TRINITY INDUSTRIES INC
Form 10-Q
November 02, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________.

Commission File Number 1-6903

Trinity Industries, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**75-0225040**
(State of Incorporation)	(I.R.S. Employer Identification No.)
2525 Stemmons Freeway	
Dallas, Texas	**75207-2401**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code **(214) 631-4420**

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ.

At October 27, 2006 there were 79,765,868 shares of the Registrant s common stock outstanding.

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All share and per share information, including dividends, has been retroactively adjusted to reflect the 3-for-2 stock split, except for the statements of stockholders equity which reflect the stock split by reclassifying from Capital in Excess of Par Value to Common Stock an amount equal to the par value of the additional shares issued to effect the stock split.

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Item 1. ***Financial Statements***
Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Operations

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
	(unaudited) (in millions except per share amounts)			
Revenues	**$ 810.1**	$ 694.1	**$ 2,383.9**	$ 1,982.7
Operating costs:				
Cost of revenues	**660.0**	588.5	**1,949.6**	1,713.8
Selling, engineering, and administrative expenses	**49.4**	47.5	**149.7**	135.2
	709.4	636.0	**2,099.3**	1,849.0
Operating profit	**100.7**	58.1	**284.6**	133.7
Other (income) expense:				
Interest income	**(5.7)**	(1.2)	**(9.3)**	(2.8)
Interest expense	**18.1**	10.9	**46.5**	31.9
Other, net	**(1.2)**	(8.1)	**(13.9)**	(11.8)
	11.2	1.6	**23.3**	17.3
Income from continuing operations before income taxes	**89.5**	56.5	**261.3**	116.4
Provision for income taxes	**34.1**	23.6	**103.2**	45.8
Income from continuing operations	**55.4**	32.9	**158.1**	70.6
Discontinued operations:				
Gain (loss) on sales of discontinued operations, net of provision (benefit) for income taxes of $(0.5) and $13.3	**(1.4)**		**21.0**	
Income (loss) from discontinued operations, net of provision (benefit) for income taxes of $1.8, $(0.3), $(1.1), and $(4.8)	**(3.2)**	0.2	**(5.5)**	(9.7)
Net income	**50.8**	33.1	**173.6**	60.9
Dividends on Series B preferred stock		(0.8)		(2.4)
Net income applicable to common shareholders	**$ 50.8**	$ 32.3	**$ 173.6**	$ 58.5

Net income applicable to common shareholders per common share:				
Basic:				
Continuing operations	**$ 0.71**	$ 0.45	**$ 2.07**	$ 0.96
Discontinued operations	**(0.06)**	0.00	**0.20**	(0.13)
	$ 0.65	$ 0.45	**$ 2.27**	$ 0.83
Diluted:				
Continuing operations	**$ 0.70**	$ 0.43	**$ 2.00**	$ 0.93
Discontinued operations	**(0.06)**	0.00	**0.19**	(0.13)
	$ 0.64	$ 0.43	**$ 2.19**	$ 0.80
Weighted average number of shares outstanding:				
Basic	**77.5**	71.0	**76.5**	70.7
Diluted	**79.2**	77.0	**79.1**	76.2
Dividends declared per common share	**$ 0.060**	$ 0.047	**$ 0.153**	$ 0.127

See accompanying notes to consolidated financial statements.

Trinity Industries, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2006 (unaudited)	December 31, 2005
	(in millions)	
Assets		
Cash and cash equivalents	**$ 368.1**	$ 136.0
Receivables, net of allowance	**298.4**	218.7
Inventories:		
Raw materials and supplies	**308.8**	245.6
Work in process	**136.7**	113.6
Finished goods	**80.2**	49.3
	525.7	408.5
Property, plant, and equipment, at cost	**2,196.7**	1,774.7
Less accumulated depreciation	**(723.5)**	(695.5)
	1,473.2	1,079.2
Goodwill	**434.0**	433.4
Assets held for sale and discontinued operations	**7.9**	132.1
Other assets	**243.3**	178.6
	$ 3,350.6	$ 2,586.5
Liabilities and Stockholders Equity		
Accounts payable and accrued liabilities	**$ 625.0**	$ 595.8
Debt:		
Recourse	**772.7**	432.7
Non-recourse	**430.9**	256.3
	1,203.6	689.0
Deferred income	**43.5**	45.2
Liabilities held for sale and discontinued operations	**1.6**	36.6
Other liabilities	**102.9**	46.8

		1,976.6		1,413.4
Series B redeemable convertible preferred stock, no par value, $0.1 liquidation value				58.7
Stockholders equity:				
Preferred stock 1.5 shares authorized and unissued				
Common stock 100.0 shares authorized		**79.8**		50.9
Capital in excess of par value		**477.7**		439.8
Retained earnings		**857.1**		696.9
Accumulated other comprehensive loss		**(38.8)**		(40.2)
Treasury stock		**(1.8)**		(33.0)
		1,374.0		1,114.4
	$	**3,350.6**	$	2,586.5

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Nine Months Ended September 30, 2006 (unaudited) (in millions)	2005
Operating activities:		
Net income	**$ 173.6**	$ 60.9
Adjustments to reconcile net income to net cash provided (required) by continuing operating activities:		
(Income) loss from discontinued operations, including gain (loss) on sale	**(15.5)**	9.7
Depreciation and amortization	**63.3**	56.6
Stock-based compensation expense	**9.8**	4.4
Excess tax benefits from stock-based compensation	**(6.2)**	
Deferred income taxes	**65.3**	41.0
Gain on disposition of property, plant, equipment, and other assets	**(12.6)**	(6.0)
Other	**(3.1)**	(12.3)
Changes in assets and liabilities:		
(Increase) decrease in receivables	**(79.7)**	(98.1)
(Increase) decrease in inventories	**(120.8)**	(43.5)
(Increase) decrease in other assets	**(56.6)**	(6.9)
Increase (decrease) in accounts payable and accrued liabilities	**39.5**	15.0
Increase (decrease) in other liabilities	**(8.7)**	(4.7)
Net cash provided by operating activities continuing operations	**48.3**	16.1
Net cash provided by operating activities discontinued operations	**15.0**	43.7
Net cash provided by operating activities	**63.3**	59.8
Investing activities:		
Proceeds from disposition of property, plant, equipment, and other assets	**51.1**	29.8
Capital expenditures lease subsidiary	**(390.3)**	(233.0)
Capital expenditures other	**(93.1)**	(44.8)
Payment for purchase of acquisitions, net of cash acquired	**(2.3)**	
Net cash required by investing activities continuing operations	**(434.6)**	(248.0)
Net cash provided (required) by investing activities discontinued operations	**82.9**	(0.4)
Net cash required by investing activities	**(351.7)**	(248.4)
Financing activities:		
Issuance of common stock, net	**13.1**	16.5
Excess tax benefits from stock-based compensation	**6.2**	
Payments to retire debt	**(405.5)**	(46.2)
Proceeds from issuance of debt	**920.1**	174.0

Dividends paid to common shareholders	**(11.7)**	(8.5)
Dividends paid to preferred shareholders	**(1.7)**	(2.7)
Net cash provided by financing activities	**520.5**	133.1
Net increase (decrease) in cash and cash equivalents	**232.1**	(55.5)
Cash and cash equivalents at beginning of period	**136.0**	172.6
Cash and cash equivalents at end of period	**$ 368.1**	$ 117.1

Interest paid for the nine months ended September 30, 2006 and 2005, net of $0.3 million in capitalized interest for 2006, was $45.4 million and $36.3 million, respectively. Taxes paid, net of refunds received, were $61.9 million and $9.0 million for the nine months ended September 30, 2006 and 2005, respectively.

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Stockholders Equity

(unaudited) (in millions, except par value and dividends per share)	Common Stock Shares (100.0 Authorized)	$1.00 Par Value	Capital in Excess of Par Value
Balances at December 31, 2004	50.9	$ 50.9	$ 432.6
Net income			
Other comprehensive income:			
Currency translation adjustments, net of tax			
Unrealized gain on derivative financial instruments, net of tax			
Comprehensive net income			
Cash dividends on common stock			
Cash dividends on Series B preferred stock			
Restricted shares issued			(0.9)
Stock options exercised			(0.4)
Other			0.1
Balances at September 30, 2005	50.9	$ 50.9	$ 431.4

(unaudited) (in millions, except par value and dividends per share)	Common Stock Shares (100.0 Authorized)	$1.00 Par Value	Capital in Excess of Par Value
Balances at December 31, 2005	**50.9**	**$ 50.9**	**$ 439.8**
Net income			
Other comprehensive income:			
Currency translation adjustments, net of tax			
Unrealized gain on derivative financial instruments, net of tax			
Comprehensive net income			
Cash dividends on common stock			
Cash dividends on Series B preferred stock			
Conversion of Series B Preferred Stock	**2.7**	**2.7**	**56.1**
Restricted shares issued			**10.5**
Stock options exercised	**0.2**	**0.2**	**(2.4)**

Income tax benefit from stock options exercised			**8.9**
Stock-based compensation expense			**1.3**
3-for-2 stock split (Note 1)	**26.8**	**26.8**	**(26.9)**
Issuance of treasury stock used in 3-for-2 stock split	**(0.8)**	**(0.8)**	**(9.6)**
Balances at September 30, 2006	**79.8**	**$ 79.8**	**$ 477.7**

See accompanying notes to consolidated financial statements.

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Trinity Industries, Inc. and Subsidiaries
Consolidated Statements of Stockholders Equity (Continued)

Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Treasury Stock at Cost	Total Stockholders Equity
$ 626.2	$ (25.3)	(3.1)	$ (71.5)	$ 1,012.9
60.9				60.9
	(0.8)			(0.8)
	2.0			2.0
				62.1
(9.0)				(9.0)
(2.4)				(2.4)
		0.4	13.6	12.7
		0.8	16.9	16.5
			(1.9)	(1.8)
$ 675.7	$ (24.1)	(1.9)	$ (42.9)	$ 1,091.0

Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Shares	Treasury Stock at Cost	Total Stockholders Equity
$ 696.9	**$ (40.2)**	**(1.5)**	**$ (33.0)**	**$ 1,114.4**
173.6				**173.6**
	1.4			**1.4**
				175.0
(12.9)				**(12.9)**
(0.5)				**(0.5)**
				58.8
		0.3	**15.3**	**25.8**
		0.6	**5.5**	**3.3**
				8.9
				1.3
		(0.3)		**(0.1)**
		0.8	**10.4**	
$ 857.1	**$ (38.8)**	**(0.1)**	**$ (1.8)**	**$ 1,374.0**

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Trinity Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The foregoing consolidated financial statements are unaudited and have been prepared from the books and records of Trinity Industries, Inc. and subsidiaries (Trinity or the Company). In the opinion of management, all adjustments, consisting only of normal and recurring adjustments necessary for a fair presentation of the financial position of the Company as of September 30, 2006 and the results of operations for the three and nine month periods ended September 30, 2006 and 2005, and cash flows for the nine month periods ended September 30, 2006 and 2005, have been made in conformity with generally accepted accounting principles. Because of seasonal and other factors, the results of operations for the three and nine month periods ended September 30, 2006 may not be indicative of expected results of operations for the year ending December 31, 2006. These interim financial statements and notes are condensed as permitted by the instructions to Form 10-Q and should be read in conjunction with the audited consolidated financial statements of the Company included in its Form 10-K for the year ended December 31, 2005.

Stockholders Equity

On May 15, 2006, the Company s Board of Directors authorized a 3-for-2 stock split on its common shares. The stock split was issued in the form of a 50% stock dividend. The record date for the stock dividend was May 26, 2006 and the additional shares were distributed to shareholders on June 9, 2006. All share and per share information, including dividends, has been retroactively adjusted to reflect the 3-for-2 stock split, except for the statements of stockholders equity which reflect the stock split by reclassifying from Capital in Excess of Par Value to Common Stock the amount of $26.9 million which equals the par value of the additional shares issued to effect the stock split.

Property, Plant, and Equipment

Based on a study performed by the Company in the fourth quarter of 2005, the estimated useful lives of certain railcars in our lease fleet were extended to 35 years. The impact of this change on net income for the three and nine month periods ended September 30, 2006 was an increase of approximately $1.4 and $3.6 million, or $0.01 and $0.03 per diluted share, respectively.

Stock Based Compensation

On January 1, 2006, the Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 123R Share-Based Payment . SFAS No. 123R is a revision of SFAS No. 123, Accounting for Stock Based Compensation , and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107, which provides supplemental implementation guidance for SFAS No. 123R. Among other items, SFAS No. 123R eliminates the use of APB No. 25 and the intrinsic value method of accounting and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair-value of those awards, in the financial statements.

The Company uses the Black-Scholes-Merton (BSM) option pricing model to determine the fair value of stock options granted to employees, consistent with that used for pro forma disclosures under SFAS No. 123. The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, and restricted stock units that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

As a result of the adoption of SFAS No. 123R, the Company recorded an incremental $0.4 million and $1.3 million of stock-based compensation expense for the three and nine month periods ended September 30, 2006, respectively. The income tax benefit related to stock-based compensation expense was $1.0 million and $9.1 million for the three and nine month periods ended September 30, 2006, respectively. In accordance with SFAS No. 123R, beginning in the first quarter of 2006 the Company has presented excess tax benefits from the exercise of stock-based compensation awards as a financing activity in the consolidated statement of cash flows. No stock-based compensation costs were capitalized as part of the cost of an asset as of September 30, 2006. As of September 30, 2006, $38.8 million of total unrecognized compensation cost related to stock options, restricted stock, and restricted stock units is expected to be recognized ratably over a weighted-average period of 1.5 years for stock options and 5.3 years for restricted stock and restricted stock units. See Note 11 for additional information on stock-based compensation.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure as if the fair-value based method had been applied in measuring compensation expense. Under APB No. 25, when the exercise price of the Company s employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

The following table illustrates the effect on income from continuing operations applicable to common shareholders and income from continuing operations applicable to common shareholders per common share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation during the three and nine month periods ended September 30, 2005, (in millions, except per share amounts).

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
	(in millions)	
Income from continuing operations applicable to common shareholders, as reported	$ 32.1	$ 68.2
Add: Stock compensation expense related to restricted stock, net of related income tax effect	1.0	2.3
Deduct: Total stock-based employee compensation expense determined under fair-value based method for all awards, net of related income tax effects	(1.2)	(3.7)
Pro forma income from continuing operations applicable to common shareholders basic	31.9	66.8
Add: Effect of dilutive Series B preferred stock	0.8	2.4
Pro forma income from continuing operations applicable to common shareholders diluted	$ 32.7	$ 69.2
Pro forma income from continuing operations applicable to common shareholders per common share:		
Basic	$ 0.45	$ 0.94
Diluted	$ 0.42	$ 0.91

Income from continuing operations applicable to common shareholders per common share as reported:		
Basic	$ 0.45	$ 0.96
Diluted	$ 0.43	$ 0.93

Recent Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (SFAS No. 109) . This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes . It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation is effective for fiscal years beginning after December 31, 2006. The Company will be required to adopt this interpretation in the first quarter of 2007. Management is currently evaluating the requirements of FIN 48 and has not yet determined the impact on the consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and

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expands disclosures about fair value measurements. The provisions of SFAS 157 are effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of the provisions of SFAS 157.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158). SFAS 158 requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree healthcare, and other postretirement plans in their financial statements. The provisions of SFAS 158 are effective for fiscal years ending after December 15, 2006. The Company is currently evaluating the impact of the provisions of SFAS 158.

In September 2006, the FASB issued FASB Staff Position AUG AIR-1, Accounting for Planned Major Maintenance Activities (FSP AUG AIR-1) that addresses the planned major maintenance of assets and prohibits the use of the accrue-in-advance method of accounting for these activities in annual and interim reporting periods. FSP AUG AIR-1 continues to allow the direct expense, built-in overhaul, and deferral methods and requires disclosure of the accounting method for planned major maintenance activities as well as information related to the change from the accrue-in advance method to another method. FSP AUG AIR-1 is effective for the first fiscal year beginning after December 15, 2006 and should be applied retrospectively. The Company does not expect the adoption of FSP AUG AIR-1 to have a material impact on our financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the 2006 presentation for discontinued operations.

Note 2. Discontinued Operations

Weld Pipe Fittings Business

In June 2006, the Company completed the sale of its weld pipe fittings business to an investment firm (Buyer) for $54.3 million cash. The sale closed on June 8, 2006 and resulted in an after-tax gain of $22.2 million.

The assets and liabilities of the weld pipe fittings business as of December 31, 2005 were as follows (in millions):

Assets of Weld Pipe Fittings Business:	
Accounts receivable, net	$ 3.6
Inventory	11.6
Property, plant, and equipment, net	2.6
Total assets	$ 17.8
Liabilities of Weld Pipe Fittings Business:	
Accounts payable and accrued expenses	$ 5.3
Total liabilities	$ 5.3

In connection with the sale, the Company entered into a Transaction Services Agreement. Pursuant to the Transaction Services Agreement, in exchange for specified fees, the Company provided to the Buyer certain services including accounting, tax, information technology, and use of certain facilities through September 30, 2006.

Condensed results of operations relating to the weld pipe fittings business for the three and nine month periods ended September 30, 2006 and 2005 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in millions)			

Revenues	**$**	$ 14.4	**$ 28.0**	$ 39.9
Operating costs		11.3	**23.5**	33.5
Other income				0.1
Income from discontinued operations before income taxes		3.1	**4.5**	6.5
Provision (benefit) for income taxes	**(0.2)**	1.2	**1.5**	2.5
Net income from discontinued operations	**$ 0.2**	$ 1.9	**$ 3.0**	$ 4.0

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European Rail Business

In August 2006, the Company sold its European Rail business to an investment firm (Purchaser) for $30.0 million plus working capital, as defined in the agreement. Further, the Purchaser agreed to lease certain equipment from the Company with lease obligations totaling approximately $6.0 million. A portion of the sales price was financed with a $13.5 million note from the Purchaser to the Company secured by stock of one of the companies sold. The sale closed on August 3, 2006 and resulted in an after-tax gain of $1.9 million. Such gain includes the reversal of the accumulated foreign currency translation adjustment related to the European operations of $8.7 million, net of tax. See Note 13.

In connection with the sale, the Company entered into a Transition Services Agreement. In exchange for specified fees, the Company will provide to the Purchaser certain services including consulting in the areas of accounting, tax, information technology, and use of certain facilities through December 31, 2006.

The assets and liabilities of the European Rail business were as follows (in millions):

Assets of European Rail Business:

	September 30, 2006	**December 31, 2005**
Cash and cash equivalents	**$ 2.0**	$ 14.9
Accounts receivable	**0.9**	27.3
Inventories	**0.2**	23.9
Other current assets		0.8
Property, plant, and equipment, net	**0.1**	37.3
Other assets	**2.0**	7.2
Total assets	**$ 5.2**	$ 111.4

Liabilities of European Rail Business:

	September 30, 2006	**December 31, 2005**
Accounts payable and accrued liabilities	**$ 1.5**	$ 28.5
Other liabilities		2.5
Total liabilities	**$ 1.5**	$ 31.0

Condensed results of operations relating to the European Rail business for the three and nine month periods ended September 30, 2006 and 2005 and the three and six month periods ended June 30, 2006 and 2005 are as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2006	**2005**	**2006**	**2005**
	(in millions)			
Revenues	**$ 15.2**	$ 33.8	**$ 69.4**	$ 96.9
Operating costs	**17.8**	35.9	**80.0**	116.2
Other (income) expense	**(1.1)**	0.8	**0.5**	1.2
Loss from discontinued operations before income taxes	**(1.5)**	(2.9)	**(11.1)**	(20.5)
Provision (benefit) for income taxes	**2.0**	(1.3)	**(2.5)**	(7.2)

Net loss from discontinued operations	**$ (3.5)**	$ (1.6)	**$ (8.6)**	$ (13.3)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
		(in millions)		
Revenues	**$ 34.2**	$ 28.5	**$ 54.2**	$ 63.1
Operating costs	**37.2**	40.1	**62.2**	80.3
Other expense	**0.4**	0.2	**1.6**	0.4
Loss from discontinued operations before income taxes	**(3.4)**	(11.8)	**(9.6)**	(17.6)
Provision (benefit) for income taxes	**(1.6)**	(3.9)	**(4.6)**	(5.9)
Net loss from discontinued operations	**$ (1.8)**	$ (7.9)	**$ (5.0)**	$ (11.7)

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Other Discontinued Operations

In September 2006, the Company committed to a plan to divest its Brazilian operations. Total net assets of the Brazilian operations as of September 30, 2006 and December 31, 2005 were $2.7 million and $2.9 million, respectively. For the three months and nine months ended September 30, 2006 and 2005, revenues and net income from discontinued operations were insignificant. Given the Company s plan to divest of its Brazilian operations, the accumulated foreign currency translation adjustments (CTA) related to the operations have been included as part of the carrying amount of the investment when evaluating impairment. Including CTA amounts in the total value of the investment when evaluating the investment for impairment resulted in the Company recording an asset impairment charge of $3.9 million. The impairment charge is included in loss on sales of discontinued operations in the accompanying consolidated statement of operations.

Note 3. Segment Information

The Company reports operating results in the following business segments: (1) the Rail Group, which manufactures and sells railcars and component parts; (2) the Construction Products Group, which manufactures and sells highway products, concrete and aggregates, and girders and beams used in the construction of highway and railway bridges; (3) the Inland Barge Group, which manufactures and sells barges and related products for inland waterway services; (4) the Energy Equipment Group, which manufactures and sells products for energy related businesses, including tank heads, pressure and non-pressure containers for the storage and transportation of liquefied gases and other liquid and dry products, and structural wind towers; and (5) the Railcar Leasing and Management Services Group, which provides fleet management, maintenance, and leasing services. Finally, All Other includes the Company s captive insurance and transportation companies, costs associated with our non-operating facilities, other peripheral businesses, and change in the market valuation related to ineffective commodity hedges.

In June 2006, the Company sold its weld pipe fittings business, which has historically been a component of the Construction Products Group. Historical segment information has been retroactively adjusted to exclude the discontinued operations from the Construction Products Group.

In August 2006, the Company sold its European Rail business, which has historically been a component of the Rail Group. Historical segment information has been retroactively adjusted to exclude the discontinued operations from the Rail Group.

In September 2006, the Company committed to a plan to divest its Brazilian operations, which has historically been a component of the Energy Equipment Group. Historical segment information has been retroactively adjusted to exclude the discontinued operations from the Energy Equipment Group.

Sales and related profits from the Rail Group to Railcar Leasing and Management Services Group are recorded in the Rail Group and eliminated in consolidation. Sales of railcars from the lease fleet are included in the Railcar Leasing and Management Services Group. Sales between groups are recorded at prices comparable to those charged to external customers.

Three Months Ended September 30, 2006

	Revenues			Operating Profit
	Outside	Intersegment	Total	(Loss)
	(in millions)			
Rail Group	**$ 377.5**	**$ 170.8**	**$ 548.3**	**$ 62.2**
Construction Products Group	**190.3**	**0.7**	**191.0**	**19.9**
Inland Barge Group	**93.7**		**93.7**	**11.9**
Energy Equipment Group	**85.9**	**2.2**	**88.1**	**13.4**
Railcar Leasing and Management Services Group	**61.4**		**61.4**	**24.5**
All Other	**1.3**	**13.7**	**15.0**	**(3.9)**
Corporate				**(8.3)**
Eliminations		**(187.4)**	**(187.4)**	**(19.0)**

Consolidated Total	**$ 810.1**	**$**	**$ 810.1**	**$ 100.7**

Three Months Ended September 30, 2005

	Revenues Outside	Revenues Intersegment (in millions)	Revenues Total	Operating Profit (Loss)
Rail Group	$ 374.8	$ 83.6	$ 458.4	$ 38.1
Construction Products Group	165.6	2.2	167.8	18.2
Inland Barge Group	50.3		50.3	4.7
Energy Equipment Group	57.7	2.2	59.9	8.7
Railcar Leasing and Management Services Group	44.0		44.0	12.9
All Other	1.7	10.2	11.9	(1.0)
Corporate				(9.7)
Eliminations		(98.2)	(98.2)	(13.8)
Consolidated Total	$ 694.1	$	$ 694.1	$ 58.1

Nine Months Ended September 30, 2006

	Revenues Outside	**Revenues Intersegment (in millions)**	**Revenues Total**	**Operating Profit (Loss)**
Rail Group	**$ 1,165.1**	**$ 440.1**	**$ 1,605.2**	**$ 187.1**
Construction Products Group	**526.9**	**1.3**	**528.2**	**49.5**
Inland Barge Group	**265.7**		**265.7**	**29.0**
Energy Equipment Group	**232.7**	**6.7**	**239.4**	**36.5**
Railcar Leasing and Management Services Group	**189.5**		**189.5**	**66.3**
All Other	**4.0**	**35.5**	**39.5**	**(7.3)**
Corporate				**(26.8)**
Eliminations		**(483.6)**	**(483.6)**	**(49.7)**
Consolidated Total	**$ 2,383.9**	**$**	**$ 2,383.9**	**$ 284.6**

Nine Months Ended September 30, 2005

	Revenues Outside	Revenues Intersegment (in millions)	Revenues Total	Operating Profit (Loss)
Rail Group	$ 1,060.3	$ 264.4	$ 1,324.7	$ 81.3
Construction Products Group	462.2	3.5	465.7	44.4
Inland Barge Group	159.0		159.0	6.7
Energy Equipment Group	152.1	7.8	159.9	21.4
Railcar Leasing and Management Services Group	145.1		145.1	39.5
All Other	4.0	27.8	31.8	(4.3)
Corporate				(25.4)
Eliminations		(303.5)	(303.5)	(29.9)

Consolidated Total	$ 1,982.7	$	$ 1,982.7	$ 133.7

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The following tables show revised segment information for the six month periods ended June 30, 2006 and 2005 as well as the three month periods ended March 31 and June 30, 2006 and 2005.

Six Months Ended June 30, 2006

	Revenues Outside	Revenues Intersegment	Revenues Total	Operating Profit (Loss)
	(in millions)			
Rail Group	$ 787.6	$ 269.3	$ 1,056.9	$ 124.9
Construction Products Group	336.6	0.6	337.2	29.6
Inland Barge Group	172.0		172.0	17.1
Energy Equipment Group	146.8	4.5	151.3	23.1
Railcar Leasing and Management Services Group	128.1		128.1	41.8
All Other	2.7	21.8	24.5	(3.4)
Corporate				(18.5)
Eliminations		(296.2)	(296.2)	(30.7)
Consolidated Total	$ 1,573.8	$	$ 1,573.8	$ 183.9

Six Months Ended June 30, 2005

	Revenues Outside	Revenues Intersegment	Revenues Total	Operating Profit (Loss)
	(in millions)			
Rail Group	$ 685.5	$ 180.8	$ 866.3	$ 43.2
Construction Products Group	296.6	1.3	297.9	26.2
Inland Barge Group	108.7		108.7	2.0
Energy Equipment Group	94.4	5.6	100.0	12.7
Railcar Leasing and Management Services Group	101.1		101.1	26.6
All Other	2.3	17.6	19.9	(3.3)
Corporate				(15.7)
Eliminations		(205.3)	(205.3)	(16.1)
Consolidated Total	$ 1,288.6	$	$ 1,288.6	$ 75.6

Three Months Ended June 30, 2006

	Revenues Outside	Revenues Intersegment	Revenues Total	Operating Profit (Loss)
	(in millions)			
Rail Group	$ 416.2	$ 120.8	$ 537.0	$ 62.9
Construction Products Group	188.6	0.1	188.7	20.1
Inland Barge Group	90.0		90.0	10.5
Energy Equipment Group	81.2	2.1	83.3	12.0
Railcar Leasing and Management Services Group	71.8		71.8	24.2
All Other	1.3	11.8	13.1	(0.5)
Corporate				(8.7)

Eliminations		(134.8)	(134.8)	(12.2)
Consolidated Total	$ 849.1	$	$ 849.1	$ 108.3

Three Months Ended June 30, 2005

	Outside	Revenues Intersegment	Total	Operating Profit (Loss)
		(in millions)		
Rail Group	$ 358.3	$ 108.2	$ 466.5	$ 28.8
Construction Products Group	166.1	1.0	167.1	20.8
Inland Barge Group	63.8		63.8	5.4
Energy Equipment Group	50.9	3.0	53.9	7.4
Railcar Leasing and Management Services Group	48.6		48.6	13.0
All Other	1.4	9.0	10.4	(1.6)
Corporate				(9.1)
Eliminations		(121.2)	(121.2)	(11.6)
Consolidated Total	$ 689.1	$	$ 689.1	$ 53.1

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Three Months Ended March 31, 2006

	Revenues			Operating Profit
	Outside	Intersegment	Total	(Loss)
	(in millions)			
Rail Group	$ 371.4	$ 148.5	$ 519.9	$ 62.0
Construction Products Group	148.0	0.5	148.5	9.5
Inland Barge Group	82.0		82.0	6.6
Energy Equipment Group	65.6	2.4	68.0	11.1
Railcar Leasing and Management Services Group	56.3		56.3	17.6
All Other	1.4	10.0	11.4	(2.9)
Corporate				(9.8)
Eliminations		(161.4)	(161.4)	(18.5)
Consolidated Total	$ 724.7	$	$ 724.7	$ 75.6

Three Months Ended March 31, 2005

	Revenues			Operating Profit
	Outside	Intersegment	Total	(Loss)
	(in millions)			
Rail Group	$ 327.2	$ 72.6	$ 399.8	$ 14.4
Construction Products Group	130.5	0.3	130.8	5.4
Inland Barge Group	44.9		44.9	(3.4)
Energy Equipment Group	43.5	2.6	46.1	5.3
Railcar Leasing and Management Services Group	52.5		52.5	13.6
All Other	0.9	8.6	9.5	(1.7)
Corporate				(6.6)
Eliminations		(84.1)	(84.1)	(4.5)
Consolidated Total	$ 599.5	$	$ 599.5	$ 22.5

Note 4. Derivative Instruments

In anticipation of a future debt issuance, the Company entered into interest rate swap transactions during 2005 and 2006. These instruments, with a notional amount of $200 million, fixed the interest rate on a portion of a future debt issuance associated with a railcar leasing transaction in 2006 and settled at maturity in the first quarter of 2006. The weighted average fixed interest rate under these instruments was 4.87%. These interest rate swaps are being accounted for as cash flow hedges with changes in the fair value of the instruments of $4.5 million of income recorded in other comprehensive income through the date the related debt issuance closed in May 2006. The balance is being amortized over the term of the related debt. As of September 30, 2006, the balance remaining in accumulated other comprehensive income was $4.3 million. The effect of the amortization on the consolidated statement of operations for the three and nine month periods ended September 30, 2006 was not material.

As of September 30, 2006, the Company had interest rate swaps with a notional amount of $65 million outstanding to fix the LIBOR component of outstanding debt. No portion of these swaps was treated as ineffective during the three and nine month periods ended September 30, 2006. The amount recorded in the consolidated balance sheet for these instruments was a net asset of $0.6 million as of September 30, 2006 with a $0.6 million balance of income in accumulated other comprehensive income. The effect on the consolidated statement of operations for the three and nine month periods ended September 30, 2006 was income of $0.2 million and $0.8 million, respectively.

The Company continues to maintain a program to mitigate the impact of fluctuations in the price of natural gas and diesel fuel purchases. The intent of the program is to protect the Company s operating profit and overall profitability from adverse price changes by entering into hedge instruments. Since the majority of these instruments do not qualify for hedge accounting treatment, any change in their valuation will be recorded directly to the consolidated statement of operations. The amount recorded in the consolidated balance sheet for these instruments was a net liability of $3.3 million as of September 30, 2006 with a $0.6 million balance of expense in accumulated other comprehensive income. The effect on the consolidated statement of operations for the three and nine month periods ended September 30, 2006 was an expense of $2.6 million and $4.0 million, respectively. The amounts related to these instruments recorded in the consolidated statement of operations for the three and nine month periods ended September 30, 2005 as well as the consolidated balance sheet for the year ended December 31, 2005 were not significant.

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Note 5. Property, Plant, and Equipment

The following table summarizes the components of property, plant, and equipment as of September 30, 2006 and December 31, 2005.

	September 30, 2006	December 31, 2005
	(in millions)	
Corporate/Manufacturing:		
Land	**$ 35.1**	$ 33.7
Buildings and improvements	**329.7**	294.1
Machinery and other	**533.8**	470.3
Construction in progress	**31.8**	63.6
	930.4	861.7
Less accumulated depreciation	**(565.6)**	(549.6)
	364.8	312.1
Leasing:		
Machinery	**33.1**	33.4
Equipment on lease	**1,374.7**	964.9
Construction in progress	**1.5**	
	1,409.3	998.3
Less accumulated depreciation	**(157.9)**	(145.9)
	1,251.4	852.4
Deferred profit on railcars sold to the Leasing Group	**(143.0)**	(85.3)
	$ 1,473.2	$ 1,079.2

Note 6. Warranties

The Company provides for the estimated cost of product warranties at the time revenue is recognized related to products covered and assesses the adequacy of the resulting reserves on a quarterly basis. The change in the accruals for warranties for the three and nine month periods ended September 30, 2006 and 2005 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in millions)		(in millions)	
Beginning balance	**$ 32.9**	$ 26.5	**$ 36.8**	$ 19.3
Warranty costs incurred	**(1.6)**	(2.6)	**(11.9)**	(7.1)
Product warranty accrual	**2.7**	9.3	**9.4**	21.0
Discontinued operations			**(0.3)**	
Ending balance	**$ 34.0**	$ 33.2	**$ 34.0**	$ 33.2

The warranty balance as of September 30, 2006 includes certain amounts that the Company believes to be sufficient to cover remaining obligations related to the divestiture of its European Rail operations.

Note 7. Debt

The following table summarizes the components of debt as of September 30, 2006 and December 31, 2005.

	September 30, 2006	December 31, 2005
	(in millions)	
Corporate/Manufacturing Recourse:		
Revolving commitment	**$**	$
Convertible subordinated notes	**450.0**	
Senior notes	**201.5**	300.0
Other	**2.1**	2.6
	653.6	302.6
Leasing Recourse		
Equipment trust certificates	**119.1**	130.1
	772.7	432.7
Leasing Non-recourse		
Secured railcar equipment notes	**350.6**	
Warehouse facility	**80.3**	256.3
	430.9	256.3
Total debt	**$ 1,203.6**	$ 689.0

At September 30, 2006, there were no borrowings under the Company s $350 million revolving credit facility. In June 2006, the Company removed securitization requirements related to this credit facility, modified debt covenant requirements, and extended the maturity of this facility to April 2011. Due to outstanding letters of credit, $235.0 million was available under this facility as of September 30, 2006.

In June 2006, the Company completed the sale of $450 million of Convertible Subordinated Notes due 2036 (Convertible Subordinated Notes). These Convertible Subordinated Notes bear an interest rate of 3 7/8% per annum on the principal amount payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2006. In addition, commencing with the six-month period beginning June 1, 2018, and for each six-month period thereafter, the Company will pay contingent interest to the holders of the Convertible Subordinated Notes under certain circumstances. These Convertible Subordinated Notes mature on June 1, 2036, unless earlier redeemed, repurchased, or converted. The conversion of the Convertible Subordinated Notes into cash and shares of the Company s common stock is limited to specific circumstances described in the indenture. A conversion would currently be based on a conversion rate of 19.1472 shares of common stock per $1,000 principal amount, which is equivalent to a conversion price of approximately $52.23 per share, on a post-split basis. The Company used a portion of the proceeds from this sale to retire $98.5 million of Senior Notes and $0.7 million of Equipment Trust Certificates. The net gain on these repurchases as well as the write-off of related deferred loan fees were not significant.

In May 2006, Trinity Rail Leasing V, L.P., a limited partnership (TRL-V) and a limited purpose, indirect wholly-owned subsidiary of the Company owned through the Company s wholly-owned subsidiary Trinity Industries Leasing Company (TILC) issued $355.0 million in aggregate principal amount of Secured Railcar Equipment Notes, Series 2006-1A (the Secured Railcar Equipment Notes). The Secured Railcar Equipment Notes were issued pursuant to a Master Indenture, dated May 24, 2006, between TRL-V and Wilmington Trust Company, as indenture trustee. These Secured Railcar Equipment Notes bear interest at a fixed rate of 5.9% per annum, payable monthly, and have a final maturity of May 14, 2036. These Secured Railcar Equipment Notes are limited recourse obligations of TRL-V only, secured by a portfolio of railcars and operating leases thereon, certain cash reserves, and other assets acquired and owned by TRL-V.

TILC s $375 million non-recourse warehouse facility, established to finance railcars owned by TILC, had $80.3 million outstanding as of September 30, 2006. Advances under the facility bear interest at a defined index rate plus a margin, for an all in rate of 6.21% as of September 30, 2006. At September 30, 2006, $294.7 million was available under this facility.

Terms and conditions of other debt are described in the Company s Annual Report on Form 10-K.

The remaining principal payments under existing debt agreements as of September 30, 2006 are as follows:

	Remaining three months of 2006	2007	2008	2009	2010	Thereafter
			(in millions)			
Recourse:						
Corporate/Manufacturing	$ 0.3	$ 1.1	$ 0.6	$ 0.1	$	$ 651.5
Leasing equipment trust certificates (Note 8)		43.5	14.2	61.4		
Non-recourse:						
Leasing secured railcar equipment notes (Note 8)	3.1	13.4	16.5	15.3	16.4	285.9
Leasing warehouse facility (Note 8)	0.7	1.9	51.8	25.9		
Total principal payments	$ 4.1	$ 59.9	$ 83.1	$ 102.7	$ 16.4	$ 937.4

Note 8. Railcar Leasing and Management Services Group

The Railcar Leasing and Management Services Group (Leasing Group) provides fleet management, maintenance, and leasing services. Selected combined financial information for the Leasing Group is as follows:

	September 30, 2006	December 31, 2005
	(in millions)	
Balance Sheet		
Cash	**$ 15.0**	$ 19.3
Property, plant, and equipment, net	**1,251.4**	852.4
Restricted assets	**98.9**	73.9
Debt		
Recourse	**119.1**	130.1
Non-recourse	**430.9**	256.3

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in millions)		(in millions)	
Statement of Operations				
Revenues	**$61.4**	$44.0	**$189.5**	$145.1
Operating profit	**24.5**	12.9	**66.3**	39.5

Interest expense, which is not a component of operating profit, was $9.7 million and $25.0 million for the three and nine months ended September 30, 2006, respectively, and $5.1 million and $13.8 million, respectively, for the same periods last year.

Equipment consists primarily of railcars leased by third parties. The Leasing Group purchases equipment manufactured by Trinity and enters into lease contracts with third parties with terms generally ranging between one and twenty years. The Leasing Group primarily enters into operating leases. Future operating lease obligations of the Leasing Group s subsidiaries as well as future minimum rental revenues related to these leases due to the Leasing Group are as follows:

	Remaining three months of 2006	2007	2008	2009 (in millions)	2010	Thereafter	Total
Future Operating Lease Obligations of Trusts Cars	$12.9	$48.6	$48.7	$47.8	$40.8	$609.9	$808.7
Future Minimum Rental Revenues of Trusts Cars	$17.8	$67.4	$59.3	$48.3	$38.3	$139.8	$370.9

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The Leasing Group s debt consists of both recourse and non-recourse debt. See Note 7 for maturities of the debt. Leasing Group equipment with a net book value of $729.1 million is pledged as collateral for Leasing Group debt. Equipment with a net book value of $102.1 million is pledged as collateral against lease obligations.

Note 9. Other, Net

Other, net consists of other (income) expense of the following items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
	(in millions)		**(in millions)**	
Gain on disposition of property, plant, and equipment	**$ (0.3)**	$ (1.9)	**$ (12.6)**	$ (5.9)
Foreign currency exchange transactions	**(0.8)**	(0.4)	**(1.0)**	(0.7)
Loss (gain) on equity investments		(4.0)	**0.1**	(3.4)
Other	**(0.1)**	(1.8)	**(0.4)**	(1.8)
Other, net	**$ (1.2)**	$ (8.1)	**$ (13.9)**	$ (11.8)

Note 10. Benefit Plans

The following table summarizes the components of net periodic pension cost for the Company.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
	(in millions)		**(in millions)**	
Service cost	**$ 3.1**	$ 2.6	**$ 9.2**	$ 7.7
Interest	**4.5**	4.2	**13.6**	12.6
Expected return on assets	**(4.5)**	(4.3)	**(13.6)**	(12.9)
Amortization and deferral	**1.0**	0.8	**3.1**	2.2
Profit sharing	**1.6**	1.4	**4.4**	4.2
Net expense	**$ 5.7**	$ 4.7	**$ 16.7**	$ 13.8

The Company contributed $10.5 million and $15.3 million to the Company s defined benefit pension plans for the three and nine month periods ended September 30, 2006, respectively. The Company contributed $2.4 million and $4.7 million to the Company s defined benefit pension plans for the three and nine month periods ended September 30, 2005, respectively. Total contributions to the Company s pension plans in 2006 are expected to be approximately $18.2 million.

Note 11. Stock-Based Compensation

SFAS No. 123R requires the use of a valuation model to calculate the fair value of stock-based awards. The Company has elected to use the BSM option-pricing model, which incorporates various assumptions including volatility, expected life, and interest rates. The expected volatility is based on the historical volatility of the Company s common stock over the most recent period commensurate with the estimated expected life of the Company s stock options, adjusted for the impact of unusual fluctuations not reasonably expected to recur, and other relevant factors including implied volatility in market traded options on the Company s common stock. The expected life of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees.

There were no options granted during the nine month period ended September 30, 2006. The assumptions used for options granted for the three and nine month periods ended September 30, 2005 and the resulting estimates of weighted-average fair value per share of options granted during that period are as follows:

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Expected option life (years)	5.0 years	5.0 years
Risk free interest rate	4.0%	4.0%
Dividend yield	0.9%	0.9%
Common stock volatility	34.8%	34.8%
Weighted-average fair value of options granted during the period	$ 8.61	$ 6.18

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A summary of stock option activity as of September 30, 2006 and changes during the nine months ended September 30, 2006 is presented below:

	Number Of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Terms (Years)	Aggregate Intrinsic Value (in millions)
Options outstanding at January 1, 2006	4,030,772	$ 18.03		
Granted				
Exercised	(1,568,686)	17.42		
Cancelled	(86,171)	14.17		
Options outstanding at September 30, 2006	2,375,915	$ 18.57	5.1	$ 32.8
Exercisable at September 30, 2006	1,485,852	$ 20.32	3.7	$ 18.1

The total intrinsic value of options exercised during the three and nine months ended September 30, 2006 was $3.2 million and $29.3 million, respectively.

Note 12. Net Income Applicable to Common Shareholders

Basic net income applicable to common shareholders per common share is computed by dividing net income less dividend requirements on the Series B preferred stock by the weighted average number of common shares outstanding for the period. Except when the effect would be anti-dilutive, the calculation of diluted net income applicable to common shareholders includes the impact of shares that could be issued under outstanding stock options as well as common shares that would be issued at the conversion of the Series B preferred stock. In addition, the Series B preferred stock dividends are added back to income assuming the Series B preferred stock are converted into common stock. The number of anti-dilutive stock options for the three and nine months ended September 30, 2006 was equivalent to 0.5 million and 0.2 million shares, respectively. The number of anti-dilutive stock options for the three and nine months ended September 30, 2005 was equivalent to 0.9 million and 1.9 million shares, respectively. The Series B preferred stock converted into common stock in February 2006.

The computation of basic and diluted net income applicable to common shareholders follows:

	Three Months Ended September 30, 2006			Three Months Ended September 30, 2005		
	(in millions except per share amounts)					
	Income	Average Shares	EPS	Income	Average Shares	EPS
Income from continuing operations	**$ 55.4**			$ 32.9		
Less: dividends on Series B preferred stock				(0.8)		
Income from continuing operations applicable to common shareholders basic	**$ 55.4**	**77.5**	**$ 0.71**	$ 32.1	71.0	$ 0.45

Effect of dilutive securities:						
Stock options		**1.7**			2.0	
Series B preferred stock				0.8	4.0	
Income from continuing operations applicable to common shareholders diluted	**$ 55.4**	**79.2**	**$ 0.70**	$ 32.9	77.0	$ 0.43
Income (loss) from discontinued operations, net of taxes basic	**$ (4.6)**	**77.5**	**$ (0.06)**	$ 0.2	71.0	$ 0.00
Effect of dilutive securities:						
Stock options		**1.7**			2.0	
Series B preferred stock					4.0	
Income (loss) from discontinued operations, net of taxes diluted	**$ (4.6)**	**79.2**	**$ (0.06)**	$ 0.2	77.0	$ 0.00

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	Nine Months Ended September 30, 2006			Nine Months Ended September 30, 2005		
	(in millions except per share amounts)					
	Income	**Average Shares**	**EPS**	**Income**	**Average Shares**	**EPS**
Income from continuing operations	**$ 158.1**			$ 70.6		
Less: dividends on Series B preferred stock				(2.4)		
Income from continuing operations applicable to common shareholders basic	**$ 158.1**	**76.5**	**$ 2.07**	$ 68.2	70.7	$ 0.96
Effect of dilutive securities:						
Stock options		**1.9**			1.5	
Series B preferred stock		**0.7**		2.4	4.0	
Income from continuing operations applicable to common shareholders diluted	**$ 158.1**	**79.1**	**$ 2.00**	$ 70.6	76.2	$ 0.93
Income (loss) from discontinued operations, net of taxes basic	**$ 15.5**	**76.5**	**$ 0.20**	$ (9.7)	70.7	$ (0.13)
Effect of dilutive securities:						
Stock options		**1.9**			1.5	
Series B preferred stock		**0.7**			4.0	
Income (loss) from discontinued operations, net of taxes diluted	**$ 15.5**	**79.1**	**$ 0.19**	$ (9.7)	76.2	$ (0.13)

Note 13. Accumulated Other Comprehensive Loss

Comprehensive net income is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	**2005**	**2006**	**2005**
	(in millions)		(in millions)	
Net income	**$ 50.8**	$ 33.1	**$ 173.6**	$ 60.9
Other comprehensive income:				
Change in currency translation adjustment:				
Sale of European operations, net of tax expense of $8.1 and $8.1	**(8.7)**		**(8.7)**	

Change in currency translation adjustment, net of tax expense (benefit) of $0.0, $0.3, $3.2, and $(0.5)		0.5	**6.3**	(0.8)
Other	**2.4**		**2.4**	
Change in unrealized gain on derivative financial instruments, net of tax of $0.5, $1.0, $0.9, and $1.1	**(0.6)**	1.9	**1.4**	2.0
Comprehensive net income	**$ 43.9**	$ 35.5	**$ 175.0**	$ 62.1

The components of accumulated other comprehensive loss are as follows:

	September 30, 2006	**December 31, 2005**
	(in millions)	
Currency translation adjustments	**$ (11.1)**	$ (11.1)
Unrealized gain on derivative financial instruments	**2.7**	1.3
Minimum pension liability adjustment	**(30.4)**	(30.4)
	$ (38.8)	$ (40.2)

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Note 14. Contingencies

Barge Litigation

The Company and its wholly owned subsidiary, Trinity Marine Products, Inc. (TMP), and certain material suppliers and others, are co-defendants in a lawsuit filed by Waxler Transportation. The plaintiff has petitioned the court for certification of a class which, if certified by the court, could significantly increase the total number of barges at issue. The current class representative owns four tank barges on which allegedly defective coatings were applied. These four barges were sold at an approximate average price of $1.4 million. Legal counsel for the Company and TMP has advised that factual disputes exist regarding the legal merits of class certification. Discovery is underway in the case but no date has been set for a class certification hearing or trial. Independent experts investigating the claims for the Company have opined that plaintiffs assertion the coating applied to the barges is a food source for microbiologically influenced corrosion is without merit. The Company and TMP are defending the Waxler case vigorously.

In a separate action, the Company and TMP filed for declaratory judgment to determine the Company s and TMP s obligation for coatings applied to 23 tank barges and TMP s rights and remedies under an insurance policy applicable to the barges in which TMP was named as an additional insured. This action is pending.

Other Litigation

A subsidiary of the Company, Transit Mix Concrete and Materials Company, Inc. (Transit Mix), is named as a defendant in a case involving the death of an employee of an independent contractor who was working at a Transit Mix facility. Following a jury verdict in favor of the plaintiff, the presiding judge entered a final judgment that, together with fees, costs, and judgment interest, totals $44.2 million. This case was appealed by Transit Mix and its insurers. In October 2006, the original trial court judgment was reversed and a take nothing judgment was rendered by the Eleventh Court of Appeals, State of Texas. Management has no knowledge as to whether or not the plaintiffs will avail themselves of any rights to rehearing or appeal of the appellate court s decision.

On March 31, 2006, following the issuance of a Presentment by an investigating Grand Jury in Harrisburg, Pennsylvania, the Company was charged in an eleven count Complaint with eight misdemeanors and three felony violations under Pennsylvania s Solid Waste Management Act, 35 P.S. Secs. 6018.401(a) and 6018.610 (1), (2). (4), (6), and (9). The allegations relate to the Company s former operations in Greenville, Pennsylvania and primarily stem from the movement of soil on the property in 1994 as part of an improvement project. The Company discontinued its Greenville operations in 2000. A Trinity employee was also named in a separate presentment alleging similar charges. Management believes the Company has defenses to the charges alleged in the Complaint.

The Company is also involved in other claims and lawsuits incidental to its business. Based on information currently available, it is management s opinion that the ultimate outcome of all current litigation and other claims, including settlements, in the aggregate will not have a material adverse effect on the Company s overall financial condition for purposes of financial reporting. However, resolution of certain claims or lawsuits by settlement or otherwise could have a significant impact on the operating results of the reporting period in which such resolution occurs.

The Company is subject to federal, state, local, and foreign laws and regulations relating to the environment and to the workplace. The Company believes that it is currently in substantial compliance with such laws and regulations.

The Company is involved in various proceedings relating to environmental matters. The Company has reserved $12.2 million to cover probable and estimable liabilities of the Company with respect to investigation, assessment, and remedial response to such matters, taking into account currently available information and the Company s contractual rights to indemnification and other recourse to third parties. However, estimates of future remedial response costs are necessarily imprecise. Accordingly, there can be no assurance that the Company will not become involved in future environmental litigation or other proceedings or, if the Company were found to be responsible or liable in any such litigation or proceeding, that such costs would not be material to the Company.

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Note 15. Financial Statements for Guarantors of the Senior Notes

On March 10, 2004, $300,000,000 of Senior Notes due 2014 were issued by Trinity Industries, Inc. (Parent) which includes the corporate operations and certain operations of the Construction Products Group and the Energy Equipment Group. The Senior Notes are fully and unconditionally and jointly and severally guaranteed by certain of Trinity s wholly owned subsidiaries: Transit Mix Concrete & Material Company, Trinity Industries Leasing Company, Trinity Marine Products, Inc., Trinity Rail Group, LLC, Trinity Freight Car North America (formerly known as Thrall Trinity Freight Car, Inc.), Trinity Tank Car, Inc., and Trinity Parts and Components Inc. (formerly known as Trinity Rail Components and Repair, Inc.). No other subsidiaries guarantee the Senior Notes. During the second quarter of 2006, the Company repurchased $98.5 million of Senior Notes, leaving an outstanding principal balance of $201.5 million. As of September 30, 2006, assets held by the non-guarantor subsidiaries include $98.9 million of restricted assets that are not available for distribution to the Parent, $545.4 million of assets securing certain debt and $102.1 million of assets securing certain lease obligations held by the non-guarantor subsidiaries, and $218.5 million of assets located in foreign locations.

Statement of Operations
For the Three Months Ended September 30, 2006

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in millions)		
Revenues	$ 120.3	$ 479.3	$ 302.7	$ (92.2)	$ 810.1
Cost of revenues	119.8	393.3	239.1	(92.2)	660.0
Selling, engineering, and administrative expenses	16.3	24.3	8.8		49.4
	136.1	417.6	247.9	(92.2)	709.4
Operating profit (loss)	(15.8)	61.7	54.8		100.7
Other (income) expense	(51.2)	7.7	8.5	46.2	11.2
Income from continuing operations before income taxes	35.4	54.0	46.3	(46.2)	89.5
Provision (benefit) for income taxes	(16.8)	25.2	25.7		34.1
Income from continuing operations	52.2	28.8	20.6	(46.2)	55.4
Loss on sale of discontinued operations, net of provision (benefit) for income taxes of $(0.5)	(1.4)				(1.4)
Loss from discontinued operations, net of provision for income taxes of $1.8			(3.2)		(3.2)
Net income	$ 50.8	$ 28.8	$ 17.4	$ (46.2)	$ 50.8

Statement of Operations
For the Nine Months Ended September 30, 2006

Combined

	Parent	Combined Guarantor Subsidiaries	Non-Guarantor Subsidiaries (in millions)	Eliminations	Consolidated
Revenues	$ 365.3	$ 1,474.6	$ 849.4	$ (305.4)	$ 2,383.9
Cost of revenues	358.6	1,228.5	667.9	(305.4)	1,949.6
Selling, engineering and administrative expenses	51.0	71.0	27.7		149.7
	409.6	1,299.5	695.6	(305.4)	2,099.3
Operating profit (loss)	(44.3)	175.1	153.8		284.6
Other (income) expense	(179.4)	17.3	14.0	171.4	23.3
Income from continuing operations before income taxes	135.1	157.8	139.8	(171.4)	261.3
Provision (benefit) for income taxes	(17.5)	70.0	50.7		103.2
Income from continuing operations	152.6	87.8	89.1	(171.4)	158.1
Gain on sale of discontinued operations, net of provision for income taxes of $13.3	21.0				21.0
Loss from discontinued operations, net of provision (benefit) for income taxes of $(1.1)			(5.5)		(5.5)
Net income	$ 173.6	$ 87.8	$ 83.6	$ (171.4)	$ 173.6

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Statement of Operations
For the Three Months Ended September 30, 2005

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in millions)		
Revenues	$ 114.3	$ 415.3	$ 203.6	$ (39.1)	$ 694.1
Cost of revenues	109.1	356.0	162.5	(39.1)	588.5
Selling, engineering and administrative expenses	18.3	20.6	8.6		47.5
	127.4	376.6	171.1	(39.1)	636.0
Operating profit (loss)	(13.1)	38.7	32.5		58.1
Other (income) expense	(40.7)	(4.2)	0.5	46.0	1.6
Income from continuing operations before income taxes	27.6	42.9	32.0	(46.0)	56.5
Provision (benefit) for income taxes	(5.5)	17.4	11.7		23.6
Income from continuing operations	33.1	25.5	20.3	(46.0)	32.9
Income from discontinued operations, net of provision (benefit) for income taxes of $(0.3)			0.2		0.2
Net income	$ 33.1	$ 25.5	$ 20.5	$ (46.0)	$ 33.1

Statement of Operations
For the Nine Months Ended September 30, 2005

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(in millions)		
Revenues	$ 335.6	$ 1,193.6	$ 573.4	$ (119.9)	$ 1,982.7
Cost of revenues	309.6	1,032.7	491.4	(119.9)	1,713.8
Selling, engineering and administrative expenses	46.2	62.8	26.2		135.2
	355.8	1095.5	517.6	(119.9)	1,849.0
Operating profit (loss)	(20.2)	98.1	55.8		133.7
Other (income) expense	(62.7)	(5.7)	(7.0)	92.7	17.3
Income from continuing operations before income taxes	42.5	103.8	62.8	(92.7)	116.4

Provision (benefit) for income taxes	(18.4)	39.9	24.3		45.8
Income from continuing operations	60.9	63.9	38.5	(92.7)	70.6
Loss from discontinued operations, net of provision (benefit) for income taxes of $(4.8)			(9.7)		(9.7)
Net income	$ 60.9	$ 63.9	$ 28.8	$ (92.7)	$ 60.9

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Balance Sheet
September 30, 2006

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries (in millions)	Eliminations	Consolidated
Assets:					
Cash and cash equivalents	$ 345.8	$ 0.1	$ 22.2	$	$ 368.1
Receivables, net of allowance	78.4	146.1	73.9		298.4
Inventory	62.2	293.8	169.7		525.7
Property, plant, and equipment, net	48.9	585.9	838.4		1,473.2
Investments in subsidiaries/ intercompany receivable (payable), net	1,590.7	(387.9)	112.6	(1,315.4)	
Goodwill and other assets	212.4	380.3	206.7	(114.2)	685.2
	$ 2,338.4	$ 1,018.3	$ 1,423.5	$ (1,429.6)	$ 3,350.6
Liabilities:					
Accounts payable and accrued liabilities	$ 283.2	$ 253.6	$ 149.8	$ (61.6)	$ 625.0
Debt	651.5	121.2	430.9		1,203.6
Deferred income	15.5	2.7	25.3		43.5
Other liabilities	14.2	138.4	4.5	(52.6)	104.5
Total stockholders equity	1,374.0	502.4	813.0	(1,315.4)	1,374.0
	$ 2,338.4	$ 1,018.3	$ 1,423.5	$ (1,429.6)	$ 3,350.6

Balance Sheet
December 31, 2005

	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries (in millions)	Eliminations	Consolidated
Assets:					