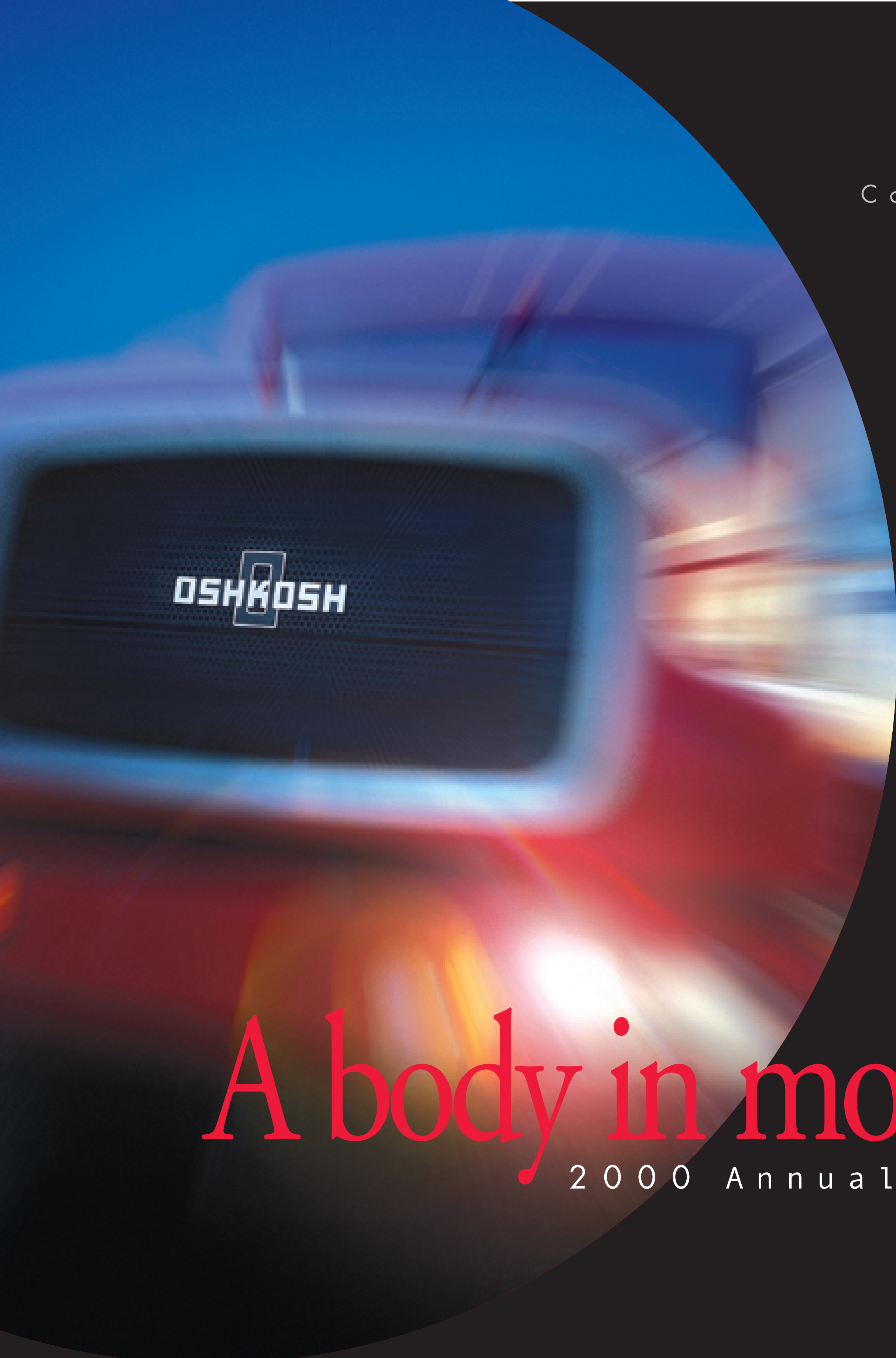
Oshkosh Truck Corporation



A body in motion

2000 Annual Report

stays in motion.

Table of Contents

Refer to the definition of "markets" and Forward-Looking Statements on page 27. All references to "markets" and all forward-looking statements made in this annual report should be read in conjunction with this disclosure.

Summary Financial Highlights [1]

Selected historical consolidated financial data. Fiscal years ended September 30. (Dollars in thousands, except share and per share amounts)

	2000	1999	1998[5]
Net sales	$1,324,026	$1,164,954	$902,792
Operating income	98,051	76,213	48,720
Income from continuing operations	48,508	31,191	16,253
Per share assuming dilution	2.96	2.39	1.27
Net income [2] [3]	49,703	31,131	15,068
Per share assuming dilution [2] [3]	3.03	2.39	1.18
Total assets	796,380	753,290	685,039
Net working capital	70,461	43,505	41,137
Long-term debt (including current maturities) [4]	162,782	260,548	280,804
Shareholders' equity [4]	301,057	162,880	131,296
Book value per share [4]	18.06	12.70	10.39
Backlog	608,000	487,000	377,000

[1] All references to per share amounts have been restated to reflect the three-for-two split of the Company's Common Stock in the form of a 50 percent stock dividend effected on August 19, 1999.

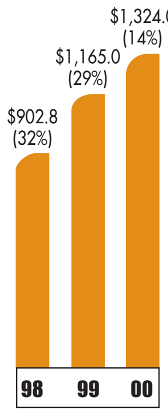
[2] Includes income from discontinued operations of $2,015 ($0.12 per share) in fiscal 2000. See Note 12 to Notes to Consolidated Financial Statements.

[3] Includes after-tax extraordinary charges of $820 ($0.05 per share) in 2000, $60 ($0.00 per share) in 1999 and $1,185 ($0.09 per share) in 1998 related to early retirement of debt.

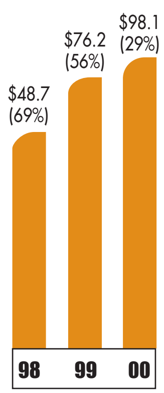
[4] On November 24, 1999, the Company prepaid $93,500 of term debt under its Senior Credit Facility from proceeds of the sale of 3,795,000 shares of Common Stock. See Notes 4 and 7 to Notes to Consolidated Financial Statements.

[5] Includes seven months of operations of McNeilus Companies, Inc. which was acquired on February 26, 1998. See Note 3 to Notes to Consolidated Financial Statements.

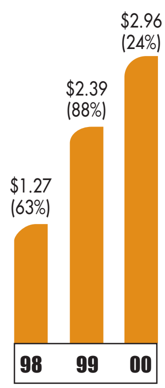
Net Sales
and Percent Growth
(Dollars in Millions)



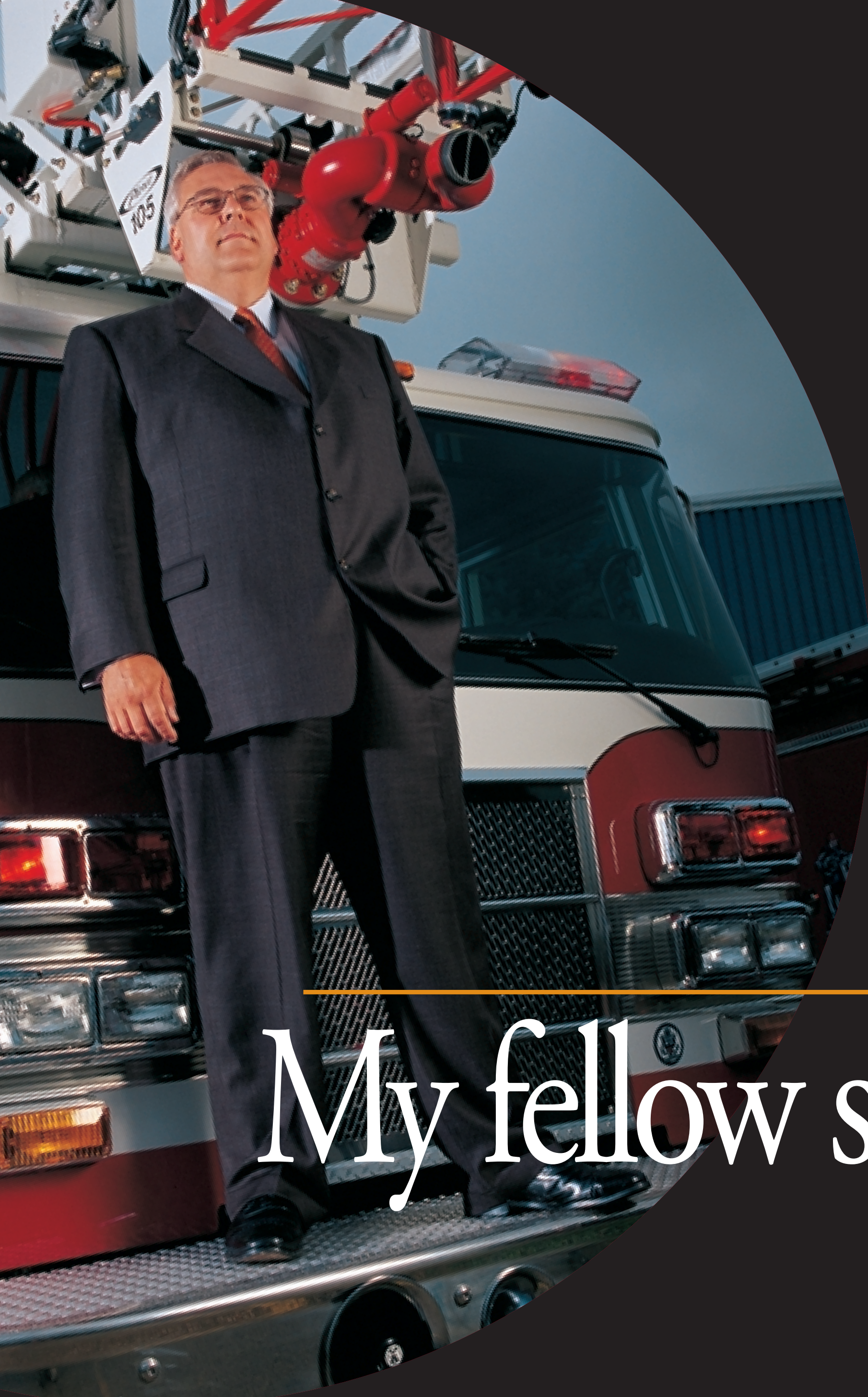
Operating Income
and Percent Growth
(Dollars in Millions)



EPS
and
Percent Growth



My fellow shareholders



Robert G. Bohn
Chairman, President and CEO
Oshkosh Truck Corporation

Since 1997, we have built Oshkosh into a diversified industrial company that has nearly doubled revenues, more than tripled operating income and nearly quadrupled earnings per share.

The results of fiscal 2000 clearly illustrate the principle stated in Newton's first law—a body in motion stays in motion. Yet, in the case of Oshkosh Truck Corporation, our forward motion does more than merely continue, it builds momentum. This year's scorecard shows:

- **Net income rose 56 percent to $48.5 million.**
- **Earnings per share grew 23.8 percent to $2.96.**
- **Operating income margins climbed to 7.4 percent, up from 6.5 percent last year.**
- **Return on invested capital increased to 13.3 percent.**

Once again, Oshkosh has been recognized as one of the 100 fastest growing companies in the United States according to *Fortune Magazine's* September 4, 2000, issue. We ranked 56th, up from the number 72 spot in 1999.

Oshkosh also became the first truck manufacturer to be honored with the David Packard Award. This award is the Department of Defense's highest recognition for acquisition excellence, and was given to Oshkosh Truck for its work with the U.S. Army Tank Automotive and Armament Command and the U.S. Marine Corps on the Marine Corps' Medium Tactical Vehicle Replacement ("MTVR") program.

This year we also welcomed Donald V. Fites to our board of directors. As retired chairman and chief executive officer of Caterpillar Inc., his experience in international business and strategic management is extraordinary and vital to our long-term objectives.

While our businesses are diverse, our growth strategies are a common bond to sustaining strong financial performance. In 2000, we launched a barrage of innovative new products. We modernized, expanded and automated operations. We strengthened our distribution and completed an acquisition that secures a valuable, new area for growth.

Once again, Oshkosh Truck has been recognized as one of the 100 fastest growing companies in the United States.

Innovation fuels the engine of growth. That is why Oshkosh invested $14.1 million this year, up 30 percent from 1999, to fulfill its strategy of aggressive new product development.

The Environmental Protection Agency has established new, more stringent emission standards for heavy-duty engines and vehicles, beginning with the 2004 model year. Oshkosh is a step ahead with its development of ProPulse™ electric drive technology. This technology can improve fuel economy by up to 40 percent, reduce emissions and improve performance. Over the next two years, we will integrate this commercially viable system into Aircraft Rescue and Fire Fighting ("ARFF") trucks and snow removal vehicles, and then expand its application to defense trucks and other fire apparatus.

Photo: Robert Knudsen

Secretary of the Army Louis Caldera learns more about Oshkosh® ProPulse™ electric drive technology from Chris Yakes, Oshkosh's chief project engineer.

Our development work goes hand in hand with our position as a founding member of the federal government's 21st Century Truck Initiative, a research program between government and industry focusing on improving fuel economy, reducing air pollution and limiting dependence on petroleum-based fuels.

In the fire and emergency business, we continue to set the standard for the industry with innovative new apparatus and features. For example, in 2001, Oshkosh Truck will introduce a patented independent suspension system on Pierce's best-selling chassis. We expect to use the newest Pierce® products—the mid-mount platform and the mid-mount ladder—to expand aerial sales. Additionally, we'll launch the first new Oshkosh® ARFF truck to hit the market in more than 15 years.

The new Pierce® mid-mount aerial platform.

In our commercial business, the primary objective of new product development activities is enhanced productivity. In 2000, the McNeilus® bridge-formula mixer enhancements, the new T-21 portable concrete batch plant and upgrades to the AutoReach® automated refuse hauler accomplished that goal.

The new Oshkosh Highland™ heavy-duty chassis.

For the 2001 model year, the new Highland™ heavy-duty chassis is available for the ready-mix market and other vocational markets. The Highland combines a spacious and comfortable cab with a rugged all-wheel-drive chassis. It replaces the Oshkosh F-Series.

Oshkosh is moving into a new era of online customer service. We have developed an electronic parts ordering and invoicing system for the U.S. Marine Corps. We're also using the Internet to streamline our supply chain, ensuring better use of working capital.

Our goal with new product development is clear—we continuously work to provide our customers with the very best in performance, safety and innovation for their unique tasks. In doing so, our products deliver value to our customers and shareholders.

Growth Through Acquisition Continues

Medtec is among the top names in ambulances.

With the addition of Medtec Ambulance Corporation in October 2000, we intend to expand the string of successful acquisitions that have diversified and strengthened our corporation. Medtec is a spearhead into the ambulance market, which we believe will grow faster than the GDP over the coming years. We expect this growth to be led by patient transport service shifting away from private providers toward municipal fire departments, and by the aging of the U.S. population.

Medtec offers a perfect complement to Pierce's products and distribution in the fire and emergency market. We estimate that 80 percent of all fire department calls involve emergency medical service situations. We will strive to quickly transform Medtec's regional distribution to a national and international platform, addressing the needs of fire department customers.

Our aggressive acquisitions strategy is central to our long-term growth targets. For 2001, we are committed to enhancing our core businesses by pursuing other acquisitions.

Distribution Builds Global Sales

International sales provided the strongest evidence of our strategy to optimize distribution across our businesses. In fiscal 2000, international sales increased by 98 percent to 7.7 percent of total sales. Enhanced distribution helped deliver strong refuse and concrete placement sales in South America.

We also dramatically expanded international defense sales with several major contracts in the Middle East.

Enhancements to our distribution system have already put us within reach of generating 10 percent of sales from outside the United States, the target we established for 2001. Now we are setting our sights even higher, on a long-term target of 20 percent of sales. Joint ventures, acquisitions and expanded distribution will continue to play key roles in this growth.

In our domestic distribution systems, we expanded authorized service for our commercial customers. We added three, more capable sales organizations in the fire and emergency market, and we are now integrating Medtec's distribution network. In addition, we continue to develop protocols to improve service, from long-distance diagnostics that help fire departments get their trucks ready for the next call, to preventative maintenance programs in the refuse market that help alleviate the technician shortage faced by refuse haulers.

The Road Ahead

The momentum of Oshkosh Truck Corporation will not be broken in 2001. We expect to increase sales to approximately $1.48 billion and improve operating margins by 0.5 percentage points. We will attack our working capital requirements with an eye toward improving our return on invested capital.

The MTVR contract is scheduled to begin full-rate production in fiscal 2001, fueling an estimated 49 percent increase in defense sales. In the first quarter of next fiscal year, we're expanding the moving assembly line in Oshkosh from 31 to 51 stations to accommodate that growth. This builds the foundation to compete for the next Family of Medium Tactical Vehicles ("FMTV") contract. We will invest heavily to win that competition.

Oshkosh defense vehicles are used by friendly foreign governments around the world.

There is a renewed sense of urgency among our nation's leaders to strengthen our military and increase readiness. We anticipate this trend will have a positive effect on U.S. defense spending over the next decade.

MTVR trucks are running smoothly down the Oshkosh production line.

We estimate concrete placement sales will be healthy in 2001, but we believe they will be down 8.0 percent to 10 percent from the record pace set in 2000. However, some economic indicators appear to be more positive. Single-family housing starts are predicted to dip only about 6.0 percent from 2000 rates.[1] And, the Portland Cement Association is projecting relatively stable cement volumes—a drop of only 1.9 percent—in 2001.

ISO 9001 is the recognized international standard for quality assurance. Large multi-national customers tend to look for partners that are certified. The consolidation trend among our commercial customers has highlighted the importance of achieving ISO 9001 certification at McNeilus. In 1995, Oshkosh was one of the first heavy-truck manufacturers to achieve certification. Pierce followed in 1997. In 2001, McNeilus will begin pursuing ISO 9001 status to reflect the high levels of quality already in place.

Also, in the commercial segment, we expect refuse sales to increase by 8.0 percent to 10 percent next fiscal year. In the long term, there are four primary areas for refuse performance growth.

We expect the $8 million plant expansion and automation to improve refuse margins.

The 100,000-square-foot Oshkosh plant expansion increases production for the MTVR contract.

Municipalities hold considerable opportunities for McNeilus refuse products. Our goal is to have our customer profile reflect that of the overall refuse hauling market, in which public agencies dispose of approximately 40 percent of municipal solid waste.[2]

We see a trend toward automated collection. The McNeilus AutoReach automated side loader was enhanced this year to specifically address the demands of this growing market.

Curbside recycling is also on the rise in the United States. In 2000, 30 percent or more of waste is expected to be recycled.[3] In fiscal 2001, McNeilus plans to launch a new recycler to take full advantage of this trend.

Additionally, we expect 2001 will witness strong growth in the fire and emergency business. By next year, we intend to make Pierce's Florida operations the fourth largest fire apparatus manufacturer in the United States.

Innovative new products will continue to address firefighters' needs for advanced fire suppression capabilities and will fuel growth. Our margins should improve meaningfully as we recover from an enterprise resource planning software installation that impacted results during the first half of fiscal 2000.

Looking beyond 2001, we intend to keep Oshkosh Truck in motion. We are targeting 10 percent organic revenue growth annually, complemented by selective, strategic acquisitions. A critical focus for us will be continued improvement of our operating margins. We know we can do better and we will. We have the right products for international customers, and we continue to expand market penetration.

This body is in motion. Through our strategic approach to new business development, diverse product lines, continued innovation and unwavering commitment to customer service, we are confident that we will deliver success in 2001 and beyond.

Robert G. Bohn
Chairman, President and CEO
December 1, 2000

1 National Association of Home Builders Economics Department; Updated October 12, 2000
2 *Waste Age*, October 2000, Page 28
3 EPA Environment Fact Sheet

At A Glance

Oshkosh Truck Corporation is a leading designer, manufacturer and marketer of a broad range of commercial, fire and emergency, and military trucks and truck bodies. Oshkosh is a diversified industrial company whose brands—Oshkosh, McNeilus, Pierce and Medtec—hold strong market positions.

Since 1996, the company has grown rapidly through selective acquisitions and organic performance. Our subsidiary Pierce Manufacturing Inc., a leading manufacturer of fire apparatus, was acquired in 1996, and McNeilus Companies, Inc., a leading manufacturer of concrete mixers and refuse bodies, was acquired in 1998. Following these acquisitions, we have driven organic growth and achieved cost reductions through purchasing and manufacturing synergies. Medtec Ambulance Corporation was purchased in 2000.

Our brands are renowned for high quality, performance and reliability. Customer service is a top priority for all of our brands. Our distribution systems are tailored to the unique needs of specialty truck and truck body customers, and all products are backed by 24-hour-a-day, seven-day-a-week service. Distribution is both direct and through an independent network, depending on the market.

Founded in 1917, today Oshkosh is a Fortune 1000 company. It is headquartered in Oshkosh, Wis., with manufacturing operations in eight states.

MARKET/ CUSTOMERS	PRODUCTS/ BRANDS	PRIMARY COMPETITION
Defense U.S. Department of Defense, including all branches of the military, and friendly foreign governments	Heavy Expanded Mobility Tactical Trucks ("HEMTT"); HEMTT-Load Handling System; Palletized Load System ("PLS") trucks and trailers; Logistic Vehicles Systems ("LVS"); Heavy Equipment Transporters ("HET"); Medium Tactical Vehicle Replacements ("MTVR"); HEMTT remanufacturing; integrated logistics support, including service, parts, training and manuals Oshkosh®	AM General Corporation Stewart & Stevenson Services Inc.
Fire and Emergency Municipal and volunteer fire departments; government agencies; private sector fire protection companies; industrial firms; municipalities; private and public patient transporters; military and civilian airports	Custom chassis - Saber®, Enforcer™, Dash®, Lance®, Quantum® and Arrow; custom pumpers; commercial pumpers; aerials - 75' ladder, 105' ladder, 85' platform, 100' platform, 95' mid-mount platform, 95' mid-mount ladder; Sky-Boom® telescoping waterway; Sky-Arm® articulating ladder platform; heavy-, medium- and light-duty rescues; ENCORE™ rescues; Hawk™ wildland vehicles; elliptical tankers; pumper tankers; Command Zone™ electronics; Hercules™ compressed air foam systems; Husky® municipal and industrial foam systems; specialty fire apparatus; Type I, II and III ambulances; T-Series Aircraft Rescue and Fire Fighting ("ARFF") vehicles; HB-Series snow blowers; P-Series plow trucks; MPT-Series municipal plow trucks; financing; aftermarket service; training Pierce®, Medtec®, American Fire & Rescue® and Oshkosh	Emergency One Inc. (a subsidiary of Federal Signal Corporation) Halcore Kovatch Mobile Equipment Corporation McCoy Miller Wheeled Coach Industries (a subsidiary of Collins Industries)
Commercial-Concrete Placement Ready-mix producers	Standard rear-discharge mixers; Bridgemaster® rear-discharge mixers; sliding mixer systems; S-Series front-discharge mixers; central-mix, mobile and portable concrete batch plants; Highland™ all-wheel-drive trucks; financing; aftermarket service; training Oshkosh and McNeilus®	Advance Mixer, Inc. (a subsidiary of the Prince Group) Continental Manufacturing Co., Inc. London Machinery, Inc. TEMCO (a division of Trinity Industries, Inc.)
Commercial-Refuse Hauling Private haulers, public haulers and municipalities	Rear loaders - standard, Metro-Pak™, XC and tag axle; front loaders - standard and Pacific Series; side loaders - manual and AutoReach® automated; roll-offs; financing; aftermarket service; training McNeilus	The Heil Company, Inc. (a subsidiary of Dover Corporation) Leach Company, Inc. McClain Industries, Inc.

OSHKOSH Pierce McNeilus

COMPETITIVE ADVANTAGES	MARKET TRENDS
Leader in heavy and medium defense vehicles Long-standing reputation for superior performance Flexible manufacturing line for defense and commercial models Leading truck technologies, including independent suspension, corrosion resistance, transfer cases, Command Zone II™ and ProPulse™ electric drive technology HEMTT and MTVR are C-130 air transportable to support missions anywhere, anytime Worldwide integrated logistics support	Medium tactical truck programs ("MTVR" and "FMTV") are a priority in order to replace aging fleets Heavy tactical truck programs are stable with modest growth opportunities Army transformation initiative is focused on a lighter, more rapidly deployable force, emphasizing trucks that are deployable worldwide by C-130 aircraft. This transformation stresses use of more wheeled vehicles instead of tracked vehicles. Diagnostic/prognostic electronics Increasing interest in alternative drive technologies to improve fuel economy and reduce emissions Innovative contractor logistics support options
Single-source designer and manufacturer of fire apparatus for superior vehicle performance Industry leader in new product development Proprietary components, including: • Hercules compressed air foam systems • Husky municipal and industrial foam systems • Command Zone advanced electronics • Independent suspension • ALL STEER® all-wheel steering Broad product offering, including fire apparatus and ambulances, with reputation for outstanding quality and safety Strong distribution network Purchasing and technology synergy across product lines	Approximately 10,000 fire apparatus and ambulances sold last year in the United States Increasing municipal and federal spending Increased integration of foam systems on fire apparatus Increased electronics and complexity of systems More emergency medical service ("EMS") calls than fire calls Increased National Fire Protection Association standards for fire apparatus safety Consolidation among departments and manufacturers
Large-scale, high-efficiency manufacturing operations Nationwide, company network of 18 sales/service centers Mixers have a reputation for reliability and longevity Broad product line, including financial services and concrete batch plants, provides one-source solutions for concrete producers All products backed by 24/7 service support	Approximately 7,500 mixer trucks sold last year in the United States Consolidation of concrete producers worldwide Use of concrete in place of other construction materials is on the rise TEA-21, the federal highway bill, is funding approximately $217 billion of highway and infrastructure construction through 2003 Portland Cement Association is forecasting stable cement volumes (-1.9% in 2001, +0.4% in 2002)
Broad product offering, including financing, to serve commercial and municipal haulers Packers offer low maintenance costs and fast cycle times Nationwide, direct sales/service network, including 18 company service centers, mobile service and 24/7 service support Large-scale, high-efficiency manufacturing operations	Approximately 11,000 refuse trucks sold last year in the United States Per capita waste continues to rise in the United States, according to the U.S. EPA Many larger fleets are saturated with aging vehicles which will likely continue growth trend Consolidation of major and midsize hauling operations Curbside recycling programs continue to rise. Recycled waste was estimated to reach 30 percent or more of total waste in 2000 according to the U.S. EPA. Demanding federal regulations are driving increased competition between municipalities and privates, with the trend toward increased private hauling of waste Due to reduction in number of landfills, refuse is being hauled greater distances

Timeline

October

McNeilus launches Pacific Series front loader for West Coast.

November

Oshkosh acquires Kewaunee Fabrications LLC, a heavy fabrications specialist.

Oshkosh completes public offering of 3,795,000 shares of common stock.

December

Oshkosh announces plans to build refuse packers at affiliate Mezcladoras y Trailers de Mexico, S.A. for South American market.

January

Oshkosh rolls out the MTVR to the U.S. Marine Corps.

Robert G. Bohn named chairman of the board.

February

McNeilus upgrades popular Bridgemaster®, bridge-formula mixer design, with productivity enhancing features.

March

Pierce introduces Enforcer™ custom fire chassis.

Pierce unveils 95' mid-mount aerial platform to the fire service.

April

Oshkosh added to Standard & Poor's SmallCap 600 Index.

Oshkosh makes Fortune 1000 list.

Founding member of 21st Century Truck Initiative to develop alternative drive technology.

Oshkosh acquires Viking Truck and Equipment, Inc. to expand sales and service in Michigan, Indiana, Kentucky and Ohio to expand front-discharge mixer sales and service.

May

Oshkosh honored with Department of Defense's David Packard Acquisition Excellence Award.

McNeilus enhances AutoReach automated side loader.

McNeilus pioneers refuse preventative maintenance program.

Oshkosh recognized with Governor's Export Achievement Award.

June

Pierce launches Husky® industrial foam system.

Construction begins on $8 million expansion of production facilities in Oshkosh.

200th fire truck produced at Bradenton, Fla., facility.

July

Oshkosh introduces HEMTT - Extended Service Program ("ESP") with load handling system.

August

Pierce produces its 10,000th custom fire chassis.

As Official Fire Truck of the 2000 Sturgis Motorcycle Rally, Pierce apparatus protected more than 500,000 motorcycle enthusiasts at the world-famous rally.

Pierce earns a major environmental award, the Prevention/Environment/Prosperity (PEP) Award, from Wisconsin Department of Natural Resources.

Pierce forms strategic marketing and technical alliance with Ansul Inc., a leading supplier of foam agents and hardware.

September and Beyond

Oshkosh again named to *Fortune's* list of the 100 fastest-growing U.S. companies.

Donald V. Fites, retired chairman and chief executive officer of Caterpillar Inc., joins Oshkosh board of directors.

Oshkosh HEMTT – Load Handling Systems ("LHS") fielded as combat support vehicles for the Army's transformation program.

Electronic parts ordering and tracking system goes live for the U.S. Marines.

Oshkosh designs the Highland all-wheel-drive chassis.

McNeilus completes $8 million plant expansion, including indexing assembly line, automation and paint facility.

Tactical fire fighting truck (TFFT) award received for the U.S. Army.

ProPulse electric drive technology developed to boost fuel economy and reduce emissions.

Acquired Medtec Ambulance Corporation, a top U.S. manufacturer of custom ambulances and rescue vehicles.

Defense

Advancing readiness

The reliability, performance and cutting-edge technology of Oshkosh military vehicles are critical in keeping today's military at peak readiness.

Oshkosh is applying more than 80 years of truck engineering, technology and commercial manufacturing expertise to ensure the success of the MTVR program.

Oshkosh's defense business charged forward in fiscal 2000 with top line growth of 24 percent to $276 million. Operating income increased 32 percent to $30.1 million, or a 10.9 percent margin. Increased domestic and international heavy tactical truck sales were key factors driving these results, while the Medium Tactical Vehicle Replacement ("MTVR") contract went into production and provides the foundation for future growth.

In addition, the Company has taken great strides to reduce customer operating and supply costs, better addressing the priorities of the defense community.

MTVR Production Drives Us Forward

Oshkosh is applying more than 80 years of truck engineering, technology and commercial manufacturing expertise to ensure the success of the MTVR program. This super-mobility truck has broad applications throughout the Marine Corps and other military services, with potential requirements of 8,168 units for the Marines alone. Staffing and resources are being invested to provide comprehensive program management.

Oshkosh® Palletized Load System Vehicle Engineering Mission Module.

The MTVR successfully completed production testing in October 2000. The MTVR is the most mobile defense truck in the world. It achieved three times the Marines' reliability requirement. Design enhancements are scheduled to be completed in November, with authorization for full-rate production expected within the next several months. Based on that timing, the MTVR contract is expected to generate sales of approximately $140 million in fiscal 2001. To prepare for production volume, Oshkosh has refined operations and has a major plant expansion under way.

Oshkosh Medium Tactical Vehicle Replacement truck.

Creating Serious Competition for the FMTV

The experience gained on the MTVR has provided valuable insight into the Family of Medium Tactical Vehicle ("FMTV") competition. This is one of the U.S. Army's largest acquisition programs with identified requirements for 65,000 more FMTVs through 2022. The Army is looking for meaningful price reductions for its largest fleet. The technological superiority, engineering expertise, flexible manufacturing capabilities and proven performance record of Oshkosh has the Company strongly positioned.

Oshkosh will prepare its proposal for Phase I during the first half of fiscal 2001. Phase I contract award is scheduled for the third quarter of fiscal 2001. As many as three suppliers may be selected to provide the existing designs, with an emphasis on lower acquisition and life cycle costs. Phase II production of up to 14,484 trucks and trailers is scheduled to begin in 2005.

Oshkosh Heavy Equipment Transporter-Technology Insertion Program.

Defense

Building Core Markets

Heavy tactical trucks are the foundation of Oshkosh's success in the defense market and remain a critical element of the strategy for future growth. The Department of Defense ("DoD") has ongoing requirements for heavy trucks valued at over $1 billion over the next five years. In response to DoD acquisition strategies, Oshkosh is currently negotiating a Family of Heavy Tactical Vehicles ("FHTV") contract, grouping all heavy truck models together because of the similarity in engineering and support requirements. The contract emphasizes increased commonality between models to lower life cycle costs. An award date is expected in early 2001.

Global Expansion Reinforces Long-Term Growth

International markets represent considerable growth potential for the full line of Oshkosh defense vehicles. International sales generated 21 percent of defense revenue in fiscal 2000. In Egypt, Oshkosh established local co-production of tank-transporter trailers and began supplying $24.4 million worth of Heavy Equipment Transporters ("HETs"). In addition, $59.2 million in Heavy Expanded Mobility Tactical Truck ("HEMTT") sales to the Israeli Defense Force were secured.

The United Kingdom remains a key target for sales growth. Oshkosh and its partners are one of two competitors remaining in a bid to provide up to 120 tank transporters and trailers, vehicle maintenance and training to meet a Government Private Finance Initiative. Preferred bidder selection is expected by the end of calendar 2000.

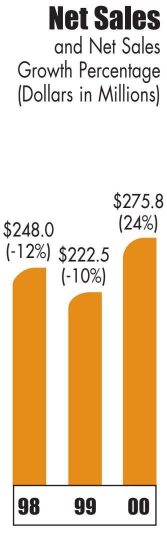
In addition, the Company is positioned to compete for 8,500 future cargo and fuel vehicles to the United Kingdom—the largest single order for military trucks in Europe since World War II. Other growth strategies include aggressively marketing our MTVR and promoting independent suspension technology for a wide range of military applications.

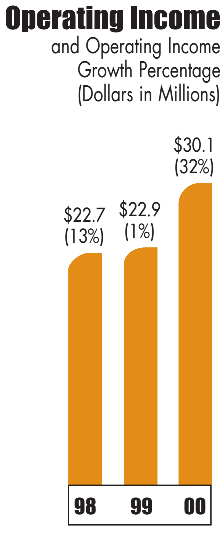
Oshkosh HEMTT-LHS.

Modernizing the Military Service

The face of military operations is changing at a dramatic pace worldwide. To prepare, the U.S. Army is in the midst of a major transformation which will result in a lighter, more rapidly deployable force that can respond quickly to developing regional conflicts. Crucial to this initiative are vehicles that reduce logistics support requirements and maximize deployment options.

The Oshkosh HEMTT with Load Handling System ("LHS") is being fielded as a combat support vehicle for the Army's Brigade Combat Team. The HEMTT-LHS significantly reduces the Army's "logistics footprint" by minimizing the number of vehicles and resources needed to accomplish a mission. In addition, the HEMTT is transportable by C-130 aircraft, the primary air transport for the Army.





In further support of the military's rapid deployability objective, Oshkosh has developed an e-commerce aftermarket parts solution for the U.S. Marine Corps. The new system combines the three most valuable tools of any replacement parts ordering system—ease of use, widespread availability and rapid delivery.

In fiscal 2000, Oshkosh took a bold step to the forefront of alternative drive technology development for heavy trucks. Partnering with Rockwell Automation and others, Oshkosh introduced ProPulse electric drive technology for defense and commercial trucks in October 2000. This hybrid-drive system combines a smaller engine with a generator to electrically power the axles. It has the potential to increase heavy truck fuel economy by up to 40 percent, reduce emissions significantly and boost vehicle performance. It can essentially change the way trucks are powered and driven.

Taking Charge

Defense vehicles are a critical factor in the success of Oshkosh Truck Corporation. The Company is aggressively pursuing new market segments, new sales opportunities and new technologies as it maintains a position of undisputed leadership in defense trucks.

Used with Oshkosh PLS and HEMTT-LHS trucks, these fuel and water modules are being considered by the U.S. Army and National Guard.

Fire and Emergency

Driving the future

"We want the best for our community. We chose Pierce because they do everything possible to keep our rigs on the street. Our records show our Pierce apparatus to be the most dependable of any that we own."

Mario Treviño
Fire Chief
Las Vegas Fire & Rescue

Pierce is the best-selling brand of custom fire apparatus in the world.

This Pierce® Quantum® pumper is one of 21 units ordered by Las Vegas Fire & Rescue.

The positive momentum of 1999 continued in fiscal 2000. The fire and emergency business fueled its engine by investing in new product development, distribution enhancements and operations expansion. Following a difficult Enterprise Resource Planning ("ERP") system installation, the Company strengthened its market position, drove segment operating income up 23 percent to $32.9 million on total revenues of $391 million and returned quarterly operating income margins to 9.2 percent by year-end. For the year overall, segment operating income margins rose from 8.0 percent to 8.4 percent.

New Products Take Charge in 2000

Pierce, the best-selling brand of custom fire apparatus in the world, set new standards for the fire service with several significant product introductions.

On the heels of the successful Dash® and Lance® chassis, Pierce launched the Enforcer custom fire chassis in 2000. It combines the features of our most popular models—Saber® and Dash—to fill a niche in the industry. Pierce now sells seven custom fire chassis, the most comprehensive product line in the industry.

Because aerial products offer the best opportunity for value-added content and are central to Pierce's strategy for future revenue growth, Pierce filled out its aerial product line with the development of a mid-mount platform and a mid-mount ladder, along with further enhancements to its rear-mount platform.

The Pierce Enforcer™ chassis was on duty as the official fire truck of the 2000 Sturgis Motorcycle Rally.

Pierce's new industrial foam pumper with a Husky® foam system and Hercules™ CAFS.

The new mid-mount aerial platform and ladder fill a major gap in Pierce's aerial line-up. These units substantially reduce travel height and are popular choices among metropolitan and suburban departments that contend with low-height bridges and fire stations. We believe the mid-mount segment accounts for approximately 15 percent of the U.S. aerial market and is growing.

In 2000, the Company also redesigned its popular rear-mount platform—making it lighter to allow the apparatus to carry more

Fire and Emergency

Pierce's 10,000th custom fire truck was a Dash® with a 100' platform for Tualatin Valley Fire and Rescue, Oregon.

water and equipment. And, Oshkosh Truck acquired Kewaunee Engineering, Inc., a heavy-metal fabrication expert. Renamed Kewaunee Fabrications LLC, the acquisition solidified control over quality and delivery of aerial fabrications and improved segment margins in 2000.

Command Zone™ advanced electronics continue to provide significant competitive advantages. The system allows long-distance diagnostics of fire apparatus via modem. Pierce is the only fire apparatus manufacturer to have an advanced electronics system of this kind.

Pierce is the comprehensive resource for fire suppression. The introduction of a new, digitally controlled Husky foam system for large-scale industrial fire fighting widens the gap between Pierce and its competitors. This new system opens the industrial market—oil refineries, chemical plants and petrochemical complexes—for Pierce and fortifies the Company's competitive advantage in foam systems technology.

Pierce is a leader in compressed air foam systems ("CAFS"). A strategic marketing alliance with Ansul Inc., a leader in fire fighting foam concentrate, broadens Pierce's product offering with the addition

Featured Customer
Las Vegas Fire & Rescue, led by Chief Mario Treviño, protects the fast-growing Las Vegas metropolitan area. With more than 500 full-time employees at 11 fire stations, this progressive department is among just 31 departments to be rated ISO Class One—the Insurance Services Office's best rating. To ensure its services keep pace with the community's growth, the LVFR plans to open five new fire stations within the next two years.

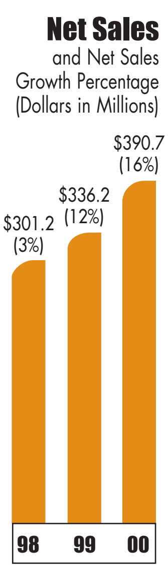
of co-branded foam concentrate. Pierce will also have the opportunity to develop a certified application rate for compressed air foam. This certification should provide additional evidence of Pierce Hercules CAFS effectiveness.

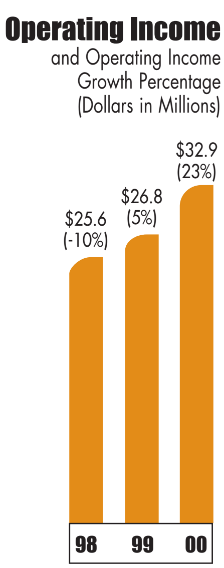
Fiercely Focused on Growth

Growth in 2000 was split between the Company's Appleton, Wis., and Bradenton, Fla., operations. Pierce's primary focus at the Appleton facility is building highly customized fire apparatus on custom chassis. The Florida operation has played a significant role in building sales of value-priced, mostly standardized apparatus. In June, the 200th fire truck was completed in Bradenton, just 17 months after we built our first truck there. Pierce will expand production in Florida with the addition of Contender™ Series Plus models. Additional growth in sales came from the new line of pumpers built on the Kenworth T300 chassis.

Pierce continues targeting large, metropolitan accounts. In 2000, the largest order, totaling $8.5 million, came from Las Vegas Fire & Rescue. The department is replacing its entire fleet with the most innovative chassis design available, the Quantum®. The company also sold apparatus in key competitor strongholds, including Chicago, Ill., Detroit, Mich., and Austin, Texas.

Pierce invested for the future with a $1 million expansion of its fabrication operations, including the addition of robotic technology to support increases in production.





The Pierce Advantage

In a truck market where quick response can mean the difference between life and death, Pierce's excellence in aftermarket service and parts support provides a competitive advantage no other manufacturer can match. In 2000, the Company again strengthened its service capabilities and introduced an Internet-based parts catalog to speed parts ordering for customers.

The Oshkosh® TI-3000 Series with a Snozzle® elevated waterway.

Maximizing Niche Market Sales

In 2000, revenues for Aircraft Rescue and Fire Fighting ("ARFF") trucks reached a record high, with growth balanced between domestic and international sales.

Despite a dip in sales created by the third consecutive warm winter and stalled government funding, the Company generated solid margins on snow removal vehicle sales due to operational efficiencies and aggressive cost control.

The cab-forward H-Series snow removal chassis continued to grow in popularity. The Company expanded applications for the H-Series from airports to the U.S. Air Force and the broader highway snow removal market.

Our reputation for quality, technology and service provides the foundation for continued growth throughout the fire and emergency market.

Concrete Placement

A solid foundation

"We strive everyday to increase value for our customers, our company and our shareholders. Oshkosh and McNeilus are playing an important role in helping us to achieve this goal."

Larry Bruffy
Maintenance/Delivery Planner
Southdown, Inc.

The combined brand power of Oshkosh and McNeilus offers customers a comprehensive product line, service and parts support.

Sales of McNeilus and Oshkosh concrete placement products rose to record levels in fiscal 2000. Despite evidence that the concrete placement market had begun to soften by year-end, concrete product revenues were up 8.6 percent.

McNeilus® standard rear-discharge concrete mixer.

The worldwide trend toward consolidation among ready-mix producers—underscored by Cemex's acquisition of Southdown, Inc.—continues to affect market dynamics. Oshkosh and McNeilus are well positioned to serve the largest ready-mix companies as a single-source for a comprehensive product line, service and parts support.

Paving the Way to Market Growth

Enacted in 1998, the Transportation Equity Act for the 21st Century, or TEA-21, authorizes up to $217 billion in funding for highway and infrastructure construction through 2003. For calendar 2001 alone, Congress approved record level spending of $58 billion under this transportation appropriations bill.[1] The impact of these unprecedented funding levels is now becoming evident in the concrete paving market.

Given the growth potential associated with TEA-21 spending, McNeilus took aim at this industry with development of a new, portable central-mix batch plant. The model T-21 batch plant is easily moved, addressing the number one need of highway construction crews.

This new batch plant, coupled with the leadership of Oshkosh and McNeilus mixers, places Oshkosh Truck Corporation in a strong position to capitalize on the growth of the concrete paving industry.

McNeilus batch plant.

Front-Discharge Mixers

Today, approximately one of every four mixers sold in the United States is a front-discharge model. This design provides unique benefits, one-person operation, better access to the job site, and the ability to deliver more loads per day, which add to the productivity and profitability of Oshkosh Truck customers.

In fiscal 2000, Oshkosh continued to strengthen its market share in the front-discharge market, having reached the number one position in 1999. The product enhancements made to the S-Series mixer give it a clear advantage over the competition. In addition, the acquisition of Viking Truck and Equipment, Inc., Oshkosh's last remaining dealer for front-discharge mixers, enhanced service and sales coverage in Ohio, Kentucky, Indiana and Michigan. The acquisition is expected to play a strategic role in increasing market penetration in these key states, which are among the largest regional markets in the nation for front-discharge mixers.

Oshkosh® S-Series front-discharge concrete mixer.

Concrete Placement

Building International Markets

An expanded global sales strategy had a significant and positive impact on the concrete placement business. In fiscal 2000, our international sales of concrete products increased 71.3 percent. This dramatic increase is largely due to the strength of sales to the Canadian and South American markets.

Assembly operations at an affiliate facility in Puebla, Mexico, also ran smoothly. Oshkosh Truck Corporation plans to leverage this affiliation to take advantage of Mexico's free-trade agreements with the Mercosur trade block to reduce import duties. This keeps McNeilus concrete placement products at the right price point for the South American market.

Featured Customer

Southdown, Inc. is the second largest U.S. manufacturer of cement and a major building materials company engaged in the production of concrete products, construction aggregates and specialty minerals. Headquartered in Houston, Texas, the company employs approximately 3,700 people nationwide. Southdown owns 376 Oshkosh and McNeilus concrete mixers.

Maintaining a Competitive Edge

Expanded product offerings and innovations widened the performance gap between our brands and our competitors. During fiscal 2000, Oshkosh Truck launched a new super-heavy-duty chassis designed specifically for concrete placement and other vocational markets. Called the Highland, this powerful chassis sets a new standard for the Oshkosh brand image in vocational markets.

The new Oshkosh Highland™ vocational chassis offers driver comfort and rugged performance on-site.

The Highland chassis will be sold as a package integrated with a McNeilus mixer. It combines a stylish, modern cab—one of the most spacious and comfortable—with a rugged, factory-built, all-wheel-drive chassis. The Highland can help improve job-site performance and driver retention, which are top priorities of our customers.

McNeilus also updated its best-selling model, the Bridgemaster mixer, to carry more payload and simplify maintenance. These enhancements bring new profitability to customers in states where bridge-formula laws limit payload for conventional axle configurations.

A Solid Foundation for Continued Growth

The solid performance of the Oshkosh and McNeilus brands is the result of product line expansion, increased service coverage in the nation's largest front-discharge markets and an escalated international sales strategy. To the extent that the construction equipment market softens, the programs Oshkosh Truck has put into place will help temper the impact.

The combined brand power of Oshkosh and McNeilus offers customers the ultimate in Single-Source Solutions™. With the industry's most advanced equipment, largest parts and service network, and a strong record of customer satisfaction, Oshkosh Truck Corporation is positioned to build value for customers and shareholders alike.

[1] *ACPA Federal Advocate*, Oct. 11, 2000, Page 1

McNeilus Bridgemaster® rear-discharge concrete mixer.

Refuse Hauling

The route to success

"McNeilus packers are easy to use and reliable, and since we started using them, our maintenance expenses are way down. We want to be #1 in service and give our people the best equipment. McNeilus helps us do that."

Tom and Bill Rumpke
Owners
Rumpke Consolidated Companies

McNeilus' expanded service programs set the pace for the entire industry.

Fiscal 2000 proved to be another strong year for the McNeilus refuse business. Sales increased 7.6 percent. Unit shipments climbed even faster, with an 11.1 percent increase over last year created by a product mix shift away from packages toward body-only sales. The backbone of this growth continued to be expanded municipal business, ongoing new product development and aftermarket parts sales.

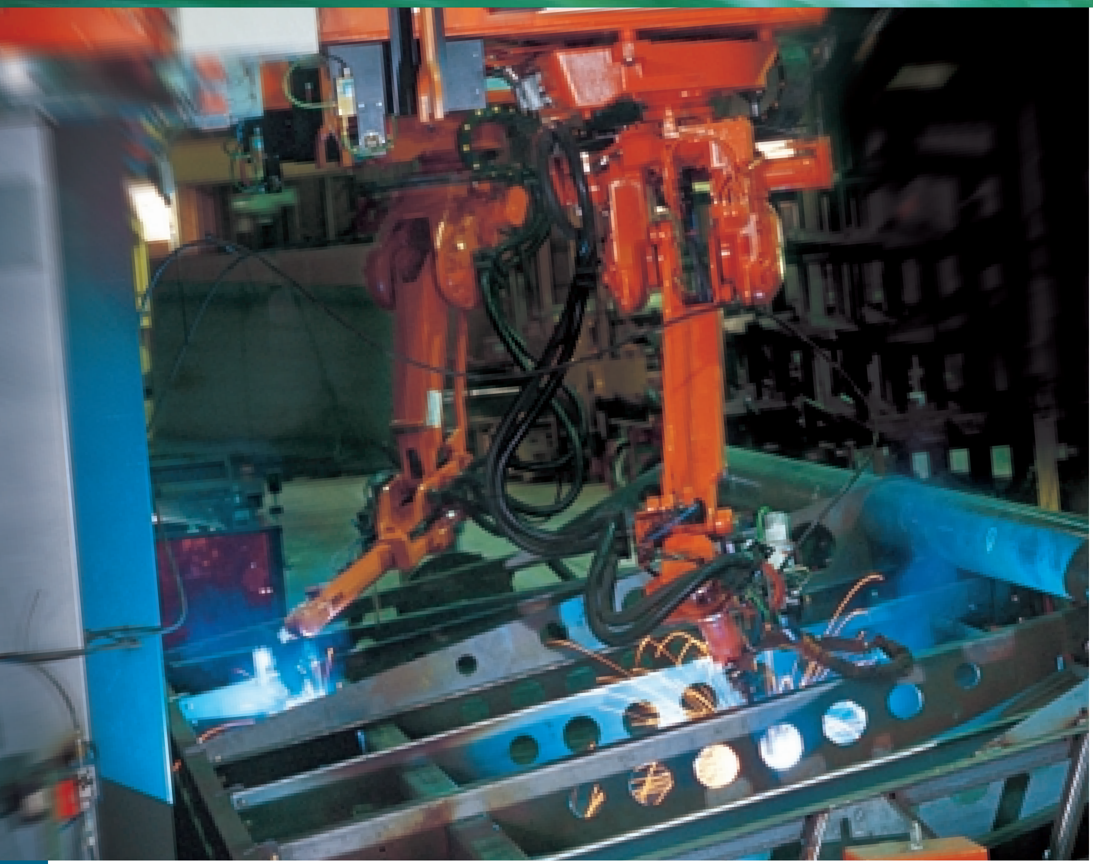
The refuse market segment holds significant, long-term growth potential for the Company. The United States is the largest municipal waste-producing nation in the world.[1] Today, Americans generate about 4.5 pounds of municipal solid waste per person per day, or approximately 220 million tons every year.[2] This total is expected to grow with population expansion and overall economic growth. Refuse packer sales are fueled by the growth in waste generated, as well as the increase in recycling efforts and the need for automated equipment. We anticipate that growth in the waste hauling industry will outpace U.S. population growth, rising 8.0 percent to 10 percent in fiscal 2001.

McNeilus® 25-yard XC rear loader.

Major U.S. waste haulers are an important part of the McNeilus business. Despite a cautious approach to capital spending that characterized this market segment in fiscal 2000, McNeilus anticipates that the larger waste haulers will seek to reduce the age of their fleets in 2001.

The McNeilus AutoReach® automated side loader was enhanced for added productivity.

Refuse Hauling



McNeilus' newly expanded facility includes robotics and an indexing, moving assembly line.

Maximizing Market Strengths

The McNeilus brand has established a solid foothold among municipalities, which dispose of approximately 40 percent of municipal solid waste.[3] In fiscal 2000, municipal business accounted for 9.5 percent of McNeilus total refuse sales, up from 6.0 percent a year ago. Philadelphia, Pa., Greensboro, N.C., and Waco, Texas, can now be counted among McNeilus customers. This growth is the result of a targeted sales strategy, continuous product improvements and enhancements in our service network.

Expanding sales on the West Coast remains firmly within our sights. The lightweight Pacific Series front loader, introduced in fiscal 1999, has started to make inroads among the many private haulers in California.

Racing Beyond Customer Service Expectations

A shortage of service technicians continues to plague all truck market segments, with refuse hauling among those hit hardest

Featured Customer
Founded in 1932, Rumpke Consolidated Companies has grown to become one of the largest family-owned refuse hauling and recycling operations in the United States.

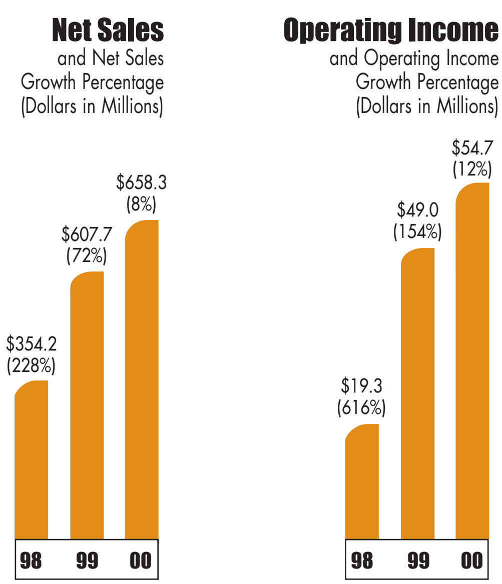
McNeilus' RPM, or on-site Refuse Preventative Maintenance program.

by this employment gap. McNeilus has leapfrogged its competition by eliminating many service concerns for its customers. In May, McNeilus introduced customers in Georgia to a pilot program that provides preventative maintenance for an annual fee. With McNeilus technicians identifying and repairing potential service issues before they become costly, this program reduces the need for refuse haulers to do their own preventative maintenance.

McNeilus also expanded service across North America to 18 company service locations and 22 authorized service locations. The acquisition of Oshkosh dealer Viking Truck and Equipment, Inc. allows the company to offer more service facilities and increase sales coverage in Michigan, Indiana, Kentucky and Ohio. McNeilus also opened facilities in Phoenix, Ariz., and Houston, Texas—expanding service in these key metropolitan areas.

Expanding Production to Meet Growing Demand

In September 2000, McNeilus completed a 100,000-square-foot plant expansion to enhance quality, accommodate increased production and reduce costs. The expansion features improved safety and ergonomic conditions that enhance employee job satisfaction and productivity. In addition, the installation of an indexing, moving assembly line for refuse bodies has reduced inventory levels and build times.



Commercial Segment

Operational advancements in the newly expanded facility are expected to be instrumental in continuous quality improvement and enhancing operating income margins for the refuse business. The addition of robotics and fixtures has elevated welding quality and efficiency, while upgraded software honed inventory management. Finally, a state-of-the-art paint facility is eliminating a significant production bottleneck, expanding production capacity.

The McNeilus Pacific Series front loader is designed for the West Coast.

Results Drive Future Growth

As the rate of municipal solid waste production continues to increase, the market for refuse vehicles grows with it. McNeilus has made significant strides to strengthen its position. Production automation coupled with product line extensions maximize the profitability of every new order. In addition, expanded service programs set the pace for the entire industry.

The accomplishments of fiscal 2000 provide powerful momentum for future growth and continue to build the overall value of Oshkosh Truck Corporation.

[1] EPA Environmental Fact Sheet: Facts & Figures for 1998

[2] EPA Environmental Fact Sheet: Facts & Figures for 1998

[3] *Waste Age*, October 2000, Page 28

Directors and Officers

Board of Directors

J. William Andersen [2, 3]
Retired, Executive Director of Development, University of Wisconsin-Oshkosh

Robert G. Bohn [1]
Chairman, President and Chief Executive Officer of the Company

Daniel T. Carroll [1, 2]
Chairman and President, The Carroll Group, Inc., Management Consultants

Donald V. Fites
Retired, Chairman and Chief Executive Officer, Caterpillar Inc.

Frederick M. Franks, Jr. [3, 4]
Retired, General, U.S. Army

Michael W. Grebe [2, 4]
Partner, Foley & Lardner, Attorneys-at-Law

Kathleen J. Hempel [3]
Retired, Vice Chairman and Chief Financial Officer, Fort Howard Corporation

J. Peter Mosling, Jr. [1, 4]
Retired, Officer of the Company

Stephen P. Mosling [1]
Retired, Officer of the Company

Richard G. Sim [2]
Chairman, President and Chief Executive Officer, APW, Ltd.

John P. Mosling
Chairman Emeritus

[1] Member of the Executive Committee, of which Mr. Carroll is the chair
[2] Member of the Audit Committee, of which Mr. Sim is the chair
[3] Member of the Human Resources Committee, of which Ms. Hempel is the chair
[4] Member of the Governance Committee, of which Mr. Grebe is the chair

Principal Corporate Officers

Robert G. Bohn
Chairman, President and Chief Executive Officer

Timothy M. Dempsey
Executive Vice President, General Counsel and Secretary

Paul C. Hollowell
Executive Vice President and President, Defense Business

Daniel J. Lanzdorf
Executive Vice President and President, McNeilus Companies, Inc.

John W. Randjelovic
Executive Vice President and President, Pierce Manufacturing Inc.

Charles L. Szews
Executive Vice President and Chief Financial Officer

Matthew J. Zolnowski
Executive Vice President, Corporate Administration

J. David Brantingham
Vice President, Information Systems

Thomas D. Fenner
Vice President, Manufacturing Operations

Fred C. Fielding
Vice President, Government Operations Washington, DC Office

Ted L. Henson
Vice President, International Sales

Mark A. Meaders
Vice President, Operations and Corporate Purchasing, Materials and Logistics

Scott L. Ney
Vice President and Treasurer

Thomas J. Polnaszek
Vice President and Controller

William J. Stoddart
Vice President, Defense Business–Medium and Heavy Tactical Trucks

Donald H. Verhoff
Vice President, Technology

James D. Voss
Vice President, Human Resources

Michael J. Wuest
Vice President and General Manager, Operations, Pierce Manufacturing Inc.

OSHKOSH

Management's Discussion and Analysis

Oshkosh Truck Corporation and Subsidiaries

As used herein, the "Company" refers to Oshkosh Truck Corporation, including Pierce Manufacturing Inc. ("Pierce"), McNeilus Companies, Inc. ("McNeilus") and its other wholly-owned subsidiaries, and "Oshkosh" refers to Oshkosh Truck Corporation, not including Pierce or McNeilus or their wholly-owned subsidiaries.

The "Oshkosh," "McNeilus" and "Pierce" trademarks and related logos are registered trademarks of the Company. All other product and service names referenced in this document are the trademarks or registered trademarks of their respective owners.

All information in this Annual Report to Shareholders has been adjusted to reflect the three-for-two split of the Company's Common Stock effected on August 19, 1999 in the form of a 50% stock dividend.

For ease of understanding, the Company refers to types of specialty trucks for particular applications as "markets." When the Company refers to "market" positions, these comments are based on information available to the Company concerning units sold by those companies currently manufacturing the same types of specialty trucks and truck bodies and are therefore only estimates. There can be no assurance that we will maintain such market positions in the future.

FORWARD-LOOKING STATEMENTS

This Annual Report to Shareholders contains statements that the Company believes are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report, including, without limitation, statements regarding the Company's future financial position, business strategy, budgets, targets, projected sales, costs, earnings, capital spending, debt levels and plans and objectives of management for future operations are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimates," "anticipate," "believe," "should," "plans," or "continue," or the negative thereof or variations thereon or similar terminology. Although the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations include, without limitation, the following: (1) the accuracy of assumptions on which the Company bases projected sales, costs, earnings, capital spending and debt levels; (2) the cyclical nature of the concrete placement industry; (3) the risks related to reductions or changes in U.S. government expenditures; (4) the potential for actual costs to exceed projected costs under long-term, fixed-price government contracts; (5) the risks related to suspension, termination or audit of U.S. government contracts, including for failure to meet performance thresholds; (6) the challenges of identifying, completing and integrating future acquisitions; (7) competition; (8) disruptions in the supply of parts or components from sole source suppliers and subcontractors; (9) product liability and warranty claims; and (10) labor relations and market conditions. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's SEC filings, including, but not limited to the Company's Current Report on Form 8-K filed with the SEC on October 26, 2000. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

All forward-looking statements speak only as of the date the Company first mails this Annual Report to the Company's shareholders. The Company has adopted a policy that if the Company makes a determination that it expects earnings for future periods for which projections are contained in this Annual Report to Shareholders to be lower than those projections, then the Company will publicly announce such revised projections. The Company's policy also provides that the Company does not intend to make such a public announcement if the Company makes a determination that it expects earnings for future periods to be at or above the projections contained in this Annual Report to Shareholders. Except as set forth above, the Company assumes no obligation, and disclaims any obligation, to update information contained in this Annual Report to Shareholders. Investors should be aware that the Company may not update such information until the Company's next quarterly conference call, if at all.

GENERAL

The Company is a leading designer, manufacturer and marketer of a wide range of specialty trucks and truck bodies including concrete mixers, refuse bodies, fire and emergency vehicles and defense trucks. Under the "McNeilus" and "Oshkosh" brand names, the Company manufactures rear- and front-discharge concrete mixers and a wide range of automated rear, front, side and top loading refuse truck bodies. Under the "Pierce" brand name, the Company is among the leading domestic manufacturers of fire apparatus assembled on both custom and commercial chassis. The Company manufactures aircraft rescue and firefighting and airport snow removal vehicles under the "Oshkosh" brand name and ambulances and heavy-duty rescues under the "Medtec" brand name. The Company also manufactures defense trucks under the "Oshkosh" brand name and is the leading manufacturer of severe-duty heavy tactical trucks for the Department of Defense.

Major products manufactured and marketed by each of the Company's business segments are as follows:

Commercial—concrete mixer systems, refuse truck bodies, portable concrete batch plants and truck components sold to ready-mix companies and commercial and municipal waste haulers in the U.S. and abroad.

Fire and emergency—commercial and custom fire trucks, aircraft rescue and firefighting trucks, snow removal trucks, ambulances and other emergency vehicles primarily sold to fire departments, airports and other governmental units in the U.S. and abroad.

Defense—heavy- and medium-payload tactical trucks and supply parts sold to the U.S. military and to other militaries around the world.

ACQUISITION HISTORY

Since 1996, the Company has selectively pursued strategic acquisitions to enhance its product offerings and diversify its business. The Company has focused its acquisition strategy on providing a full range of products to customers in specialty truck and truck body markets that are growing and where it can develop strong market positions and achieve acquisition synergies. Identified below is information with respect to these acquisitions, all of which have been accounted for using the purchase method of accounting and have been included in the Company's results of operations from the date of acquisition.

On September 18, 1996, the Company acquired for cash all of the issued and outstanding capital stock of Pierce, a leading manufacturer and marketer of fire trucks and other emergency apparatus for $156.9 million, including acquisition costs and net of cash acquired. The acquisition was financed from borrowings under a subsequently retired bank credit facility.

On December 19, 1997, Pierce acquired certain inventory, machinery and equipment, and intangible assets of Nova Quintech, a division of Nova Bus Corporation, for $3.6 million. Nova Quintech was engaged in the manufacture and sale of aerial devices for fire trucks.

On February 26, 1998, the Company acquired for cash all of the issued and outstanding capital stock of McNeilus and entered into related non-compete and ancillary agreements for $217.6 million, including acquisition costs and net of cash acquired. McNeilus is a leading manufacturer and marketer of rear-discharge concrete mixers and portable concrete batch plants for the concrete placement industry and refuse truck bodies for the waste services industry in the United States. The acquisition was financed from borrowings under a Senior Credit Facility and the issuance of Senior Subordinated Notes.

On November 1, 1999, the Company acquired the manufacturing assets of Kewaunee for $5.5 million in cash plus the assumption of certain liabilities aggregating $2.2 million. Kewaunee manufactures all of the Company's requirements for aerial devices in its fire and emergency segment. The acquisition was financed from borrowings under the Company's Senior Credit Facility.

On April 28, 2000, the Company acquired all of the issued and outstanding capital stock of Viking for $1.7 million, including acquisition costs and net of cash acquired. The acquisition was financed from borrowings under the Company's Senior Credit Facility.

On October 30, 2000, the Company acquired all of the issued and outstanding capital stock of Medtec and an affiliate and certain related assets for $14.5 million in cash, including acquisition costs and net of cash acquired. Medtec is a U.S. manufacturer of custom ambulances and rescue vehicles with annual sales of approximately $22 million. The acquisition of Medtec will be accounted for using the purchase method of accounting and, accordingly, the operating results of Medtec will be included in the Company's consolidated statements of income beginning October 30, 2000 as part of the Company's fire and emergency segment. The acquisition was financed from available cash and borrowings under the Company's Amended and Restated Senior Credit Facility.

RESULTS OF OPERATIONS

ANALYSIS OF CONSOLIDATED NET SALES-THREE YEARS ENDED SEPTEMBER 30, 2000

The following table presents net sales by business segment (in thousands):

	Fiscal Year Ended September 30,		
	2000	1999	1998
Net sales to unaffiliated customers:			
Commercial	**$ 658,329**	$ 607,678	$354,165
Fire and emergency	**390,659**	336,241	301,181
Defense	**275,841**	222,535	247,956
Corporate and other	**(803)**	(1,500)	(510)
Consolidated	**$1,324,026**	$1,164,954	$902,792

The following table presents net sales by geographic region based on product shipment destination (in thousands):

	Fiscal Year Ended September 30,		
	2000	1999	1998
Net sales:			
United States	**$1,221,548**	$1,113,214	$857,310
Other North America	**7,429**	7,822	4,678
Europe and Middle East	**68,317**	21,713	16,889
Other	**26,732**	22,205	23,915
Consolidated	**$1,324,026**	$1,164,954	$902,792

FISCAL 2000 COMPARED TO FISCAL 1999

Consolidated net sales increased $159.1 million, or 13.7%, to $1,324.0 million in fiscal 2000 compared to fiscal 1999 with approximately one-third of the overall sales growth being generated by each of the Company's three segments—defense, fire and emergency and commercial.

Commercial segment net sales increased $50.7 million, or 8.3%, in fiscal 2000 compared to fiscal 1999. Sales increases were balanced across the entire segment, which includes front- and rear-discharge concrete mixers, batch plants, concrete placement parts and service, refuse packers and refuse parts and service.

Fire and emergency segment sales increased $54.4 million, or 16.2%, in fiscal 2000 compared to fiscal 1999. Traditional fire truck sales accounted for 78.1% of the current year increase, with sales up across all categories, including custom and commercial pumpers, aerials, heavy duty rescues and parts sales and service. The Company experienced particular success in the launch of its new Contender Series of commercial fire trucks. A $17.8 million reduction in international fire truck sales in fiscal 2000 compared to fiscal 1999 was partially offset by a $7.2 million increase in international sales of ARFF vehicles. Fiscal 1999 sales included final shipments under a large, multi-unit fire truck order which was shipped to the Middle East in fiscal 1998 and 1999.

Defense segment net sales increased $53.3 million, or 24.0%, in fiscal 2000 compared to fiscal 1999. Approximately one-half of the current year sales increase was due to start-up of low rate initial production of the MTVR truck, which began early in fiscal 2000. International shipments increased $53.7 million as a result of several large orders to Middle East customers. Increased international vehicle sales and domestic parts sales offset reductions in domestic, heavy-payload vehicle sales.

FISCAL 1999 COMPARED TO FISCAL 1998

Consolidated net sales increased $262.2 million, or 29.0%, to $1,165.0 million in fiscal 1999 compared to fiscal 1998. Fiscal 1998 results included seven months of operations of McNeilus, which was acquired in February 1998, while fiscal 1999 results included a full twelve months of McNeilus operations. On a pro forma basis, assuming McNeilus had been acquired at the beginning of fiscal 1998, net sales increased $124.0 million, or 11.9%, in fiscal 1999 compared to fiscal 1998.

Commercial segment net sales increased $253.5 million, or 71.6%, in fiscal 1999 compared to fiscal 1998. Strong end markets in the concrete placement industry, the introduction of a new cab and mixer package for Oshkosh's front-discharge concrete mixer, and sales, marketing and distribution synergies created through the acquisition of McNeilus contributed to a 24% increase in concrete mixer sales compared to prior year pro forma sales. Refuse truck and truck body sales increased 36% compared to pro forma 1998 sales, generally as a result of commercial waste haulers accelerating the replacement of refuse packers in their fleets and as a result of McNeilus increasing sales penetration with both commercial and municipal accounts.

Fire and emergency segment net sales increased $35.1 million, or 11.6%, in fiscal 1999 compared to fiscal 1998. Pierce comprises the largest share of this segment and has increased its sales at a compound annual growth rate of 11% since 1980. Pierce's sales increased 10.2% in fiscal 1999 compared to fiscal 1998, generally as a result of strong market demand, expanding international sales and new product introductions.

Defense segment net sales decreased $25.4 million, or 10.3%, in fiscal 1999 compared to fiscal 1998. Defense sales declined due to the trend of lower heavy military truck spending in the federal budget and the completion of the ISO-Compatible Palletized Flatrack ("IPF") contract in fiscal 1998, which had fiscal 1998 sales of $32.0 million.

ANALYSIS OF CONSOLIDATED OPERATING INCOME-THREE YEARS ENDED SEPTEMBER 30, 2000

The following table presents operating income by business segment (in thousands):

	Fiscal Year Ended September 30,		
	2000	1999	1998
Operating income (loss):			
Commercial	**$ 54,654**	$ 48,995	$ 19,317
Fire and emergency	**32,922**	26,758	25,581
Defense	**30,119**	22,878	22,680
Corporate and other	**(19,644)**	(22,418)	(18,858)
Consolidated	**$ 98,051**	$ 76,213	$ 48,720

FISCAL 2000 COMPARED TO FISCAL 1999

Consolidated operating income increased $21.8 million, or 28.7%, in fiscal 2000 compared to fiscal 1999. Consolidated operating income divided by consolidated sales ("operating income margin") increased from 6.5% in fiscal 1999 to 7.4% in fiscal 2000.

Commercial segment operating income increased $5.7 million, or 11.6%, in fiscal 2000 compared to fiscal 1999. Operating income margins increased to 8.3% of segment sales in fiscal 2000 compared to 8.1% in fiscal 1999. Higher front-discharge concrete mixer margins resulting from material cost reduction efforts and lower manufacturing overhead costs as a result of increased defense business volume were partially offset by production inefficiencies associated with the $8.3 million facilities expansion at the McNeilus Dodge Center location which was completed in September 2000. In fiscal 2000, the commercial segment experienced workforce-related health claims in excess of historical rates of occurrence. Management does not expect these rates of occurrence to continue. Expense related to these claims was offset by reductions of expense due to settlement in fiscal 2000 of unrelated litigation.

Fire and emergency segment operating income increased $6.2 million, or 23.0%, in fiscal 2000 compared to fiscal 1999. Operating income margins increased to 8.4% of segment sales in fiscal 2000 compared to 8.0% in fiscal 1999. The acquisition of Kewaunee contributed 0.2 percentage points to the segment operating income margin. Improved gross margins of the Company's ARFF and snow removal vehicles resulting from cost reduction efforts and manufacturing efficiencies contributed most of the remaining improvement in the segment operating income margin.

Defense segment operating income margins increased $7.2 million, or 31.7%, in fiscal 2000 compared to fiscal 1999. Operating income margins increased to 10.9% of segment sales in fiscal 2000 compared to 10.3% in fiscal 1999. Favorable product mix (more higher-margin U.S. heavy-payload trucks and higher international sales), the favorable impact of increased sales volume on fixed manufacturing overhead costs and lower operating expenses offset the impact of $26.2 million in MTVR sales at lower gross margins.

Corporate and other expenses decreased $2.8 million to $19.6 million, or 1.5% of consolidated net sales, from $22.4 million, or 1.9% of consolidated net sales, in fiscal 1999. Excluding the $3.5 million charge in fiscal 1999 in connection with the settlement of litigation, corporate and other expenses were up $0.7 million, or 3.8%.

FISCAL 1999 COMPARED TO FISCAL 1998

Consolidated operating income increased $27.5 million, or 56.4%, in fiscal 1999 compared to fiscal 1998. Fiscal 1998 results included seven months of operations of McNeilus, while fiscal 1999 results included a full twelve months of McNeilus operations. Fiscal 1999 consolidated operating income increased $18.1 million, or 31.2% over pro forma fiscal 1998 consolidated operating income, assuming McNeilus had been acquired at the beginning of fiscal 1998.

Commercial segment operating income increased $29.7 million, or 153.6%, in fiscal 1999 compared to fiscal 1998. On a pro forma basis, assuming McNeilus had been acquired at the beginning of fiscal 1998, operating income increased $20.3 million, or 70.7%, in fiscal 1999 compared to fiscal 1998. Operating income margin increased to 8.1% of commercial segment sales in fiscal 1999 compared to 5.5% of commercial segment sales in fiscal 1998. Increased concrete mixer unit volume and manufacturing, purchasing and distribution synergies generated as a result of the acquisition of McNeilus contributed to the improvement in the operating income margin. Also, fiscal 1998 results included a $1.9 million charge related to an impairment loss on previously-acquired concrete mixer technology.

Fire and emergency segment operating income increased $1.2 million, or 4.6%, in fiscal 1999 compared to fiscal 1998. The operating income margin decreased from 8.5% in fiscal 1998 to 8.0% in fiscal 1999. Benefits of increased sales volume were offset by short-term production inefficiencies following the installation at Pierce of the final modules of a new enterprise-wide resource planning system during the third quarter of fiscal 1999. By the end of September 1999, Pierce had significantly reduced those production inefficiencies.

Defense segment operating income was comparable in fiscal 1999 and fiscal 1998 ($0.2 million increase in fiscal 1999). However, the operating income margin increased from 9.1% in fiscal 1998 to 10.3% in fiscal 1999. Fiscal 1998 results included the low margin IPF contract and bid-and-proposal costs on the MTVR contract.

Corporate and other expenses increased $3.6 million to $22.4 million, or 1.9% of consolidated net sales, from $18.9 million, or 2.1% of consolidated net sales, in fiscal 1998. Fiscal 1999 results included a $3.5 million charge in connection with the settlement of litigation.

ANALYSIS OF NON-OPERATING INCOME STATEMENT ITEMS-THREE YEARS ENDED SEPTEMBER 30, 2000

FISCAL 2000 COMPARED TO FISCAL 1999

Interest expense decreased $5.8 million, or 21.6%, in fiscal 2000 compared to fiscal 1999. Interest expense was reduced approximately $6.0 million as the Company paid down $93.5 million of term debt following a November 1999 secondary equity offering. Interest on borrowings to fund the Kewaunee and Viking acquisitions, higher working capital requirements associated with overall sales growth and higher interest rates contributed to increased interest expense, exclusive of the impact of the equity offering.

The provision for income taxes in fiscal 2000 was $31.3 million, or 39.9% of pre-tax income, compared to $21.3 million, or 41.8% of pre-tax income, in fiscal 1999. The effective tax rate was impacted by nondeductible goodwill amortization of $5.4 million in fiscal 2000 and $5.5 million in fiscal 1999 related to the acquisitions of McNeilus and Pierce. Excluding the effects of nondeductible goodwill amortization, the Company's effective tax rate decreased from 38.0% in fiscal 1999 to 37.4% in fiscal 2000 as a result of certain research and development tax credits claimed in fiscal 2000.

Net of tax equity in earnings of an unconsolidated lease financing partnership of $1.2 million in fiscal 2000 was down from $1.5 million in fiscal 1999. The Company's share of pre-tax earnings of the partnership declined from 65% in fiscal 1999 to 59% in fiscal 2000 as the Company's equity in the partnership continues to decline from approximately 70% at formation in fiscal 1998 to 53% currently. Ultimately, the Company and its other partner will each share 50/50 in the earnings of the partnership as the original "contributed" lease portfolio runs off and is replaced with leases originated subsequent to the formation of the partnership, in which each partner has a 50% interest.

Gain on disposal of discontinued operations of $3.2 million, less income taxes of $1.2, or $2.0 million in fiscal 2000 relates to a technology transfer agreement and collection of previously written-off receivables from a foreign affiliate. The Company exited this business in fiscal 1995.

The $0.8 million after-tax extraordinary charge in fiscal 2000 relates to the write-off of deferred financing costs for that portion of debt prepaid during the year.

FISCAL 1999 COMPARED TO FISCAL 1998

Interest expense increased $5.3 million, or 24.4%, in fiscal 1999 compared to fiscal 1998. Increased interest expense generally relates to indebtedness incurred in connection with the McNeilus acquisition being outstanding for a full twelve months in fiscal 1999 compared to only seven months in fiscal 1998. Interest expense as a percent of net sales dropped to 2.3% in fiscal 1999 compared to 2.4% in fiscal 1998 as the Company paid down debt during fiscal 1999.

The provision for income taxes in fiscal 1999 was $21.3 million, or 41.8% of pre-tax income, compared to $12.7 million, or 44.2% of pre-tax income, in fiscal 1998. The effective tax rate was impacted by nondeductible goodwill amortization of $5.5 million in fiscal 1999 and $4.2 million in fiscal 1998 related to the acquisitions of McNeilus and Pierce. Excluding the effects of nondeductible goodwill amortization, the Company's effective tax rate decreased from 39.1% in fiscal 1998 to 38.0% in 1999, generally as a result of a more efficient state tax structure associated with the McNeilus acquisition.

Equity in earnings of an unconsolidated lease financing partnership of $1.5 million in fiscal 1999 included a full twelve months of the Company's share of the after-tax income of the lease financing partnership. Fiscal 1998 equity in earnings of $0.3 million included seven months of operations of the lease financing partnership since its formation in February 1998, which was offset by the Company's share of the write-off of organization costs ($1.5 million pre-tax, $0.9 million after-tax) in accordance with the issuance of a new accounting standard.

The $0.1 million extraordinary charge in fiscal 1999 and the $1.2 million extraordinary charge in fiscal 1998 related to the write-off of deferred financing costs for that portion of debt prepaid during the respective fiscal year.

FINANCIAL CONDITION

FISCAL YEAR ENDED SEPTEMBER 30, 2000

During fiscal 2000, cash and cash equivalents increased by $8.4 million to $13.6 million at September 30, 2000. Cash provided from operating activities of $49.7 million was used to fund capital expenditures of $22.6 million, to repay $12.2 million of indebtedness under the Company's revolving credit facility (including $7.2 million of current year advances used to fund the acquisitions of Viking and Kewaunee) and to pay dividends of $5.4 million.

The Company's debt-to-total capital ratio at September 30, 2000 was 35.1%. Debt-to-total capital may vary from time to time to the extent that the Company uses debt to fund acquisitions.

FISCAL YEAR ENDED SEPTEMBER 30, 1999

During fiscal 1999, cash increased by $1.5 million to $5.1 million at September 30, 1999. Cash provided from operating activities of $39.0 million along with a $3.4 million reduction in other long-term assets was used to fund capital expenditures of $18.0 million, reduce indebtedness by $20.3 million (including $15.8 million of debt prepayments) and pay dividends of $4.2 million. Cash provided from operating activities in fiscal 1999 was impacted by a $49.3 million increase in inventory. The increase in inventory is primarily the result of the timing of truck chassis purchases at McNeilus.

The Company's debt-to-total-capital ratio at September 30, 1999 was 61.5%. In November 1999, the Company completed a secondary offering of 3,795,000 shares of Common Stock at $26.00 per share, before commissions and expenses. Proceeds to the Company from the offering, net of underwriting discounts and commissions, were used to prepay $93.5 million of term debt under the Company's Senior Credit Facility. The Company's pro forma debt-to-total-capital ratio at September 30, 1999, after giving effect to the debt prepayment from proceeds of the Company's November 1999 equity offering, was 39.5%.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $13.6 million and approximately $158.1 million of unused availability under the terms of its Amended and Restated Senior Credit Facility (See Note 4 to Notes to Consolidated Financial Statements) as of September 30, 2000. On October 30, 2000, the Company used available cash and borrowings under its Amended and Restated Senior Credit Facility to acquire all of the issued and outstanding capital stock of Medtec for approximately $14.5 million, including acquisition costs and net of cash acquired. The Company's primary cash requirements include working capital, interest and principal payments on indebtedness, capital expenditures, dividends and, potentially, future acquisitions. The primary sources of cash are expected to be cash flow from operations and borrowings under the Company's Amended and Restated Senior Credit Facility. Based upon current and anticipated future operations, management believes that capital resources will be adequate to meet future working capital, debt service and other capital requirements for fiscal 2001, including the working capital requirements associated with the ramp-up to full-rate production under the MTVR contract and the acquisition of Medtec.

The Company's cash flow from operations has fluctuated, and will likely continue to fluctuate, significantly from quarter to quarter due to changes in working capital requirements arising principally from seasonal fluctuations in sales.

The Company's Amended and Restated Senior Credit Facility and Senior Subordinated Notes contain various restrictions and covenants that could potentially limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital or to take advantage of business opportunities, including future acquisitions.

The Company's Amended and Restated Senior Credit Facility accrues interest at variable rates. The Company presently has no plans to enter into interest rate swap arrangements to limit exposure to future increases in interest rates.

Capital expenditures are expected to approximate $23 million in fiscal 2001.

FISCAL 2001 OUTLOOK

The Company expects consolidated sales growth of approximately $156 million in fiscal 2001 to $1,480 million. The Company estimates that consolidated operating income margins will improve one-half of a percentage point over fiscal 2000 levels and will yield consolidated operating income of approximately $117 to $119 million in fiscal 2001. The Company anticipates consolidated income from continuing operations of approximately $60 million in fiscal 2001, or a 23% increase compared to fiscal 2000. The Company expects earnings per share from continuing operations assuming dilution to increase to approximately $3.45 in fiscal 2001.

The Company estimates that commercial segment sales will decline 4.2% in fiscal 2001. The Company believes this decline will primarily be the result of a slowing of concrete placement orders and lower backlogs, due to higher mortgage rates and lower housing starts. The Company anticipates this decline will be offset in part by growth in refuse sales as a result of increased purchases by large commercial waste haulers. The Company expects commercial operating income to expand to $60 to $62 million and refuse margins to double as a result of manufacturing efficiencies the Company anticipates in McNeilus' refuse products due to the facility expansion completed in fiscal 2000.

The Company expects fire and emergency segment sales to increase 12.7% to $440 million in fiscal 2001 with approximately $20 million of the increase resulting from the Medtec acquisition. The Company anticipates this growth rate will be less than in fiscal 2000 because ARFF sales may be less in fiscal 2001 due to lower international bid activity and because of one more year of limited snowfall affecting the Company's snow plow and blower business. The Company estimates that fire and emergency operating income will increase 40% to $45 to $47 million in fiscal 2001 as a result of cost reduction initiatives, recovery from enterprise resource planning system-related inefficiencies and the Medtec acquisition.

The Company estimates that defense segment sales will increase to approximately $410 million largely due to an anticipated $115 million increase in MTVR vehicle sales, plus higher parts sales. This projected level of sales assumes production levels under the MTVR contract will begin to increase to “full-rate” production following the passage of certain vehicle performance milestones, which the Company expects to occur in early 2001. The Company believes defense operating income will increase modestly to $30 to $31 million. The Company expects increased sales of lower-margin MTVR trucks combined with increased engineering and bid and proposal costs in connection with the FMTV proposal effort to contribute to these results.

Corporate and other expenses are expected to be flat in fiscal 2001 compared to fiscal 2000.

The expectations with respect to projected sales, costs and earnings in this “Fiscal 2001 Outlook” are forward-looking statements and are based in part on certain assumptions made by the Company, some of which are referred to in, or as part of, the forward-looking statements. These assumptions include, without limitation, the Company’s ability to achieve cost reductions in the fire and emergency segment; the amount of costs for the Company to bid for the FMTV program; the completion of performance milestones in early 2001 and commencement of full-rate production for the MTVR program without delays or failures; the Company’s estimates for fiscal 2001 concrete placement activity and related mortgage rates and housing starts and capital expenditures of large commercial refuse haulers and municipalities; the Company’s ability to double margins in refuse packer manufacturing; and that the Company does not complete any acquisitions beyond the Medtec acquisition. Although the Company believes such assumptions are reasonable, there can be no assurance that the assumptions referred to in the forward-looking statements or otherwise are accurate or will prove to have been correct. Any assumptions that are inaccurate or do not prove to be correct could have a material adverse effect on the Company’s ability to achieve the forward-looking statement.

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board issued SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” which was amended by SFAS No. 137. Provisions of these standards are required to be adopted in years beginning after June 15, 2000. The Company adopted SFAS No. 133, as amended, on October 1, 2000. The impact on the Company of adoption will be a charge to fiscal 2001 earnings of less than $0.1 million. This charge will be recorded by the Company in the first quarter of fiscal 2001.

In December 1999, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin (“SAB”) No. 101, which deals with revenue recognition issues. SAB No. 101 (as modified by SAB No. 101 A and B) is required to be adopted by the Company no later than the fourth quarter of fiscal 2001. Management does not anticipate that the adoption of SAB No. 101, 101A or 101B will have a significant effect on the results of operations or on the financial position of the Company.

CUSTOMERS AND BACKLOG

Sales to the U.S. Department of Defense comprised approximately 20% of the Company’s net sales in fiscal 2000. No other single customer accounted for more than 10% of the Company’s net sales for this period. A substantial majority of the Company’s net sales are derived from customer orders prior to commencing production.

The Company’s backlog at September 30, 2000 was $607.5 million compared to $486.5 million at September 30, 1999. Backlog related to the defense segment increased by $127.6 million to $291.5 million in 2000 compared to 1999, with approximately $87.8 million of the increase due to the multi-year MTVR contract. Fire and emergency backlogs increased by $16.6 million to $216.9 million at September 30, 2000 compared to the prior year. Commercial backlogs decreased by $23.2 million to $99.1 million at September 30, 2000 compared to the prior year. The Company believes customers placed orders for commercial products earlier in the prior year due to tightness in the market for commercial truck chassis, which condition no longer exists. Additionally, the Company expects overall sales levels of the Company’s concrete placement products to be lower in fiscal 2001 by approximately 10% compared to historical levels reached in fiscal 2000. Approximately 3% of the September 30, 2000 backlog is not expected to be filled in fiscal 2001.

Reported backlog excludes purchase options and announced orders for which definitive contracts have not been executed. Additionally, backlog excludes unfunded portions of the U.S. Department of Defense long-term family and MTVR contracts. Backlog information and comparisons thereof as of different dates may not be accurate indicators of future sales or the ratio of the Company’s future sales to the U.S. Department of Defense versus its sales to other customers.

FINANCIAL MARKET RISK

The Company is exposed to market risk from changes in foreign exchange and interest rates. To reduce the risk from changes in foreign exchange rates, the Company selectively uses financial instruments. The Company does not hold or issue financial instruments for trading purposes.

INTEREST RATE RISK

The Company's interest expense is sensitive to changes in the interest rates in the U.S. and off-shore markets. In this regard, changes in U.S. and off-shore interest rates affect interest payable on the Company's long-term borrowing under its Amended and Restated Senior Credit Facility. The Company has not historically utilized derivative securities to fix variable rate interest obligations or to make fixed-rate interest obligations variable. If short-term interest rates averaged two percent more in fiscal 2001 than in fiscal 2000, the Company's interest expense would increase, and pre-tax income would decrease by approximately $1.7 million. Similarly, if interest rates increased by two percent, the fair value of the Company's $100 million fixed rate, long-term notes at September 30, 2000 would decrease by approximately $9.4 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's borrowing cost, but do not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management would likely take actions to mitigate the Company's exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the foregoing sensitivity analysis assumes no changes in the Company's financial structure other than as noted.

FOREIGN CURRENCY RISK

The Company's operations consist of manufacturing in the U.S. and sales activities in the U.S. and in various foreign jurisdictions. Export sales were less than eight percent of overall net sales in fiscal 2000. Generally, the Company purchases materials and components denominated in U.S. dollars and attempts to seek payment in U.S. dollars for large multi-unit sales contracts which span several months or years.

The Company's earnings are affected by fluctuations in the value of the U.S. dollar against foreign currencies primarily as a result of euro-denominated purchases of component parts from a European supplier (approximately 14.0 million euros in annual requirements, or approximately $12.3 million based on the exchange rate as of September 30, 2000) and, to a lesser extent, to hedge customer orders denominated in currencies other than the U.S. dollar. Forward foreign exchange contracts may be used to partially hedge against the earnings effects of such fluctuations. At September 30, 2000, the Company had the following foreign currency denominated firm sales commitments and purchase obligations and forward foreign exchange contracts outstanding with the fair value gain (loss) as shown:

Description	Notional Value	Weighted Average Contract Rate (US$/Foreign Currency)	Fair Value Gain (Loss) At September 30, 2000
	(in thousands)		(in thousands of U.S. $)
Firmly committed sales contracts denominated in Canadian $	532		
Forward contracts to sell Canadian $ for US $	532	.678	$ 6
Firmly committed purchase obligations denominated in euros	4,804		
Forward contracts to buy euros for US $	4,804	.912	(125)

All of the above contracts expire within the next five months.

REPORT OF ARTHUR ANDERSEN LLP, INDEPENDENT AUDITORS

To the Shareholders and Board of Directors of Oshkosh Truck Corporation

We have audited the accompanying consolidated balance sheet of Oshkosh Truck Corporation (the "Company") as of September 30, 2000 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying consolidated financial statements of Oshkosh Truck Corporation as of September 30, 1999 and for the two years then ended, were audited by other auditors whose report therein dated October 23, 1999, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2000 and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin

October 23, 2000, except for
Note 15, as to which the date
is October 30, 2000

Consolidated Statements of Income

Fiscal Year Ended September 30,
(In thousands, except per share amounts)

	2000	1999	1998
Net sales	**$1,324,026**	$1,164,954	$ 902,792
Cost of sales	**1,121,092**	991,573	776,756
Gross income	**202,934**	173,381	126,036
Operating expenses:			
Selling, general and administrative	**93,724**	85,996	69,001
Amortization of goodwill and other intangibles	**11,159**	11,172	8,315
Total operating expenses	**104,883**	97,168	77,316
Operating income	**98,051**	76,213	48,720
Other income (expense):			
Interest expense	**(20,956)**	(26,744)	(21,490)
Interest income	**893**	760	1,326
Miscellaneous, net	**661**	730	92
	(19,402)	(25,254)	(20,072)
Income before items noted below	**78,649**	50,959	28,648
Provision for income taxes	**31,346**	21,313	12,655
	47,303	29,646	15,993
Equity in earnings of unconsolidated partnership, net of income taxes of $738, $948 and $167	**1,205**	1,545	260
Income from continuing operations	**48,508**	31,191	16,253
Gain on disposal of discontinued operations, net of income taxes of $1,235	**2,015**	—	—
Extraordinary charge for early retirement of debt, net of income tax benefit of $503, $37 and $757	**(820)**	(60)	(1,185)
Net income	**$ 49,703**	$ 31,131	$ 15,068
Earnings (loss) per share:			
Continuing operations	**$ 3.01**	$ 2.45	$ 1.29
Discontinued operations	**0.13**	—	—
Extraordinary charge	**(0.05)**	—	(0.09)
Net income	**$ 3.09**	$ 2.45	$ 1.20
Earnings (loss) per share assuming dilution:			
Continuing operations	**$ 2.96**	$ 2.39	$ 1.27
Discontinued operations	**0.12**	—	—
Extraordinary charge	**(0.05)**	—	(0.09)
Net income	**$ 3.03**	$ 2.39	$ 1.18

See accompanying notes.

Consolidated Balance Sheets

September 30,
(In thousands, except share and per share amounts)

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	**$ 13,569**	$ 5,137
Receivables, net	**106,805**	93,186
Inventories	**194,931**	198,446
Prepaid expenses	**5,424**	4,963
Deferred income taxes	**14,708**	14,558
Total current assets	**335,437**	316,290
Investment in unconsolidated partnership	**15,179**	12,335
Other long-term assets	**16,274**	11,824
Property, plant and equipment:		
Land and land improvements	**8,359**	7,885
Equipment on operating lease to others	**11,915**	—
Buildings	**69,494**	64,246
Machinery and equipment	**111,591**	90,637
Construction in progress	**5,148**	5,850
	206,507	168,618
Less accumulated depreciation	**(87,748)**	(75,598)
Net property, plant and equipment	**118,759**	93,020
Goodwill and other intangible assets, net	**310,731**	319,821
Total assets	**$796,380**	$753,290
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 84,215**	$ 84,727
Floor plan notes payable	**23,925**	26,616
Customer advances	**59,996**	68,364
Payroll-related obligations	**23,465**	20,990
Accrued warranty	**16,320**	14,623
Other current liabilities	**48,511**	52,206
Revolving credit facility and current maturities of long-term debt	**8,544**	5,259
Total current liabilities	**264,976**	272,785
Long-term debt	**154,238**	255,289
Deferred income taxes	**46,414**	44,265
Other long-term liabilities	**29,695**	18,071
Commitments and contingencies		
Shareholders' equity:		
Preferred Stock, $.01 par value; authorized - 2,000,000 shares; none issued and outstanding	**—**	—
Class A Common Stock, $.01 par value; authorized - 1,000,000 shares; issued - 422,207 in 2000 and 425,985 in 1999	**4**	4
Common Stock, $.01 par value; authorized 60,000,000 shares; issued - 17,409,822 in 2000 and 13,611,044 in 1999	**174**	136
Paid-in capital	**109,740**	15,997
Retained earnings	**201,791**	157,810
Common Stock in treasury, at cost: 1,163,872 shares in 2000 and 1,206,874 shares in 1999	**(10,652)**	(11,067)
Total shareholders' equity	**301,057**	162,880
Total liabilities and shareholders' equity	**$796,380**	$753,290

See accompanying notes.

Consolidated Statements of Shareholders' Equity

(In thousands, except share and per share amounts)

	Common Stock	Paid-In Capital	Retained Earnings	Common Stock in Treasury at Cost	Minimum Pension Liability Adjustment	Total
Balance at September 30, 1997	$140	$ 13,544	$120,085	$ (12,869)	$ —	$ 120,900
Comprehensive income:						
Net income	—	—	15,068	—	—	15,068
Minimum pension liability adjustment (net of income tax benefit of $1,153)	—	—	—	—	(1,804)	(1,804)
Comprehensive income						13,264
Cash dividends:						
Class A Common Stock ($.29000 per share)	—	—	(153)	—	—	(153)
Common Stock ($.33333 per share)	—	—	(4,041)	—	—	(4,041)
Purchase of Common Stock for treasury	—	—	—	(1,424)	—	(1,424)
Exercise of stock options	—	255	—	1,207	—	1,462
Tax benefit related to stock options exercised	—	468	—	—	—	468
Issuance of Common Stock under incentive compensation plan	—	398	—	422	—	820
Balance at September 30, 1998	140	14,665	130,959	(12,664)	(1,804)	131,296
Comprehensive income:						
Net income	—	—	31,131	—	—	31,131
Minimum pension liability adjustment (net of income taxes of $1,153)	—	—	—	—	1,804	1,804
Comprehensive income						32,935
Cash dividends:						
Class A Common Stock ($.29250 per share)	—	—	(125)	—	—	(125)
Common Stock ($.33625 per share)	—	—	(4,155)	—	—	(4,155)
Exercise of stock options	—	(156)	—	1,597	—	1,441
Tax benefit related to stock options exercised	—	1,496	—	—	—	1,496
Other	—	(8)	—	—	—	(8)
Balance at September 30, 1999	**140**	**15,997**	**157,810**	**(11,067)**	**—**	**162,880**
Net income and comprehensive income	**—**	**—**	**49,703**	**—**	**—**	**49,703**
Cash dividends:						
Class A Common Stock ($.30000 per share)	**—**	**—**	**(127)**	**—**	**—**	**(127)**
Common Stock ($.34500 per share)	**—**	**—**	**(5,595)**	**—**	**—**	**(5,595)**
Exercise of stock options	**—**	**(55)**	**—**	**415**	**—**	**360**
Net proceeds of Common Stock offering	**38**	**93,364**	**—**	**—**	**—**	**93,402**
Tax benefit related to stock options exercised	**—**	**434**	**—**	**—**	**—**	**434**
Balance at September 30, 2000	**$178**	**$109,740**	**$201,791**	**$(10,652)**	**$ —**	**$301,057**

See accompanying notes.

Consolidated Statements of Cash Flows

Fiscal Year Ended September 30,
(In thousands)

	2000	1999	1998
Operating activities:			
Income from continuing operations	**$ 48,508**	$ 31,191	$ 16,253
Provision for impairment of assets	**—**	—	5,800
Depreciation and amortization	**24,218**	23,157	18,698
Gain from sale of investments	**—**	—	(3,375)
Deferred income taxes	**2,277**	(3,370)	26
Equity in earnings of unconsolidated partnership	**(1,943)**	(2,493)	(427)
(Gain) loss on disposal of property, plant and equipment	**(12)**	59	122
Changes in operating assets and liabilities:			
Receivables, net	**(9,702)**	(12,204)	20,900
Inventories	**11,250**	(49,255)	9,958
Prepaid expenses	**(436)**	(1,195)	(260)
Other long-term assets	**(3,664)**	(2,017)	725
Accounts payable	**(7,802)**	19,556	956
Floor plan notes payable	**(2,691)**	14,971	(11,377)
Customer advances	**(10,556)**	23,449	10,718
Payroll-related obligations	**1,639**	1,582	452
Accrued warranty	**1,624**	(2,264)	(1,883)
Other current liabilities	**(3,250)**	(2,875)	9,778
Other long-term liabilities	**223**	756	2,877
Net cash provided from operating activities	**49,683**	39,048	79,941
Investing activities:			
Acquisitions of businesses, net of cash acquired	**(7,147)**	—	(221,144)
Additions to property, plant and equipment	**(22,647)**	(17,999)	(13,444)
Proceeds from sale of investments	**—**	—	3,375
Proceeds from sale of property, plant and equipment	**52**	158	1,524
Decrease (increase) in other long-term assets	**(2,417)**	3,357	1,072
Net cash used for investing activities	**(32,159)**	(14,484)	(228,617)
Net cash provided from (used for) discontinued operations	**2,015**	—	(1,093)
Financing activities:			
Net borrowings (repayments) under revolving credit facility	**(5,000)**	(1,000)	6,000
Proceeds from issuance of long-term debt	**30,913**	—	325,000
Repayment of long-term debt	**(124,595)**	(19,256)	(188,049)
Debt issuance costs	**(795)**	—	(8,641)
Proceeds from Common Stock offering	**93,736**	—	—
Costs of Common Stock offering	**(334)**	—	—
Purchase of Common Stock and proceeds from exercise of stock options, net	**360**	1,433	38
Dividends paid	**(5,392)**	(4,226)	(4,176)
Net cash provided from (used for) financing activities	**(11,107)**	(23,049)	130,172
Increase (decrease) in cash and cash equivalents	**8,432**	1,515	(19,597)
Cash and cash equivalents at beginning of year	**5,137**	3,622	23,219
Cash and cash equivalents at end of year	**$ 13,569**	$ 5,137	$ 3,622
Supplemental disclosures:			
Cash paid for interest (net of amount capitalized)	**$ 22,148**	$ 26,142	$ 17,240
Cash paid for income taxes	**22,438**	26,859	11,097

See accompanying notes.

Notes to Consolidated Financial Statements

September 30, 2000
(In thousands, except share and per share amounts)

1. Summary of Significant Accounting Policies

Operations — Oshkosh Truck Corporation and its wholly-owned subsidiaries (the "Company" or "Oshkosh") is a leading manufacturer of a wide variety of medium- and heavy-duty specialized trucks and truck bodies predominately for the U.S. market. The Company sells its products into three principal truck markets - commercial, fire and emergency, and defense. The Company's commercial truck business is principally conducted through its wholly-owned subsidiary, McNeilus Companies, Inc. ("McNeilus"). The Company's fire and emergency business is principally conducted through its wholly-owned subsidiary, Pierce Manufacturing Inc. ("Pierce"). The defense business and certain fire and emergency and commercial truck businesses are conducted through the operations of the parent company. McNeilus is one of two general partners in Oshkosh/McNeilus Financial Services Partnership ("OMFSP"), which provides lease financing to the Company's customers. Each of the two general partners have identical participating and protective rights and responsibilities and, accordingly, the Company accounts for its equity interest in OMFSP of 53% at September 30, 2000 and 57% at September 30, 1999, under the equity method.

Principles of Consolidation and Presentation — The consolidated financial statements include the accounts of Oshkosh Truck Corporation and all of its wholly-owned subsidiaries and are prepared in conformity with U.S. generally accepted accounting principles. The Company records its interest in OMFSP under the equity method. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents — The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents, consisting principally of time deposits and money market instruments, totaled $13,000 and $2,150 at September 30, 2000 and 1999, respectively. The cost of these securities, which are considered "available for sale" for financial reporting purposes, approximates fair value at September 30, 2000 and 1999.

Receivables — Receivables consist of amounts billed and currently due from customers and unbilled costs and accrued profits related to revenues on long-term contracts that have been recognized for accounting purposes but not yet billed to customers.

Inventories — The Company values approximately 85% of its inventories at the lower of cost, computed on the last-in, first-out ("LIFO") method, or market. The remaining inventories are valued at the lower of cost, computed on the first-in, first-out ("FIFO") method, or market. If the FIFO inventory valuation method had been used exclusively, inventories would have increased by $10,988 and $9,716 at September 30, 2000 and 1999, respectively.

Property, Plant and Equipment — Property, plant and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using accelerated and straight-line methods. The estimated useful lives range from 10 to 40 years for buildings and improvements, from 4 to 25 years for machinery and equipment and from 3 to 10 years for capitalized software and related costs. Depreciation expense was $12,200, $10,743 and $9,515 in fiscal 2000, 1999 and 1998, respectively. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. The Company capitalized interest of $270 in fiscal 2000. There was no capitalized interest in fiscal 1999 or 1998. Equipment on operating lease to others represents the cost of vehicles sold to customers for which the Company has guaranteed the residual value. These transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic life of 10 years. Cost less accumulated depreciation for equipment on operating lease at September 30, 2000 was $11,309.

Other Long-Term Assets — Other long-term assets include deferred financing costs, which are amortized using the interest method over the term of the debt, prepaid funding of pension costs, certain investments and deferred charges. Deferred charges include certain engineering and technical support costs incurred in connection with multi-year government contracts, including $6,623 and $2,322 at September 30, 2000 and 1999, respectively, related to the Company's Medium Tactical Vehicle Replacement ("MTVR") contract. These costs are charged to cost of sales when the related project is billable to the government, or are amortized to cost of sales as base units are delivered under the related contracts.

Goodwill and Other Intangible Assets — The cost of goodwill and other intangible assets is amortized on a straight-line basis over the estimated periods benefited ranging from 5 to 40 years.

Impairment of Long-Lived Assets — Property, plant and equipment, other long-term assets and goodwill and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected undiscounted cash flows is less than the carrying value of the related asset or group of assets, a loss is recognized for the difference between the fair value and carrying value of the asset or group of assets. Such analyses necessarily involve significant judgment. See Note 12.

Floor Plan Notes Payable — Floor plan notes payable represent liabilities related to the purchase of commercial truck chassis upon which the Company mounts its manufactured refuse bodies and rear-discharge cement mixers and certain fire apparatus. Floor plan notes payable are non-interest bearing for terms ranging from 90 to 120 days and must be repaid upon the sale of the vehicle to a customer. The Company's practice is to repay all floor plan notes for which the non-interest bearing period has expired without sale of the vehicle to a customer.

Customer Advances — Customer advances principally represent amounts received in advance of the completion of fire and emergency and commercial vehicles. Most of these advances bear interest at variable rates approximating the prime rate.

Guaranteed Residual Value Obligations and Deferred Income — Prior to acquisition, the Company's wholly-owned subsidiary, Viking Truck and Equipment, Inc. ("Viking"), entered into "sales" transactions with customers that provided for residual value guarantees. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 13 "Accounting For Leases," these transactions have been recorded as operating leases. Net proceeds received in connection with the initial transactions have been recorded as residual value liabilities to the extent of Viking's guarantee. Any proceeds received in excess of the guarantee amount has been recorded as deferred income and is being accreted to income on a straight-line basis over the period to the first exercise date of the guarantee. Amounts outstanding at September 30, 2000 and included in other liabilities were:

	Current	Long-Term	Total
Deferred revenue	$1,503	$2,570	$ 4,073
Residual value guarantees	1,495	6,114	7,609
	$2,998	$8,684	$11,682

Residual value guarantees are first exercisable by the customer as follows: 2001 - $1,495; 2002 - $700; 2003 - $1,635; 2004 - $3,471; 2005 - $308.

Revenue Recognition and Long-Term Contracts — Sales to commercial and fire and emergency customers are recorded when the goods or services are billable at time of shipment or delivery of the trucks. Sales under fixed-price defense contracts generally are recorded as units are accepted by the U.S. government. Sales and anticipated profits under the MTVR long-term, fixed-price production contract are recorded on a percentage-of-completion basis, generally using units accepted as the measurement basis for effort accomplished. Estimated contract profits are taken into earnings in proportion to recorded sales based on estimated average cost determined using total contract units under order (including exercised options of 122) of 5,788, of which 189 units have been completed as of September 30, 2000. Sales under certain long-term, fixed price defense contracts which, among other things, provide for delivery of minimal quantities or require a significant amount of development effort in relation to total contract value, are recorded upon achievement of performance milestones, or using the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, which deals with revenue recognition issues. SAB No. 101 (as modified by SAB No. 101 A and B) is required to be adopted by the Company no later than the fourth quarter of fiscal 2001. Management does not anticipate that the adoption of SAB No. 101, 101A or 101B will have a significant effect on the results of operations or on the financial position of the Company.

Research and Development and Similar Costs — Except for certain arrangements described below, research and development costs are generally expensed as incurred and included as part of cost of sales. Research and development costs charged to expense amounted to approximately $14,137, $10,868, and $9,681 during fiscal 2000, 1999 and 1998, respectively. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for as contract costs.

Warranty — Provisions for estimated warranty and other related costs are recorded in cost of sales at the time of sale and are periodically adjusted to reflect actual experience. Amounts expensed in fiscal 2000, 1999 and 1998 were $9,648, $7,573, and $8,383, respectively.

Advertising — Advertising costs are included in selling, general and administrative expense and are expensed as incurred. These expenses totaled $2,132, $1,804 and $1,286 in fiscal 2000, 1999 and 1998, respectively.

Income Taxes — Deferred income taxes are provided to recognize temporary differences between the financial reporting basis and the income tax basis of the Company's assets and liabilities using currently enacted tax rates and laws.

Financial Instruments — The carrying amounts of cash equivalents, receivables, accounts payable and debt approximated fair value as of September 30, 2000 and 1999.

Concentration of Credit Risk — Financial instruments which potentially subject the Company to significant concentrations of credit risk consist principally of cash equivalents, trade accounts receivable and leases receivable of OMFSP.

The Company maintains cash and cash equivalents, and certain other financial instruments, with various major financial institutions. The Company performs periodic evaluations of the relative credit

Notes to Consolidated Financial Statements (continued)

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standing of these financial institutions and limits the amount of credit exposure with any institution.

Concentration of credit risk with respect to trade accounts and leases receivable is limited due to the large number of customers and their dispersion across many geographic areas. However, a significant amount of trade receivables are with the U.S. government, with companies in the ready-mix concrete industry and with several large waste haulers in the United States. The Company does not currently foresee a significant credit risk associated with these receivables.

Derivative Financial Instruments — The Company uses derivative financial instruments to manage its foreign currency exposures. Forward foreign exchange contracts are designated as qualifying hedges of firm commitments. Gains and losses on these contracts are recognized in income when the hedged transactions occur. To the extent that hedges are deemed ineffective, amounts are charged to income. At September 30, 2000, the Company had outstanding forward foreign exchange contracts to purchase 4,804 million euros over a period of five months and contracts to sell 532 Canadian dollars over a period of two months. At September 30, 2000 the deferred loss on these contracts at fair value totaled $119. The Company does not hold or issue derivative financial instruments for trading purposes.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was amended by SFAS No. 137 and SFAS No. 138. This new standard became effective for the Company on October 1, 2000, and requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Any fair value changes will be recorded in net income or comprehensive income. Upon adoption of this standard on October 1, 2000, the Company recorded a $119 charge to income before income tax benefit of $45, or $74 as required under the standard.

Stock-Based Compensation — The Company measures compensation cost for stock-based compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company has adopted those provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," which require disclosure of the pro forma effect on net earnings and earnings per share as if compensation cost had been recognized based upon the estimated fair value at the date of grant for options awarded.

Environmental Remediation Costs — The Company accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. The accruals are adjusted as further information develops or circumstances change.

Earnings Per Share — The following table sets forth the computation of basic and diluted weighted average shares used in the per share calculations:

	Fiscal Year Ended September 30, 2000	1999	1998
Denominator for basic earnings per share	**16,073,684**	12,727,141	12,597,598
Effect of dilutive options and incentive compensation awards	**330,389**	324,713	161,901
Denominator for dilutive earnings per share	**16,404,073**	13,051,854	12,759,499

Reclassifications — Certain reclassifications have been made to the fiscal 1999 and 1998 financial statements to conform to the fiscal 2000 presentation.

Common Stock Split — On July 23, 1999, the Board of Directors of the Company authorized a three-for-two split of the Company's Common Stock in the form of a 50% stock dividend. The stock split was effected on August 19, 1999 for shareholders of record at the close of business on August 5, 1999. All references in the Consolidated Financial Statements and the Notes to Consolidated Financial Statements to numbers of shares, per share amounts, stock option data and market prices of the Company's stock have been restated to reflect the stock split.

2. Balance Sheet Information

Receivables	September 30, 2000	1999
U.S. government:		
Amounts billed	**$ 35,932**	$ 25,816
Costs and profits not billed	**5,038**	—
	40,970	25,816
Commercial customers	**65,754**	66,999
Other	**2,528**	2,575
	109,252	95,390
Less allowance for doubtful accounts	**(2,447)**	(2,204)
	$106,805	$ 93,186

In accordance with industry practice, recoverable costs and profits not billed include amounts relating to programs and contracts with multi-year terms, a portion of which is not expected to be realized in one year. Costs and profits not billed generally will become billable upon the Company achieving certain milestones, including First Article Test which is expected in fiscal 2001.

Inventories	**September 30, 2000**	1999
Finished products	**$ 53,068**	$ 59,649
Partially finished products	**75,667**	62,047
Raw materials	**89,497**	89,417
Inventories at FIFO cost	**218,232**	211,113
Less: Progress payments on		
U.S. government contracts	**(12,313)**	(2,951)
Excess of FIFO cost over LIFO cost	**(10,988)**	(9,716)
	$194,931	$198,446

Title to all inventories related to government contracts, which provide for progress payments, vests with the government to the extent of unliquidated progress payments. Inventory includes the following costs related to the Company's MTVR contract:

	September 30, 2000	1999
Tooling	**$ 3,570**	$ 2,417
Logistics support development costs	**3,399**	945
Test, training and other	**1,105**	439
	$ 8,074	$ 3,801

Goodwill and Other Intangible Assets	**Useful Lives**	**September 30, 2000**	1999
Goodwill	15 - 40 Years	**$220,433**	$218,614
Distribution network	40 Years	**63,800**	63,800
Non-compete agreements	5 - 15 Years	**38,250**	38,000
Other	5 - 40 Years	**23,320**	23,320
		345,803	343,734
Less accumulated amortization		**(35,072)**	(23,913)
		$310,731	$319,821

The Company engaged third party business valuation appraisers to determine the fair value of the distribution network in connection with its acquisition of Pierce. The Company believes Pierce maintains the largest North American fire apparatus distribution network and has exclusive contracts with each distributor related to the fire apparatus product offerings manufactured by Pierce. The useful life of the distribution network is based on a historical turnover analysis.

On February 26, 1998, concurrent with the Company's acquisition of McNeilus (see Note 3), the Company and BA Leasing & Capital Corporation ("BALCAP") formed OMFSP, a general partnership, for the purpose of offering lease financing to customers of the Company. Each partner contributed existing lease assets (and in the case of the Company, related notes payable to third party lenders which were secured by such leases) to capitalize the partnership. Leases and related notes payable contributed by the Company were originally acquired in connection with the McNeilus acquisition.

OMFSP manages the contributed assets and liabilities and engages in new vendor lease business providing financing to customers of the Company. OMFSP purchases trucks and concrete batch plants for lease to user-customers. Banks and other financial institutions lend to OMFSP a portion of the purchase price, with recourse solely to OMFSP, secured by a pledge of lease payments due from the user-lessees. Each partner funds one-half of the equity portion of the cost of the new truck and batch plant purchases, and each partner is allocated its proportionate share of OMFSP cash flow and taxable income. Indebtedness of OMFSP is secured by the underlying leases and assets of, and is with recourse to, OMFSP. However, such indebtedness is non-recourse to the Company.

Summarized financial information of OMFSP as of September 30, 2000 and 1999, the fiscal years ended September 30, 2000 and 1999 and for the period February 26, 1998 (the date OMFSP was formed) to September 30, 1998, is as follows:

	September 30, 2000	1999
Cash and cash equivalents	**$ 1,867**	$ 1,383
Investment in sales type leases, net	**172,255**	140,912
Other assets	**491**	278
	$174,613	$142,573
Notes payable	**$141,565**	$119,156
Other liabilities	**4,368**	1,799
Partners' equity	**28,680**	21,618
	$174,613	$142,573

	Fiscal Year Ended September 30, 2000	1999	Period From February 26, 1998 to September 30, 1998
Interest income	**$13,132**	$11,624	$6,605
Net interest income	**3,160**	3,499	1,622
Excess of revenues over expenses	**3,295**	3,854	644

Excess of revenues over expenses in fiscal 1998 includes a $1,466 pre-tax, nonrecurring charge related to the organization of OMFSP in fiscal 1998. This charge has been included in the consolidated statements of income under the caption "Equity in earnings of unconsolidated partnership, net of income taxes."

3. Acquisitions

On November 1, 1999, the Company acquired the manufacturing assets of Kewaunee Engineering Corporation ("Kewaunee") and entered into related non-competition agreements for $5,467 in cash plus the assumption of certain liabilities aggregating $2,211. Kewaunee is a fabricator of heavy-steel components for cranes, aerial devices and other equipment. On April 28, 2000, the Company acquired all of the capital stock of Viking Truck & Equipment, Inc. and its affiliates (collectively "Viking") for $1,680 in cash (net of cash acquired). Viking is a dealer of new and used

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equipment primarily in the Company's commercial products segment. The acquisitions were financed from borrowings under the Company's Senior Credit Facility.

The Kewaunee and Viking acquisitions were accounted for using the purchase method of accounting and, accordingly, the operating results of Kewaunee and Viking were included in the Company's consolidated statements of income beginning November 1, 1999 and April 28, 2000, respectively. The excess of the purchase price, including acquisition costs, of the Kewaunee and Viking acquisitions over the estimated fair value of the assets acquired and liabilities assumed amounted to $160 and $1,659, respectively, which has been recorded as goodwill and is being amortized on a straight-line basis over 20 and 25 years, respectively. The purchase price allocation for these acquisitions is preliminary and further refinements, which are not expected to be material, are likely to be made. Had the acquisitions occurred on October 1, 1999 or 1998, there would have been no material pro forma impact on the Company's consolidated net sales, net income or earnings per share in fiscal 2000 or 1999.

On February 26, 1998, the Company acquired for cash all of the issued and outstanding capital stock of McNeilus and entered into related non-compete and ancillary agreements for $217,581, including acquisition costs and net of cash acquired. McNeilus is a leading manufacturer and marketer of rear-discharge concrete mixers for the construction industry and refuse truck bodies for the waste services industry in the United States. The acquisition was financed from borrowings under a Senior Credit Facility and the issuance of Senior Subordinated Notes.

The McNeilus acquisition was accounted for using the purchase method of accounting and, accordingly, the operating results of McNeilus are included in the Company's consolidated statements of income since the date of acquisition. The purchase price, including acquisition costs, was initially allocated based on the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition and was subsequently adjusted during fiscal 1999. Approximately $60,985 of the purchase price was allocated to intangible assets, including non-competition agreements. The excess of the purchase price over the estimated fair value of net assets acquired amounted to $114,727, which has been accounted for as goodwill.

On December 19, 1997, the Company, through Pierce, acquired certain inventory, machinery and equipment, and intangible assets of Nova Quintech, a division of Nova Bus Corporation ("Nova Quintech") using available cash for $3,563. Nova Quintech was engaged in the manufacture and sale of aerial devices for fire trucks. Approximately $1,849 of the purchase price has been allocated to intangible assets, principally aerial device designs and technology. The Nova Quintech products have been integrated into Pierce's product line and are being manufactured at Pierce. The Nova Quintech acquisition was accounted for using the purchase method of accounting, and accordingly, the operating results of Nova Quintech are included in the Company's statements of income since the date of the acquisition.

4. Revolving Credit Facility, Long-Term Debt and Extraordinary Charge for Early Retirement of Debt

The Company recorded an after-tax extraordinary charge of $581 in November 1999 and $239 in September 2000 to record the write-off of deferred financing costs related to the prepayment of $93,500 of debt from proceeds of a common stock offering (See Note 7) and the prepayment of $30,413 of debt in connection with the amendment and restatement of its Senior Credit Facility (see discussion following), respectively. Fiscal 1999 and 1998 operating results include after-tax extraordinary charges of $60 and $1,185 related to the write-off of deferred financing costs due to early repayment of debt, including $735 related to refinancing the Company's credit facility in connection with the acquisition of McNeilus in fiscal 1998. See Note 3.

On September 28, 2000, the Company amended its Senior Credit Facility. The Senior Credit Facility was comprised of a $100,000 revolving credit facility (with no borrowings at September 28, 2000) maturing in February 2004 and three term loans (Term Loans A, B and C), which had remaining outstanding balances of $32,500, $13,500 and $13,500, and maturity dates of March 2004, 2005 and 2006, respectively. As part of the amendment, the Company increased its amended Term Loan A ("Term Loan") to $60,000. Borrowings of $30,913 under amended Term Loan A were used to repay amounts due to lenders exiting Term Loan A ($3,413), to prepay amounts outstanding under Term Loans B and C ($13,500 each) and for general corporate purposes ($500). The amended Senior Credit Facility ("Amended and Restated Senior Credit Facility") is comprised of a $60,000 Term Loan and a $170,000 Revolving Credit Facility (no borrowings outstanding at September 30, 2000), both of which mature in January 2006. The amended Term Loan requires principal payments of $8,000 in fiscal 2001, $10,000 in fiscal 2002, $12,000 in fiscal 2003, $14,000 in both 2004 and 2005, with the balance of $2,000 payable in fiscal 2006. Principal payments are due in quarterly installments.

At September 30, 2000, letters of credit of $11,883 reduced available capacity under the Company's Revolving Credit Facility to $158,117.

Interest rates on borrowings under the Amended and Restated Senior Credit Facility are variable and are equal to the "Base Rate" (which is equal to the higher of a bank's reference rate and the federal funds rate plus 0.5%) or the "IBOR Rate" (which is a bank's inter-bank offered rate for U.S. dollars in off-shore markets) plus a margin of 1.125% for IBOR Rate loans under the Amended and Restated Revolving Credit Facility, and Term Loan as of September 30, 2000. The margins are subject to adjustment, up or down, based on whether certain financial criteria are met.

The weighted average interest rate on borrowings outstanding at September 30, 2000 was 9.50%.

The Company is charged a 0.25% annual fee with respect to any unused balance under its Amended and Restated Revolving Credit Facility, and a 1.125% annual fee with respect to any letters of credit issued under the Amended and Restated Revolving Credit Facility. These fees are subject to adjustment if certain financial criteria are met.

Substantially all the tangible and intangible assets of the Company and its subsidiaries (including the stock of certain subsidiaries) are pledged as collateral under the Amended and Restated Senior Credit Facility. Among other restrictions, the Amended and Restated Senior Credit Facility: (1) limits payments of dividends and purchases of the Company's stock, (2) requires that certain financial ratios be maintained at prescribed levels; (3) restricts the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limits investments, dispositions of assets and guarantees of indebtedness. The Company believes that such limitations should not impair its future operating activities.

The Company has $100,000 of 8¾% Senior Subordinated Notes due March 1, 2008 ("Senior Subordinated Notes"). The Senior Subordinated Notes were issued pursuant to an Indenture dated February 26, 1998 (the "Indenture"), between the Company, the Subsidiary Guarantors (as defined below) and Firstar Trust Company, as trustee. The Indenture contains customary affirmative and negative covenants. The Senior Subordinated Notes can be redeemed by the Company for a premium after March 1, 2003. In addition to the Company, certain of the Company's subsidiaries, including Pierce Manufacturing Inc., Summit Performance Systems, Inc., McNeilus Companies, Inc., McNeilus Truck & Manufacturing, Inc., Iowa Contract Fabricators, Inc., McIntire Fabricators, Inc., Kensett Fabricators, Inc., McNeilus Financial, Inc., Pierce Western Region Refurbishment Center, Inc., Kewaunee Fabrications, LLC, McNeilus Rescue Corporation, Viking Truck & Equipment Sales, Inc. (Ohio) and Viking Truck & Equipment Sales, Inc. (Michigan) (collectively, the "Subsidiary Guarantors") fully, unconditionally, jointly and severally guarantee the Company's obligations under the Senior Subordinated Notes (see Note 14).

McNeilus has unsecured notes payable to several of its former shareholders aggregating $2,289 at September 30, 2000 and $2,548 at September 30, 1999. Interest rates on these notes range from 5.7% to 8.0% with annual principal and interest payments ranging from $20 to $155 with maturities through October 2033. Debt at September 30, 2000 of $493 was assumed as part of the Viking acquisition. This debt requires principal payments of $307 in fiscal 2001 and $186 in fiscal 2002. The interest rates on these notes range from 7.60% to 9.25%.

The aggregate annual maturities of long-term debt for the five years succeeding September 30, 2000, are as follows: 2001 - $8,544; 2002 - $10,426; 2003 - $12,226; 2004 - $14,201; and 2005 - $14,046.

5. Income Taxes

	Fiscal Year Ended September 30,		
	2000	1999	1998
Income Tax Provision (Credit)			
Current:			
Federal	**$ 26,021**	$ 22,654	$ 10,555
State	**3,048**	2,029	2,074
Total current	**29,069**	24,683	12,629
Deferred:			
Federal	**1,935**	(2,882)	35
State	**342**	(488)	(9)
Total deferred	**2,277**	(3,370)	26
	$ 31,346	$ 21,313	$ 12,655

	Fiscal Year Ended September 30,		
	2000	1999	1998
Effective Rate Reconciliation			
U.S. federal tax rate	**35.0%**	35.0%	35.0%
State income taxes, net	**2.8**	2.9	4.9
Foreign sales corporation	**(0.6)**	(0.5)	(1.5)
Goodwill amortization	**2.5**	3.8	5.1
Other, net	**0.2**	0.6	0.7
	39.9%	41.8%	44.2%

	September 30,	
	2000	1999
Deferred Tax Assets and Liabilities		
Deferred tax assets:		
Other current liabilities	**$ 8,965**	$ 11,979
Other long-term liabilities	**7,290**	5,768
Accrued warranty	**5,849**	5,496
Payroll-related obligations	**4,035**	2,842
Other	**—**	1,067
Total deferred tax assets	**26,139**	27,152
Deferred tax liabilities:		
Intangible assets	**29,079**	30,233
Investment in unconsolidated partnership	**10,819**	13,301
Property, plant and equipment	**8,849**	8,802
Other long-term assets	**4,819**	1,423
Inventories	**2,855**	2,717
Other	**1,424**	383
Total deferred tax liabilities	**57,845**	56,859
Net deferred tax liability	**$(31,706)**	$(29,707)

The net deferred tax liability is classified in the consolidated balance sheet as follows:

	September 30,	
	2000	1999
Current net deferred tax asset	**$ 14,708**	$ 14,558
Noncurrent net deferred tax liability	**(46,414)**	(44,265)
	$(31,706)	$(29,707)

(In thousands, except share and per share amounts)

6. Employee Benefit Plans

The Company and certain of its subsidiaries sponsor multiple defined benefit pension plans and postretirement benefit plans covering certain Oshkosh and Pierce employees and certain Oshkosh and Kewaunee retirees and their spouses, respectively. The pension plans provide benefits based on compensation, years of service and date of birth. The postretirement benefit plans provides health benefits based on years of service and date of birth. The Company's policy is to fund the pension plans in amounts that comply with contribution limits imposed by law. Requirements of the Company's postretirement benefit plans are funded as benefit payments are made.

	Pension Benefits		Postretirement Benefits	
	2000	1999	**2000**	1999
Change in benefit obligation				
Benefit obligation at October 1	**$41,816**	$41,860	**$ 8,744**	$ 10,071
Service cost	**1,741**	1,828	**349**	461
Interest cost	**3,203**	2,853	**694**	708
Actuarial losses (gains)	**170**	(3,402)	**306**	(2,207)
Acquisition of Kewaunee	**—**	—	**262**	—
Benefits paid by the Company	**—**	—	**(472)**	(289)
Benefits paid from plan assets	**(1,538)**	(1,323)	**—**	—
Benefit obligation at September 30	**$45,392**	$41,816	**$ 9,883**	$ 8,744
Change in plan assets				
Fair value of plan assets at October 1	**$45,953**	$37,769	**$ —**	$ —
Actual return on plan assets	**4,966**	8,231	**—**	—
Company contributions	**2,493**	1,276	**472**	289
Benefits paid from plan assets	**(1,538)**	(1,323)	**—**	—
Benefits paid by the Company	**—**	—	**(472)**	(289)
Fair value of plan assets at September 30	**$51,874**	$45,953	**$ —**	$ —
Funded status of plan - over (under) funded	**$ 6,482**	$ 4,137	**$ (9,883)**	$ (8,744)
Unrecognized net actuarial gains	**(3,072)**	(2,299)	**(2,654)**	(3,071)
Unrecognized transition asset	**(392)**	(459)	**—**	—
Unamortized prior service cost	**1,652**	1,783	**—**	—
	4,670	3,162	**(12,537)**	(11,815)
Prepaid benefit cost recorded in other long-term assets	**4,670**	3,162	**—**	—
Accrued benefit cost recorded in other long-term liabilities	**$ —**	$ —	**$(12,537)**	$(11,815)
Weighted-average assumptions as of September 30				
Discount rate	**7.75%**	7.75%	**7.75%**	7.75%
Expected return on plan assets	**9.25**	9.25	**n/a**	n/a
Rate of compensation increase	**4.50**	4.50	**n/a**	n/a

	Pension Benefits Fiscal Year Ended September 30,			Postretirement Benefits Fiscal Year Ended September 30,		
	2000	1999	1998	**2000**	1999	1998
Components of net periodic benefit cost						
Service cost	**$ 1,741**	$ 1,828	$ 1,744	**$ 349**	$ 461	$ 397
Interest cost	**3,203**	2,853	2,751	**694**	708	676
Expected return on plan assets	**(4,023)**	(3,450)	(3,185)	**—**	—	—
Amortization of prior service cost	**131**	131	131	**—**	—	—
Amortization of transition asset	**(67)**	(67)	(67)	**—**	—	—
Amortization of net actuarial (gains)/losses	**—**	155	193	**(111)**	—	(13)
Net periodic benefit cost	**$ 985**	$ 1,450	$ 1,567	**$ 932**	$1,169	$1,060

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation for the Company was 9.0% in fiscal 2000, declining to 5.5% in fiscal 2008. If the health care cost trend rate was increased by 1%, the accumulated postretirement benefit obligation at September 30, 2000 would increase by $758 and net periodic postretirement benefit cost for fiscal 2000 would increase by $122. A corresponding decrease of 1% would decrease the accumulated postretirement benefit obligation at September 30, 2000 by $656 and net periodic postretirement benefit cost for fiscal 2000 would decrease by $101.

The Company maintains supplemental executive retirement plans ("SERPs") for certain executive officers of the Company and its subsidiaries which are unfunded. Expense related to the plans of $409, $660 and $1,125 was recorded in fiscal 2000, 1999 and 1998, respectively. Amounts accrued as of September 30, 2000 and 1999 related to the plans were $2,145 and $1,765, respectively.

The Company has defined contribution 401(k) plans covering substantially all employees. The plans allow employees to defer 2% to 19% of their income on a pre-tax basis. Each employee who elects to participate is eligible to receive Company matching contributions which are based on employee contributions to the plans, subject to certain limitations. Amounts expensed for Company matching contributions were $2,120, $1,684 and $1,345, in fiscal 2000, 1999 and 1998, respectively.

7. Shareholders' Equity

On February 1, 1999, the Board of Directors of the Company adopted a shareholder rights plan and declared a rights dividend of two-thirds of one Preferred Share Purchase Right ("Right") for each share of Common Stock and 40/69 of one Right for each share of Class A Common Stock outstanding on February 8, 1999, and provided that two-thirds of one Right and 40/69 of one Right would be issued with each share of Common Stock and Class A Common Stock, respectively, thereafter issued. The Rights are exercisable only if a person or group acquires 15% or more of the Common Stock and Class A Common Stock or announces a tender offer for 15% or more of the Common Stock and Class A Common Stock. Each Right entitles the holder thereof to purchase from the Company one one-hundredth share of the Company's Series A Junior Participating Preferred Stock at an initial exercise price of $145 per one one-hundredth of a share (subject to adjustment), or, upon the occurrence of certain events, Common Stock or common stock of an acquiring company having a market value equivalent to two times the exercise price. Subject to certain conditions, the Rights are redeemable by the Board of Directors for $.01 per Right and are exchangeable for shares of Common Stock. The Board of Directors is also authorized to reduce the 15% thresholds referred to above to not less than 10%. The Rights have no voting power and initially expire on February 1, 2009.

The Company has a stock restriction agreement with two shareholders owning the majority of the Company's Class A Common Stock. The agreement is intended to allow for an orderly transition of Class A Common Stock into Common Stock. The agreement provides that at the time of death or incapacity of the survivor of them, the two shareholders will exchange all of their Class A Common Stock for Common Stock. At that time, or at such earlier time as there are no more than 225,000 shares of Class A Common Stock issued and outstanding, the Company's Articles of Incorporation provide for a mandatory conversion of all Class A Common Stock into Common Stock.

Each share of Class A Common Stock is convertible into Common Stock on a one-for-one basis. During fiscal 2000, 3,778 shares of Class A Common Stock were converted into Common Stock. As of September 30, 2000, 422,207 shares of Common Stock are reserved for the conversion of Class A Common Stock. In July 1995, the Company authorized the buyback of up to 1,500,000 shares of the Company's Common Stock. As of September 30, 2000 and 1999, the Company had purchased 692,302 shares of its Common Stock at an aggregate cost of $6,551.

Dividends are required to be paid on both the Class A Common Stock and Common Stock at any time that dividends are paid on either. Each share of Common Stock is entitled to receive 115% of any dividend paid on each share of Class A Common Stock, rounded up or down to the nearest $0.0025 per share. Agreements governing the Company's Amended and Restated Senior Credit Facility and Senior Subordinated Notes restrict the Company's ability to pay dividends. Under these agreements, the Company generally may pay dividends in an amount not to exceed $6,000 plus 7.5% of net income.

Holders of the Common Stock have the right to elect or remove as a class 25% of the entire Board of Directors of the Company rounded to the nearest whole number of directors, but not less than one. Holders of Common Stock are not entitled to vote on any other Company matters, except as may be required by law in connection with certain significant actions such as certain mergers and amendments to the Company's Articles of Incorporation, and are entitled to one vote per share on all matters upon which they are entitled to vote. Holders of Class A Common Stock are entitled to elect the remaining directors (subject to any rights granted to any series of Preferred Stock) and are entitled to one vote per share for the election of directors and on all matters presented to the shareholders for vote.

The Common Stock shareholders are entitled to receive a liquidation preference of $5.00 per share before any payment or distribution to holders of the Class A Common Stock. Thereafter, holders of the Class A Common Stock are entitled to receive $5.00 per share before any further payment or distribution to holders of the Common Stock. Thereafter, holders of the Class A Common Stock and Common Stock share on a pro rata basis in all payments or distributions upon liquidation, dissolution or winding up of the Company.

On November 24, 1999, the Company completed the offer and sale of 3,795,000 shares of its Common Stock at $26.00 per share. Proceeds from the offering, net of underwriting discounts and commissions, totaled $93,736 with $93,500 used to repay indebtedness under the Company's Senior Credit Facility (see Note 4).

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8. Stock Options and Common Stock Reserved

The Company has reserved 2,145,628 shares of Common Stock at September 30, 2000 (including 900,000 shares for which approval from the holders of the Class A Common Stock will be sought at the Company's 2001 Annual Shareholders' Meeting) to provide for the exercise of outstanding stock options and the issuance of Common Stock under incentive compensation awards and 422,207 shares of Common Stock at September 30, 2000 to provide for conversion of Class A Common Stock to Common Stock, for a total of 2,567,835 shares of Common Stock reserved. Under the 1990 Incentive Stock Plan for Key Employees as amended (the "Plan"), officers, other key employees and directors may be granted options to purchase shares of the Company's Common Stock at not less than the fair market value of such shares on the date of grant. Participants may also be awarded grants of restricted stock under the Plan. The Plan expires on September 19, 2010. Options become exercisable ratably on the first, second, and third anniversary of the date of grant. Options to purchase shares expire not later than ten years and one month after the grant of the option.

The following table summarizes the transactions under the Plan for the three-year period ended September 30, 2000.

	Number of Options	Weighted-Average Exercise Price
Unexercised options outstanding September 30, 1997	656,852	$ 7.43
Options granted	621,000	13.57
Options exercised	(208,800)	7.00
Options forfeited	(1,500)	9.25
Unexercised options outstanding September 30, 1998	1,067,552	11.08
Options granted	210,500	29.89
Options exercised	(199,622)	7.22
Options forfeited	(1,875)	10.43
Unexercised options outstanding September 30, 1999	**1,076,555**	**15.47**
Options granted	**265,500**	**32.75**
Options exercised	**(43,002)**	**8.39**
Options forfeited	**(3,500)**	**12.30**
Unexercised options outstanding September 30, 2000	**1,295,553**	**$19.26**
Price range $5.25 - $11.17 (weighted-average contractual life of 5.5 years)	**363,553**	**$ 9.33**
Price range $12.75 - $15.75 (weighted-average contractual life of 7.8 years)	**456,000**	**14.41**
Price range $25.17 - $33.13 (weighted-average contractual life of 9.6 years)	**476,000**	**31.49**
Exercisable options at September 30, 2000	**688,193**	**13.54**
Shares available for grant at September 30, 2000	**850,075**	

As allowed by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has elected to continue to follow APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for the Plan. Accordingly, no compensation expense has been recognized for grants under the Plan. Had compensation cost for the Plan been determined consistent with SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	Fiscal Year Ended September 30, 2000	1999	1998
Pro forma:			
Net income	**$48,387**	$30,313	$14,681
Per share:			
Net income	**3.01**	2.38	1.17
Net income assuming dilution	**2.95**	2.32	1.15

During the initial phase-in period, as required by SFAS No. 123, the pro forma amounts were determined based on stock option grants subsequent to September 30, 1995. Therefore, the pro forma amounts may not be indicative of the effects of compensation cost on net earnings and earnings per share in future years. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rates of 5.99% in 2000, 5.82% in 1999, and 5.22% in 1998; dividend yields of 1.05% in 2000, 1.13% in 1999, and 2.51% in 1998; expected common stock market price volatility factor of .325 in 2000, .335 in 1999, and .308 in 1998; and a weighted-average expected life of the options of six years. The weighted-average fair value of options granted in 2000, 1999 and 1998 was $12.64, $11.57 and $4.07 per share, respectively.

9. Operating Leases and Related Party Transactions

Total rental expense for plant and equipment charged to operations under noncancelable operating leases was $1,723, $937 and $1,114 in fiscal 2000, 1999 and 1998, respectively. Minimum rental payments due under operating leases for subsequent fiscal years are: 2001 - $1,880; 2002 - $1,297; 2003 - $859; 2004 - $725; and 2005 - $191.

Included in rental expense are charges of $128 in fiscal 1998 relating to a building lease between the Company and certain shareholders. In September 1998, the Company purchased the building, which had been leased from such shareholders, for $773. The purchase price was based on the average of two independent appraisals.

10. Contingencies, Significant Estimates and Concentrations

The Company was engaged in litigation against Super Steel Products Corporation ("SSPC"), the Company's former supplier of mixer systems for front discharge concrete mixer trucks under a long-term supply contract. SSPC sued the Company in state court claiming that the Company breached the contract. The Company counterclaimed for repudiation of contract. On July 26, 1996, a jury returned a verdict for SSPC awarding damages totaling $4,485. On October 10, 1996, the state court judge overturned the verdict against the Company, granted judgment for the Company on its counterclaim, and ordered a new trial for damages on the Company's counterclaim. Both SSPC and the Company appealed the state court judge's decision. On December 8, 1998, the Wisconsin Court of Appeals ordered a state court judge to reinstate the jury verdict against the Company awarding damages totaling $4,485 plus interest to SSPC. On April 6, 1999, the Company's petition for review of this decision by the Wisconsin Supreme Court was denied. On April 12, 1999, the Company petitioned the state court judge to act on the Company's previous motion for a retrial. This petition was denied on June 18, 1999 and the state court judge directed that judgment be entered. In lieu of further appeals, the Company paid $5.75 million on July 27, 1999 in final settlement of the matter.

McNeilus was a defendant in litigation, which was commenced in 1993 prior to the acquisition of McNeilus by the Company, in the U.S. District Court for the Northern District of Alabama. The litigation, which was brought by The Heil Co. ("Heil"), a McNeilus competitor, sought damages and claimed that McNeilus infringed certain aspects of its patent for refuse packer design. The patent referenced in the matter was allowed by Heil to lapse in 1995. The Company denied infringement and asserted that the patent was invalid, both on the basis of prior art and on a defective application. The matter was settled in January 2000 for payment of an amount previously accrued.

The Company was engaged in the arbitration of certain disputes between the Oshkosh Florida Division and O.V. Containers, Inc., ("OV") which arose out of the performance of a contract to deliver 690 trailers. The Company contested warranty and other claims made against it, and reached a settlement in June 1998, which included payment by the Company of $1,000 to OV.

As part of its routine business operations, the Company disposes of and recycles or reclaims certain industrial waste materials, chemicals and solvents at third party disposal and recycling facilities, which are licensed by appropriate governmental agencies. In some instances, these facilities have been and may be designated by the United States Environmental Protection Agency ("EPA") or a state environmental agency for remediation. Under the Comprehensive Environmental Response, Compensation, and Liability Act (the "Superfund" law) and similar state laws, each potentially responsible party ("PRP") that contributed hazardous substances may be jointly and severally liable for the costs associated with cleaning up the site. Typically, PRPs negotiate a resolution with the EPA and/or the state environmental agencies. PRPs also negotiate with each other regarding allocation of the cleanup cost.

As to one such Superfund site, Pierce is one of 431 PRPs participating in the costs of addressing the site and has been assigned an allocation share of approximately 0.04%. Currently, a report of the remedial investigation/feasibility study is being completed, and as such, an estimate for the total cost of the remediation of this site has not been made to date. However, based on estimates and the assigned allocations, the Company believes its liability at the site will not be material and its share is adequately covered through reserves established by the Company at September 30, 2000. Actual liability could vary based on results of the study, the resources of other PRPs, and the Company's final share of liability.

The Company is addressing a regional trichloroethylene ("TCE") groundwater plume on the south side of Oshkosh, Wisconsin. The Company believes there may be multiple sources in the area. TCE was detected at the Company's North Plant facility with testing showing the highest concentrations in a monitoring well located on the upgradient property line. Because the investigation process is still ongoing, it is not possible for the Company to estimate its long-term total liability associated with this issue at this time. Also, as part of the regional TCE groundwater investigation, the Company conducted a groundwater investigation of a former landfill located on Company property. The landfill, acquired by the Company in 1972, is approximately 2.0 acres in size and is believed to have been used for the disposal of household waste. Based on the investigation, the Company does not believe the landfill is one of the sources of the TCE contamination. Based upon current knowledge, the Company believes its liability associated with the TCE issue will not be material and is adequately covered through reserves established by the Company at September 30, 2000. However, this may change as investigations proceed by the Company, other unrelated property owners, and the government.

The Company is subject to other environmental matters and legal proceedings and claims, including patent, antitrust, product liability and state dealership regulation compliance proceedings, that arise in the ordinary course of business. Although the final results of all such matters and claims cannot be predicted with certainty, management believes that the ultimate resolution of all such matters and claims, after taking into account the liabilities accrued with respect to such matters and claims, will not have a material adverse effect on the Company's financial condition or results of operations. Actual results could vary, among other things, due to the uncertainties involved in litigation.

The Company has guaranteed certain customers' obligations under deferred payment contracts and lease purchase agreements totaling approximately $1,000 at September 30, 2000. The Company is also contingently liable under bid, performance and

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specialty bonds totaling approximately $123,595 and open standby letters of credit issued by the Company's bank in favor of third parties totaling $12,133 at September 30, 2000.

Provisions for estimated warranty and other related costs are recorded at the time of sale and are periodically adjusted to reflect actual experience. At September 30, 2000 and 1999, the Company has reserved $16,320 and $14,623, respectively, for warranty claims. Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue can arise which is beyond the scope of the Company's historical experience. During fiscal 1998 the Company recorded warranty and other related costs for matters beyond the Company's historical experience totaling $3,200. The additional charges in fiscal 1998 principally related to a dispute with or involving the Company's former trailer manufacturing operations, which was settled in fiscal 1998 (see above), and secondarily to repair certain matters related to refuse and front-discharge chassis. It is reasonably possible that additional warranty and other related claims could arise from disputes or other matters beyond the scope of the Company's historical experience.

Product and general liability claims arise against the Company from time to time in the ordinary course of business. The Company is generally self-insured for future claims up to $250 to $750 per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. At September 30, 2000 and 1999, the reserve for product and general liability claims was $11,475 and $13,001, respectively, based on available information. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses in excess of established reserves will not have a material effect on the Company's financial condition or results of operations.

The Company subcontracted production under an $85,000 ISO-Compatible Palletized Flatracks ("IPF") contract for the U.S. Army to Steeltech Manufacturing, Inc. ("Steeltech"), a minority-owned firm, pursuant to Department of Defense regulations under the IPF contract. Due to financial difficulties encountered by Steeltech, the Company advanced working capital requirements to Steeltech. As a result of delays in the start-up of full-scale production under the IPF contract, the Company wrote off certain of its advances and an investment in Steeltech totaling $3,300 in prior years. Such charges were determined based on the amount of advances that were deemed to be unrealizable based on a projection of Steeltech's cash flows through completion of the IPF contract. Steeltech's IPF production was completed in July 1998. The Company also wrote off an investment of $900 in a joint venture, which leases equipment to Steeltech, and accrued $1,084 for the satisfaction of a guarantee of 50% of the outstanding indebtedness of the joint venture which was paid in full in fiscal 1999. Such charges were based on a projection of Steeltech's cash flows, which indicated that Steeltech could not sustain its lease payments to the joint venture, and because the Company believed that there was not a market for the sale of the leased equipment. Given the completion of the IPF contract, and Steeltech's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy code in October 1999, the Company is attempting to dispose of its investment in the joint venture. The Company believes that it is adequately reserved at September 30, 2000, for any matters relating to the disposition of such investment.

The Company's defense segment derives a significant portion of its revenue from the U.S. Department of Defense, as follows:

	Fiscal Year Ended September 30,		
	2000	1999	1998
U.S. Department of Defense	**$259,614**	$218,017	$247,504
Export	**16,227**	4,518	452
Total Defense Sales	**$275,841**	$222,535	$247,956

U.S. Department of Defense sales include $42,207, $180 and $10,437 in fiscal 2000, 1999 and 1998, respectively, for products sold internationally under the Foreign Military Sales ("FMS") Program.

Inherent in doing business with the U.S. Department of Defense are certain risks, including technological changes and changes in levels of defense spending. All U.S. Department of Defense contracts contain a provision that they may be terminated at any time at the convenience of the government. In such an event, the Company is entitled to recover allowable costs plus a reasonable profit earned to the date of termination.

11. Unaudited Quarterly Results

	Fiscal Year Ended September 30, 2000				Fiscal Year Ended September 30, 1999			
	4th Quarter	**3rd Quarter**	**2nd Quarter**	**1st Quarter**	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Net sales	**$357,968**	**$391,667**	**$330,524**	**$243,867**	$313,906	$329,821	$298,534	$222,693
Gross income	**54,394**	**58,802**	**49,761**	**39,977**	48,461	48,292	44,520	32,108
Income from continuing operations	**14,625**	**15,274**	**11,913**	**6,696**	10,185	10,545	6,549	3,912
Discontinued operations	**—**	**—**	**2,015**	**—**	—	—	—	—
Extraordinary charge	**(239)**	**—**	**—**	**(581)**	(60)	—	—	—
Net income	**14,386**	**15,274**	**13,928**	**6,115**	10,125	10,545	6,549	3,912
Earnings per share:								
Continuing operations	**$ .87**	**$ .92**	**$ .72**	**$ .46**	$ .79	$ .83	$ .51	$ .31
Discontinued operations	**—**	**—**	**.12**	**—**	—	—	—	—
Extraordinary charge	**(.01)**	**—**	**—**	**(.04)**	—	—	—	—
Net income	**.86**	**.92**	**.84**	**.42**	.79	.83	.51	.31
Earnings per share assuming dilution:								
Continuing operations	**.86**	**.90**	**.70**	**.46**	.77	.81	.50	.30
Discontinued operations	**—**	**—**	**.12**	**—**	—	—	—	—
Extraordinary charge	**(.01)**	**—**	**—**	**(.04)**	—	—	—	—
Net income	**.85**	**.90**	**.82**	**.42**	.77	.81	.50	.30
Dividends per share:								
Class A Common Stock	**$0.07500**	**$0.07500**	**$0.07500**	**$0.07500**	$0.07500	$0.07250	$0.07250	$0.07250
Common Stock	**0.08625**	**0.08625**	**0.08625**	**0.08625**	0.08625	0.08333	0.08333	0.08333

In the fourth quarter of fiscal 2000, the Company recorded a $385 non-cash charge ($239 after-tax) for the write-off of deferred financing costs related to debt which was prepaid on September 28, 2000 in connection with the refinancing of the Company's Senior Credit Facility. The after-tax amount has been recorded as an extraordinary charge.

12. Discontinued Operations, Impairment Losses and Gain on Sale of Affiliate

In fiscal 2000, the Company entered into a technology transfer agreement and collected certain previously written-off receivables from a foreign affiliate, as part of the disposition of a business that the Company exited in 1995. Gross proceeds of $3,250, less income taxes of $1,235, or $2,015 have been recorded as a gain on disposal of discontinued operations.

Following the acquisition of McNeilus and after conducting an internal study to determine how to integrate the concrete mixer businesses of the Company and McNeilus, the Company revised its plans regarding the use of the Company's Florida manufacturing facility and of previously acquired concrete mixer technology. The Florida manufacturing facility was originally acquired in connection with the Company's acquisition of assets and the business of a manufacturer of truck trailers in fiscal 1991. In 1996, the Company exited the manufacture of truck trailers but retained the Florida facility to manufacture products for the U.S. military and the Company's Summit brand of rear-discharge cement mixers. During the fourth quarter of fiscal 1998, following the completion of the internal study, management determined that all of the Company's U.S. requirements for rear-discharge concrete mixers would be sourced through the McNeilus manufacturing facilities due to the quality of the McNeilus brand and the efficient manufacturing processes at its facilities. In the fourth quarter of fiscal 1998, the Company further decided to begin to consolidate all its U.S. defense-related manufacturing in its Oshkosh, Wisconsin facility due to available capacity in Oshkosh and the ability to improve management of defense programs from this facility. As a result, management determined that Oshkosh's Florida facility and

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the Summit intangible asset may be impaired. Management estimated the projected undiscounted future cash flows from the Florida facility and the acquired concrete mixer technology and determined that such cash flows were less than the carrying value of the assets. Accordingly, pre-tax impairment losses of $3,865 and $1,935 included in selling, general and administrative expenses of corporate and the commercial segment, respectively, were recognized in fiscal 1998 based on the excess of their carrying values over the fair values of the assets. The fair value of the Florida facility was based on a third party appraisal. The fair value of the mixer intangible asset was determined based on the absence of future cash flows.

In previous years, the Company wrote off (as a charge to selling, general and administrative expense) its $3,025 equity investment in and advances to a Mexican bus manufacturer due to prolonged weakness in the Mexican economy and continuing high losses and high leverage reported by the Mexican affiliate. In fiscal 1998, the Company sold its 5.0% ownership interest in the Mexican bus manufacturer and recorded a pre-tax gain of $3,375. This gain was recorded as a reduction of selling, general and administrative expense in fiscal 1998.

13. Business Segment Information

The Company is organized into three reportable segments based on the internal organization used by management for making operating decisions and measuring performance. The Company's eight operating units have been aggregated into the three reportable segments of commercial, fire and emergency, and defense based on similar customers served and similar economic results attained.

Commercial: This segment consists of three operating units-McNeilus, Viking and the commercial division of Oshkosh. McNeilus and Oshkosh manufacture, market and distribute concrete mixer systems, refuse truck bodies, portable concrete batch plants and truck components. Viking sells and distributes concrete mixer systems. Sales are made to commercial and municipal customers in the U.S. and abroad.

Fire and emergency: This segment consists of four operating units-Pierce, the aircraft, rescue and firefighting ("ARFF") and snow removal divisions of Oshkosh and Kewaunee Fabrications, LLC. These units manufacture and market commercial and custom fire trucks and emergency vehicles primarily for fire departments, airports and other governmental units in the U.S. and abroad.

Defense: This segment consists of one operating unit (a division of Oshkosh), which manufactures heavy- and medium-payload tactical trucks and supply parts for the U.S. military and to other militaries around the world.

The Company evaluates performance and allocates resources based on profit or loss from segment operations before interest income and expense, income taxes and non-recurring items. Intersegment sales are not significant. The accounting policies of the reportable segments are the same as those described in Note 1 of the Notes to Consolidated Financial Statements.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The caption "Corporate and other" includes corporate related items, results of insignificant operations, intersegment eliminations and income and expense not allocated to reportable segments.

Selected financial data by business segment is as follows:

	Fiscal Year Ended September 30,		
	2000	1999	1998
Net sales to unaffiliated customers:			
Commercial	**$ 658,329**	$ 607,678	$354,165
Fire and emergency	**390,659**	336,241	301,181
Defense	**275,841**	222,535	247,956
Corporate and other	**(803)**	(1,500)	(510)
Consolidated	**$1,324,026**	$1,164,954	$902,792
Operating income (loss):			
Commercial	**$ 54,654**	$48,995	$ 19,317
Fire and emergency	**32,922**	26,758	25,581
Defense	**30,119**	22,878	22,680
Corporate and other	**(19,644)**	(22,418)	(18,858)
Consolidated operating income	**98,051**	76,213	48,720
Net interest expense	**(20,063)**	(25,984)	(20,164)
Miscellaneous other	**661**	730	92
Income from continuing operations before income taxes, equity in earnings of unconsolidated partnership and extraordinary charge	**$ 78,649**	$ 50,959	$ 28,648

	Fiscal Year Ended September 30,		
	2000	1999	1998
Depreciation and amortization:			
Commercial	**$ 11,547**	$ 10,949	$ 7,273
Fire and emergency	**8,979**	8,156	7,286
Defense	**2,833**	2,810	3,271
Corporate and other	**859**	1,242	868
Consolidated	**$ 24,218**	$ 23,157	$ 18,698
Capital expenditures:			
Commercial	**$ 11,053**	$ 9,317	$ 2,206
Fire and emergency	**5,016**	6,125	9,439
Defense	**6,578**	2,557	1,799
Consolidated	**$ 22,647**	$ 17,999	$ 13,444

	September 30,		
	2000	1999	1998
Identifiable assets[a]**:**			
Commercial[b]	**$ 385,622**	$ 381,199	$ 329,036
Fire and emergency	**288,904**	276,692	273,188
Defense	**108,528**	85,796	73,917
Corporate and other	**13,326**	9,603	8,898
Consolidated	**$ 796,380**	$ 753,290	$ 685,039

[a] The Company has no significant long-lived assets in foreign countries.

[b] Includes investment in unconsolidated partnership.

The following table presents net sales by geographic region based on product shipment destination.

	Fiscal Year Ended September 30,		
	2000	1999	1998
Net sales:			
United States	**$1,221,548**	$1,113,214	$ 857,310
Other North America	**7,429**	7,822	4,678
Europe and Middle East	**68,317**	21,713	16,889
Other	**26,732**	22,205	23,915
Consolidated	**$1,324,026**	$1,164,954	$ 902,792

14. Subsidiary Guarantors

The following tables present condensed consolidating financial information for: (a) the Company; (b) on a combined basis, the guarantors of the Senior Subordinated Notes, which include all of the wholly-owned subsidiaries of the Company ("Subsidiary Guarantors") other than McNeilus Financial Services, Inc. and Oshkosh/McNeilus Financial Services, Inc. which are the only non-guarantor subsidiaries of the Company ("Non-Guarantor Subsidiaries"); and (c) on a combined basis, the Non-Guarantor Subsidiaries. Separate financial statements of the Subsidiary Guarantors are not presented because the guarantors are jointly, severally, and unconditionally liable under the guarantees, and the Company believes separate financial statements and other disclosures regarding the Subsidiary Guarantors are not material to investors.

The Company is comprised of Wisconsin and Florida manufacturing operations and certain corporate management, information services and finance functions. Borrowings and related interest expense under the Amended and Restated Senior Credit Facility and the Senior Subordinated Notes are charged to the Company. The Company has allocated a portion of this interest expense to certain Subsidiary Guarantors through a formal lending arrangement. There are presently no management fee arrangements between the Company and its Non-Guarantor Subsidiaries.

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statement of Income
Fiscal Year Ended September 30, 2000
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$478,569	$870,317	$ —	$ (24,860)	$1,324,026
Cost of sales	411,850	733,893	—	(24,651)	1,121,092
Gross income	66,719	136,424	—	(209)	202,934
Operating expenses:					
Selling, general and administrative	41,108	52,260	356	—	93,724
Amortization of goodwill and other intangibles	—	11,159	—	—	11,159
Total operating expenses	41,108	63,419	356	—	104,883
Operating income (loss)	25,611	73,005	(356)	(209)	98,051
Other income (expense):					
Interest expense	(18,863)	(8,368)	(25)	6,300	(20,956)
Interest income	267	6,855	71	(6,300)	893
Miscellaneous, net	11,836	(11,763)	588	—	661
	(6,760)	(13,276)	634	—	(19,402)
Income before items noted below	18,851	59,729	278	(209)	78,649
Provision (credit) for income taxes	6,564	24,755	106	(79)	31,346
	12,287	34,974	172	(130)	47,303
Equity in earnings of subsidiaries and unconsolidated partnership, net of income taxes	36,221	—	1,205	(36,221)	1,205
Income from continuing operations	48,508	34,974	1,377	(36,351)	48,508
Gain from disposal of discontinued operations	2,015	—	—	—	2,015
Extraordinary charge	(820)	—	—	—	(820)
Net income	$ 49,703	$ 34,974	$ 1,377	$ (36,351)	$ 49,703

Condensed Consolidating Statement of Income
Fiscal Year Ended September 30, 1999
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$410,197	$767,441	$ —	$(12,684)	$1,164,954
Cost of sales	359,299	644,958	—	(12,684)	991,573
Gross income	50,898	122,483	—	—	173,381
Operating expenses:					
Selling, general and administrative	41,100	44,567	329	—	85,996
Amortization of goodwill and other intangibles	—	11,172	—	—	11,172
Total operating expenses	41,100	55,739	329	—	97,168
Operating income (loss)	9,798	66,744	(329)	—	76,213
Other income (expense):					
Interest expense	(24,817)	(8,227)	—	6,300	(26,744)
Interest income	282	6,725	53	(6,300)	760
Miscellaneous, net	95	205	430	—	730
	(24,440)	(1,297)	483	—	(25,254)
Income (loss) before items noted below	(14,642)	65,447	154	—	50,959
Provision (credit) for income taxes	(5,706)	26,961	58	—	21,313
	(8,936)	38,486	96	—	29,646
Equity in earnings of subsidiaries and unconsolidated partnership, net of income taxes	40,127	—	1,545	(40,127)	1,545
Income before extraordinary charge	31,191	38,486	1,641	(40,127)	31,191
Extraordinary charge	(60)	—	—	—	(60)
Net income	$ 31,131	$ 38,486	$ 1,641	$(40,127)	$ 31,131

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statement of Income
Fiscal Year Ended September 30, 1998
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$393,720	$509,072	$ —	$ —	$902,792
Cost of sales	350,139	426,617	—	—	776,756
Gross income	43,581	82,455	—	—	126,036
Operating expenses:					
Selling, general and administrative	37,861	31,117	23	—	69,001
Amortization of goodwill and other intangibles	—	8,315	—	—	8,315
Total operating expenses	37,861	39,432	23	—	77,316
Operating income (loss)	5,720	43,023	(23)	—	48,720
Other income (expense):					
Interest expense	(16,878)	(7,195)	(180)	2,763	(21,490)
Interest income	418	3,248	423	(2,763)	1,326
Miscellaneous, net	(96)	18	170	—	92
	(16,556)	(3,929)	413	—	(20,072)
Income (loss) before items noted below	(10,836)	39,094	390	—	28,648
Provision (credit) for income taxes	(4,075)	16,578	152	—	12,655
	(6,761)	22,516	238	—	15,993
Equity in earnings of subsidiaries and unconsolidated partnership, net of income taxes	23,014	—	260	(23,014)	260
Income before extraordinary charge	16,253	22,516	498	(23,014)	16,253
Extraordinary charge	(1,185)	—	—	—	(1,185)
Net income	$ 15,068	$ 22,516	$ 498	$(23,014)	$ 15,068

Condensed Consolidating Balance Sheet
September 30, 2000
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 13,034	$ 499	$ 36	$ —	$ 13,569
Receivables, net	61,156	47,473	272	(2,096)	106,805
Inventories	53,273	141,867	—	(209)	194,931
Prepaid expenses and other	12,153	7,836	143	—	20,132
Total current assets	139,616	197,675	451	(2,305)	335,437
Investment in and advances to:					
Subsidiaries	382,723	4,308	—	(387,031)	—
Unconsolidated partnership	—	—	15,179	—	15,179
Other long-term assets	14,010	1,980	284	—	16,274
Net property, plant and equipment	30,196	88,563	—	—	118,759
Goodwill and other intangible assets, net	—	310,731	—	—	310,731
Total assets	$566,545	$603,257	$15,914	$(389,336)	$796,380
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ 39,602	$ 46,704	$ 5	$ (2,096)	$ 84,215
Floor plan notes payable	—	23,925	—	—	23,925
Customer advances	3,114	56,856	26	—	59,996
Payroll-related obligations	10,642	12,792	31	—	23,465
Accrued warranty	7,668	8,652	—	—	16,320
Other current liabilities	26,433	21,914	164	—	48,511
Revolving credit facility and current maturities of long-term debt	8,000	237	307	—	8,544
Total current liabilities	95,459	171,080	533	(2,096)	264,976
Long-term debt	152,000	2,052	186	—	154,238
Deferred income taxes	(905)	36,432	10,887	—	46,414
Other long-term liabilities	18,934	10,761	—	—	29,695
Investment by and advances from (to) Parent	—	382,932	4,308	(387,240)	—
Shareholders' equity	301,057	—	—	—	301,057
Total liabilities and shareholders' equity	$566,545	$603,257	$15,914	$(389,336)	$796,380

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Balance Sheet
September 30, 1999
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	$ 3,698	$ 1,337	$ 102	$ —	$ 5,137
Receivables, net	49,311	43,837	38	—	93,186
Inventories	49,988	148,458	—	—	198,446
Prepaid expenses and other	7,609	7,695	4,217	—	19,521
Total current assets	110,606	201,327	4,357	—	316,290
Investment in and advances to:					
Subsidiaries	357,575	(7,590)	—	(349,985)	—
Unconsolidated partnership	—	—	12,335	—	12,335
Other long-term assets	10,745	1,027	52	—	11,824
Net property, plant and equipment	23,960	69,060	—	—	93,020
Goodwill and other intangible assets, net	—	319,821	—	—	319,821
Total assets	$502,886	$583,645	$16,744	$(349,985)	$753,290
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ 34,261	$ 50,234	$ 232	$ —	$ 84,727
Floor plan notes payable	—	26,616	—	—	26,616
Customer advances	1,669	66,695	—	—	68,364
Payroll-related obligations	9,172	11,788	30	—	20,990
Accrued warranty	6,785	7,838	—	—	14,623
Other current liabilities	17,940	23,638	10,628	—	52,206
Revolving credit facility and current maturities of long-term debt	5,000	259	—	—	5,259
Total current liabilities	74,827	187,068	10,890	—	272,785
Long-term debt	253,000	2,289	—	—	255,289
Deferred income taxes	(5,407)	36,228	13,444	—	44,265
Other long-term liabilities	17,586	485	—	—	18,071
Investment by and advances from (to) Parent	—	357,575	(7,590)	(349,985)	—
Shareholders' equity	162,880	—	—	—	162,880
Total liabilities and shareholders' equity	$502,886	$583,645	$16,744	$(349,985)	$753,290

Condensed Consolidating Statement of Cash Flows
Fiscal Year Ended September 30, 2000
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Income from continuing operations	$ 48,508	$ 34,974	$ 1,377	$(36,351)	$ 48,508
Non-cash adjustments	5,967	18,999	(426)	—	24,540
Changes in operating assets and liabilities	100	(13,434)	(10,240)	209	(23,365)
Net cash provided from (used for) operating activities	54,575	40,539	(9,289)	(36,142)	49,683
Investing activities:					
Acquisition of businesses, net of cash acquired	(5,467)	(1,752)	72	—	(7,147)
Investments in and advances to subsidiaries	(19,681)	(26,982)	10,521	36,142	—
Additions to property, plant and equipment	(10,962)	(11,685)	—	—	(22,647)
Other	(719)	(699)	(947)	—	(2,365)
Net cash provided from (used for) investing activities	(36,829)	(41,118)	9,646	36,142	(32,159)
Net cash provided from discontinued operations	2,015	—	—	—	2,015
Financing activities:					
Net repayments under revolving credit facility	(5,000)	—	—	—	(5,000)
Proceeds from issuance of long-term debt	30,913	—	—	—	30,913
Repayment of long-term debt	(123,913)	(259)	(423)	—	(124,595)
Debt issuance costs	(795)	—	—	—	(795)
Proceeds from Common Stock Offering	93,736	—	—	—	93,736
Costs of Common Stock Offering	(334)	—	—	—	(334)
Dividends paid	(5,392)	—	—	—	(5,392)
Other	360	—	—	—	360
Net cash used for financing activities	(10,425)	(259)	(423)	—	(11,107)
Increase (decrease) in cash and cash equivalents	9,336	(838)	(66)	—	8,432
Cash and cash equivalents at beginning of year	3,698	1,337	102	—	5,137
Cash and cash equivalents at end of year	$ 13,034	$ 499	$ 36	$ —	$ 13,569

Notes to Consolidated Financial Statements (continued)

Condensed Consolidating Statement of Cash Flows
Fiscal Year Ended September 30, 1999
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Income before extraordinary charge	$31,191	$38,486	$ 1,641	$(40,127)	$31,191
Non-cash adjustments	4,005	18,491	(5,143)	—	17,353
Changes in operating assets and liabilities	(11,739)	3,893	(1,650)	—	(9,496)
Net cash provided from (used for) operating activities	23,457	60,870	(5,152)	(40,127)	39,048
Investing activities:					
Investments in and advances to subsidiaries	5,992	(46,231)	112	40,127	—
Additions to property, plant and equipment	(4,261)	(13,738)	—	—	(17,999)
Other	238	(287)	3,564	—	3,515
Net cash provided from (used for) investing activities	1,969	(60,256)	3,676	40,127	(14,484)
Financing activities:					
Net repayments under revolving credit facility	(1,000)	—	—	—	(1,000)
Repayment of long-term debt	(19,000)	(256)	—	—	(19,256)
Dividends paid	(4,226)	—	—	—	(4,226
Other	1,433	—	—	—	1,433
Net cash used for financing activities	(22,793)	(256)	—	—	(23,049)
Increase (decrease) in cash and cash equivalents	2,633	358	(1,476)	—	1,515
Cash and cash equivalents at beginning of year	1,065	979	1,578	—	3,622
Cash and cash equivalents at end of year	$ 3,698	$ 1,337	$ 102	$ —	$ 5,137

Condensed Consolidating Statement of Cash Flows
Fiscal Year Ended September 30, 1998
(In thousands)

	Company	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Operating activities:					
Income before extraordinary charge	$ 16,253	$ 22,516	$ 498	$(23,014)	$ 16,253
Non-cash adjustments	9,707	14,293	(3,156)	—	20,844
Changes in operating assets and liabilities	40,800	4,533	(2,489)	—	42,844
Net cash provided from (used for) operating activities	66,760	41,342	(5,147)	(23,014)	79,941
Investing activities:					
Acquisitions of businesses, net of cash acquired	(229,876)	(3,563)	12,295	—	(221,144)
Investments in and advances to subsidiaries	10,250	(28,181)	(5,083)	23,014	—
Additions to property, plant and equipment	(2,997)	(10,447)	—	—	(13,444)
Other	4,590	1,868	(487)	—	5,971
Net cash provided from (used for) investing activities	(218,033)	(40,323)	6,725	23,014	(228,617)
Net cash used for discontinued operations	(1,093)	—	—	—	(1,093)
Financing activities:					
Net borrowings under revolving credit facility	6,000	—	—	—	6,000
Proceeds from issuance of long-term debt	325,000	—	—	—	325,000
Repayment of long-term debt	(188,000)	(49)	—	—	(188,049)
Debt issuance costs	(8,641)	—	—	—	(8,641)
Dividends paid	(4,176)	—	—	—	(4,176)
Other	38	—	—	—	38
Net cash provided from (used for) financing activities	130,221	(49)	—	—	130,172
Increase (decrease) in cash and cash equivalents	(22,145)	970	1,578	—	(19,597)
Cash and cash equivalents at beginning of year	23,210	9	—	—	23,219
Cash and cash equivalents at end of year	$ 1,065	$ 979	$ 1,578	$ —	$ 3,622

15. Subsequent Event

On October 30, 2000, the Company acquired all of the issued and outstanding capital stock of Medtec Ambulance Corporation ("Medtec") for approximately $14,500, including acquisition costs and net of cash acquired. Medtec is a U.S. manufacturer of custom ambulances and rescue vehicles with manufacturing facilities in Indiana and Michigan.

The acquisition was financed from available cash and borrowings under the Company's Amended and Restated Revolving Credit Facility. The acquisition will be accounted for using the purchase method of accounting and, accordingly, the operating results of Medtec will be included in the Company's consolidated statements of income beginning October 30, 2000. The excess of the purchase price over the estimated fair value of net assets acquired amounted to approximately $5,800, which will be accounted for as goodwill and amortized over a 25 year period. The purchase price allocation for the Medtec acquisition is preliminary and further adjustments are likely based on final valuations.

Financial Highlights

Selected Historical Consolidated Financial Data
Fiscal Years Ended September 30,
(In thousands, except per share amounts)

	2000[4]	1999	1998[5]	1997	1996[6]
Net sales	**$1,324,026**	$1,164,954	$902,792	$683,234	$413,455
Operating income (loss)	**98,051**	76,213	48,720	28,785	(3,601)
Income (loss) from continuing operations	**48,508**	31,191	16,253	10,006	(241)
Per share assuming dilution	**2.96**	2.39	1.27	0.78	(0.02)
Income (loss) from discontinued operations[1]	**2,015**	—	—	—	(2,859)
Per share assuming dilution[1]	**0.12**	—	—	—	(0.21)
Net income (loss) [2]	**49,703**	31,131	15,068	10,006	(3,100)
Per share assuming dilution [2]	**3.03**	2.39	1.18	0.78	(0.23)
Dividends per share:					
Class A Common Stock	**.300**	.292	.290	.290	.290
Common Stock	**.345**	.336	.333	.333	.333
Total assets	**796,380**	753,290	685,039	420,394	435,161
Expenditures for property, plant and equipment	**22,647**	17,999	13,444	6,574	5,515
Depreciation	**12,200**	10,743	9,515	9,382	8,627
Amortization of goodwill, other intangible assets and deferred financing costs	**12,018**	12,414	9,183	4,688	171
Net working capital	**70,461**	43,505	41,137	50,113	67,469
Long-term debt (including current maturities)[3]	**162,782**	260,548	280,804	135,000	157,882
Shareholders' equity[3]	**301,057**	162,880	131,296	120,900	121,602
Book value per share[3]	**18.06**	12.70	10.39	9.70	9.39
Backlog	**608,000**	487,000	377,000	361,000	433,000

[1] In fiscal 2000, the Company recorded a $2,015 after-tax gain resulting from a technology transfer agreement and collection of previously written-off receivables related to the Company's former bus chassis joint venture in Mexico. In fiscal 1996, the Company incurred after-tax charges of $1,600 arising from the write-off of receivables and other obligations related to the Company's former chassis joint venture in Mexico and incurred additional warranty and other related costs of $1,259 with respect to the Company's former U.S. chassis business.

[2] Includes after-tax extraordinary charges of $820 ($0.05 per share) in 2000, $60 ($0.00 per share) in 1999 and $1,185 ($0.09 per share) in 1998 related to early retirement of debt.

[3] On November 24, 1999, the Company prepaid $93,500 of term debt under its Senior Credit Facility from proceeds of the sale of 3,795,000 shares of Common Stock. On September 28, 2000, the Company amended and restated its Senior Credit Facility. See Note 4 to Notes to Consolidated Financial Statements.

[4] On November 1, 1999, the Company acquired assets, assumed certain liabilities and entered into related non-compete agreements for Kewaunee Fabrications, LLC for $5,467 in cash. On April 28, 2000, the Company acquired for cash, all of the issued and outstanding capital stock of Viking Truck and Equipment, Inc. for $1,680. See Note 3 to Notes to Consolidated Financial Statements.

[5] On February 26, 1998, the Company acquired for cash all of the issued and outstanding capital stock of McNeilus Companies, Inc. and entered into related non-compete and ancillary agreements for $217,581. See Note 3 to Notes to Consolidated Financial Statements.

[6] On September 18, 1996, the Company acquired for cash all of the issued and outstanding capital stock of Pierce Manufacturing Inc. for $156,926.

Financial Highlights (continued)

Dividends and Common Stock Price*

It is the Company's intention to declare and pay dividends on a regular basis. However, the payment of future dividends is at the discretion of the Company's Board of Directors and will depend upon, among other things, future earnings, capital requirements, the Company's general financial condition, general business conditions and other factors. When the Company pays dividends, it pays a dividend on each share of Common Stock equal to 115% of the amount paid on each share of Class A Common Stock. The agreements governing the Company's subordinated debt and bank debt restrict its ability to pay dividends on Common Stock and Class A Common Stock. For fiscal 2001, the terms of its Amended and Restated Senior Credit Facility generally limit the aggregate amount of all dividends the Company may pay on its common equity during that period to an amount equal to $6 million plus 7.5% of consolidated net income.

The Company's Common Stock is quoted on the Nasdaq National Market. As of September 30, 2000, there were 855 holders of record of the Company's Common Stock and 104 holders of record of the Company's Class A Common Stock. The following table sets forth prices reflecting actual sales as reported on the Nasdaq National Market.

	Fiscal 2000		Fiscal 1999	
Quarter Ended	**High**	**Low**	High	Low
September	**$40.00**	**$30.81**	$38.50	$22.75
June	**38.50**	**28.75**	33.58	19.33
March	**34.88**	**21.63**	25.50	20.83
December	**34.75**	**24.88**	23.33	14.50

*There is no established public trading market for Class A Common Stock.

OSHKOSH®

Shareholders' Information

ANNUAL MEETING
The Annual Meeting of Shareholders of Oshkosh Truck Corporation will be held on Monday, February 5, 2001, at 10:00 a.m. at the Experimental Aircraft Museum, 3000 Poberezny Road, Oshkosh, Wisconsin.

STOCK LISTING
Oshkosh Truck Corporation common stock is quoted on the National Market System of the National Association of Securities Dealers Automated Quotations ("NASDAQ"). The trading symbol is OTRKB.

FORM 10-K
Copies of Oshkosh's Form 10-K as filed with the Securities and Exchange Commission are available free of charge by visiting the Oshkosh web site, or by contacting:
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