

TEREX CORP  
Form 10-Q  
May 04, 2007

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2007**

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

**Commission file number 1-10702**

**Terex Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**34-1531521**  
(IRS Employer Identification No.)

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200 Nyala Farm Road, Westport, Connecticut 06880

(Address of principal executive offices)

(203) 222-7170

(Registrant's telephone number, including area code)

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

NO

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

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES

NO

Number of outstanding shares of common stock: 103.1 million as of April 30, 2007.

The Exhibit Index begins on page 40.

**INDEX****TEREX CORPORATION AND SUBSIDIARIES****GENERAL**

This Quarterly Report on Form 10-Q filed by Terex Corporation ( "Terex" or the "Company" ) generally speaks as of March 31, 2007 unless specifically noted otherwise, and includes financial information with respect to the following subsidiaries of the Company (all of which are wholly-owned) which were guarantors on March 31, 2007 (the "Guarantors" ) of the Company's 7-3/8% Senior Subordinated Notes due 2014. See Note Q "Consolidating Financial Statements" to the Company's March 31, 2007 Condensed Consolidated Financial Statements included in this Quarterly Report.

	State or other jurisdiction of	I.R.S. employer
<u>Guarantor</u>	<u>incorporation or organization</u>	<u>identification number</u>
Amida Industries, Inc.	South Carolina	57-0531390
Cedarapids, Inc.	Iowa	42-0332910
CMI Terex Corporation	Oklahoma	73-0519810
Finlay Hydrascreen USA, Inc.	New Jersey	22-2776883
Genie Financial Services, Inc.	Washington	91-1712115
Genie Holdings, Inc.	Washington	91-1666966
Genie Industries, Inc.	Washington	91-0815489
Genie International, Inc.	Washington	91-1975116
Genie Manufacturing, Inc.	Washington	91-1499412
GFS National, Inc.	Washington	91-1959375
Koehring Cranes, Inc.	Delaware	06-1423888
Powerscreen Holdings USA Inc.	Delaware	61-1265609
Powerscreen International LLC	Delaware	61-1340898
Powerscreen North America Inc.	Delaware	61-1340891
Powerscreen USA, LLC	Kentucky	31-1515625
PPM Cranes, Inc.	Delaware	39-1611683
Royer Industries, Inc.	Pennsylvania	24-0708630
Schaeff Incorporated	Iowa	42-1097891
Spinnaker Insurance Company	Vermont	03-0372517
Terex Advance Mixer, Inc.	Delaware	06-1444818
Terex Cranes, Inc.	Delaware	06-1513089
Terex Cranes Wilmington, Inc.	North Carolina	56-1570091
Terex Financial Services, Inc.	Delaware	45-0497096
Terex Mining Equipment, Inc.	Delaware	06-1503634
Terex-RO Corporation	Kansas	44-0565380
Terex-Telelect, Inc.	Delaware	41-1603748

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**PART I. FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****TEREX CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

(unaudited)

(in millions, except per share data)

	<i>Three Months</i>	
	<i>Ended March 31,</i>	
	2007	2006
Net sales	\$ 2,012.7	\$ 1,693.9
Cost of goods sold	(1,600.7)	(1,386.4)
Gross profit	412.0	307.5
Selling, general and administrative expenses	(211.3)	(165.6)
Income from operations	200.7	141.9
Other income (expense)		
Interest income	3.4	2.2
Interest expense	(14.2)	(24.5)
Loss on early extinguishment of debt	(12.5)	-
Other income (expense) net	4.6	1.1
Income from continuing operations before income taxes	182.0	120.7
Provision for income taxes	(68.2)	(43.8)
Income from continuing operations	113.8	76.9
Income from discontinued operations net of tax	-	1.9
Net income	\$ 113.8	\$ 78.8
 <b>PER COMMON SHARE:</b>		
Basic		
Income from continuing operations	\$ 1.11	\$ 0.77
Income from discontinued operations	-	0.02
Net income	\$ 1.11	\$ 0.79
Diluted		
Income from continuing operations	\$ 1.09	\$ 0.75
Income from discontinued operations	-	0.02
Net income	\$ 1.09	\$ 0.77
 Weighted average number of shares outstanding in per share calculation		
Basic		
	102.2	99.8
Diluted		
	104.7	102.4

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

## TEREX CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEET

(unaudited)

(in millions, except par value)

	<i>March 31,</i>	<i>December 31,</i>
	<i>2007</i>	<i>2006</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 405.2	\$ 676.7
Trade receivables (net of allowance of \$60.3 at March 31, 2007 and		
December 31, 2006)	1,137.7	950.5
Inventories	1,759.7	1,502.0
Deferred taxes	138.1	132.9
Other current assets	149.1	170.7
Total current assets	3,589.8	3,432.8
Long-term assets		
Property, plant and equipment - net	350.9	338.5
Goodwill	635.6	632.8
Deferred taxes	178.7	172.5
Other assets	195.6	209.3
Total assets	\$ 4,950.6	\$ 4,785.9
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	\$ 17.2	\$ 227.0
Trade accounts payable	1,143.1	1,034.3
Accrued compensation and benefits	148.2	169.3
Accrued warranties and product liability	113.5	107.6
Other current liabilities	494.7	489.0
Total current liabilities	1,916.7	2,027.2
Non-current liabilities		
Long-term debt, less current portion	661.2	536.1
Retirement plans and other	520.8	471.6
Total liabilities	3,098.7	3,034.9
Commitments and contingencies		
Stockholders' equity		
Common stock, \$.01 par value - authorized 150.0 shares; issued 105.3 and		
104.7 shares at March 31, 2007 and December 31, 2006, respectively	1.1	1.0
Additional paid-in capital	942.5	923.7
Retained earnings	784.6	707.3
Accumulated other comprehensive income	165.8	155.2
Less cost of shares of common stock in treasury - 3.6 shares at March 31, 2007 and December 31,		
2006	(42.1)	(36.2)
Total stockholders' equity	1,851.9	1,751.0
Total liabilities and stockholders' equity	\$ 4,950.6	\$ 4,785.9

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

## TEREX CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in millions)

	<i>Three Months</i>	
	<i>Ended March 31,</i>	
	<i>2007</i>	<i>2006</i>
Operating Activities		
Net income	\$ 113.8	\$ 78.8
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	15.9	15.5
Amortization	2.4	3.2
Deferred taxes	(2.6)	17.6
Loss on early extinguishment of debt	3.2	-
Gain on sale of assets	(4.9)	(0.6)
Stock-based compensation	15.7	13.7
Excess tax benefit from stock-based compensation	(10.8)	(4.9)
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):		
Trade receivables	(182.3)	(149.6)
Inventories	(248.1)	(92.6)
Trade accounts payable	102.8	65.3
Accrued compensation and benefits	(30.4)	8.0
Income taxes payable	47.4	7.0
Accrued warranties and product liability	3.9	(4.1)
Other, net	(16.8)	21.5
Net cash used in operating activities	(190.8)	(21.2)
Investing Activities		
Acquisition of businesses, net of cash acquired	-	(15.2)
Capital expenditures	(22.2)	(14.1)
Investments in and advances to affiliates	-	(3.4)
Proceeds from sale of assets	8.9	-
Net cash used in investing activities	(13.3)	(32.7)
Financing Activities		
Principal repayments of long-term debt	(200.0)	-
Excess tax benefit from stock-based compensation	10.8	4.9
Proceeds from stock options exercised	4.2	-
Net borrowings (repayments) under credit facilities	115.1	(1.5)
Share repurchase	(5.4)	-
Other, net	2.3	(0.9)
Net cash (used in) provided by financing activities	(73.0)	2.5
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5.6	4.7
Net Decrease in Cash and Cash Equivalents	(271.5)	(46.7)
Cash and Cash Equivalents at Beginning of Period	676.7	553.6
Cash and Cash Equivalents at End of Period	\$ 405.2	\$ 506.9

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

**TEREX CORPORATION AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2007

(unaudited)

(dollar amounts in millions, unless otherwise noted, except per share amounts)

**NOTE A BASIS OF PRESENTATION**

***Basis of Presentation.*** The accompanying unaudited Condensed Consolidated Financial Statements of Terex Corporation and subsidiaries as of March 31, 2007 and for the three months ended March 31, 2007 and 2006 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America to be included in full year financial statements. The accompanying Condensed Consolidated Balance Sheet as of December 31, 2006 has been derived from the audited Consolidated Balance Sheet as of that date.

The Condensed Consolidated Financial Statements include the accounts of Terex Corporation, its majority-owned subsidiaries and other controlled subsidiaries ( Terex or the Company ). The Company consolidates all majority-owned and controlled subsidiaries, applies the equity method of accounting for investments in which the Company is able to exercise significant influence, and applies the cost method for all other investments. All material intercompany balances, transactions and profits have been eliminated.

In the opinion of management, all adjustments considered necessary for fair statement of these interim financial statements have been made. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the three months ended March 31, 2007 are not necessarily indicative of results that may be expected for the year ending December 31, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Cash and cash equivalents at March 31, 2007 and December 31, 2006 include \$2.4 and \$2.5, respectively, which was not immediately available for use. These consist primarily of cash balances held in escrow to secure various obligations of the Company.

Certain prior period amounts in the Condensed Consolidated Financial Statements have been reclassified to conform with current period presentation, including the stock split and discontinued operations discussed below.

The Company effected a two-for-one split of its common stock, par value \$.01 per share ( Common Stock ) on July 14, 2006, for stockholders of record on June 15, 2006 (the Stock Split ). Accordingly, all references to the number of shares and per share data for March 31, 2006 have been adjusted to reflect this stock split.

On September 29, 2006, the Company completed the sale of its ownership interest in Terex Czech s.r.o. and Tatra a.s. (collectively, Tatra ) to a group of private equity investors. Results of Tatra are included as Income from discontinued operations - net of tax in the Condensed

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Consolidated Statements of Operations for the three months ended March 31, 2006.

**Recent Accounting Pronouncements.** In June 2006, the Financial Accounting Standard Board ( FASB ) ratified Emerging Issues Task Force ( EITF ) Issue No. 06-3 ( EITF No. 06-3 ), How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation). The classification in the income statement of taxes is considered an accounting policy and any change in presentation would require the application of Statement of Financial Accounting Standard ( SFAS ) No. 154, Accounting Changes and Error Corrections. In addition, under the scope of EITF No. 06-3, significant taxes recorded in the Statement of Operations would require disclosure of the accounting policy elected and amounts reflected in gross revenue for all periods presented. Provisions of EITF No. 06-3 are effective for fiscal years beginning after December 15, 2006. The Company adopted this accounting standard on January 1, 2007. Adoption of EITF No. 06-3 did not have a material impact on the Company's financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN No. 48 ), which clarifies accounting for uncertainty in tax positions. FIN No. 48 requires that the Company recognize in its financial statements the impact of a tax position, if that position is more likely than not to be sustained on audit, based on the technical merits of the position. Provisions of FIN No. 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to retained earnings as of January 1, 2007. The Company adopted this accounting standard on January 1, 2007. See Note C Income Taxes for the impact of adoption of FIN No. 48.

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In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ( SFAS No. 157 ), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective as of the beginning of the Company's 2008 fiscal year. The Company is currently evaluating the impact of adopting SFAS No. 157 on its financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115* ( SFAS No. 159 ). SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. The fair value option established by SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective as of the beginning of the Company's 2008 fiscal year. The Company is currently evaluating the impact of adopting SFAS No. 159 on its financial statements.

***Accounts Receivable and Allowance for Doubtful Accounts.*** Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on historical customer review. The Company reviews its allowance for doubtful accounts at least quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company determines that the receivable will not be recovered. The Company has off-balance sheet credit exposure related to guarantees provided to financial institutions as disclosed in Note O - *Litigation and Contingencies*. Substantially all receivables were trade receivables at March 31, 2007 and December 31, 2006.

***Accrued Warranties.*** The Company records accruals for potential warranty claims based on its claim experience. The Company's products are typically sold with a standard warranty covering defects that arise during a fixed period of time, a fixed number of operating hours, or both. Each business provides a warranty specific to the products it offers. The specific warranty offered by a business is a function of customer expectations and competitive forces.

A liability for estimated warranty claims is accrued at the time of sale. The non-current portion of the warranty accrual is included in Other non-current liabilities. The liability is established using historical warranty claim experience for each product sold. Historical claim experience may be adjusted for known design improvements or for the impact of unusual product quality issues. Warranty reserves are reviewed quarterly to ensure critical assumptions are updated for known events that may affect the potential warranty liability.

The following table summarizes the changes in the consolidated product warranty liability:

	<i>Three Months Ended</i>
	<i>March 31, 2007</i>
Balance at beginning of period	\$ 120.0
Accruals for warranties issued during the period	33.4
Changes in estimates	(5.6)
Settlements during the period	(23.1)
Foreign exchange effect/other	1.0
Balance at end of period	\$ 125.7

**NOTE B BUSINESS SEGMENT INFORMATION**

Terex is a diversified global manufacturer of capital equipment focused on delivering reliable, customer relevant solutions for the construction, infrastructure, quarrying, mining, shipping, transportation, refining and utility industries. The Company operates in five reportable segments: (i) Terex Aerial Work Platforms; (ii) Terex Construction; (iii) Terex Cranes; (iv) Terex Materials Processing & Mining; and (v) Terex Roadbuilding, Utility Products and Other.

The Aerial Work Platforms segment designs, manufactures and markets aerial work platform equipment, telehandlers, light construction equipment and construction trailers. Products include material lifts, portable aerial work platforms, trailer-mounted articulating booms, self-propelled articulating and telescopic booms, scissor lifts, telehandlers, construction trailers, trailer-mounted light towers, power buggies, generators, related components and replacement parts, and other products.

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Customers in the construction and building maintenance industries use these products to build and/or maintain large physical assets and structures.

The Construction segment designs, manufactures and markets two primary categories of equipment and their related components and replacement parts: heavy construction equipment (including off-highway trucks, scrapers, hydraulic excavators, large wheel loaders, material handlers and truck mounted articulated hydraulic cranes) and compact construction equipment (including loader backhoes, compaction equipment, mini and midi excavators, site dumpers and wheel loaders). Construction, logging, mining, industrial and government customers use these products in construction and infrastructure projects and in coal, minerals, sand and gravel operations.

The Cranes segment designs, manufactures and markets mobile telescopic cranes, tower cranes, lattice boom crawler cranes, truck mounted cranes (boom trucks) and telescopic container stackers, as well as their related replacement parts and components. These products are used primarily for construction, repair and maintenance of infrastructure, building and manufacturing facilities. The Company acquired Power Legend International Limited ( Power Legend ) and its affiliates, including a controlling 50% ownership interest in Sichuan Changjiang Engineering Crane Co., Ltd. ( Sichuan Crane ), on April 4, 2006. The results of Power Legend and Sichuan Crane are included in the Cranes segment from their date of acquisition.

The Materials Processing & Mining segment designs, manufactures and markets crushing and screening equipment (including crushers, impactors, washing systems, screens, trommels and feeders), hydraulic mining excavators, high capacity surface mining trucks, drilling equipment, related components and replacement parts, and other products. Construction, mining, quarrying and government customers use these products in construction and commodity mining. The Company acquired Halco Holdings Limited and its affiliates ( Halco ) on January 24, 2006, and established the Terex NHL Mining Equipment Company Ltd. ( Terex NHL ) joint venture on March 9, 2006. The results of Halco and Terex NHL are included in the Materials Processing & Mining segment since their date of acquisition and formation, respectively.

The Roadbuilding, Utility Products and Other segment designs, manufactures and markets asphalt and concrete equipment (including pavers, plants, mixers, reclaimers, stabilizers and profilers), landfill compactors and utility equipment (including digger derricks, aerial devices and cable placers), as well as related components and replacement parts. Government, utility and construction customers use these products to build roads, construct and maintain utility lines, trim trees and for other commercial operations. The Company also owns much of the North American distribution channel for the utility products group through the Terex Utilities distribution network. These operations distribute, install and rent utility aerial devices and digger derricks as well as other products that service the utility industry. They also provide parts and service support for a variety of the Company's other products, including mixers and aerial devices. The Company also operates a fleet of rental utility products in the United States and Canada. On March 31, 2007, the Company owned a controlling 50% interest in Duvalpilot Equipment Outfitters, LLC, a distributor of the Company's products and other light construction equipment. On April 27, 2007, the Company acquired the remaining 50% interest in this entity. The Company leases and rents a variety of equipment to third parties under the Terex Asset Services name. The Company also, through Terex Financial Services, facilitates loans and leases between customers and various financial institutions. In Europe, Terex Financial Services Holding B.V. ( TFSH ), a joint venture of the Company and a European financial institution, assists customers in the acquisition of the Company's products.

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Included in Eliminations/Corporate are the eliminations among the five segments, as well as general and corporate items that have not been allocated to business segments for the three months ended March 31, 2007 and 2006. Business segment information is presented below:

	<i>Three Months</i>	
	<i>Ended March 31,</i>	
	<i>2007</i>	<i>2006</i>
Net Sales		
Aerial Work Platforms	\$ 547.7	\$ 458.5
Construction	407.8	333.5
Cranes	500.8	368.7
Materials Processing & Mining	395.3	380.9
Roadbuilding, Utility Products and Other	178.8	179.0
Eliminations/Corporate	(17.7)	(26.7)
Total	\$ 2,012.7	\$ 1,693.9
Income from Operations		
Aerial Work Platforms	\$ 99.3	\$ 79.9
Construction	6.1	3.0
Cranes	53.0	26.0
Materials Processing & Mining	46.4	41.0
Roadbuilding, Utility Products and Other	2.4	7.5
Eliminations/Corporate	(6.5)	(15.5)
Total	\$ 200.7	\$ 141.9
	<i>March 31,</i>	<i>December 31,</i>
	<i>2007</i>	<i>2006</i>
Identifiable Assets		
Aerial Work Platforms	\$ 998.7	\$ 838.5
Construction	1,550.5	1,467.9
Cranes	1,352.4	1,271.0
Materials Processing & Mining	1,888.0	1,743.7
Roadbuilding, Utility Products and Other	396.3	388.1
Eliminations/Corporate	(1,235.3)	(923.3)
Total	\$ 4,950.6	\$ 4,785.9

### NOTE C INCOME TAXES

The effective tax rate on continuing operations for the three months ended March 31, 2007 was 37.5%, as compared to an effective rate of 36.3% for the three months ended March 31, 2006. The effective tax rate on continuing operations for the three months ended March 31, 2007 was higher than the prior year period primarily due to discrete tax expense items associated with repayment of an intercompany loan, partially offset

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by the early extinguishment of debt. The expected 2007 full year effective tax rate on continuing operations is 36%. An income tax expense of \$0.9 was recorded within Income from discontinued operations for the three months ended March 31, 2006.

The Company adopted the provisions of FIN No. 48 on January 1, 2007. The cumulative effect of the change on retained earnings as of January 1, 2007 as a result of the adoption of FIN No. 48 was a reduction of \$36.5. As of January 1, 2007, the Company had approximately \$87.2 of unrecognized tax benefits. Of these, approximately \$69.9, if recognized, would affect the effective tax rate. The Company continues to classify interest and penalties associated with uncertain tax positions as income tax expense. Upon adoption of FIN No. 48, the Company had \$5.7 of accrued interest and penalties recorded.

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Germany, the United Kingdom and the U.S. Certain subsidiaries of the Company are currently under audit in Germany and the United Kingdom. It is reasonably possible that these audits may be completed during the next 12 months. While the amount of uncertain tax benefits with respect to these audits may change within this period, it is not anticipated that any of the changes will be significant. With few exceptions, including net operating loss carry forwards in the U.S. and

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Australia, the Company and its subsidiaries are generally no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations for years before 1999.

### NOTE D DISCONTINUED OPERATIONS

On September 29, 2006, the Company completed the sale of Tatra to a group of private equity investors. Tatra is located in the Czech Republic and is a manufacturer of on/off road heavy-duty vehicles for commercial and military applications. The Company received \$26.2 in cash consideration for the shares of Tatra. Additionally, \$31.6 in cash was received in satisfaction of all intercompany note receivable balances from Tatra. The Company had previously disclosed that it did not consider Tatra to be a core business. The Company recorded an after-tax loss of \$7.7 on the disposition of Tatra. Results of Tatra, through the date of its disposition, are presented as Income from discontinued operations - net of tax in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2006. Tatra was previously included in the Roadbuilding, Utility Products and Other segment.

### NOTE E EARNINGS PER SHARE

The Company effected the Stock Split on July 14, 2006. Accordingly, all references to the number of shares and per share amounts for the period ended March 31, 2006, have been adjusted to reflect this Stock Split.

	<i>Three Months Ended March 31,</i>	
	<i>(in millions, except</i>	
	<i>per share data)</i>	
	<i>2007</i>	<i>2006</i>
Income from continuing operations	\$ 113.8	\$ 76.9
Income from discontinued operations-net of tax	-	1.9
Net income	\$ 113.8	\$ 78.8
Basic Shares:		
Weighted average shares outstanding	102.2	99.8
Earnings per share - basic:		
Income from continuing operations	\$ 1.11	\$ 0.77
Income from discontinued operations-net of tax	-	0.02
Net income	\$ 1.11	\$ 0.79
Diluted shares:		
Weighted average shares outstanding	102.2	99.8
Effect of dilutive securities:		
Stock options and restricted stock awards	2.5	2.6
Diluted weighted average shares outstanding	104.7	102.4
Earnings per share - diluted:		
Income from continuing operations	\$ 1.09	\$ 0.75
Income from discontinued operations-net of tax	-	0.02

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Net income	\$ 1.09	\$ 0.77
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Options to purchase shares of Terex Common Stock and restricted stock awards of Terex Common Stock totaling 108 thousand and 0 shares were outstanding during the three months ended March 31, 2007 and 2006, respectively, but were not included in the computation of diluted earnings per share. These options and restricted awards were generally excluded because the exercise or grant price, as applicable, of the awards exceeded the average market price for the period and the effect would be anti-dilutive.

**NOTE F INVENTORIES**

Inventories consist of the following:

	<i>March 31, 2007</i>	<i>December 31, 2006</i>
Finished equipment	\$ 582.1	\$ 456.4
Replacement parts	342.6	320.5
Work-in-process	327.1	267.3
Raw materials and supplies	507.9	457.8
Inventories	\$ 1,759.7	\$ 1,502.0

Reserves for excess and obsolete inventory were \$104.7 and \$97.9 at March 31, 2007 and December 31, 2006, respectively.

**NOTE G PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment - net consist of the following:

	<i>March 31, 2007</i>	<i>December 31, 2006</i>
Property	\$ 48.5	\$ 49.2
Plant	212.9	207.5
Equipment	332.2	313.8
	593.6	570.5
Less: Accumulated depreciation	(242.7)	(232.0)
Property, plant and equipment - net	\$ 350.9	\$ 338.5

**NOTE H EQUIPMENT SUBJECT TO OPERATING LEASES**

Operating leases arise from the leasing of the Company's products to customers. Initial noncancellable lease terms typically range up to 84 months. The net book value of equipment subject to operating leases was approximately \$76 and \$85 (net of accumulated depreciation of approximately \$32 and \$40) at March 31, 2007 and December 31, 2006, and is included within Other assets in the Company's Condensed Consolidated Balance Sheet. The equipment is depreciated on the straight-line basis over the shorter of the estimated useful life or the estimated amortization period of any borrowings secured by the asset to its estimated salvage value.

**NOTE I ACQUISITIONS**

On January 24, 2006, the Company acquired Halco for approximately \$15 in cash, plus assumption of certain capitalized leases and pension liabilities. Halco is headquartered in Southwram, England, with operations also in the United States, Ireland and Australia. Halco designs, manufactures and distributes down-the-hole drill bits and hammers for drills. The results of Halco are included in the Materials Processing & Mining Segment from the date of acquisition.

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On March 9, 2006, Terex's Unit Rig mining truck business entered into a joint venture with Inner Mongolia North Hauler Joint Stock Company Limited to produce high capacity surface mining trucks in China. Terex owns a controlling 50% interest in this joint venture, Terex NHL, a company incorporated under the laws of China. The results of Terex NHL are included in the Materials Processing & Mining Segment from the date of formation.

On April 4, 2006, the Company acquired Power Legend and its affiliates, including a controlling 50% ownership interest in Sichuan Crane, for approximately \$25 in cash. Sichuan Crane is headquartered in Luzhou, China and designs, manufactures, sells and repairs cranes and other construction equipment and components. The results of Power Legend and Sichuan Crane are included in the Cranes segment from their date of acquisition.

**NOTE J INVESTMENT IN JOINT VENTURE**

The Company owns a forty percent (40%) interest in the TFSH joint venture originally entered into on September 18, 2002. A European financial institution owns the majority sixty percent (60%) interest in TFSH. As defined by FASB Interpretation No. 46R, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51, TFSH is a variable interest entity. Based on the legal, financial and operating structure of TFSH, the Company has concluded that it is not the primary beneficiary of TFSH and that it does not control the operations of TFSH. Accordingly, the Company does not consolidate the results of TFSH into its consolidated financial statements. The Company applies the equity method of accounting for its investment in TFSH. The scope of TFSH's operations includes the opportunity to facilitate the financing of the Company's products sold in certain areas of Europe.

As of March 31, 2007, TFSH had total assets of \$469, consisting primarily of financing receivables and lease related equipment, and total liabilities of \$423, consisting primarily of debt issued by the joint venture partner. Prior to March 31, 2006, the Company provided guarantees related to potential losses arising from shortfalls in the residual values of financed equipment or credit defaults by the joint venture's customers. As of March 31, 2007, the maximum exposure to loss under these guarantees was \$25. Additionally, the Company is required to maintain a capital account balance in TFSH, pursuant to the terms of the joint venture, which could result in the reimbursement to TFSH by the Company of losses to the extent of the Company's ownership percentage. Because of the capital account balance requirements for TFSH, during the first quarter of 2006, the Company contributed its proportional share of these requirements, which represented an additional \$3.4 in cash to TFSH.

**NOTE K GOODWILL**

An analysis of changes in the Company's goodwill by business segment is as follows:

	Terex Aerial Work Platforms	Terex Construction	Terex Cranes	Terex Materials Processing & Mining	Terex Roadbuilding, Utility Products and Other	Total
Balance at December 31, 2006	\$ 104.2	\$ 113.7	\$ 115.2	\$ 221.7	\$ 78.0	\$ 632.8
Acquisitions	-	-	-	(0.5)	-	(0.5)
Foreign exchange effect and other	0.6	0.7	1.1	0.9	-	3.3
Balance at March 31, 2007	\$ 104.8	\$ 114.4	\$ 116.3	\$ 222.1	\$ 78.0	\$ 635.6

**NOTE L DERIVATIVE FINANCIAL INSTRUMENTS**

The Company enters into two types of derivatives: hedges of fair value exposures and hedges of cash flow exposures. Fair value exposures relate to recognized assets or liabilities and firm commitments, while cash flow exposures relate to the variability of future cash flows associated with recognized assets or liabilities or forecasted transactions.

The Company operates internationally, with manufacturing and sales facilities in various locations around the world, and uses certain financial instruments to manage its foreign currency, interest rate and fair value exposures. To qualify a derivative as a hedge at inception and throughout the hedge period, the Company formally documents the nature and relationships between hedging instruments and hedged items, as well as its risk-management objectives, strategies for undertaking various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically

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identified, and it must be probable that each forecasted transaction will occur. If it is deemed probable the forecasted transaction will not occur, the gain or loss would be recognized in current earnings. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. The Company does not engage in trading or other speculative use of financial instruments.

The Company uses forward contracts and options to mitigate its exposure to changes in foreign currency exchange rates on third-party and intercompany forecasted transactions. The primary currencies to which the Company is exposed are the Euro and British Pound. When using options as a hedging instrument, the Company excludes time value from assessment of effectiveness. The effective portion of unrealized gains and losses associated with forward contracts and the intrinsic value of option contracts are deferred as a component of Accumulated other comprehensive income until the underlying hedged

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transactions are reported in the Company's Condensed Consolidated Statement of Operations. The Company has used interest rate swaps to mitigate its exposure to changes in interest rates related to existing issuances of variable rate debt and to fair value changes of fixed rate debt. Primary exposure includes movements in the London Interbank Offer Rate ( LIBOR ).

Changes in the fair value of derivatives designated as fair value hedges are recognized in earnings as offsets to changes in fair value of exposures being hedged. The change in fair value of derivatives designated as cash flow hedges are deferred in Accumulated other comprehensive income and are recognized in earnings as hedged transactions occur. Transactions deemed ineffective are recognized in earnings immediately.

The Company records hedging activity related to debt instruments in interest expense and hedging activity related to foreign currency in the accounts for which the hedged items are recorded. On the Condensed Consolidated Statement of Cash Flows, the Company records cash flows from hedging activities in the same manner as it records the underlying item being hedged.

The Company entered into an interest rate swap agreement that converted a fixed rate interest payment into a variable rate interest payment. At December 31, 2006, the Company had \$200.0 notional amount of this interest rate swap agreement outstanding, which was scheduled to mature in 2014. In order to maintain an appropriate balance between floating and fixed rate obligations on its mix of indebtedness, the Company exited this interest rate swap agreement on January 15, 2007 and paid \$5.4. This loss is recorded as an adjustment to the carrying value of the hedged debt and will be amortized through the original debt maturity date of 2014.

During December 2002, the Company exited an interest rate swap agreement in the notional amount of \$100.0 with an original maturity date in 2011 that converted fixed rate interest payments into variable rate interest payments. The Company received \$5.6 upon exiting this swap agreement. This gain was recorded as an adjustment to the carrying value of the hedged debt and was being amortized through the debt maturity date. On June 30, 2006, the Company repaid one-third of the hedged debt and, therefore, \$1.1 of the unamortized gain was recognized as interest income in the second quarter of 2006. On August 14, 2006, the Company redeemed the remaining \$200 outstanding principal amount of the hedged debt and, therefore, the remaining unamortized gain of \$2.0 was recognized as interest income in the third quarter of 2006.

The Company is also a party to currency exchange forward contracts that generally mature within one year to manage its exposure to changing currency exchange rates. At March 31, 2007, the Company had \$1,003.9 of notional amount of currency exchange forward contracts outstanding, most of which mature on or before March 31, 2008. The fair market value of these swaps at March 31, 2007 was a net loss of \$1.8. At March 31, 2007, \$965.8 notional amount (\$1.2 of fair value losses) of these swap agreements have been designated as, and are effective as, cash flow hedges of specifically identified transactions. During 2007 and 2006, the Company recorded the change in fair value for these cash flow hedges to Accumulated other comprehensive income, and reclassified to earnings a portion of the deferred gain or loss from Accumulated other comprehensive income as the hedged transactions occurred and were recognized in earnings.

At March 31, 2007, the fair value of all derivative instruments designated as cash flow hedges has been recorded in the Condensed Consolidated Balance Sheet as an asset of \$5.2 and as a liability of \$5.8.

Counterparties to currency exchange forward contracts are major financial institutions with credit ratings of investment grade or better and no collateral is required. There are no significant risk concentrations. Management believes the risk of incurring losses on derivative contracts related to credit risk is remote and any losses would be immaterial.

Unrealized net gains (losses), net of tax, included in Accumulated Other Comprehensive Income (Loss) are as follows:

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	<i>Three Months Ended</i>	
	<i>March 31,</i>	
	<i>2007</i>	<i>2006</i>
Balance at beginning of period	\$ 1.0	\$ (3.0)
Additional gains (losses)	(3.1)	(0.1)
Amounts reclassified to earnings	1.5	2.5
Balance at end of period	\$ (0.6)	\$ (0.6)

The estimated amount of existing pre-tax net gains for derivative contracts recorded in Accumulated other comprehensive income as of March 31, 2007 expected to be reclassified into earnings in the next twelve months is \$0.6.

**NOTE M LONG-TERM OBLIGATIONS**

7-3/8% Senior Subordinated Notes

As of March 31, 2007, the Company had \$298.2 aggregate principal amount of 7-3/8% Senior Subordinated Notes Due 2014 ( 7-3/8% Notes ) outstanding. The 7-3/8% Notes are jointly and severally guaranteed by certain domestic subsidiaries of the Company (see Note Q - Consolidating Financial Statements ). The 7-3/8% Notes are redeemable by the Company beginning in January 2009 at an initial redemption price of 103.688% of principal amount.

9-1/4% Senior Subordinated Notes

On January 15, 2007, the Company redeemed the outstanding \$200 principal amount of its 9-1/4% Senior Subordinated Notes due 2011 ( 9-1/4% Notes ). The total cash paid was \$218.5, and included a call premium of 4.625% as set forth in the indenture for the 9-1/4% Notes plus accrued interest of \$46.25 per \$1,000 principal amount at the redemption date. The 9-1/4% Notes were originally issued December 17, 2001. The Company recorded pre-tax charges of \$12.5 in the first quarter of 2007 for the call premium and accelerated amortization of debt acquisition costs as a loss on early extinguishment of debt.

10-3/8% Senior Subordinated Notes

On June 30, 2006, the Company completed the redemption of \$100 principal amount of the \$300 principal amount outstanding of its 10-3/8% Senior Subordinated Notes due 2011 (the 10-3/8% Notes ). The total cash paid was \$107.8, and included a call premium of 5.188% as set forth in the indenture for the 10-3/8% Notes plus accrued interest of \$25.65 per \$1,000 principal amount at the redemption date. The 10-3/8% Notes were originally issued March 29, 2001. The Company recorded pre-tax charges of \$6.7 in the second quarter of 2006 for the call premium and accelerated amortization of debt acquisition costs as a loss on early extinguishment of debt.

On August 14, 2006, the Company redeemed the remaining \$200 outstanding principal amount of the 10-3/8% Notes. The total cash paid was \$218.0, and included a call premium of 5.188% as set forth in the indenture for the 10-3/8% Notes plus accrued interest of \$38.33 per \$1,000 principal amount at the redemption date. The Company recorded pre-tax charges of \$13.2 in the third quarter of 2006 for the call premium and accelerated amortization of debt acquisition costs as a loss on early extinguishment of debt.

2006 Credit Agreement

On July 14, 2006, the Company and certain of its subsidiaries entered into a Credit Agreement (the 2006 Credit Agreement ) with the lenders party thereto (the Lenders ) and Credit Suisse, as administrative agent and collateral agent. The 2006 Credit Agreement provides the Company with a revolving line of credit of up to \$700 available through July 14, 2012 and term debt of \$200 that will mature on July 14, 2013. The revolving line of credit consists of \$500 of domestic revolving loans and \$200 of multicurrency revolving loans. The 2006 Credit Agreement also provides for incremental loan commitments of up to \$300, which may be extended at the option of the Lenders, in the form of revolving credit loans, term loans or a combination of both.

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As of March 31, 2007, the Company had \$198.5 of term loans outstanding under the 2006 Credit Agreement. Term loans under the 2006 Credit Agreement bear interest at a rate based on LIBOR plus 1.75%. The weighted average interest rate on the term loans under the 2006 Credit Agreement at March 31, 2007 was 7.10%.

The 2006 Credit Agreement incorporates facilities for issuance of letters of credit. Letters of credit issued under the 2006 Credit Agreement decrease availability under the \$700 revolving line of credit.

As of March 31, 2007, the Company had a balance of \$145.7 outstanding under the revolving credit component of the 2006 Credit Agreement and letters of credit issued under the 2006 Credit Agreement totaled \$116.0. The weighted average interest rate on the outstanding portion of the 2006 Credit Agreement revolving credit component was 7.99% at March 31, 2007.

The 2006 Credit Agreement requires the Company to comply with a number of covenants. These covenants require the Company to meet certain financial tests, namely (a) a requirement that the Company maintain a consolidated leverage ratio, as defined in the 2006 Credit Agreement, not in excess of 3.75 to 1.00 on the last day of any fiscal quarter, and (b) a requirement that the Company maintain a consolidated fixed charge coverage ratio, as defined in the 2006 Credit Agreement, of not less than 1.25 to 1.00 for any period of four consecutive fiscal quarters. The covenants also limit, in certain circumstances, Terex's ability to take a variety of actions, including: incur indebtedness; create or maintain liens on its property or assets; make investments, loans and advances; engage in acquisitions, mergers, consolidations and asset sales;

and pay dividends and distributions, including share repurchases. The 2006 Credit Agreement also contains customary events of default.

In connection with the 2006 Credit Agreement, the Company terminated its existing amended and restated credit agreement, dated as of July 3, 2002, as amended (the "2002 Credit Agreement"), among the Company and certain of its subsidiaries, the lenders thereunder and Credit Suisse, as administrative agent and collateral agent, and related agreements and documents. The Company used the proceeds from \$200 of term loans under the 2006 Credit Agreement and cash on hand to pay in full all amounts outstanding under the 2002 Credit Agreement at the date of termination. In connection with the termination of the 2002 Credit Agreement, the Company recorded pre-tax charges of \$3.4 for the accelerated amortization of debt acquisition costs as a loss on early extinguishment of debt.

**NOTE N RETIREMENT PLANS AND OTHER BENEFITS**

Pension Plans

*U.S. Plans* - As of March 31, 2007, the Company maintained four qualified defined benefit pension plans covering certain domestic employees (the "Terex Plans"). The benefits for the plan covering salaried employees are based primarily on years of service and employees' qualifying compensation during the final years of employment. Participation in the plan for salaried employees was frozen on or before October 15, 2000. The benefits for three plans covering bargaining unit employees are based primarily on years of service and a flat dollar amount per year of service. Participation was frozen effective December 31, 2000 for one plan, February 18, 2006 for another plan, and will be frozen effective June 29, 2007 for the third plan. This resulted in a curtailment as defined by SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" during 2006 for two of the plans and unrecognized prior service cost without future economic benefit was recognized as a loss. For all four plans, no participants will be credited with service following the effective dates of their freeze except that participants are credited with post-freeze service for purposes of determining vesting and retirement eligibility only. It is the Company's policy generally to fund the Terex Plans based on the minimum requirements of the Employee Retirement Income Security Act of 1974. Plan assets consist primarily of common stocks, bonds, and short-term cash equivalent funds.

The Company adopted a nonqualified Supplemental Executive Retirement Plan ("SERP") effective October 1, 2002. The SERP provides retirement benefits to certain senior executives of the Company. Generally, the SERP provides a benefit based on average total compensation earned over a participant's final five years of employment and years of service reduced by benefits earned under any Company retirement program excluding salary deferrals and matching contributions. In addition, benefits are reduced by Social Security Primary Insurance Amounts attributable to Company contributions. The SERP is unfunded.

Other Postemployment Benefits

The Company has several non-pension post-retirement benefit programs. The health care programs are contributory, with participants contributions adjusted annually, and the life insurance plan is noncontributory. The Company provides postemployment health and life insurance benefits to certain former salaried and hourly employees of Terex Cranes - Waverly Operations and Terex Corporation. The Company provides post-employment health benefits for certain former employees at its Cedarapids and Simplicity Engineering operations.

Pension Benefits  
*Three Months Ended*

Other Benefits  
*Three Months Ended*

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	<i>March 31,</i> 2007	2006	<i>March 31,</i> 2007	2006
Components of net periodic cost:				
Service cost	\$ 0.5	\$ 0.4	\$ 0.1	\$ 0.1
Interest cost	1.9	1.8	0.2	0.2
Expected return on plan assets	(2.1)	(2.0)	-	-
Amortization of prior service cost	-	0.3	-	-
Recognized actuarial loss	0.7	0.6	0.1	0.1
Net periodic cost	\$ 1.0	\$ 1.1	\$ 0.4	\$ 0.4

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The Company plans to contribute approximately \$2 to its U.S. defined benefit pension plans for the year ending December 31, 2007. During the three months ended March 31, 2007, the Company contributed \$0.4 to its U.S. defined benefit pension plans.

*International Plans* As part of the acquisition of Power Legend and its affiliates, including a controlling 50% ownership interest in Sichuan Crane, on April 4, 2006, the Company acquired a pension plan in China. As part of the acquisition of Halco on January 24, 2006, the Company acquired a pension plan in the United Kingdom. The net periodic costs from the dates of acquisition are included in the table below.

The Company maintains defined benefit plans in Germany, China, France and the United Kingdom for some of its subsidiaries. The plans in Germany, China and France are unfunded plans. For the Company's operations in Italy, there are mandatory termination indemnity plans providing a benefit that is payable upon termination of employment in substantially all cases of termination.

	Pension Benefits	
	<i>Three Months Ended</i>	
	<i>March 31,</i>	
	2007	2006
Components of net periodic cost:		
Service cost	\$ 1.9	\$ 1.5
Interest cost	3.8	3.1
Expected return on plan assets	(1.8)	(1.3)
Amortization of prior service cost	0.3	0.2
Recognized actuarial loss	0.4	0.3
Net periodic cost	\$ 4.6	\$ 3.8

The Company plans to contribute approximately \$14 to its international defined benefit pension plans for the year ending December 31, 2007. During the three months ended March 31, 2007, the Company contributed \$3.7 to its international defined benefit pension plans.

### NOTE O LITIGATION AND CONTINGENCIES

In the Company's lines of business, numerous suits have been filed alleging damages for accidents that have occurred during the use or operation of the Company's products. The Company is self-insured, up to certain limits, for these product liability exposures, as well as for certain exposures related to general, workers' compensation and automobile liability. Insurance coverage is obtained for catastrophic losses as well as those risks required to be insured by law or contract. The Company has recorded and maintains an estimated liability in the amount of management's estimate of the Company's aggregate exposure for such self-insured risks. For self-insured risks, the Company determines its exposure based on probable loss estimations, which requires such losses to be both probable and the amount or range of possible loss to be estimable. Management does not believe that the final outcome of such matters will have a material adverse effect on the Company's consolidated financial position.

The Company is involved in various other legal proceedings, including workers' compensation liability and intellectual property litigation, which have arisen in the normal course of its operations. The Company has recorded provisions for estimated losses in circumstances where a loss is probable and the amount or range of possible amounts of the loss is estimable.

The Company's outstanding letters of credit totaled \$116.0 at March 31, 2007. The letters of credit generally serve as collateral for certain liabilities included in the Condensed Consolidated Balance Sheet. Certain of the letters of credit serve as collateral guaranteeing the Company's

performance under contracts.

The Company has a letter of credit outstanding covering losses related to two former subsidiaries' worker compensation obligations. The Company has recorded liabilities for these contingent obligations in circumstances where a loss is probable and the amount or range of possible amounts of the loss is estimable.

#### Credit Guarantees

Customers of the Company from time to time may fund the acquisition of the Company's equipment through third-party finance companies. In certain instances, the Company may provide a credit guarantee to the finance company, by which the Company agrees to make payments to the finance company should the customer default. The maximum liability of the

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Company is limited to the remaining payments due to the finance company at the time of default. In the event of a customer default, the Company is generally able to recover and dispose of the equipment, with the Company realizing the benefits of any net proceeds in excess of the remaining payments due to the finance company.

As of March 31, 2007, the Company's maximum exposure to such credit guarantees was \$217.4, including total guarantees issued by Terex Demag, part of the Cranes segment, and Genie, part of the Aerial Work Platforms segment, of \$158.7 and \$33.4, respectively. The terms of these guarantees coincide with the financing arranged by the customer and generally do not exceed five years. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

### Residual Value and Buyback Guarantees

The Company issues residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date. The maximum exposure for residual value guarantees issued by the Company totaled \$36.9 as of March 31, 2007. The Company is able to mitigate the risk associated with these guarantees because the maturity of these guarantees is staggered, limiting the amount of used equipment entering the marketplace at any one time.

The Company from time to time guarantees that it will buy equipment from its customers in the future at a stated price if certain conditions are met by the customer. Such guarantees are referred to as buyback guarantees. These conditions generally pertain to the functionality and state of repair of the machine. As of March 31, 2007, the Company's maximum exposure pursuant to buyback guarantees was \$112.8. The Company is able to mitigate the risk of these guarantees because the timing of the buybacks is staggered and through leveraging its access to the used equipment markets provided by the Company's original equipment manufacturer status.

The Company has recorded an aggregate liability within Other current liabilities and Retirement plans and other non-current liabilities in the Condensed Consolidated Balance Sheet of approximately \$17 for the estimated fair value of all guarantees provided as of March 31, 2007.

### **NOTE P STOCKHOLDERS EQUITY**

Total non-stockholder changes in equity (comprehensive income) include all changes in equity during a period except those resulting from investments by, and distributions to, stockholders. The specific components include: net income, deferred gains and losses resulting from foreign currency translation, minimum pension liability adjustments and deferred gains and losses resulting from derivative hedging transactions. Total non-stockholder changes in equity were as follows:

	<i>Three Months</i>	
	<i>Ended March 31,</i>	
	<i>2007</i>	<i>2006</i>
Net income	\$ 113.8	\$ 78.8
Other comprehensive income (loss):		
Pension liability adjustment	(0.2)	(0.5)
Translation adjustment	12.4	19.8
Derivative hedging adjustment	(1.6)	2.4

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Comprehensive income (loss)	\$ 124.4	\$ 100.5
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During the first quarter of 2007, the Company granted 650 thousand shares of restricted stock to its employees with 274 thousand of these shares based on performance targets. Substantially all of these restricted stock awards vest over a four-year period, except 89 thousand of the performance-based awards that vest approximately over a one-year period.

Also, during the first quarter of 2007, 30 thousand shares of restricted stock were granted to executive officers of the Company subject to future performance periods and satisfaction of performance-based targets which are not yet determinable. Accordingly, no expense related to these performance-based shares is included in the Condensed Consolidated Statement of Operations.

During the first quarter of 2007, the Company acquired 79 thousand shares at an aggregate cost of \$5.4 pursuant to a \$200 million share repurchase program authorized December 15, 2006 and continuing through June 30, 2008.

**NOTE Q CONSOLIDATING FINANCIAL STATEMENTS**

On November 25, 2003, the Company sold and issued \$300 aggregate principal amount of the 7-3/8% Notes. As of March 31, 2007, the 7-3/8% Notes were jointly and severally guaranteed by the following wholly-owned subsidiaries of the Company (the Wholly-owned Guarantors): Amida Industries, Inc., Cedarapids, Inc., CMI Terex Corporation, Finlay Hydrascreen USA, Inc., Genie Financial Services, Inc., Genie Holdings, Inc., Genie Industries, Inc., Genie International, Inc., Genie Manufacturing, Inc., GFS National, Inc., Koehring Cranes, Inc., Powerscreen Holdings USA Inc., Powerscreen International LLC, Powerscreen North America Inc., Powerscreen USA, LLC, PPM Cranes, Inc., Royer Industries, Inc., Schaeff Incorporated, Spinnaker Insurance Company, Terex Advance Mixer, Inc., Terex Cranes, Inc., Terex Cranes Wilmington, Inc., Terex Financial Services, Inc., Terex Mining Equipment, Inc., Terex-RO Corporation and Terex-Telelect, Inc. All of the guarantees are full and unconditional. No subsidiaries of the Company except the Wholly-owned Guarantors have provided a guarantee of the 7-3/8% Notes.

The following summarized condensed consolidating financial information for the Company segregates the financial information of Terex Corporation, the Wholly-owned Guarantors and the non-guarantor subsidiaries. The results and financial position of businesses acquired or formed are included from the dates of their respective acquisitions or formation.

Terex Corporation consists of parent company operations. Subsidiaries of the parent company are reported on the equity basis. Wholly-owned Guarantors combine the operations of the Wholly-owned Guarantor subsidiaries. Subsidiaries of Wholly-owned Guarantors that are not themselves guarantors are reported on the equity basis. Non-guarantor subsidiaries combine the operations of subsidiaries which have not provided a guarantee of the obligations of Terex Corporation under the 7-3/8% Notes. Debt and goodwill allocated to subsidiaries are presented on a push-down accounting basis.

TEREX CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2007

(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$ 171.6	\$ 735.4	\$ 1,298.5	\$ (192.8)	\$ 2,012.7
Cost of goods sold	(144.9)	(567.1)	(1,081.5)	192.8	(1,600.7)
Gross profit					