Company occasionally uses derivative financial instruments to manage its risk associated with fluctuations in interest rates on its debt. As of June 30, 2001, the Company had outstanding interest rate swap agreements that converts a portion, or \$200.0 million, of its variable rate term loan to a fixed rate instrument through 2003. These swap agreements are designated as cash flow hedges and changes in fair value of the hedges are recorded in other comprehensive income and reclassified into earnings in the same periods during which the hedged transaction affects earnings. There is no ineffectiveness related to these hedges.

UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

10. Condensed Consolidating Financial Information of Guarantor Subsidiaries

Certain indebtedness of URI, a wholly-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 wholly 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

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because management believes such information would not be material to investors. However, condensed consolidating financial information as of June 30, 2001 and December 31, 2000 and for the six and three months ended June 30, 2001 and 2000, are presented. The condensed consolidating financial information of URI and its subsidiaries are as follows:

CONDENSED CONSOLIDATING BALANCE SHEET

	June 30, 2001					Consolidated Total
	Parent	URI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Other and Eliminations	
	(In thousands)					
ASSETS						
Cash and cash equivalents.....			\$ 30,586	\$ 5,549		\$ 36,135
Accounts receivable, net.....		\$ 59,479	324,470	106,606		490,555
Intercompany receivable (payable).....		211,682	49,370	(261,052)		
Inventory.....		52,232	56,973	5,365		114,570
Prepaid expenses and other assets.....		54,508	119,215	1,176	\$ 8,986	183,885
Rental equipment, net...		956,034	768,444	126,926		1,851,404
Property and equipment, net.....	\$ 35,111	143,055	233,614	16,796		428,576
Investment in subsidiaries.....	1,814,909	2,330,924			(4,145,833)	
Intangible assets, net..		869,416	1,209,403	130,702		2,209,521
	<u>\$1,850,020</u>	<u>\$4,677,330</u>	<u>\$2,792,075</u>	<u>\$ 132,068</u>	<u>\$ (4,136,847)</u>	<u>\$5,314,626</u>
LIABILITIES AND STOCKHOLDER'S EQUITY						
Liabilities:						
Accounts payable.....		\$ 71,448	\$ 222,935	\$ 17,631		\$ 312,014
Debt.....	\$ 300,000	2,523,718	214,768	21,262	\$ (300,000)	2,759,758
Deferred income taxes.....		230,056	50			230,106
Accrued expenses and other liabilities.....	9,255	42,280	93,864	13,681	12,933	172,013
Total liabilities....	309,255	2,867,502	531,617	52,574	(287,067)	3,473,982
Commitments and contingencies						
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust.....					300,000	300,000
Series A and B preferred stock.....	430,800					430,800
Stockholders' equity:						
Common stock.....	732					732
Additional paid-in capital.....	810,332	1,496,393	1,838,411	65,901	(3,400,705)	810,332
Deferred compensa-						

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tion.....	(59,255)					(59,255)
Retained earnings.....	372,880	317,764	422,047	23,988	(763,799)	372,880
Accumulated other comprehensive income.....	(14,724)	(4,329)		(10,395)	14,724	(14,724)
	-----	-----	-----	-----	-----	-----
Total stockholders' equity.....	1,109,965	1,809,828	2,260,458	79,494	(4,149,780)	1,109,965
	-----	-----	-----	-----	-----	-----
	\$1,850,020	\$4,677,330	\$2,792,075	\$132,068	\$(4,136,847)	\$5,314,650
	=====	=====	=====	=====	=====	=====

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

	December 31, 2000					
	Parent	URI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Other and Eliminations	Consolidated Total
	(In thousands)					
Assets						
Cash and cash equivalents.....			\$ 29,733	\$ 4,651		\$ 34,384
Accounts receivable, net.....		\$ 216,444	143,295	109,855		469,594
Intercompany receivable (payable).....		319,423	(55,187)	(264,236)		
Inventory.....		54,022	73,979	5,379		133,380
Prepaid expenses and other assets.....		28,263	75,633	597		104,493
Rental equipment, net...		837,972	766,219	128,644		1,732,835
Property and equipment, net.....	\$ 34,807	139,871	231,195	16,366		422,039
Investment in subsidiaries.....	1,839,952	2,257,692			\$(4,097,644)	
Intangible assets, net..		960,444	1,132,438	134,126		2,227,008
	-----	-----	-----	-----	-----	-----
	\$1,874,759	\$4,814,131	\$2,397,305	\$ 135,382	\$(4,097,644)	\$5,123,933
	=====	=====	=====	=====	=====	=====
Liabilities and Stockholder's Equity						
Liabilities:						
Accounts payable.....		\$ 78,623	\$ 165,677	\$ 15,855		\$ 260,155
Debt.....	\$ 300,000	2,647,144	3,484	24,739	\$(300,000)	2,675,367
Deferred income taxes.....		186,091	20,702	(550)		206,334
Accrued expenses and other liabilities.....	28,816	86,560	18,862	13,750	(11,763)	136,225
	-----	-----	-----	-----	-----	-----
Total liabilities....	328,816	2,998,418	208,725	53,794	(311,763)	3,277,580

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Commitments and contingencies						
Company-obligated mandatorily redeemable convertible preferred securities of a subsidiary trust.....					300,000	300,000
Series A and B preferred stock.....	430,800					430,800
Stockholders' equity:						
Common stock.....	711					
Additional paid-in capital.....	765,529	1,488,238	1,830,500	65,657	(3,384,395)	765,529
Retained earnings.....	355,850	327,475	358,080	22,878	(708,433)	355,850
Accumulated other comprehensive loss.....	(6,947)			(6,947)	6,947	(6,947)
	-----	-----	-----	-----	-----	-----
Total stockholders' equity.....	1,115,143	1,815,713	2,188,580	81,588	(4,085,881)	1,115,143
	-----	-----	-----	-----	-----	-----
	\$1,874,759	\$4,814,131	\$2,397,305	\$ 135,382	\$ (4,097,644)	\$5,123,933
	=====	=====	=====	=====	=====	=====

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2001

	Parent	URI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Other and Eliminations	Consolidated Total
	-----	-----	-----	-----	-----	-----
	(In thousands)					
Revenues:						
Equipment rentals.....		\$446,995	\$549,950	\$46,805		\$1,043,750
Sales of rental equipment.....		33,722	32,104	6,413		72,239
Sales of equipment and merchandise and other revenues.....		127,949	128,094	15,085		271,128
	-----	-----	-----	-----	-----	-----
Total revenues.....		608,666	710,148	68,303		1,387,117
Cost of revenues:						
Cost of equipment rentals, excluding depreciation.....		191,408	284,455	24,273		500,136
Depreciation of rental equipment.....		77,870	70,337	10,147		158,354
Cost of rental equipment sales.....		21,190	17,387	3,804		42,381

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Cost of equipment and merchandise sales and other operating costs.....		95,705	90,819	11,092		197,616
Total cost of revenues..		386,173	462,998	49,316		898,487
Gross profit.....		222,493	247,150	18,987		488,630
Selling, general and administrative expenses.....		94,457	114,886	12,372		221,715
Restructuring charge....		28,922				28,922
Non-rental depreciation and amortization.....	\$ 4,286	20,291	25,725	2,936		53,238
Operating income (loss).....	(4,286)	78,823	106,539	3,679		184,755
Interest expense.....	9,750	107,825	6,046	718	\$ (9,750)	114,589
Preferred dividends of a subsidiary trust.....					9,750	9,750
Other (income) expense, net.....		14,725	(8,853)	1,063		6,935
Income (loss) before provision (benefit) for income taxes and extraordinary item.....	(14,036)	(43,727)	109,346	1,898		53,481
Provision (benefit) for income taxes.....	(6,270)	(14,763)	45,379	788		25,134
Income before extraordinary item and equity in net earnings of subsidiaries.....	(7,766)	(28,964)	63,967	1,110		28,347
Extraordinary item.....		11,317				11,317
Income (loss) before equity in net earnings of subsidiaries.....	(7,766)	(40,281)	63,967	1,110		17,030
Equity in net earnings of subsidiaries.....	24,796	65,077			\$ (89,873)	
Net income	\$ 17,030	\$ 24,796	\$ 63,967	\$ 1,110	\$ (89,873)	\$ 17,030

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2000

Parent	URI	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Other and Eliminations	Consolidated Total
--------	-----	------------------------	----------------------------	------------------------	--------------------

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	(In thousands)				
Revenues:					
Equipment rentals.....	\$378,801	\$484,540	\$48,291		\$ 911,632
Sales of rental equipment.....	74,484	68,315	12,372		155,171
Sales of equipment and merchandise and other revenues.....	112,041	114,201	15,863		242,105
Total revenues.....	565,326	667,056	76,526		1,308,908
Cost of revenues:					
Cost of equipment rentals, excluding depreciation.....	162,317	211,389	22,908		396,614
Depreciation of rental equipment.....	70,016	79,670	9,349		159,035
Cost of rental equipment sales.....	43,989	39,471	7,708		91,168
Cost of equipment and merchandise sales and other operating costs.....	91,840	79,645	12,824		184,309
Total cost of revenues..	368,162	410,175	52,789		831,126
Gross profit.....	197,164	256,881	23,737		477,782
Selling, general and administrative expenses.....	92,687	106,523	11,759		210,969
Non-rental depreciation and amortization.....	\$ 3,566	17,912	16,597		40,721
Operating income.....	(3,566)	86,565	133,761		226,092
Interest expense.....	9,750	104,617	195	1,398	\$ (9,750)
Preferred dividends of a subsidiary trust.....					9,750
Other (income) expense, net.....		3,929	(4,422)	181	(312)
Income (loss) before provision for income taxes.....	(13,316)	(21,981)	137,988	7,753	110,444
Provision (benefit) for income taxes.....	(5,575)	(9,122)	57,265	3,266	45,834
Income (loss) before equity in net earnings of subsidiaries.....	(7,741)	(12,859)	80,723	4,487	64,610
Equity in net earnings of subsidiaries.....	72,351	85,210			\$ (157,561)
Net income.....	\$ 64,610	\$ 72,351	\$ 80,723	\$ 4,487	\$ (157,561)
					\$ 64,610

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended June 30, 2001

	Parent	URI	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Other and Eliminations	Consolidated Total
	(In thousands)					
Revenues:						
Equipment rentals.....		\$239,522	\$316,596	\$26,250		\$582,368
Sales of rental equip- ment.....		5,527	24,045	3,545		33,117
Sales of equipment and merchandise and other revenues.....		71,408	73,444	7,676		152,528
Total revenues.....		316,457	414,085	37,471		768,013
Cost of revenues:						
Cost of equipment rentals, excluding depreciation.....		92,597	164,780	12,726		270,103
Depreciation of rental equipment.....		40,459	36,041	5,053		81,553
Cost of rental equip- ment sales.....		4,606	12,485	2,214		19,305
Cost of equipment and merchandise sales and other operating costs.....		53,033	52,311	5,645		110,989
Total cost of revenues..		190,695	265,617	25,638		481,950
Gross profit.....		125,762	148,468	11,833		286,063
Selling, general and administrative expenses.....		46,208	60,278	6,336		112,822
Restructuring charge....		28,922				28,922
Non-rental depreciation and amortization.....	\$ 2,222	9,454	13,969	1,486		27,131
Operating income.....	(2,222)	41,178	74,221	4,011		117,188
Interest expense.....	4,875	50,978	5,610	471	\$ (4,875)	57,059
Preferred dividends of a subsidiary trust.....					4,875	4,875
Other (income) expense, net.....		8,525	(1,468)	548		7,605
Income (loss) before provision for income taxes and extraordinary item.....	(7,097)	(18,325)	70,079	2,992		47,649
Provision (benefit) for income taxes.....	(3,390)	(4,221)	29,083	1,242		22,714
Income before extraordi- nary item and equity in						

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net earnings of subsidiaries.....	(3,707)	(14,104)	40,996	1,750		24,935
Extraordinary item.....		11,317				11,317
Income (loss) before equity in net earnings of subsidiaries.....	(3,707)	(25,421)	40,996	1,750		13,618
Equity in net earnings of subsidiaries.....	17,325	42,746			\$(60,071)	
Net income	\$13,618	\$ 17,325	\$ 40,996	\$ 1,750	\$(60,071)	\$ 13,618

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended June 30, 2000

	Parent	URI	Gurantor Subsidiaries	Non- Guarantor Subsidiaries	Other and Eliminations	Consolidated Total
	(In thousands)					
Revenues:						
Equipment rentals.....		\$212,902	\$271,802	\$26,830		\$511,534
Sales of rental equipment.....		31,500	47,444	5,895		84,839
Sales of equipment and merchandise and other revenues.....		65,415	59,722	8,436		133,573
Total revenues.....		309,817	378,968	41,161		729,946
Cost of revenues:						
Cost of equipment rentals, excluding depreciation.....		84,062	126,661	11,591		222,314
Depreciation of rental equipment.....		36,928	43,798	4,806		85,532
Cost of rental equipment sales.....		17,848	28,830	3,404		50,082
Cost of equipment and merchandise sales and other operating costs.....		52,782	40,833	6,605		100,220
Total cost of revenues..		191,620	240,122	26,406		458,148
Gross profit.....		118,197	138,846	14,755		271,798
Selling, general and administrative expenses.....		48,535	54,065	6,519		109,119
Non-rental depreciation and amortization.....	\$ 1,865	8,653	8,813	1,372		20,703

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Operating income.....	(1,865)	61,009	75,968	6,864		141,976
Interest expense.....	4,875	55,949	35	543	\$ (4,875)	56,527
Preferred dividends of a subsidiary trust.....					4,875	4,875
Other (income) expense, net.....		2,156	(2,698)	434		(108)
Income (loss) before provision (benefit) for income taxes.....	(6,740)	2,904	78,631	5,887		80,682
Provision (benefit) for income taxes.....	(2,797)	1,205	32,661	2,414		33,483
Income (loss) before equity in net earnings of subsidiaries.....	(3,943)	1,699	45,970	3,473		47,199
Equity in net earnings of subsidiaries.....	51,142	49,443			(100,585)	
Net income.....	\$47,199	\$ 51,142	\$ 45,970	\$ 3,473	\$ (100,585)	\$ 47,199

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED CONSOLIDATING CASH FLOW INFORMATION

For the Six Months Ended June 30, 2001

	Parent	URI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Other and Eliminations	Consolidated
	(In thousands)					
Net cash provided by (used in) operating activities.....	\$ (4,007)	\$ 205,885	\$78,440	\$18,137		\$ 298,4
Cash flows from investing activities:						
Purchases of rental equipment.....		(199,566)	(89,546)	(14,169)		(303,2
Purchases of property and equipment.....	(3,603)	(6,627)	(18,907)	(2,289)		(31,4
Proceeds from sales of rental equipment.....		33,722	32,104	6,413		72,2
Capital contributed to subsidiary.....	(8,155)				\$ 8,155	
Purchases of other companies.....		(36,983)		(818)		(37,8
In-process acquisition costs.....	(2,140)					(2,1
Net cash used in investing activities.....	(13,898)	(209,454)	(76,349)	(10,863)	8,155	(302,4

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Cash flows from						
financing activities:						
Proceeds from debt.....	1,979,144		11			1,979,144
Payments of debt.....	(1,922,168)		(1,249)	(2,865)		(1,926,282)
Payments of financing costs.....	(27,055)			(63)		(27,118)
Capital contributions by parent.....	8,155				(8,155)	
Dividend distributions to parent.....	(34,507)				34,507	
Shares repurchased and retired.....	(24,758)					(24,758)
Proceeds from the exercise of common stock options.....	8,156					8,156
Proceeds from the dividends from subsidiary.....	34,507				(34,507)	
	-----	-----	-----	-----	-----	-----
Net cash provided by (used in) financing activities.....	17,905	3,569	(1,238)	(2,928)	(8,155)	9,159
Effect of foreign exchange rates.....				(3,448)		(3,448)
	-----	-----	-----	-----	-----	-----
Net decrease in cash and cash equivalents.....			853	898		1,751
Cash and cash equivalents at beginning of period...			29,733	4,651		34,384
	-----	-----	-----	-----	-----	-----
Cash and cash equivalents at end of period.....			\$30,586	\$ 5,549		\$ 36,135
	=====	=====	=====	=====	=====	=====
Supplemental disclosure of cash flow information:						
Cash paid for interest.....	\$ 9,750	\$ 94,892	\$ 4,562	\$ 819		\$ 110,013
Cash paid for income taxes, net of refunds.....		\$ 1,584		\$ (865)		\$ 719
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.....	\$ 4,624			\$ 833		\$ 5,457
Liabilities assumed....	(842)			(194)		(1,036)
Less:						
Amounts paid through issuance of debt....		(600)				(600)
	-----	-----	-----	-----	-----	-----
Due to seller and		3,182		639		3,821

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other payments.....		33,801		179		33,9
	-----	-----	-----	-----	-----	-----
Net cash paid.....		\$ 36,983		\$ 818		\$ 37,8
	=====	=====	=====	=====	=====	=====

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UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

CONDENSED CONSOLIDATING CASH FLOW INFORMATION

	For the Six Months Ended June 30, 2000					
	Parent	URI	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Other and Eliminations	Consolidated
	(In thousands)					
Net cash provided by (used in) operating activities.....	\$ 1,117	\$ (106,798)	\$ 356,725	\$ 11,772	\$ 9	\$ 262,8
Cash flows from investing activities:						
Purchases of rental equipment.....		(127,778)	(368,805)	(17,234)		(513,8
Purchases of property and equipment.....	(13,585)	(12,678)	(41,512)	(1,466)		(69,2
Proceeds from sales of rental equipment.....		74,484	68,315	12,372		155,1
Payments of contingent purchase price.....		(851)	(5,702)			(6,5
Purchases of other companies.....		(261,982)		(3,102)		(265,0
Capital contributed to subsidiary.....	(96)				96	
In-process acquisition costs.....	(2,445)					(2,4
	-----	-----	-----	-----	-----	-----
Net cash used in investing activities.....	(16,126)	(328,805)	(347,704)	(9,430)	96	(701,9
Cash flows from financing activities:						
Proceeds from debt.....		357,250	19,653			376,9
Payments of debt.....		(19,929)	(14,037)	(4,251)		(38,2
Proceeds from sale- leaseback.....		147,515				147,5
Payments of financing costs.....		(7,155)			(9)	(7,1
Capital contributions by parent.....		96			(96)	
Dividend distributions to parent.....		(45,863)			45,863	
Proceeds from the exercise of common stock options.....	96					

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Proceeds from dividends from subsidiary.....	45,863				(45,863)	
Shares repurchased and retired.....	(30,950)					(30,950)
Net cash provided by (used in) financing activities.....	15,009	431,914	5,616	(4,251)	(105)	448,119
Effect of foreign exchange rates.....				342		342
Net increase (decrease) in cash and cash equivalents.....		(3,689)	14,637	(1,567)		9,381
Cash and cash equivalents at beginning of period...		3,689	16,414	3,708		23,811
Cash and cash equivalents at end of period.....			\$ 31,051	\$ 2,141		\$ 33,192
Supplemental disclosure of cash flow information:						
Cash paid for interest.....	\$ 9,750	\$ 89,682	\$ 243	\$ 1,371		\$ 101,046
Cash paid for income taxes.....		\$ 55,791		\$ 6,929		\$ 62,710
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.....		\$ 387,989		\$ 4,884		\$ 392,873
Liabilities assumed....		(100,810)		(1,782)		(102,592)
Less:						
Amounts paid through issuance of debt....		(25,197)				(25,197)
Net cash paid.....		\$ 261,982		\$ 3,102		\$ 265,084

UNITED RENTALS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

11. Subsequent Events

New Preferred Stock. On September 28, 2001, the Company entered into an agreement effecting an exchange of the Company's outstanding Series A

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Preferred for an equal number of shares of Series C Preferred and the exchange of the Company's Series B Preferred for an equal number of shares of Series D Preferred. Except as described below, the material terms of the new Series C Preferred are the same as the old Series A Preferred and the material terms of the new Series D Preferred are the same as the old Series B Preferred.

The certificates of designation for the Series A Preferred and Series B Preferred (the "Prior Preferred") provide that, upon the occurrence of a Change of Control (as defined in these certificates of designation), the Company is required to redeem the Prior Preferred. The term "Change of Control," as defined in these certificates of designation, would have included certain transactions that were disapproved by the Company's board. The certificates of designation for Series C Preferred and Series D Preferred (the "New Preferred") change these provisions by excluding from the definition of "Change of Control" transactions that are defined as "Non-Approved Changes of Control." In general, a Non-Approved Change of Control transaction is a change of control transaction that the board has disapproved and which the board has not facilitated by such actions as weakening or eliminating the Company's Stockholder Rights Plan.

If a Non-Approved Change of Control occurs, the holders of the New Preferred obtain the following additional rights, but only if, prior to the transaction, the board does not elect to offer the holders of the New Preferred essentially the same redemption rights that apply to an approved Change of Control transaction:

- . The holders of the Series C Preferred would elect a majority of the board for a specified period and, during such period, the unanimous vote of the board would be required to approve any optional redemption of the New Preferred or to declare, pay, or change the accrual rate of, any dividends on the New Preferred.
- . Upon liquidation, the holders of the New Preferred would receive, in addition to the liquidation preference and accrued dividends, an amount equal to 6.25% of the liquidation preference, compounded annually from the date the Series A Preferred was issued, in the case of the Series C Preferred, or the date the Series B was issued, in the case of the Series D Preferred, and ending on the date of the Non Approved Change of Control. In addition, after holders of the Common Stock have received the equivalent amount, the holders of the New Preferred would participate with the holders of the Common Stock in any remaining amounts available for distribution (based upon the number of shares of Common Stock into which such Preferred shares would then be convertible).
- . Dividends would begin to accrue on the New Preferred. Accrued dividends would not be payable until liquidation or sale of the Company, unless the board by unanimous vote approves earlier payment. The dividend rate would be 10% per annum of the liquidation preference, compounded annually. If these dividends are not paid quarterly, additional dividends would accrue at the rate of 8% per annum of the liquidation preference, compounded annually. Any regular or additional dividends that are not paid quarterly would be added to the liquidation preference.

Stockholders Rights Plan. The Company adopted a Stockholders Rights Plan on September 28, 2001 (with a record date of October 19, 2001). This plan and other provisions of the Company's charter and bylaws may have the effect of deterring hostile takeovers or delaying or preventing changes in control or management of the Company, including transactions in which the shareholders of the Company might otherwise receive a premium for their shares over then current market prices. The rights expire on September 27, 2011.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned hereunto duly authorized.

United Rentals, Inc.

Dated: October 9, 2001

/s/ Michael J. Nolan

By: _____

Michael J. Nolan
Chief Financial Officer
(Principal Financial Officer
and Chief Accounting Officer)

United Rentals (North America), Inc.

Dated: October 9, 2001

/s/ Michael J. Nolan

By: _____

Michael J. Nolan
Chief Financial Officer
(Principal Financial Officer
and Chief Accounting Officer)