

Edgar Filing: TEREX CORP - Form 10-Q/A

TEREX CORP  
Form 10-Q/A  
February 17, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

-----  
FORM 10 - Q/A  
-----

Amendment No. 1

(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, 2004  
-----

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 34-1531521  
(State of Incorporation) (IRS Employer Identification No.)

500 POST ROAD EAST, SUITE 320, 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

## Edgar Filing: TEREX CORP - Form 10-Q/A

Number of outstanding shares of common stock: 49.3 million as of May 4, 2004.

The Exhibit Index begins on page 65.

### EXPLANATORY NOTE

Terex Corporation (the "Company" or "Terex") is filing this Amendment No. 1 on Form 10-Q/A (the "Form 10-Q/A") for the quarter ended March 31, 2004 to amend the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 previously filed by the Company (the "Form 10-Q") in order to restate its condensed consolidated financial statements for the three month periods ending March 31, 2004 and March 31, 2003.

This Form 10-Q/A is part of the Company's restatement of its financial statements for the years ended December 31, 2002 and 2003, in an Annual Report on Form 10-K for the year ended December 31, 2004 to be filed with the Securities and Exchange Commission ("SEC") substantially contemporaneously herewith. That Annual Report on Form 10-K also will include restated selected financial data for the years ended December 31, 2000 and 2001. In addition, Terex is amending its filing for the interim period ended June 30, 2004 in an Amendment to Quarterly Report on Form 10-Q/A. The restatement principally pertains to errors identified by the Company in accounting for, and reconciliation of, certain intercompany imbalances, as well as in the failure of the Company to properly eliminate, in consolidation, all intercompany accounts in accordance with generally accepted accounting principles. Prior to the restatement, the intercompany imbalances were eliminated by affecting the translation adjustment account within accumulated other comprehensive income (loss) within stockholders' equity, rather than the accounts giving rise to the imbalance. The Company's review of prior year financial statements identified other errors in accounting which primarily impacted net sales, cost of goods sold, goodwill, accumulated other comprehensive income, additional paid-in capital and treasury stock, which are also corrected in these restatements. The Company believes that its rapid growth through acquisition, complex transactions and facility closures and reorganizations during the periods in question, and their impacts on such issues as staffing, training, oversight and systems, were factors that contributed to the errors. The accompanying condensed consolidated financial statements and notes thereto set forth herein summarizes the nature of the adjustments recorded to correct previously issued financial statements.

In addition, as a result of the impact of the restatement items on the pre-tax income of the Company's U.S. business, the Company reassessed its need for a valuation allowance and determined that a valuation allowance to reduce Terex's U.S. deferred tax asset was required, as a result of a reassessment, to be recorded at December 31, 2003 in the restated financial statements. During the period ended March 31, 2004, the impact of this valuation allowance required a reversal of the tax expense on the U.S. pre-tax income in the period ended March 31, 2004, requiring the Company to restate its financial statements for such period. Additionally, the Company has adjusted its tax accounts for errors identified for the period ended March 31, 2004 and in all prior periods presented in this Quarterly Report on Form 10-Q/A.

For information concerning the background of these matters, the specific adjustments made and management's discussion and analysis of results of operations for periods giving effect to the restated results, see Note B of the Notes to Condensed Consolidated Financial Statements, Item 2 -- "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restatement of Consolidated Financial Statements," and Item 4 -- "Controls and Procedures." For additional information regarding the background of these matters, see the Company's Current Reports on Form 8-K furnished to the SEC from October 27, 2004 through the date of this Form 10-Q/A with respect to this

## Edgar Filing: TEREX CORP - Form 10-Q/A

matter.

All amounts referenced in this Quarterly Report on Form 10-Q/A for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

Terex has not amended its Quarterly Report on Form 10-Q for the interim period ended March 31, 2003. The information that has been previously filed or otherwise reported for this period is superseded by the information in this Quarterly Report, and the financial statements and related financial information contained in such other report should no longer be relied upon.

The following items originally included in the Form 10-Q are amended by this Form 10-Q/A:

- o Part I, Item 1, Condensed Consolidated Financial Statements;
- o Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations;
- o Part I, Item 3, Quantitative and Qualitative Disclosures About Market Risk;

1

- o Part I, Item 4, Controls and Procedures;
- o Part II, Item 5, Other Information
- o Part II, Item 6, Exhibits and Reports on Form 8-K.

The Chief Executive Officer and Chief Financial Officer of Terex have also reissued their certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act in this Form 10-Q/A.

Except for the items mentioned above, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as required to reflect the effects of the restatement. Accordingly, this Form 10-Q/A, including the financial statements and notes thereto included herein, generally does not reflect events occurring after the date of the original filing of the Form 10-Q or modify or update those disclosures affected by subsequent events. Consequently, all other information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-Q on May 7, 2004. For a description of subsequent events, this Form 10-Q/A should be read in conjunction with Terex's filings made subsequent to the filing of the original Form 10-Q, including the Company's amended Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2004, the Company's Current Reports on Form 8-K, and any filings to be made by the Company to reflect the impact of the restatement of its financial statements discussed above.

2

### INDEX

#### TEREX CORPORATION AND SUBSIDIARIES

##### GENERAL

This Quarterly Report on Form 10-Q/A filed by Terex Corporation ("Terex" or the "Company") includes financial information with respect to the following subsidiaries of the Company (all of which are wholly-owned) which were

Edgar Filing: TEREX CORP - Form 10-Q/A

guarantors on March 31, 2004 (the "Guarantors") of the Company's \$300 million principal amount of 7-3/8% Senior Subordinated Notes due 2014 (the "7-3/8% Notes"), \$300 million principal amount of 10-3/8% Senior Subordinated Notes due 2011 (the "10-3/8% Notes"), and \$200 million principal amount of 9-1/4% Senior Subordinated Notes due 2011 (the "9-1/4% Notes"). See Note R to the Company's March 31, 2004 Condensed Consolidated Financial Statements included in this Quarterly Report.

Guarantor -----	State or other jurisdiction of incorporation or organization -----
Amida Industries, Inc.....	South Carolina
Benford America, Inc.....	Delaware
BL-Pegson USA, Inc.....	Connecticut
Cedarapids, Inc.....	Iowa
CMI Dakota Company.....	South Dakota
CMI Terex Corporation.....	Oklahoma
CMIOIL Corporation.....	Oklahoma
EarthKing, Inc.....	Delaware
Finlay Hydrascreen USA, Inc.....	New Jersey
Fuchs Terex, Inc.....	Delaware
Genie Access Services, Inc.....	Washington
Genie China, Inc.....	Washington
Genie Financial Services, Inc.....	Washington
Genie Holdings, Inc.....	Washington
Genie Industries, Inc.....	Washington
Genie International, Inc.....	Washington
Genie Manufacturing, Inc.....	Washington
GFS Commercial LLC.....	Washington
GFS National, Inc.....	Washington
Go Credit Corporation.....	Washington
Koehring Cranes, Inc.....	Delaware
Lease Servicing & Funding Corp.....	Washington
O & K Orenstein & Koppel, Inc.....	Delaware
Payhauler Corp.....	Illinois
Powerscreen Holdings USA Inc.....	Delaware
Powerscreen International LLC.....	Delaware
Powerscreen North America Inc.....	Delaware
Powerscreen USA, LLC.....	Kentucky
PPM Cranes, Inc.....	Delaware
Product Support, Inc.....	Oklahoma
Royer Industries, Inc.....	Pennsylvania
Schaeff Incorporated.....	Iowa
Spinnaker Insurance Company.....	Vermont
Standard Havens, Inc.....	Delaware
Standard Havens Products, Inc.....	Delaware
Terex Advance Mixer, Inc.....	Delaware
Terex Bartell, Inc.....	Delaware
Terex Cranes, Inc.....	Delaware
Terex Financial Services, Inc.....	Delaware
Terex Mining Equipment, Inc.....	Delaware
Terex Utilities, Inc.....	Delaware
Terex Utilities South, Inc.....	Delaware
Terex-RO Corporation.....	Kansas
Terex-Telelect, Inc.....	Delaware
The American Crane Corporation.....	North Carolina

Edgar Filing: TEREX CORP - Form 10-Q/A

Utility Equipment, Inc.....

Oregon

PART I FINANCIAL INFORMATION

Item 1 Condensed Consolidated Financial Statements

TEREX CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement of Operations --

Three months ended March 31, 2004 and 2003.....

Condensed Consolidated Balance Sheet -- March 31, 2004 and December 31, 2003.....

Condensed Consolidated Statement of Cash Flows --

Three months ended March 31, 2004 and 2003.....

Notes to Condensed Consolidated Financial Statements -- March 31, 2004.....

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 3 Quantitative and Qualitative Disclosures About Market Risk.....

Item 4 Controls and Procedures.....

PART II OTHER INFORMATION

Item 1 Legal Proceedings.....

Item 2 Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.....

Item 3 Defaults Upon Senior Securities.....

Item 4 Submission of Matters to a Vote of Security Holders.....

Item 5 Other Information.....

Item 6 Exhibits and Reports on Form 8-K.....

SIGNATURES.....

EXHIBIT INDEX.....

PART 1. FINANCIAL INFORMATION
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TEREX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(unaudited)
(in millions, except per share data)

For the Three

Edgar Filing: TEREX CORP - Form 10-Q/A

	Months Ended March 31,	
	2004	2003
	Restated	Restated
	-----	-----
Net sales.....	\$1,059.4	\$ 934.4
Cost of goods sold.....	899.0	807.6
	-----	-----
Gross profit.....	160.4	126.8
Selling, general and administrative expenses.....	(112.5)	(89.2)
	-----	-----
Income from operations.....	47.9	37.6
Other income (expense):		
Interest income.....	1.0	1.7
Interest expense.....	(22.5)	(25.9)
Other income (expense) -- net.....	(2.4)	0.3
	-----	-----
Income before income taxes.....	24.0	13.7
Provision for income taxes.....	(5.3)	(4.2)
	-----	-----
Net income.....	\$18.7	\$9.5
	=====	=====
Per common share:		
Basic.....	\$0.38	\$0.20
	=====	=====
Diluted.....	\$0.37	\$0.19
	=====	=====
Weighted average number of shares outstanding in per share calculation:		
Basic.....	48.8	47.2
Diluted.....	50.8	49.4

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

TEREX CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET  
(unaudited)  
(in millions, except par value)

March 31,	December
2004	2003
Restated	Restat
-----	-----

Edgar Filing: TEREX CORP - Form 10-Q/A

Assets

Current assets

Cash and cash equivalents.....	\$ 408.0	\$ 4
Trade receivables (net of allowance of \$40.3 at March 31, 2004 and \$38.3 at December 31, 2003).....	595.2	5
Inventories.....	1,115.5	1,0
Deferred taxes.....	79.9	
Other current assets.....	120.6	1

Total current assets.....	2,319.2	2,2
---------------------------	---------	-----

Long-term assets

Property, plant and equipment.....	343.1	3
Goodwill.....	623.7	6
Deferred taxes.....	45.5	
Other assets.....	325.8	3

Total assets.....	\$ 3,657.3	\$ 3,5
-------------------	------------	--------

Liabilities and Stockholders' Equity

Current liabilities

Notes payable and current portion of long-term debt.....	\$ 96.8	\$
Trade accounts payable.....	691.2	6
Accrued compensation and benefits.....	97.6	
Accrued warranties and product liability.....	85.0	
Other current liabilities.....	289.6	2

Total current liabilities.....	1,260.2	1,1
--------------------------------	---------	-----

Non-current liabilities

Long-term debt, less current portion.....	1,279.4	1,2
Other.....	414.6	4

Commitments and contingencies

Stockholders' equity

Common stock, \$.01 par value -- authorized 150.0 shares; issued 50.3 and 50.0 shares at March 31, 2004 and December 31, 2003, respectively.....	0.5	
Additional paid-in capital.....	836.4	8
Accumulated deficit.....	(186.5)	(2
Accumulated other comprehensive income.....	98.1	1
Less cost of shares of common stock in treasury -- 2.0 and 1.9 shares at March 31, 2004 and December 31, 2003, respectively.....	(45.4)	(

Total stockholders' equity.....	703.1	6
---------------------------------	-------	---

Total liabilities and stockholders' equity.....	\$ 3,657.3	\$ 3,5
---	------------	--------

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

# Edgar Filing: TEREX CORP - Form 10-Q/A

TEREX CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 (unaudited)  
 (in millions)

	For the Three Months Ended March 31,	
	2004 Restated	2003 Restated
<b>Operating Activities</b>		
Net income.....	\$ 18.7	\$ 9.5
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation.....	14.3	12.9
Amortization.....	4.0	2.7
Impairment charges and asset write downs.....	---	1.7
Gain on sale of fixed assets.....	(0.8)	(0.5)
Changes in operating assets and liabilities (net of effects of acquisitions):		
Trade receivables.....	(55.7)	27.1
Inventories.....	(108.5)	7.6
Trade accounts payable.....	83.1	59.2
Other, net.....	(19.5)	(5.4)
Net cash provided by (used in) operating activities.....	(64.4)	114.8
<b>Investing Activities</b>		
Acquisition of businesses, net of cash acquired.....	(1.1)	(8.5)
Capital expenditures.....	(8.9)	(8.6)
Proceeds from sale of assets.....	0.8	2.6
Net cash used in investing activities.....	(9.2)	(14.5)
<b>Financing Activities</b>		
Principal repayments of long-term debt.....	---	(1.5)
Proceeds from stock options exercised.....	4.1	---
Net borrowings (repayments) under revolving line of credit agreements.....	14.0	(22.5)
Other, net.....	(3.4)	(11.6)
Net cash provided by (used in) financing activities.....	14.7	(35.6)
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	(0.6)	2.9
Net Increase (Decrease) in Cash and Cash Equivalents.....	(59.5)	67.6
Cash and Cash Equivalents at Beginning of Period.....	467.5	352.2



Edgar Filing: TEREX CORP - Form 10-Q/A

Cash and Cash Equivalents at End of Period..... \$ 408.0 \$ 419.8  
=====

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

7

TEREX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004  
(unaudited)

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

Except for the items mentioned in the Explanatory Note and Note B of the Notes to Condensed Consolidated Financial Statements, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as required to reflect the effects of the restatement. Accordingly, this Form 10-Q/A, including the financial statements and notes thereto included herein, does not reflect events occurring after the date of the original filing of the Form 10-Q or modify or update those disclosures affected by subsequent events except for the items mentioned in the Explanatory Note and Note B of the Notes to Condensed Consolidated Financial Statements. Consequently, all other information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-Q on May 7, 2004. For a description of subsequent events, this Form 10-Q/A should be read in conjunction with Terex's filings made subsequent to the filing of the original Form 10-Q including, the Company's amended Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2004, the Company's Current Reports on Form 8-K, and any filings to be made by the Company to reflect the impact of the restatement of its financial statements discussed herein.

NOTE A -- BASIS OF PRESENTATION

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Terex Corporation and subsidiaries as of March 31, 2004 and for the three months ended March 31, 2004 and 2003 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 condensed consolidated financial statements include the accounts of Terex Corporation and its majority owned subsidiaries ("Terex" or the "Company"). All material intercompany balances, transactions and profits have been eliminated.

In the opinion of management, all adjustments considered necessary for a fair statement 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, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

## Edgar Filing: TEREX CORP - Form 10-Q/A

Cash and cash equivalents at March 31, 2004 and December 31, 2003 include \$3.1 and \$10.9, 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 have been reclassified to conform with the current period presentation. The Terex mining truck business is included as a continuing operation.

Recent Accounting Pronouncements. In January 2003, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. ("FIN") 46, "Consolidation of Variable Interest Entities." A variable interest entity ("VIE") is a corporation, partnership, trust or other legal entity that does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its own activities. The interpretation requires a company to consolidate a VIE when the company has a majority of the risk of loss from the VIE's activities or is entitled to receive a majority of the entity's residual returns or both. In December 2003, the FASB revised FIN 46 ("FIN 46R") and modified its effective date. The Company adopted the provisions of FIN 46R, for special purpose entities and VIEs created on or after February 1, 2003, effective December 31, 2003. As of March 31, 2004, there were no such entities that are required to be consolidated by the Company. For all

8

other entities, the Company has adopted the provisions of FIN 46R effective March 31, 2004. The adoption of FIN 46R did not have a material impact on the Company's consolidated financial position or results of operations.

In January 2003, the Emerging Issues Task Force (the "EITF") released EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF 00-21 clarifies the timing and recognition of revenue from certain transactions that include the delivery and performance of multiple products or services. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 has not had a material impact on the Company's consolidated financial position or results of operations.

During April 2003, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments and hedging activities, resulting primarily from decisions reached by the FASB Derivatives Implementation Group subsequent to the original issuance of SFAS No. 133. This statement is generally effective prospectively for contracts and hedging relationships entered into after June 30, 2003. The adoption of SFAS No. 149 has not had a material impact on the Company's consolidated financial position or results of operations.

On May 15, 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 must be applied immediately to instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS No. 150 has not had a material impact on the Company's consolidated financial position or results of operations.

Accounts Receivable and Allowance for Doubtful Accounts. Trade accounts

## Edgar Filing: TEREX CORP - Form 10-Q/A

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 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 it is probable 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, 2004 and December 31, 2003.

**Accrued Warranties.** The Company records accruals for potential warranty claims based on the Company's claim experience. The Company's products are typically sold with a standard warranty covering defects that arise during a fixed period of time. 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. The length of warranty is generally a fixed period of time, a fixed number of operating hours, or both.

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 a historical warranty claim experience for each product sold. The 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 that critical assumptions are updated for known events that may impact the potential warranty liability.

9

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

		For the Three Months Ended March 31, 2004 Restated
		-----
Balance at beginning of period.....	\$	69.6
Accruals for warranties issued during the period		15.7
Changes in estimates.....		(2.0)
Settlements during the period.....		(17.9)
Foreign exchange effect.....		(0.3)
		-----
Balance at end of period.....	\$	65.1
		=====

**Stock-Based Compensation.** At March 31, 2004, the Company had stock-based employee compensation plans. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related interpretations. No employee compensation cost is reflected in net income for the granting of

## Edgar Filing: TEREX CORP - Form 10-Q/A

employee stock options, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS No. 123") to stock-based employee compensation.

	For the Three Months Ended March 31,	
	2004 Restated	2003 Restated
Reported net income.....	\$ 18.7	\$ 9.5
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of related income tax effects.....	(1.8)	(1.1)
Pro forma net income.....	\$ 16.9	\$ 8.4
Per common share:		
Basic:		
Reported net income.....	\$ 0.38	\$ 0.20
Pro forma net income.....	\$ 0.35	\$ 0.18
Diluted:		
Reported net income.....	\$ 0.37	\$ 0.19
Pro forma net income.....	\$ 0.33	\$ 0.17

The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the Three Months Ended March 31,	
	2004	2003
Dividend yields.....	0.0%	0.0%
Expected volatility.....	51.10%	51.24%
Risk-free interest rates.....	4.04%	4.90%
Expected life (in years).....	10.0	9.7
Aggregate fair value of options granted.....	\$ 6.0	\$ 4.5
Weighted average fair value at date of grant for options granted	\$ 22.61	\$ 7.59

## Edgar Filing: TEREX CORP - Form 10-Q/A

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

### NOTE B -- RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is restating its financial statements as of and for the year ended December 31, 2003. The restatement principally pertains to errors identified by the Company in accounting for, and reconciliation of, certain intercompany imbalances, as well as in the failure of the Company to properly eliminate, in consolidation, all intercompany accounts in accordance with generally accepted accounting principles. Prior to the restatement, the intercompany imbalances were eliminated by affecting the translation adjustment account within accumulated other comprehensive income (loss) within stockholders' equity, rather than the accounts giving rise to the imbalance. The Company's review of prior year financial statements identified other errors in accounting which primarily impacted net sales, cost of goods sold, goodwill, accumulated other comprehensive income, additional paid-in capital and treasury stock, which are also corrected in these restatements.

In addition, as a result of the impact of the restatement items on the pre-tax income of the Company's U.S. business, the Company reassessed its need for a valuation allowance and determined that a valuation allowance to reduce Terex's U.S. deferred tax asset was required, as a result of a reassessment, to be recorded at December 31, 2003 in the restated financial statements. During the period ended March 31, 2004, the impact of this valuation allowance required a reversal of the tax expense on the U.S. pre-tax income in the period ended March 31, 2004, requiring the Company to restate its financial statements for such period. Additionally, the Company has adjusted its tax accounts for errors identified for the period ended March 31, 2004 and in all prior periods presented in this Quarterly Report on Form 10-Q/A.

The following tables set forth the restatement of the Company's previously issued statement of operations for the three months ended March 31, 2004 and 2003 and the Company's restated balance sheet as of March 31, 2004 and December 31, 2003, on a summary basis.

All other information presented in the notes to these financial statements is presented on a restated basis.

	For the Three Months Ended March 31, 2004		For the T Ended Mar
	As Originally Reported	As Restated	As Originally Reported
Net sales.....	\$ 1,043.8	\$ 1,059.4	\$ 927.7
Cost of goods sold.....	\$ 883.5	\$ 899.0	\$ 798.0
Gross profit.....	\$ 160.3	\$ 160.4	\$ 129.7

Edgar Filing: TEREX CORP - Form 10-Q/A

Selling, general and administrative expenses.....	\$	(112.0)	\$	(112.5)	\$	(89.2)
Income from operations.....	\$	48.3	\$	47.9	\$	40.5
Income (loss) before income taxes.....	\$	24.4	\$	24.0	\$	16.6
Provision for income taxes.....	\$	(7.4)	\$	(5.3)	\$	(4.6)
Net Income (loss) .....	\$	17.0	\$	18.7	\$	12.0
Per common share:						
Basic.....	\$	0.35	\$	0.38	\$	0.25
Diluted.....	\$	0.34	\$	0.37	\$	0.24

11

BALANCE SHEETS:

	As of March 31, 2004		As of De
	As Originally Reported	As Restated	As Originally Reported
Trade receivables.....	\$ 610.8	\$ 595.2	\$ 540.
Inventories.....	\$ 1,101.1	\$ 1,115.5	\$ 1,009.
Current deferred taxes.....	\$ 55.2	\$ 79.9	\$ 53.
Other current assets.....	\$ 117.7	\$ 120.6	\$ 122.
Total current assets.....	\$ 2,292.8	\$ 2,319.2	\$ 2,194.
Property, plant and equipment.....	\$ 359.4	\$ 343.1	\$ 370.
Goodwill.....	\$ 606.8	\$ 623.7	\$ 603.
Deferred taxes.....	\$ 237.6	\$ 45.5	\$ 238.
Other assets.....	\$ 323.8	\$ 325.8	\$ 317.
Total assets.....	\$ 3,820.4	\$ 3,657.3	\$ 3,723.
Trade accounts payable.....	\$ 684.3	\$ 691.2	\$ 608.
Accrued compensation and benefits.....	\$ 102.8	\$ 97.6	\$ 94.
Accrued warranties and product liability.....	\$ 83.8	\$ 85.0	\$ 88.
Other current liabilities.....	\$ 272.6	\$ 289.6	\$ 281.
Total current liabilities.....	\$ 1,240.3	\$ 1,260.2	\$ 1,159.
Other non-current liabilities.....	\$ 418.1	\$ 414.6	\$ 412.
Additional paid-in capital.....	\$ 800.2	\$ 836.4	\$ 795.
Retained earnings (accumulated deficit).....	\$ 58.9	\$ (186.5)	\$ 41.
Cumulative translation adjustment.....	\$ 67.2	\$ 131.3	\$ 79.
Accumulated other comprehensive income.....	\$ 40.8	\$ 98.1	\$ 57.
Cost of shares of common stock in treasury.....	\$ (17.8)	\$ (45.4)	\$ (17.
Total stockholders' equity.....	\$ 882.6	\$ 703.1	\$ 876.
Total liabilities and stockholders' equity.....	\$ 3,820.4	\$ 3,657.3	\$ 3,723.

Net cash from operating activities, financing activities and investing activities for the three months ended March 31, 2004 and 2003 did not change from previously issued results. The impact of the restatement on individual line items within operating activities are reflected in the consolidated statement of cash flows for the three months ended March 31, 2004 and 2003.

## Edgar Filing: TEREX CORP - Form 10-Q/A

The cumulative effect of the restatement of the Company's previously filed financial statements was to reduce retained earnings as of March 31, 2004, December 31, 2003 and 2002 by \$245.4 (of which \$200.7 relates to the tax valuation allowance discussed below), \$247.1 (of which \$200.7 relates to the tax valuation allowance discussed below) and \$46.0, respectively, which includes tax benefits of (provisions for) \$2.1, (\$185.7) and \$6.7, respectively. Total stockholders' equity as of March 31, 2004, December 31, 2003 and December 31, 2002 decreased by \$179.5 (of which \$200.7 relates to the tax valuation allowance discussed below), \$202.1 (of which \$200.7 relates to the tax valuation allowance discussed below) and \$42.3, respectively. The issues giving rise to the restatement of the Company's previously filed financial statements, and the pre-tax adjustments resulting therefrom, are summarized below:

**North American Cranes (Cranes Segment):** The Company failed to properly record certain items related to inventory shortages, warranty and third party payables activity. These items were improperly recorded to intercompany accounts that were not timely reconciled, leading to costs totaling \$0.0 and \$1.7 during the three months ended March 31, 2004 and 2003, respectively, not being recorded as expenses.

**Light Construction (Roadbuilding, Utility Products and Other Segment):** The Company failed to timely and accurately reconcile certain intercompany imbalances which resulted in errors in the recording of intercompany transactions and, as a result, costs totaling \$0.0 and \$0.6 were not recorded as expenses during the three months ended March 31, 2004 and 2003, respectively.

12

**Compact Equipment (Construction Segment):** The Company failed to reconcile the accrual of goods received not invoiced to underlying detailed records for raw materials and parts inventory in connection with assessing the appropriateness of the accrued liability. As a result, costs were not recorded as expenses totaling \$0.5 and \$0.1 in the three months ended March 31, 2004 and 2003, respectively.

**Other Intercompany Imbalances and Other Items:** The Company's various business units buy and sell products and services from each other in the normal course of operations. Errors were identified as a result of not reconciling intercompany activity in a timely manner between certain business units. Other errors, not specifically related to intercompany activity, were identified during the review and were corrected in the restatement. These errors related mainly to foreign currency adjustments. In addition, certain benefit accruals were corrected in 2004 periods. As a result of these aggregate errors, \$0.6 and \$0.4 of expenses were not recorded during the three months ended March 31, 2004 and 2003, respectively. These errors occurred mainly in the Construction and Cranes segments.

**Schaeff Goodwill:** On January 14, 2002, the Company completed the acquisition of the Schaeff Group of Companies ("Schaeff"), a German manufacturer of compact construction equipment and a full range of scrap material handlers. An error in the recording of the Company's investment, led to an overstatement of goodwill and the cumulative translation adjustment account within other comprehensive income within stockholder's equity in the amount of \$23.5, beginning in 2002.

**Revenue Recognition:** The Company has determined that there were errors in the timing of revenue recognition in certain transactions because the risks and rewards of ownership in the equipment involved in such transactions had not passed from the Company to its customers. The correction of these errors has resulted in an increase in revenue of \$15.6 and \$6.7 for the three months ended March 31, 2004 and 2003, respectively. As a result of these adjustments, there was an increase in pre-tax income of \$1.2 and \$0.6 in the three months ended

## Edgar Filing: TEREX CORP - Form 10-Q/A

March 31, 2004 and 2003, respectively.

**Acquisition Accounting:** During the Company's review of the accounting for certain of its acquisitions, errors were identified related to excess accruals for estimated future legal expenses and assumed product liabilities, as well as asset valuation errors. As a result, of these aggregate errors, expenses were not recorded totaling \$0.5 and \$0.7 in the three months ended March 31, 2004 and 2003, respectively.

**Cumulative Translation Adjustment:** Management has also determined that the accounting treatment of certain of its goodwill related to foreign acquisitions did not meet the requirements of SFAS No. 52, "Foreign Currency Translation." At the time these foreign acquisitions were completed, mainly in 1999 and 2002, the Company valued goodwill at the historic exchange rate, and failed to translate this goodwill in subsequent reporting periods at current exchange rates as required by SFAS No. 52. The cumulative impact of this correction has increased (decreased) the Company's goodwill and the translation adjustment account within stockholder's equity by \$36.0 as of March 31, 2004, \$32.3 as of December 31, 2003 and (\$0.6) as of December 31, 2002. In addition, the reconciliation of intercompany imbalances described in the previous paragraphs affected the translation adjustment within stockholders' equity.

**Retirement and Other Benefit Plans:** During the Company's review of its foreign defined benefit plans in 2004, an error was identified in the application of SFAS No. 87, "Employers' Accounting for Pensions." The Company did not record the minimum pension liability adjustment for these plans to other comprehensive income (net of taxes) within stockholders' equity and other non-current liabilities. The net result of correcting this error was a reduction in other comprehensive income (net of taxes) as of March 31, 2004 and December 31, 2003 totaling \$7.1 and \$6.9, respectively. In addition, non-current liabilities increased as of March 31, 2004 and December 31, 2003 by \$10.1 and \$9.8, respectively. The Company also determined it was not properly accounting for equity based compensation in accordance with Emerging Issues Task Force Issue No. 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested" and APB No. 25 as permitted by SFAS No. 123. Prior to January 1, 2004, the Company's deferred compensation plan permitted participants to transfer their investments between the plan's investment options and such deferred compensation was recorded as a non-current liability on the balance sheet. Effective January 1, 2004, the plan was revised to prohibit transfers between investment options; this revision resulted in a reclassification of the current and non-current liability established through December 31, 2003 to additional paid-in capital within stockholders' equity. As of December 31, 2003, the net result of correcting these errors was a decrease in current liabilities totaling \$5.2, an increase in non-current liabilities totaling \$14.4, an increase in paid in capital totaling \$17.7 and an increase in treasury stock

13

totaling \$26.8. As of March 31, 2004, the net result was a decrease in current liabilities totaling \$5.6, a decrease in non-current liabilities totaling \$2.3, an increase in paid in capital of \$35.5 and an increase in treasury stock totaling \$27.6.

**Taxes:** As a result of the impact of the pre-tax income restatement items previously discussed, and the reconciliation of tax accounts, the Company is restating its tax accounts to decrease deferred taxes by \$244.2 million and to increase income taxes payable by \$1.6 million at December 31, 2003, and to increase (decrease) tax expense by \$185.7 million and (\$6.7) million for the years ended December 31, 2003 and December 31, 2002, respectively.



## Edgar Filing: TEREX CORP - Form 10-Q/A

Included in the restatement amounts discussed above are amounts related to the reconciliation of the Company's tax accounts that increased deferred taxes by \$6.9 million and increased goodwill by \$7.0 million at December 31, 2003, and increased (decreased) tax expense by (\$3.0) million and \$6.2 million for the years ended December 31, 2003 and December 31, 2002, respectively.

As a result of the pre-tax income restatement adjustments discussed above, a reassessment was performed as to the likely realization of the Company's U.S. deferred tax assets at each reporting date. The reassessment of the realizability of the Company's deferred tax assets resulted in a valuation allowance being recorded at December 31, 2003 in the restated financial statements. This increased the Company's deferred tax valuation allowance and corresponding tax expense in 2003 by \$200.7 million and reduced tax expense in the three months ended March 31, 2004 by \$3.3 million. Based on the profitability of the Company in 2004 and significant, profitable backlog generated in early 2005, the valuation allowance was reversed in the quarter ended December 31, 2004.

The Company's reassessment began with an analysis of the Company's cumulative three-year historical U.S. pre-tax earnings. As of December 31, 2003, the Company had a cumulative three-year historical U.S. pre-tax loss, which is considered significant objective evidence that a valuation allowance may be required, unless there existed objective evidence of a significant magnitude that would indicate that it is more likely than not that the U.S. deferred tax assets would be realized. It was determined that only the evidence that was available as of the time of the filing of the original financial statements could be used in this assessment. During the Company's evaluation of other evidence available as of the original issuance date of the December 31, 2003 financial statements, several items were considered, including the cyclical nature of the Company's industry, the impact of its restructuring activities, the goodwill impairment in the Company's Roadbuilding, Utility Products and Other segment, profitable U.S. acquisitions (mainly Genie Holdings, Inc. and its affiliates and Advance Mixer, Inc.) made during the three-year period but not available for the whole period, the timeframe of expiration of the Company's net operating loss carry-forwards, the favorable impact of the Company's debt reduction activities, and the indication of an industry recovery based on trends in non-residential construction spending and rental channel capital expenditure projections. The Company concluded that the weight of the objective negative evidence available at the time of the original financial statement filing (without the benefit of current hindsight) could not be overcome by these other factors, and therefore a valuation allowance was recorded at December 31, 2003 in the restated financial statements.

### NOTE C -- ACQUISITIONS

On February 14, 2003, the Company completed the acquisition of Commercial Body Corporation ("Commercial Body"). Commercial Body, headquartered in San Antonio, Texas with locations in various states, distributes, assembles, rents and provides service of products for the utility, telecommunications and municipal markets. In connection with the acquisition, the Company issued approximately 600 thousand shares of Common Stock and paid \$3.7 cash. In addition, the Company may be required to pay cash or issue additional shares of Common Stock (at the Company's option) if, on the second anniversary of the Commercial Body acquisition, the Common Stock is not trading on the New York Stock Exchange at a price at least 50% higher than it was at the time of the acquisition, up to a maximum number of shares of Common Stock having a value of \$3.4. At the time of Terex's acquisition of Commercial Body, Commercial Body had a 50% equity interest in Combatel Distribution, Inc. ("Combatel"). The remaining 50% of Combatel was owned by Terex and prior to the Commercial Body acquisition had been accounted for under the equity method of accounting. During the second quarter of 2003, Commercial Body and Combatel merged to form Terex Utilities South, Inc. ("Utilities South"). Utilities South is included in the Terex

## Edgar Filing: TEREX CORP - Form 10-Q/A

Roadbuilding, Utility Products and Other segment.

The operating results of Commercial Body and Combatel are included in the Company's consolidated results of operations since February 14, 2003 (date of acquisition).

14

On August 28, 2003, the Company acquired an additional 51% of the outstanding shares of TATRA a.s. ("Tatra") from SDC Prague s.r.o., a subsidiary of SDC International, Inc. Tatra is located in the Czech Republic and is a manufacturer of on/off road heavy-duty vehicles for commercial and military applications. Consideration for the acquisition was comprised of debt forgiveness totaling \$8.1, cash of \$0.2 and approximately 209 thousand shares of Terex common stock. On April 22, 2004, the Company purchased an additional 10% of the outstanding shares of Tatra for \$1.2 in cash. These acquisitions bring Terex's total ownership interest in Tatra to approximately 81%. Tatra's results have been included in the Company's consolidated financial statements since August 28, 2003. Upon the initial consolidation of Tatra into the Company's consolidated financial results, Tatra's debt totaled approximately \$33. This debt primarily consisted of notes payable to financial institutions. Tatra is part of the Company's Roadbuilding, Utility Products and Other segment.

The Company owns an approximately 33% interest in American Truck Company ("ATC"). ATC is located in the United States and manufactures heavy-duty off-road trucks for military and severe duty commercial applications. Tatra also owns an approximately 33% interest in ATC. As a result of the Company's August 28, 2003 acquisition of additional ownership of Tatra, the results of ATC also have been included in the Company's consolidated financial statements since August 28, 2003.

The Company is in the process of completing certain valuations, appraisals and other studies for purposes of determining the respective fair values of tangible and intangible assets used in the allocation of purchase consideration for the acquisition of Tatra. The Company does not anticipate that the final results of these valuations will have a material impact on its financial position, results of operations or cash flows.

On December 19, 2003, the Company completed the acquisition of substantially all of the assets comprising the business of Compass Equipment Leasing ("CEL") and Asplundh Canada. Both businesses rent digger derricks, aerial devices and other related equipment to contractors and utility customers in the United States and Canada, respectively. The purchase consideration was \$0.1 plus the assumption of CEL's and Asplundh Canada's operating lease obligations. Both businesses are included in the Terex Roadbuilding, Utility Products and Other segment.

The Company is in the process of completing certain appraisals and other studies for the purpose of determining the respective fair value of the tangible and intangible assets acquired. This information will be used to allocate the purchase consideration. The Company does not anticipate that the final results of these studies will have a material impact on its financial position, results of operations or cash flows.

### NOTE D -- GOODWILL

On April 1, 2003, the Company changed the composition of its reporting units and segments when it moved the North American operations of its telehandlers business from the Terex Construction segment to the Terex Aerial Work Platforms segment due to a change in the way the Company's operating decision makers view the business.

## Edgar Filing: TEREX CORP - Form 10-Q/A

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

	Terex Construction	Terex Cranes	Terex Aerial Work Platforms	Terex Mining	Terex Roadbuild Utilit Products Other
Balance at December 31, 2003 (Restated) .....	\$ 325.8	\$ 98.6	\$ 53.0	\$ ---	\$ 1
Acquisitions.....	---	---	---	---	---
Impairment.....	---	---	---	---	---
Foreign exchange effect/other (Restated) .....	4.2	(0.6)	---	---	---
Balance at March 31, 2004 (Restated) .....	\$ 330.0	\$ 98.0	\$ 53.0	\$ ---	\$ 1

15

The goodwill recognized for the acquisitions of Tatra, CEL and Asplundh Canada as of March 31, 2004 is not final as the Company has not yet completed its valuations of the acquired tangible and intangible assets.

### NOTE E -- 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 the hedging instruments and hedged items, as well as its risk-management objectives, strategies for undertaking the 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 identified, and it must be probable that each forecasted transaction will occur. If it were deemed probable that the forecasted transaction will not occur, the gain or loss would be recognized in earnings currently. 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

## Edgar Filing: TEREX CORP - Form 10-Q/A

forecasted transactions. The primary currencies to which the Company is exposed include the Euro, the British Pound, the Czech Koruna and the Australian Dollar. When using options as a hedging instrument, the Company excludes the time value from the 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 (loss) until the underlying hedged transactions are reported on the Company's consolidated statement of operations. The Company uses 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 that are designated as fair value hedges are recognized in earnings as offsets to the changes in fair value of exposures being hedged. The change in fair value of derivatives that are designated as cash flow hedges are deferred in accumulated other comprehensive income (loss) and are recognized in earnings as the hedged transactions occur. Any ineffectiveness is recognized in earnings immediately.

The Company records hedging activity related to debt instruments in interest expense and hedging activity related to foreign currency and lease obligations in operating profit. On the 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 interest rate swap agreements that effectively converted variable rate interest payments into fixed rate interest payments. At March 31, 2004, the Company had \$100.0 notional amount of such interest rate swap agreements outstanding, all of which mature in 2009. The fair market value of these swaps at March 31, 2004 was a loss of \$5.5, which is recorded in other non-current liabilities. These swap agreements have been designated as, and are effective as, cash flow hedges of outstanding debt instruments. During the three months ended March 31, 2004 and 2003, the Company recorded the change in fair value to accumulated other comprehensive income (loss) and reclassified to earnings a portion of the deferred loss from accumulated other comprehensive income (loss) as the hedged transactions occurred and were recognized in earnings.

The Company has entered into a series of interest rate swap agreements that converted fixed rate interest payments into variable rate interest payments. At March 31, 2004, the Company had \$279.0 notional amount of such interest rate swap agreements outstanding, all of which mature in 2006 through 2014. The fair market value of these swaps at March 31, 2004 was a gain of \$11.7, which is recorded in other non-current assets. These swap agreements have

16

been designated as, and are effective as, fair value hedges of outstanding debt instruments. During December 2002, the Company exited an interest rate swap agreement in the notional amount of \$100.0 with a 2011 maturity that converted fixed rate interest payments into variable rate interest payments. The Company received \$5.6 upon exiting this swap agreement. These gains are being amortized over the original maturity and, combined with the market value of the swap agreements held at March 31, 2004, are offset by a \$16.5 addition in the carrying value of the long-term obligations being hedged.

The Company is also a party to currency exchange forward contracts to manage its exposure to changing currency exchange rates that mature within 18 months. At March 31, 2004, the Company had \$174.6 of notional amount of currency exchange forward contracts outstanding, all of which mature on or before September 30,

## Edgar Filing: TEREX CORP - Form 10-Q/A

2005. The fair market value of these swaps at March 31, 2004 was a gain of \$9.4. At March 31, 2004, \$165.6 notional amount of these swap agreements have been designated as, and are effective as, cash flow hedges of specifically identified assets and liabilities.

During the three months ended March 31, 2004 and 2003, the Company recorded the change in fair value to accumulated other comprehensive income (loss) and reclassified to earnings a portion of the deferred loss from accumulated other comprehensive income (loss) as the hedged transactions occurred and were recognized in earnings.

At March 31, 2004, the fair value of all derivative instruments has been recorded in the Condensed Consolidated Balance Sheet as a net asset of \$15.5, net of income taxes.

Counterparties to interest rate derivative contracts and 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) included in Other Comprehensive Income (Loss) are as follows:

		For t Three Mont March
		----- 2004 -----
Balance at beginning of period.....	\$	6.5
Additional gains (losses).....		(0.5)
Amounts reclassified to earnings.....		(3.3)
		-----
Balance at end of period.....	\$	2.7
		=====

The estimated amount of existing pre-tax net gains for derivative contracts in accumulated other comprehensive income as of March 31, 2004 that is expected to be reclassified into earnings during the twelve month period ending March 31, 2005 is \$7.0.

### NOTE F -- RESTRUCTURING AND OTHER CHARGES

The Company continually evaluates its cost structure to ensure that it is appropriately positioned to respond to changing market conditions. During 2003 and 2002, the Company experienced declines in several markets. In addition, the Company's recent acquisitions have created product, production and selling and administrative overlap with existing businesses. In response to changing market demand and to optimize the impact of recently acquired businesses, the Company has initiated the restructuring programs described below.

There have been no material changes relative to the initial plans established by the Company for the restructuring activities discussed below. The Company does

## Edgar Filing: TEREX CORP - Form 10-Q/A

not believe that these restructuring activities by themselves will have an adverse impact on the Company's ability to meet customer requirements for the Company's products.

17

### 2003 PROGRAMS

In the first quarter of 2003, the Company recorded a charge of \$0.7 related to restructuring at its CMI Terex facility in Oklahoma City, Oklahoma. Due to the continued poor performance in the Roadbuilding business, the Company reduced employment by approximately 146 employees at its CMI Terex facility. As of June 30, 2003, all of the employees had ceased employment with the Company. The program was substantially complete at June 30, 2003. CMI Terex is included in the Terex Roadbuilding, Utility Products and Other segment.

Also in the first quarter of 2003, the Company recorded charges of \$0.3 for restructuring at its Terex-RO facility in Olathe, Kansas. As a result of weak demand in the Company's North American crane business, the Terex-RO facility has been closed and the production performed at that facility has been consolidated into the Company's hydraulic crane production facility in Waverly, Iowa. The program reduced employment by approximately 50 employees and was substantially completed at September 30, 2003. Booms for the Terex-RO product were already being produced in the Waverly facility; accordingly, no production problems are anticipated in connection with this consolidation. Terex-RO is included in the Terex Cranes segment.

The Company recorded a charge of \$0.9 in the first quarter of 2003 for the exit of all activities at its EarthKing e-commerce subsidiary. The \$0.9 charge is for non-cash closure costs and has been recorded in cost of goods sold. EarthKing is included in the Terex Roadbuilding, Utility Products and Other segment. The program was completed as of September 30, 2003. Additionally, during the first quarter of 2003, the Company wrote down certain investments it held in technology businesses related to its EarthKing subsidiary. These investments were no longer economically viable, as these businesses were unsuccessful in gaining customer acceptance and were generating revenue at levels insufficient to warrant anticipated growth, and resulted in a write-down of \$0.8. This write-down was reported in "Other income (expense) -- net."

During the second quarter of 2003, the Company recorded a severance charge of \$3.1 for future cash expenditures related to restructuring at its Terex Peiner tower crane manufacturing facility in Trier, Germany. This charge is a result of the Company's decision to consolidate its German tower crane manufacturing into its German Demag facilities in an effort to lower fixed overhead and improve manufacturing efficiencies and profitability. As a result of the restructuring, the Company has accrued for a headcount reduction of 65 employees. As of March 31, 2004, 62 of the employees had ceased employment with the Company. The program is expected to be completed in the second quarter of 2004. Terex Peiner is included in the Terex Cranes segment. The Terex Peiner closing is expected to reduce annual operating costs by \$3.4 once the program is fully implemented.

The Company also recorded a restructuring charge in the second quarter of 2003 of \$1.9 for future cash expenditures related to the closure of its Powerscreen facility in Kilbeggan, Ireland. The \$1.9 was comprised of \$1.0 of severance charges and \$0.9 of accruable exit costs. This charge is a result of the Company's decision to consolidate its European Powerscreen business at its facility in Dungannon, Northern Ireland. This consolidation will lower the Company's cost structure for this business and better utilize manufacturing capacity. As a result of the restructuring, the Company has accrued for a headcount reduction of 121 employees at the Kilbeggan facility. As of September

## Edgar Filing: TEREX CORP - Form 10-Q/A

30, 2003, all of the employees had ceased employment with the Company. The program was substantially complete at March 31, 2004, except for the disposal of certain real property which is expected to be finalized in 2004. The Powerscreen Kilbeggan facility is included in the Terex Construction segment. During the three months ended June 30, 2003, \$1.8 and \$0.1 were recorded in cost of goods sold and selling, general and administrative expenses, respectively. The Kilbeggan facility closing is expected to generate annual cost savings of approximately \$3.

In addition, during the second quarter of 2003, the Company recorded restructuring charges of \$4.7 in the Terex Roadbuilding, Utility Products and Other segment. These restructuring charges are the result of continued poor performance in the Roadbuilding business and the Company's efforts to streamline operations and improve profitability. The \$4.7 restructuring charge is comprised of the following components:

- o A \$2.8 charge related to exiting the bio-grind recycling business, with \$2.5 recorded in cost of goods sold and \$0.3 recorded in selling, general and administrative expenses.

18

- o A charge of \$1.8 related to the exiting of the screening and shredder-mixer business operated at its Durand, Michigan facility, with \$1.7 recorded in cost of goods sold and \$0.1 recorded in selling, general and administrative expenses.
- o A \$0.1 charge was recorded in selling, general and administrative expenses related to the headcount reduction of 17 employees at the Company's Cedarapids facility.

During the third quarter of 2003, the Company recorded a severance charge of \$0.1 for future cash expenditures at its hydraulic crane production facility in Waverly, Iowa. The Company has terminated six employees due to the integration of the Terex-RO facility into Waverly. This charge has been recorded in cost of goods sold.

All of the 2003 projects are expected to reduce annual operating costs by approximately \$15 in the aggregate when fully implemented.

### 2002 PROGRAMS

During 2002, the Company initiated a series of restructuring projects that related to productivity and business rationalization. Restructuring programs which began in 2002, but which were not completed prior to January 1, 2003, include:

In the second quarter of 2002, the Company announced that its surface mining truck production facility in Tulsa, Oklahoma would be closed and the production activities outsourced to a third party supplier. The Company recorded a charge of \$4.2 related to the Tulsa closure. The closure was in response to continued weakness in demand for the Company's mining trucks. Demand for mining trucks is closely related to commodity prices, which have been declining in real terms over recent years. Approximately \$1.0 of this charge related to severance and other employee related charges, while \$2.2 of this charge relates to inventory deemed uneconomical to relocate to other distribution facilities. The remaining \$1.0 of the cost accrued related to the Tulsa building closure costs and occupancy costs expected to be incurred after production is ended. Approximately 93 positions have been eliminated as a result of this action. The transfer of production activities to a third party was completed prior to December 31, 2002

## Edgar Filing: TEREX CORP - Form 10-Q/A

and the Company is currently marketing the Tulsa property for sale.

Projects initiated in the fourth quarter of 2002 related to productivity and business rationalization include the following:

- o The closure of the Company's pressurized vessel container business. This business, located in Clones, Ireland, provided pressurized containers to the transportation industry. The business, acquired as part of the Powerscreen acquisition in 1999, was part of the Company's Construction segment and was not core to the Company's overall strategy. The Company recorded a charge of \$4.9, of which \$1.2 was for severance, \$2.5 for the write down of inventory and receivables, and \$1.2 for facility closing costs. The business had faced declining demand over the past few years and was not integral to the Construction business. This restructuring program reduced headcount by 137 positions and was completed as of June 30, 2003.
- o The consolidation of several Terex Construction segment facilities in the United Kingdom. The Company has consolidated several compact equipment production facilities into a single location in Coventry, England. The Company moved the production of mini-dumpers, rollers, soil compactors and loader backhoes into the new facility. The Company recorded a charge of \$7.2, of which \$6.1 was for severance and \$1.1 was for the costs associated with exiting the facilities. The consolidation has reduced total employment by 269 and was substantially complete as of September 30, 2003.
- o The exit of certain heavy equipment businesses related to mining products. During the fourth quarter of 2002, the Company conducted a review of its rental equipment businesses in both its Mining and Construction segments. The Company's review indicated that it was not economical to continue its mining equipment rental business due to the high cost of moving mining equipment between customers and given the continued weak demand for mining products. In addition, the Company decided to rationalize its large scraper offering in its Mining segment given the weak demand for related mining

19

products. The Company recorded a charge of \$6.9 associated with the write down of inventory. The Company expects to complete this process during 2004.

- o The exit of certain non-core tower cranes produced by the Terex Cranes segment under the Peiner brand in Germany. The European tower crane business has been negatively impacted by reduced demand from large rental customers who are undergoing financial difficulties. This has resulted in reduced demand and deterioration in margins recognized in the tower crane business. The Company conducted a review of its offering of tower cranes produced under the Peiner brand and eliminated certain models that overlap with models produced at Gru Comedil S.r.l., the Company's tower crane facility in Italy. The Company recorded a charge of \$3.9, of which \$1.0 was for severance and \$2.9 for inventory write-downs on discontinued product lines. The program has reduced employment by 47 and was complete at September 30, 2003.
- o The severance costs incurred in re-aligning the Company's management structure. The Company eliminated an executive position and recorded a charge of \$1.5. The Company paid \$0.4 prior to December 31, 2002 and an additional \$0.8 in 2003. The Company



## Edgar Filing: TEREX CORP - Form 10-Q/A

expects to pay the remaining balance during the first half of 2004.

During the first quarter of 2004, the Company recorded an additional \$2.7 of charges in cost of goods sold related to programs begun in 2003 and 2002. These period charges related to inventory write-downs and the effect of changes in foreign exchange and were consistent with the initial restructuring plans established by the Company.

The following table sets forth the components and status of the restructuring charges recorded in the first quarter of 2004 that related to productivity and business rationalization:

	Employee Termination Costs	Asset Disposals	Facility Exit Costs	Other	Total
	-----	-----	-----	-----	-----
Accrued restructuring charges at December 31, 2003.....	\$ 0.1	\$ ---	\$ 1.4	\$ 1.3	\$ 2.8
Restructuring charges.....	---	2.7	---	---	2.7
Cash expenditures.....	---	---	(0.4)	(0.2)	(0.6)
Non-cash charges.....	---	(2.7)	---	---	(2.7)
	-----	-----	-----	-----	-----
Accrued restructuring charges at March 31, 2004.....	\$ 0.1	\$ ---	\$ 1.0	\$ 1.1	\$ 2.2
	=====	=====	=====	=====	=====

In the aggregate, the restructuring charges described above incurred during the three months ended March 31, 2004 and 2003 were included in cost of goods sold (\$2.7 and \$2.8) and selling, general and administrative expenses (\$0.0 and \$0.3), respectively.

### DEMAG AND GENIE ACQUISITION RELATED PROJECTS

During 2002, the Company also initiated a series of restructuring projects aimed at addressing product, channel and production overlap created by the acquisitions of Demag Mobile Cranes GmbH & Co. KG and its affiliates ("Demag") and Genie Holdings, Inc. and its affiliates ("Genie") in 2002.

Projects initiated in the Terex Cranes segment in the fourth quarter of 2002, but which were not completed prior to January 1, 2003, related to the acquisition of Demag consist of:

- o The elimination of certain PPM branded 3, 4 and 5 axle cranes produced at the Company's Montceau, France facility. The Company determined that the products produced under the PPM brand were similar to products produced by Demag and has opted to eliminate these PPM models in favor of the similar Demag products, which the Company believes have superior capabilities. As a result, employment levels in Montceau were reduced. As of June 30, 2003, 102 employees had ceased employment with the

Company. In addition, the Company also recognized a loss in value on the affected PPM branded cranes inventory in France and Spain. The Company recorded a charge of \$15.3, of which \$5.4 was for

## Edgar Filing: TEREX CORP - Form 10-Q/A

severance, \$9.6 was associated with the write down of inventory and \$0.3 was for claims related to exiting the sales function of the discontinued products. This program was completed during the second quarter of 2003.

- o The closure of the Company's existing crane distribution center in Germany. Prior to the acquisition of Demag, the Company distributed mobile cranes under the PPM brand from a facility in Dortmund, Germany. The acquisition of Demag provided an opportunity to consolidate distribution and reduce the overall cost to serve customers in Germany. The Company recorded a charge of \$2.5, of which \$0.7 was for severance, \$1.2 was for inventory write-downs, and \$0.6 for lease termination costs. Eleven employees were terminated as a result of these actions. As of June 30, 2003, all of the employees had ceased employment with the Company. The Company expects this program to be completed by June 30, 2004.
  
- o The rationalization of certain crawler crane products sold under the American Crane brand in the United States. The acquisition of Demag created an overlap with certain large crawler cranes produced in the Company's Wilmington, North Carolina facility. Certain cranes produced in the North Carolina facility will be rated for reduced lifting capacity and marketed to a different class of user. This change in marketing strategy, triggered by the acquisition of Demag, negatively impacted inventory values. The Company recorded a charge of \$3.2 associated with the write down of inventory. The Company completed the sale of such inventory during the fourth quarter of 2003.

During the first quarter of 2004, the Company recorded an additional \$0.8 of charges related to programs begun in 2002. These period charges related to inventory write-downs and the effect of changes in foreign exchange and were consistent with the initial restructuring plans established by the Company. There were no charges during the first quarter of 2004 related to the Genie programs.

The following table sets forth the components and status of the restructuring charges recorded in the first quarter of 2004 that relate to addressing product, channel and production overlaps created by the acquisition of the Demag and Genie businesses:

	Employee Termination Costs	Asset Disposals	Facility Exit Costs	Other	Total
	-----	-----	-----	-----	-----
Accrued restructuring charges at December 31, 2003.....	\$ 1.0	\$ ---	\$ 0.6	\$ ---	\$ 1.6
Restructuring charges.....	---	0.8	---	---	0.8
Cash expenditures.....	---	---	---	---	---
Non-cash charges.....	---	(0.8)	---	---	(0.8)
	-----	-----	-----	-----	-----
Accrued restructuring charges at March 31, 2004.....	\$ 1.0	\$ ---	\$ 0.6	\$ ---	\$ 1.6
	=====	=====	=====	=====	=====

In the aggregate, the restructuring charges described above incurred during the three months ended March 31, 2004 and 2003 were included in cost of goods sold (\$0.8 and \$0).

## NOTE G -- INVENTORIES

Inventories consist of the following:

	March 31, 2004 Restated	December 31, 2003 Restated
	-----	-----
Finished equipment.....	\$ 408.3	\$ 395.2
Replacement parts.....	265.5	250.6
Work-in-process.....	222.8	187.4
Raw materials and supplies	218.9	205.3
	-----	-----
Inventories.....	\$ 1,115.5	\$ 1,038.5
	=====	=====

## NOTE H -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	March 31, 2004 Restated	December 31, 2003 Restated
	-----	-----
Property.....	\$50.9	\$ 51.7
Plant.....	227.6	222.5
Equipment.....	239.5	245.0
	-----	-----
	518.0	519.2
Less: Accumulated depreciation...	(174.9)	(165.4)
	-----	-----
Net property, plant and equipment	\$ 343.1	\$ 353.8
	=====	=====

## NOTE I -- INVESTMENT IN JOINT VENTURE

In April 2001, Genie entered into a joint venture arrangement with a European financial institution, pursuant to which Genie maintained a forty-nine percent (49%) ownership interest in the joint venture, Genie Financial Services Holding B.V. ("GFSH"). GFSH was established to facilitate the financing of Genie's products sold in Europe. Genie contributed \$4.7 in cash in exchange for its ownership interest in GFSH. During January 2003 and 2002, Genie contributed an additional \$0.8 and \$0.6, respectively, in cash to GFSH.

On January 1, 2004, the Company and its joint venture partner revised the co-operation agreement and operating relationship with respect to GFSH. As part of the reorganization, the name of the joint venture was changed to Terex Financial Services Holding B.V. ("TFSH"), Genie's ownership interest in TFSH was reduced to forty percent (40%), and Genie transferred this interest to another

## Edgar Filing: TEREX CORP - Form 10-Q/A

Company subsidiary. In addition, the scope of TFSH's operations was broadened, as it was granted the right to facilitate the financing of all of the Company's products sold in Europe.

As of March 31, 2004, TFSH had total assets of \$160.8, consisting primarily of financing receivables and lease related equipment, and total liabilities of \$144.5, consisting primarily of debt issued by the joint venture partner. The Company has 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, 2004, the maximum exposure to loss under these guarantees was approximately \$14. 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.

As defined by FIN 46R, TFSH is a VIE. For entities created prior to February 1, 2003, FIN 46R requires the application of its provisions effective the first reporting period after March 15, 2004. Based on the legal 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 will not consolidate the results of TFSH into its consolidated financial results. The Company applies the equity method of accounting for its investment in TFSH.

22

### NOTE J -- 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 \$119 at March 31, 2004 and is included in "Other Assets" on 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 K -- NET INVESTMENT IN SALES-TYPE LEASES

From time to time, the Company leases new and used products manufactured and sold by the Company to domestic and foreign distributors, end users and rental companies. The Company provides specialized financing alternatives that include sales-type leases, operating leases and short-term rental agreements.

At the time a sales-type lease is consummated, the Company records the gross finance receivable, unearned finance income and the estimated residual value of the leased equipment. Unearned finance income represents the excess of the gross minimum lease payments receivable plus the estimated residual value over the fair value of the equipment. Residual values represent the estimate of the values of the equipment at the end of the lease contracts and are initially recorded based on industry data and management's estimates. Realization of the residual values is dependent on the Company's future ability to market the equipment under then prevailing market conditions. Management reviews residual values periodically to determine that recorded amounts are appropriate. Unearned finance income is recognized as financing income using the interest method over the term of the transaction. The allowance for future losses is established through charges to the provision for credit losses.

Prior to its acquisition by the Company on September 18, 2002, Genie had a number of domestic agreements with financial institutions to provide financing of new and eligible products to distributors and rental companies. Under these

Edgar Filing: TEREX CORP - Form 10-Q/A

programs, Genie originated leases with distributors and rental companies and the resulting lease receivables were either sold to a financial institution with limited recourse to Genie or used as collateral for borrowings. The aggregate unpaid sales-type lease payments previously transferred was \$21.9 at March 31, 2004. Under these agreements, the Company's recourse obligation is limited to credit losses up to the first 5%, in any given year, of the remaining discounted rental payments due, subject to certain minimum and maximum recourse liability amounts. The Company's maximum credit recourse exposure was \$15.0 at March 31, 2004, representing a contingent liability under the limited recourse provisions.

During 2003, Genie entered into a number of arrangements with financial institutions to provide financing of new and eligible Genie products to distributors and rental companies. Under these programs, Genie originates leases or leasing opportunities with distributors and rental companies. If Genie originates the lease with a distributor or rental company, the financial institution will purchase the equipment and take assignment of the lease contract from Genie. If Genie originates a lease opportunity, the financial institution will purchase the equipment from Genie and execute a lease contract directly with the distributor or rental company. In some instances, the Company retains certain credit and/or residual recourse in these transactions. The Company's maximum exposure, representing a contingent liability, under these transactions reflects a \$40.5 credit risk and a \$36.4 residual value risk at March 31, 2004.

The Company's contingent liabilities previously referred to have not taken into account various mitigating factors. These factors include the staggered timing of maturity of lease transactions, resale value of the underlying equipment, lessee return penalties and annual loss caps on credit loss pools. Further, the credit risk contingent liability assumes that the individual leases were to all default at the same time and that the repossessed equipment has no market value.

23

NOTE L -- EARNINGS PER SHARE

	For the Three Months Ended March 31, (in millions, except per share data)					
	2004 Restated			2003 Restated		
	Income (Loss)	Shares	Per-Share Amount	Income (Loss)	Shares	Per-Share Amount
Basic earnings per share						
Net Income.....	\$ 18.7	48.8	\$ 0.38	\$ 9.5	47.2	\$ 0.20
Effect of dilutive securities:						
Stock Options.....	---	2.0		---	0.8	
Shares held by deferred compensation Plan.....	---	---		---	0.8	
Contingently issuable shares for acquisitions.....	---	---		---	0.6	
Net Income.....	\$ 18.7	50.8	\$ 0.37	\$ 9.5	49.4	\$ 0.19

## Edgar Filing: TEREX CORP - Form 10-Q/A

Options to purchase 214 thousand and 2,169 thousand shares of Common Stock were outstanding during the three months ended March 31, 2004 and 2003, respectively, but were not included in the computation of diluted shares. These options were excluded because the exercise price of these options was greater than the average market price of the Common Stock during such periods and, therefore, the effect would be anti-dilutive. As discussed in Note C -- "Acquisitions", the Company has a contingent obligation to make additional payments in cash or Common Stock based on provisions of certain acquisition agreements. The Company's policy and past practice has been generally to settle such obligations in cash. Accordingly, contingently issuable Common Stock under these arrangements totaling 772 thousand shares for the three months ended March 31, 2003 are not included in the computation of diluted earnings per share. At March 31, 2004, due to the market price of the Company's Common Stock, there were no contingently issuable shares under these arrangements included in the computation of diluted earnings per share for the three months ended March 31, 2004.

### NOTE M -- INCOME TAXES

The effective tax rate increased from (346.9%) for the year ended December 31, 2003 to 22.1% in the first quarter of 2004 due mainly to: (a) the fact that the 2003 rate includes the impact of a valuation allowance recorded in 2003 for certain U.S. net deferred tax assets, as it was determined that it was more likely than not that the asset would not be realized; (b) a goodwill impairment charge recorded during the second quarter of 2003 that is partially non-deductible for income tax purposes; (c) the benefit from the release of valuation allowances due to the Company's German operations indicating that it was more likely than not that the Company would realize the benefits of certain tax assets; and (d) during the first quarter of 2004, the Company successfully resolved a statutory review. The effective tax rate for the three months ended March 31, 2003 was 30.7%, as compared to the effective rate of (346.9%) for the year ended December 31, 2003, mainly due to the significant events in 2003 that are mentioned above.

Excluding the impact of the valuation allowance taken on the U.S. deferred tax asset of \$200.7, the effective rate for the year ended December 31, 2003 would have been 48.9%.

### NOTE N -- STOCKHOLDERS' EQUITY

Total non-stockowner changes in equity (comprehensive income) include all changes in equity during a period except those resulting from investments by, and distributions to, stockowners. The specific components include: net income, deferred gains and losses resulting from foreign currency translation, minimum pension liability

adjustments, deferred gains and losses resulting from derivative hedging transactions and deferred gains and losses resulting from debt and equity securities classified as available for sale. Total non-stockowner changes in equity were as follows.

Edgar Filing: TEREX CORP - Form 10-Q/A

	For the Three Months Ended March 31,	
	2004 Restated	2003 Restated
Net income.....	\$ 18.7	\$ 9.5
Other comprehensive income (loss):		
Translation adjustment.....	(8.7)	5.3
Pension liability adjustment.....	0.2	0.2
Derivative hedging adjustment.....	(3.8)	(1.3)
Comprehensive income (loss).....	\$ 6.4	\$ 13.7

As disclosed in "Note C -- Acquisitions", the Company also issued approximately 0.2 million shares and 0.6 million shares of its Common Stock during the three months ended September 30, 2003 and March 31, 2003 in connection with the acquisitions of Tatra and Commercial Body, respectively.

NOTE O -- LITIGATION AND CONTINGENCIES

In the Company's lines of business numerous suits have been filed alleging damages for accidents that have arisen in the normal course of operations involving 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 financial position.

The Company is involved in various other legal proceedings 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 \$84.3 at March 31, 2004. 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 representing management's estimate of the potential losses which the Company might incur.

In the third quarter of 2002, the Company obtained a favorable court judgment on appeal as the defendant in a patent infringement case brought against the Terex Construction segment's Powerscreen business. This favorable court judgment reversed a lower court decision for which the Company had previously recorded a liability. During the first quarter of 2003, amounts previously paid for the litigation were returned to the Company. As a result, the Company recorded \$2.4 of income in "Other income (expense) -- net" in the Condensed Consolidated

## Edgar Filing: TEREX CORP - Form 10-Q/A

Statement of Operations during the first quarter of 2003.

### 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,

25

by which the Company agrees to make payments to the finance company should the customer default. The maximum liability of the 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 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, 2004, the Company's maximum exposure to such credit guarantees was \$311.4. The terms of these guarantees coincide with the financing arranged by the customer and generally does 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, through its Genie subsidiary, 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 point in time. As described in Note K -- "Net Investment in Sales-Type Leases," the Company's maximum exposure related to residual value guarantees under sales-type leases is \$36.4 at March 31, 2004. The Company is able to mitigate the risk associated with these guarantees because the maturity of these guarantees is staggered, which limits 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. These conditions generally pertain to the functionality and state of repair of the machine. Such guarantees are referred to as buyback guarantees. As of March 31, 2004, the Company's maximum exposure to buyback guarantees is \$49.1. The Company is able to mitigate the risk of these guarantees by staggering the timing of the buybacks 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 "other non-current liabilities" of approximately \$10 for the estimated fair value of all guarantees provided as of March 31, 2004.

### NOTE P -- RETIREMENT PLANS AND OTHER BENEFITS

#### Pension Plans

U.S. Plans - As of March 31, 2004, the Company maintained four defined benefit pension plans covering certain domestic employees (the "Terex Plans"). The benefits for the plans covering the salaried employees are based primarily on years of service and employees' qualifying compensation during the final years of employment. Participation in the plans for salaried employees was frozen on or before October 15, 2000, and no participants will be credited with service



## Edgar Filing: TEREX CORP - Form 10-Q/A

following such dates except that participants not fully vested were credited with service for purposes of determining vesting only. The benefits for the plans covering the hourly employees are based primarily on years of service and a flat dollar amount per year of service. 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 ("ERISA"). Plan assets consist primarily of common stocks, bonds, and short-term cash equivalent funds.

The Company adopted a 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 and years of service reduced by benefits earned under other Company funded retirement programs, including Social Security. The SERP is unfunded.

### Other Postemployment Benefits

The Company has five nonpension postretirement benefit plans. The health care plans are contributory with participants' contributions adjusted annually; 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-

26

Waverly Operations (also known as Koehring Cranes, Inc.), Cedarapids and Simplicity Engineering. The Company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," on January 1, 1993. This statement requires accrual of postretirement benefits (such as health care benefits) during the years an employee provides service. Terex adopted the provisions of SFAS No. 106 using the delayed recognition method, whereby the amount of the unrecognized transition obligation at January 1, 1993 is recognized prospectively as a component of future years' net periodic postretirement benefit expense. The unrecognized transition obligation at January 1, 1993 was \$4.5. Terex is amortizing this transition obligation over 12 years, the average remaining life expectancy of the participants.

	Pension Benefits		Other B
	For the Three Months Ended March 31,		For the T Ended
	2004	2003	2004
Weighted-average assumptions:			
Discount rate.....	6.00%	6.75%	6.00%
Expected return on plan assets.....	8.00%	8.00%	---
Rate of compensation increase.....	4.00%	5.00%	---

Pension Benefits  
-----

Edgar Filing: TEREX CORP - Form 10-Q/A

	For the Three Months Ended March 31,	
	2004	2003
Components of net periodic cost:		
Service cost.....	\$ 0.3	\$ 0.2
Interest cost.....	1.8	1.8
Expected return on plan assets.....	(1.9)	(1.7)
Amortization of prior service cost.....	0.2	0.1
Amortization of transition obligation.....	---	---
Recognized actuarial (gain) loss.....	0.6	0.6
Net periodic cost (benefit).....	\$ 1.0	\$ 1.0

The Company plans to contribute approximately \$3 to its U.S. defined benefit pension plans in 2004. During the three months ended March 31, 2004, the Company contributed \$0.2 to its U.S. defined benefit pension plans.

International Plans -- Terex Equipment Limited maintains a government-required defined benefit plan (which includes certain defined contribution elements) covering substantially all of its management employees. Terex Aerials Limited (Ireland) maintains two voluntary defined benefit plans covering its employees. PPM SAS maintains an unfunded noncontributory defined benefit plan covering substantially all of its employees. O&K Mining maintains an unfunded noncontributory defined benefit plan covering substantially all of its employees. Ferrec maintains a voluntary defined benefit pension plan covering substantially all of its employees. Atlas maintains an unfunded noncontributory defined benefit plan covering substantially all of its employees in Germany. Additionally, Atlas maintains a government required defined benefit plan for its employees in Scotland. Demag maintains two unfunded noncontributory defined benefit plans covering substantially all of its employees in Germany.

	Pension Benefits	
	For the Three Months Ended	
	2004	
The range of assumptions:		
Discount rate.....	5.50%--6.00%	5.7
Expected return on plan assets.....	2.00%--6.50%	2.0
Rate of compensation increase.....	2.75%--4.00%	3.7

Edgar Filing: TEREX CORP - Form 10-Q/A

		Pensio
		-----
		For the
		Ended
		-----
		2004
		-----
Components of net periodic cost:		
Service cost.....	\$	1.
Interest cost.....		3.
Expected return on plan assets.....		(1.
Recognized actuarial (gain) loss.....		0.
		-----
Net periodic cost.....	\$	3.
		=====

The Company plans to contribute approximately \$10 to its international defined benefit pension plans in 2004. During the three months ended March 31, 2004, the Company contributed \$3.5 to its international defined benefit pension plans.

NOTE Q -- BUSINESS SEGMENT INFORMATION

Terex is a diversified global manufacturer of a broad range of equipment primarily for the construction, infrastructure and surface mining industries. The Company operates in five business segments: (i) Terex Construction; (ii) Terex Cranes; (iii) Terex Aerial Work Platforms; (iv) Terex Mining; and (v) Terex Roadbuilding, Utility Products and Other.

The Terex Construction segment designs, manufactures and markets three primary categories of equipment and their related components and replacement parts: heavy construction equipment (including off-highway trucks and scrapers), compact equipment (including loader backhoes, compaction equipment, mini and midi excavators, loading machines, site dumpers, telehandlers and wheel loaders); and mobile crushing and screening equipment (including jaw crushers, cone crushers, washing screens and trommels). These products are primarily used by construction, logging, mining, industrial and government customers in construction and infrastructure projects and supplying coal, minerals, sand and gravel. Terex Construction products are currently marketed principally under the following brand names: Terex, Atlas, Finlay, Fuchs, Pegson, Powerscreen, Benford, Fermec, Schaeff and TerexLift. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex will, over time, be migrating historic brand names to Terex and may include the use of the historic brand name in conjunction with the Terex brand for a transitional period of time.

The Terex 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. Currently, Terex Cranes products are marketed principally under the following brand names: Terex, American, Bendini, Comedil, Demag, Franna, Lorain, P&H, Peiner, PPM and RO-Stinger. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex

## Edgar Filing: TEREX CORP - Form 10-Q/A

will, over time, be migrating historic brand names to Terex and may include the use of the historic brand name in conjunction with the Terex brand for a transitional period of time.

The Terex Aerial Work Platforms segment was formed upon the completion of Terex's acquisition of Genie and its affiliates on September 18, 2002. The Terex Aerial Work Platforms segment designs, manufactures and markets aerial work platform equipment and telehandlers. Products include material lifts, portable aerial work platforms, trailer mounted booms, articulating booms, stick booms, scissor lifts, telehandlers, related components and replacement parts, and other products. These products are used primarily by customers in the construction and building maintenance industries to lift people and/or equipment as required to build and/or maintain large physical assets and structures. Terex Aerial Work Platforms products currently are marketed principally under the Genie and Terex brand names.

The Terex Mining segment designs, manufactures and markets large hydraulic excavators and high capacity surface mining trucks, related components and replacement parts, and other products. These products are used primarily by construction, mining, quarrying and government customers in construction, excavation and supplying coal and minerals. Currently, Terex Mining products are marketed principally under the following brand names: O&K, Payhauler, Terex and Unit Rig. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex will, over time, be migrating historic brand names to Terex and may include the use of the historic brand name in conjunction with the Terex brand for a transitional period of time.

The Terex Roadbuilding, Utility Products and Other segment designs, manufactures and markets fixed installation crushing and screening equipment (including crushers, impactors, screens and feeders), asphalt and concrete equipment (including pavers, plants, mixers, reclaimers, stabilizers and profilers), utility equipment (including digger derricks, aerial devices and cable placers), light construction equipment (including light towers, trowels, power buggies, generators and arrow boards), construction trailers and on/off road heavy-duty vehicles, as well as related components and replacement parts. These products are used primarily by government, utility and construction customers to build roads, maintain utility lines, trim trees and for commercial and military applications. These products are currently marketed principally under the following brand names: Terex, Advance, American Truck Company, Amida, ATC, Bartell, Benford, Bid-Well, Canica, Cedarapids, Cedarapids/Standard Havens, CMI Johnson Ross, CMI Terex, CMI-Cifali, Grayhound, Hi-Ranger, Jaques, Load King, Morrison, Re-Tech, Royer, Simplicity, Tatra, Terex Power, Terex Recycling and Terex Telelect. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex will, over time, be migrating historic brand names to Terex and may include the use of the historic brand name in conjunction with the Terex brand for a transitional period of time. Terex also owns much of the North American distribution channel for the utility products group through the distributors Terex Utilities South and Terex Utilities West. These operations distribute and install the Company's utility aerial devices as well as other products that service the utility industry. The Company also operates a fleet of rental utility products under the name of Terex Utilities Rental. The Company also leases and rents a variety of heavy equipment to third parties under the Terex Re-Rentals brand name. The Company, through Terex Financial Services, Inc., also offers customers loans and leases originated by General Electric Capital Corporation Vendor Financial Services to assist in the acquisition of the Company's products.

The results of businesses acquired during 2003 are included from the dates of their respective acquisitions.

Edgar Filing: TEREX CORP - Form 10-Q/A

Included in Eliminations/Corporate are the eliminations among the five segments, as well as general and corporate items for the three months ended March 31, 2004 and 2003. Business segment information is presented below:

	For the Ended ----- 2004 Restated -----
<b>Sales</b>	
Terex Construction.....	\$ 401.
Terex Cranes.....	210.
Terex Aerial Work Platforms.....	168.
Terex Mining.....	73.
Terex Roadbuilding, Utility Products and Other.....	216.
Eliminations/Corporate.....	(10.)
	-----
Total.....	\$ 1,059.
	=====
<b>Income (Loss) from Operations</b>	
Terex Construction.....	\$ 16.
Terex Cranes.....	6.
Terex Aerial Work Platforms.....	20.
Terex Mining.....	2.
Terex Roadbuilding, Utility Products and Other.....	5.
Eliminations/Corporate.....	(2.)
	-----
Total.....	\$ 47.
	=====
	March 31, 2004 Restated -----
<b>Identifiable Assets</b>	
Terex Construction.....	\$ 1,500.1
Terex Cranes.....	903.0
Terex Aerial Work Platforms.....	462.4
Terex Mining.....	447.5
Terex Roadbuilding, Utility Products and Other.....	681.1
Corporate.....	1,829.0
Eliminations.....	(2,165.8)
	-----
Total.....	\$ 3,657.3

## NOTE R -- CONSOLIDATING FINANCIAL STATEMENTS

On November 25, 2003, the Company sold and issued \$300 aggregate principal amount of 7-3/8% Senior Subordinated Notes due 2014 (the "7-3/8% Notes"). On March 29, 2001, the Company sold and issued \$300 aggregate principal amount of 10-3/8% Senior Subordinated Notes due 2011 (the "10-3/8% Notes"). On December 17, 2001, the Company sold and issued \$200 aggregate principal amount of 9-1/4% Senior Subordinated Notes due 2011 (the "9-1/4% Notes"). As of March 31, 2004, the 7-3/8% Notes, the 10-3/8% Notes and the 9-1/4% Notes were each jointly and severally guaranteed by the following wholly-owned subsidiaries of the Company (the "Wholly-owned Guarantors"): Amida Industries, Inc., Benford America, Inc., BL-Pegson USA, Inc., Cedarapids, Inc., CMI Dakota Company, CMI Terex Corporation, CMIOIL Corporation, EarthKing, Inc., Finlay Hydrascreen USA, Inc., Fuchs Terex, Inc., Genie Access Services, Inc., Genie China, Inc., Genie Financial Services, Inc., Genie Holdings, Inc., Genie Industries, Inc., Genie International, Inc., Genie Manufacturing, Inc., GFS Commercial LLC, GFS National, Inc., Go Credit Corporation, Koehring Cranes, Inc., Lease Servicing & Funding Corp., O & K Orenstein & Koppel, Inc., Payhauler Corp., Powerscreen Holdings USA Inc., Powerscreen International LLC, Powerscreen North America Inc., Powerscreen USA, LLC, PPM Cranes, Inc., Product Support, Inc., Royer Industries, Inc.,

30

Schaeff Incorporated, Spinnaker Insurance Company, Standard Havens, Inc., Standard Havens Products, Inc., Terex Advance Mixer, Inc., Terex Bartell, Inc., Terex Cranes, Inc., Terex Financial Services, Inc., Terex Mining Equipment, Inc., Terex Utilities, Inc., Terex Utilities South, Inc., Terex-RO Corporation, Terex-Telelect, Inc., The American Crane Corporation, and Utility Equipment, 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 10-3/8% Notes and the 9-1/4% 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 of businesses acquired are included from the dates of their respective acquisitions.

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, the 10-3/8% Notes and the 9-1/4% Notes.

Debt and goodwill allocated to subsidiaries is presented on an accounting "push-down" basis.

Edgar Filing: TEREX CORP - Form 10-Q/A

TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 THREE MONTHS ENDED MARCH 31, 2004 (RESTATED)  
 (IN MILLIONS)

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations
Net sales.....	\$ 80.2	\$ 384.8	\$ 649.8	\$ (55.4)
Cost of goods sold.....	73.2	332.9	548.3	(55.4)
Gross profit.....	7.0	51.9	101.5	---
Selling, general & administrative expenses	(8.1)	(33.2)	(71.2)	---
Income (loss) from operations.....	(1.1)	18.7	30.3	---
Interest income.....	0.2	(0.5)	1.3	---
Interest expense.....	1.8	(12.9)	(11.4)	---
Income (loss) from equity investees.....	15.8	---	---	(15.8)
Other income (expense) -- net.....	1.1	(0.8)	(2.7)	---
Income (loss) before income taxes.....	17.8	4.5	17.5	(15.8)
Benefit from (provision for) income taxes.	0.9	(0.4)	(5.8)	---
Net income (loss).....	\$ 18.7	\$ 4.1	\$ 11.7	\$ (15.8)

31

TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 THREE MONTHS ENDED MARCH 31, 2003 (RESTATED)  
 (IN MILLIONS)

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations
Net sales.....	\$ 63.8	\$ 349.1	\$ 568.5	\$ (47.0)
Cost of goods sold.....	60.3	305.8	488.5	(47.0)
Gross profit.....	3.5	43.3	80.0	---

Edgar Filing: TEREX CORP - Form 10-Q/A

Selling, general & administrative expenses	(6.6)	(30.4)	(52.2)	---
Income (loss) from operations.....	(3.1)	12.9	27.8	---
Interest income.....	0.3	0.2	1.2	---
Interest expense.....	(6.9)	(6.5)	(12.5)	---
Income (loss) from equity investees.....	14.3	---	---	(14.3)
Other income (expense) -- net.....	(1.8)	(0.8)	2.9	---
Income (loss) before income taxes.....	2.8	5.8	19.4	(14.3)
Benefit from (provision for) income taxes.	6.7	(2.8)	(8.1)	---
Net income (loss).....	\$ 9.5	\$ 3.0	\$ 11.3	\$ (14.3)

TEREX CORPORATION  
CONDENSED CONSOLIDATING BALANCE SHEET MARCH 31, 2004  
(RESTATED)  
(IN MILLIONS)

	Terex Corporation	Wholly Owned Guarantors	Non Guarantor Subsidiaries	In EL
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents.....	\$ 139.6	\$ 5.8	\$ 262.6	\$
Trade receivables -- net.....	23.2	133.0	439.0	
Intercompany receivables.....	17.4	17.4	30.1	
Net inventories.....	75.5	304.8	718.1	
Other current assets.....	41.7	22.7	136.1	
Total current assets .....	297.4	483.7	1,585.9	
Property, plant & equipment -- net.....	0.2	100.1	242.8	
Investment in and advances to (from) subsidiaries..	929.5	(359.9)	(261.2)	
Goodwill -- net.....	13.7	208.2	401.8	
Other assets -- net.....	(47.6)	192.3	226.6	
Total assets .....	\$ 1,193.2	\$ 624.4	\$ 2,195.9	\$
<b>Liabilities and stockholders' equity (deficit)</b>				
<b>Current liabilities</b>				
Notes payable and current portion of long-term debt	\$ 0.1	\$ 30.9	\$ 65.8	\$
Trade accounts payable.....	31.6	160.0	499.6	
Intercompany payables.....	25.4	(85.0)	124.5	
Accruals and other current liabilities.....	51.5	94.3	326.4	
Total current liabilities .....	108.6	200.2	1,016.3	
Long-term debt less current portion .....	282.0	402.1	595.3	



Edgar Filing: TEREX CORP - Form 10-Q/A

Other long-term liabilities .....	99.5	41.5	273.6	
Stockholders' equity (deficit) .....	703.1	(19.4)	310.7	
	-----	-----	-----	-----
Total liabilities and stockholders' equity (deficit) ..	\$ 1,193.2	\$ 624.4	\$ 2,195.9	\$
	=====	=====	=====	=====

32

TEREX CORPORATION  
CONDENSED CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2003 (RESTATED)  
(IN MILLIONS)

	Terex Corporation	Wholly- Owned Guarantors	Non- Guarantor Subsidiaries	In EL
	-----	-----	-----	-----
<b>Assets</b>				
Current assets				
Cash and cash equivalents.....	\$ 148.7	\$ 2.8	\$ 316.0	\$
Trade receivables -- net.....	28.5	107.2	373.6	
Intercompany receivables.....	11.7	14.0	18.0	
Net inventories.....	85.4	264.3	670.4	
Other current assets.....	47.9	22.8	133.5	
	-----	-----	-----	-----
Total current assets .....	322.2	411.1	1,511.5	
Property, plant & equipment -- net .....	7.3	102.8	243.7	
Investment in and advances to (from) subsidiaries ...	871.3	(243.6)	(444.1)	
Goodwill -- net .....	11.8	230.3	374.6	
Deferred taxes .....	(64.3)	65.9	45.4	
Other assets -- net .....	4.9	140.2	172.1	
	-----	-----	-----	-----
Total assets .....	\$ 1,153.2	\$ 706.7	\$ 1,903.2	\$
	=====	=====	=====	=====
<b>Liabilities and stockholders' equity (deficit)</b>				
Current liabilities				
Notes payable and current portion of long-term debt	\$ 0.1	\$ 35.6	\$ 51.1	\$
Trade accounts payable.....	31.3	124.1	459.5	
Intercompany payables.....	20.6	21.3	1.8	
Accruals and other current liabilities.....	35.6	108.6	322.7	
	-----	-----	-----	-----
Total current liabilities .....	87.6	289.6	835.1	
Long-term debt less current portion.. ..	272.1	404.8	597.9	
Other long-term liabilities .....	118.9	35.7	281.6	
Stockholders' equity (deficit) .....	674.6	(23.4)	188.6	
	-----	-----	-----	-----
Total liabilities and stockholders' equity (deficit) .	\$ 1,153.2	\$ 706.7	\$ 1,903.2	\$
	=====	=====	=====	=====

TEREX CORPORATION  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2004 (RESTATED)  
(IN MILLIONS)

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations	Co
	-----	-----	-----	-----	-----
Net cash provided by (used in) operating activities.....	\$ (12.5)	\$ 9.5	\$ (61.4)	\$ ---	\$ ---
Cash flows from investing activities:					
Acquisition of business, net of cash acquired.....	(0.6)	(0.5)	---	---	---
Capital expenditures.....	(0.1)	(3.2)	(5.6)	---	---
Proceeds from sale of assets.....	---	0.3	0.5	---	---
Net cash used in investing activities.....	(0.7)	(3.4)	(5.1)	---	---
Cash flows from financing activities:					
Principal borrowings (repayments) of long-term debt.....	---	---	---	---	---
Proceeds from stock options exercised..	4.1	---	---	---	---
Net borrowings (repayments) under revolving line of credit agreements..	---	(0.5)	14.5	---	---
Other.....	---	(2.6)	(0.8)	---	---
Net cash provided by (used in) financing activities.....	4.1	(3.1)	13.7	---	---
Effect of exchange rates on cash and cash equivalents.....	---	---	(0.6)	---	---
Net (decrease) increase in cash and cash equivalents.....	(9.1)	3.0	(53.4)	---	---
Cash and cash equivalents, beginning of period.....	148.7	2.8	316.0	---	---
Cash and cash equivalents, end of period	\$ 139.6	\$ 5.8	\$ 262.6	\$ ---	\$ ---
	=====	=====	=====	=====	=====

## Edgar Filing: TEREX CORP - Form 10-Q/A

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2003 (RESTATED)  
(IN MILLIONS)

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations	Co
	-----	-----	-----	-----	-----
Net cash provided by operating activities.....	\$ 18.5	\$ 8.1	\$ 88.2	\$ ---	\$ ---
Cash flows from investing activities:					
Acquisition of business, net of cash acquired .....	---	(8.5)	---	---	---
Capital expenditures .....	(0.4)	(1.2)	(7.0)	---	---
Proceeds from sale of assets .....	---	0.9	1.7	---	---
Net cash used in investing activities.....	(0.4)	(8.8)	(5.3)	---	---
Cash flows from financing activities:					
Principal borrowings (repayments) of long-term debt .....	---	(0.5)	(1.0)	---	---
Net borrowings (repayments) under revolving line of credit agreements .	---	(1.1)	(21.4)	---	---
Other .....	---	---	(11.6)	---	---
Net cash used in financing activities.....	---	(1.6)	(34.0)	---	---
Effect of exchange rates on cash and cash equivalents.....	---	---	2.9	---	---
Net (decrease) increase in cash and cash equivalents.....	18.1	(2.3)	51.8	---	---
Cash and cash equivalents, beginning of period.....	134.0	6.2	212.0	---	---
Cash and cash equivalents, end of period	\$ 152.1	\$ 3.9	\$ 263.8	\$ ---	\$ ---
	=====	=====	=====	=====	=====

35

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the items mentioned in the Explanatory Note and Note B of the Notes to Condensed Consolidated Financial Statements, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as required to reflect the effects of the restatement. Accordingly, this Form 10-Q/A, including the financial statements and notes thereto included herein, does not reflect events occurring after the date of the original filing of the Form 10-Q or modify or update those disclosures affected by subsequent events, except for the items mentioned in the

## Edgar Filing: TEREX CORP - Form 10-Q/A

Explanatory Note and Note B of the Notes to Condensed Consolidated Financial Statements. Consequently, all other information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-Q on May 7, 2004. For a description of subsequent events, this Form 10-Q/A should be read in conjunction with Terex's filings made subsequent to the filing of the original Form 10-Q including the Company's amended Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2004, the Company's Current Reports on Form 8-K, and any filings to be made by the Company to reflect the impact of the restatement of its financial statements discussed herein.

### RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The Company is restating its financial statements for the years ended December 31, 2003. The restatement principally pertains to errors identified by the Company in accounting for, and reconciliation of, certain intercompany imbalances, as well as in the failure of the Company to properly eliminate, in consolidation, all intercompany accounts in accordance with generally accepted accounting principles. Prior to the restatement, the intercompany imbalances were eliminated by affecting the translation adjustment account within accumulated other comprehensive income (loss) within stockholders' equity, rather than the accounts giving rise to the imbalance. The Company's review of prior year financial statements identified other errors in accounting which primarily impacted net sales, cost of goods sold, goodwill, accumulated other comprehensive income, additional paid-in capital and treasury stock, which are also corrected in these restatements. The Company believes that its rapid growth through acquisition, complex transactions and facility closures and reorganizations during the periods in question, and their impacts on such issues as staffing, training, oversight and systems, were factors that contributed to the errors.

In addition, as a result of the impact of the restatement items on the pre-tax income of the Company's U.S. business, the Company reassessed its need for a valuation allowance and determined that a valuation allowance to reduce Terex's U.S. deferred tax asset was required, as a result of a reassessment, to be recorded at December 31, 2003 in the restated financial statements. During the period ended March 31, 2004, the impact of this valuation allowance required a reversal of the tax expense on the U.S. pre-tax income in the period ended March 31, 2004, requiring the Company to restate its financial statements for such period. Additionally, the Company has adjusted its tax accounts for errors identified for the period ended March 31, 2004 and in all prior periods presented in this Quarterly Report on Form 10-Q/A.

As previously disclosed, in the third quarter of 2004, the Company commenced a detailed examination of intercompany transactions in an effort to reconcile imbalances in certain of the Company's accounts. Management of the Company conducted this examination and kept the Board of Directors of the Company and the Audit Committee of the Company's Board of Directors (the "Audit Committee") informed of its progress on a regular basis. In addition, the Audit Committee retained independent counsel to advise it with respect to this matter and authorized such counsel to conduct an independent investigation into the circumstances giving rise to the imbalances.

As a result of the Company's internal review, it identified several errors that required a restatement of certain of the Company's financial statements, as described in more detail below and in Note B -- "Restatement of Consolidated Financial Statements" in the Notes to Condensed Consolidated Financial Statements included herein. Accordingly, on January 12, 2005, the Company's management and the Audit Committee concluded that the financial statements for the years ended December 31, 2001, 2002 and 2003 would require restatement and should no longer be relied upon. In addition, on March 3, 2005, the Company's

## Edgar Filing: TEREX CORP - Form 10-Q/A

management and the Audit Committee concluded that the financial statements for the year ended December 31, 2000 would require restatement and should no longer be relied upon and on September 8, 2005, the Company's management and the Audit Committee concluded that the financial statements for the quarters ended March 31, 2004 and June 30, 2004 would require restatement to reflect an increase in net income and should no longer be relied upon. The Company's management has since completed its review and completed the restatement of its financial statements for the years ended December 31, 2000, 2001, 2002 and 2003 and the quarters ended March 31, 2004 and June 30, 2004.

36

The issues giving rise to the restatement of the Company's previously filed financial statements included:

- o Errors were made in the corporate quarterly and annual consolidation of intercompany accounts as a result of failures to properly resolve imbalances received from the Company's various business units.
- o As a result of the declining demand for mobile cranes in North America, the Company initiated a series of facility consolidations with the goal of reducing the overall cost of production in North America. During the transition, as well as during other periods, there was a failure to properly record certain items related to disputed charges, inventory shortages, warranty and third party payables activity.
- o During 2002, the Company consolidated North American distribution for its articulated and rigid trucks, loader backhoes, Schaeff mini excavators and Fuchs scrap handling equipment into its Southaven, Mississippi distribution facility. The increased level of activity and complexity contributed to errors in the timely and accurate reconciliation of certain intercompany imbalances, resulting in cost not being recorded.
- o Beginning in 2000, the Company began the integration of several operations in its Light Construction business. During the second half of 2002, the Company initiated facility consolidations in its Light Construction business. During the transition and related turnover of employees as well as at other times, there was a failure to complete intercompany reconciliations in a timely manner, which led to errors in accounting for, and recording of, costs.
- o As part of the review and subsequent correction of an imbalance in intercompany notes, errors in the accounting for costs associated with warranty and inventory charges were identified as having been improperly offset against intercompany amounts at the Company's German mining operations.
- o Errors were made in the timely reconciliation of transactions between the Company's various business units, which buy and sell products and services from each other in the normal course of their operations. In addition, other errors, not specifically related to intercompany activity, were identified during the review and were corrected in the restatement. These errors related mainly to the timely reconciliation of certain accruals (including in the compact and heavy equipment businesses in the Company's Construction segment), foreign currency adjustments, and the disposition of a foreign sales distribution business. These errors occurred mainly in the Construction and Cranes segments.
- o In connection with the January 14, 2002 acquisition by the Company of the

## Edgar Filing: TEREX CORP - Form 10-Q/A

Schaeff Group of Companies, a German manufacturer of compact construction equipment and a full range of scrap material handlers, an error was made in the recording of the Company's investment, which led to an overstatement of goodwill and stockholder's equity.

- o Management has also determined that the accounting treatment of certain of its goodwill related to foreign acquisitions did not meet the requirements of SFAS No. 52, "Foreign Currency Translation." At the time these foreign acquisitions were completed, mainly in 1999 and 2002, the Company valued goodwill at the historic exchange rate, and the Company has consistently applied this accounting treatment. The Company has now determined that it should have translated goodwill each period to reflect changes in the foreign currency exchange rate.
- o Management has also identified an error with respect to the Company's foreign defined benefit plans. The Company did not record the minimum pension liability adjustment for these plans to other comprehensive income (net of taxes) within stockholders' equity and other non-current liabilities. Management also determined that it was not properly accounting for its equity based compensation. The Company did not record the Company's common stock held in a rabbi trust (at cost) as treasury stock within stockholders' equity and a corresponding liability within non-current liabilities. In addition, the Company should have reclassified the non-current liability established through December 31, 2003 to additional paid-in capital within stockholders' equity and reclassified other equity based compensation from current liabilities to additional paid-in capital within stockholders' equity.

37

- o Management has determined that adjustments to the timing of revenue recognition of certain arrangements are required, including in three particular transactions in 2000 and 2001, two involving United Rentals, Inc. and one with a third-party financial institution, because the risks and rewards of ownership in the equipment involved in such transactions had not passed from the Company to its customers.
- o Errors were identified in the accounting for goodwill in certain acquisitions related to excess accruals for estimated future legal expenses and assumed product liabilities, as well as asset valuation errors. As a result of giving effect to this restatement adjustment, the Company reduced its 2003 goodwill impairment.
- o As a result of giving effect to the restatement adjustments, the Company was required to reassess the restated deferred tax assets as to their need for a deferred tax asset valuation allowance in light of the objective evidence available prior to the original issuance date of those financial statements. The Company concluded that there was a need for a deferred tax asset valuation allowance in the restated financials at December 31, 2003.
- o Errors were identified by the Company in its accounting for income taxes related to goodwill and tax contingencies.

As a result of the issues identified during the Company's review which resulted in the need to restate previously issued financial statements, the Company has implemented changes to its internal control over financial reporting, and has also launched further improvement initiatives in its financial reporting system. See Part I, Item 4, "Controls and Procedures," of this Form 10-Q/A for further information on the Company's actions.

## Edgar Filing: TEREX CORP - Form 10-Q/A

All amounts presented below have been adjusted to reflect the restatement.

### RESULTS OF OPERATIONS

Terex is a diversified global manufacturer of a broad range of equipment primarily for the construction, infrastructure and surface mining industries. The Company operates in five business segments: (i) Terex Construction; (ii) Terex Cranes; (iii) Terex Aerial Work Platforms; (iv) Terex Mining; and (v) Terex Roadbuilding, Utility Products and Other.

The Terex Construction segment designs, manufactures and markets three primary categories of equipment and their related components and replacement parts: heavy construction equipment (including off-highway trucks and scrapers), compact equipment (including loader backhoes, compaction equipment, mini and midi excavators, loading machines, site dumpers, telehandlers and wheel loaders); and mobile crushing and screening equipment (including jaw crushers, cone crushers, washing screens and trommels). These products are primarily used by construction, logging, mining, industrial and government customers in construction and infrastructure projects and supplying coal, minerals, sand and gravel. Terex Construction products are currently marketed principally under the following brand names: Terex, Atlas, Finlay, Fuchs, Pegson, Powerscreen, Benford, Fermec, Schaeff and TerexLift. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex will, over time, be migrating historic brand names to Terex and may include the use of the historic brand name in conjunction with the Terex brand for a transitional period of time.

The Terex 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. Currently, Terex Cranes products are marketed principally under the following brand names: Terex, American, Bendini, Comedil, Demag, Franna, Lorain, P&H, Peiner, PPM and RO-Stinger. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex will, over time, be migrating historic brand names to Terex and may include the use of the historic brand name in conjunction with the Terex brand for a transitional period of time.

The Terex Aerial Work Platforms segment was formed upon the completion of Terex's acquisition of Genie Holdings, Inc. and its affiliates ("Genie") on September 18, 2002. The Terex Aerial Work Platforms segment designs, manufactures and markets aerial work platform equipment and telehandlers. Products include material lifts,

38

portable aerial work platforms, trailer mounted booms, articulating booms, stick booms, scissor lifts, telehandlers, related components and replacement parts, and other products. These products are used primarily by customers in the construction and building maintenance industries to lift people and/or equipment as required to build and/or maintain large physical assets and structures. Terex Aerial Work Platforms products currently are marketed principally under the Genie and Terex brand names.

The Terex Mining segment designs, manufactures and markets large hydraulic excavators and high capacity surface mining trucks, related components and replacement parts, and other products. These products are used primarily by construction, mining, quarrying and government customers in construction, excavation and supplying coal and minerals. Currently, Terex Mining products are marketed principally under the following brand names: O&K, Payhauler, Terex and

## Edgar Filing: TEREX CORP - Form 10-Q/A

Unit Rig. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex will, over time, be migrating historic brand names to Terex and may include the use of the historic brand name in conjunction with the Terex brand for a transitional period of time.

The Terex Roadbuilding, Utility Products and Other segment designs, manufactures and markets fixed installation crushing and screening equipment (including crushers, impactors, screens and feeders), asphalt and concrete equipment (including pavers, plants, mixers, reclaimers, stabilizers and profilers), utility equipment (including digger derricks, aerial devices and cable placers), light construction equipment (including light towers, trowels, power buggies, generators and arrow boards), construction trailers and on/off road heavy-duty vehicles, as well as related components and replacement parts. These products are used primarily by government, utility and construction customers to build roads, maintain utility lines, trim trees and for commercial and military operations. These products are currently marketed principally under the following brand names: Terex, Advance, American Truck Company, Amida, ATC, Bartell, Benford, Bid-Well, Canica, Cedarapids, Cedarapids/Standard Havens, CMI Johnson Ross, CMI Terex, CMI-Cifali, Grayhound, Hi-Ranger, Jaques, Load King, Morrison, Re-Tech, Royer, Simplicity, Tatra, Terex Power, Terex Recycling and Terex Telelect. The Company's strategy going forward is to build the Terex brand. As part of that effort, Terex will, over time, be migrating historic brand names to Terex, and may include the use of the historic brand name in conjunction with the Terex brand name for a transitional period of time. Terex also owns much of the North American distribution channel for the utility products group through the distributors Terex Utilities South and Terex Utilities West. These operations distribute and install the Company's utility aerial devices as well as other products that service the utility industry. The Company also operates a fleet of rental utility products under the name Terex Utilities Rental. The Company also leases and rents a variety of heavy equipment to third parties under the Terex Re-Rentals brand name. The Company, through Terex Financial Services, Inc. ("TFS"), also offers customers loans and leases originated by General Electric Capital Corporation Vendor Services to assist in the acquisition of all of the Company's products. On February 14, 2003, the Company acquired Commercial Body Corporation ("Commercial Body") and Combatel Distribution, Inc. ("Combatel"). On August 28, 2003 the Company acquired an additional 51% of the outstanding shares of TATRA a.s. ("Tatra"), for a total of 71% ownership, and acquired a controlling interest in American Truck Company ("ATC"). The results of Commercial Body, Combatel, Tatra and ATC are included in the results of the Terex Roadbuilding, Utility Products and Other segment from their respective dates of acquisition.

Included in Eliminations/Corporate are the eliminations of intercompany activity among the five segments, as well as general and corporate items.

### OVERVIEW

The Company is a diversified global manufacturer of capital equipment serving the construction, infrastructure and surface mining markets. Terex's strategy is to use its position as a low fixed and total cost manufacturer to provide its customers with the best return on their capital investment.

In the first quarter of 2004, the Company noted improved economic conditions in many end-markets as the Company's backlog increased in substantially all of its businesses. Recent acquisitions, such as Genie and Demag Mobile Cranes GmbH & Co. KG and affiliates ("Demag"), made positive contributions, while tight end-markets and currency moves (particularly the weakness of the U.S. dollar relative to other currencies in which the Company does business) negatively impacted the Company's financial performance. Overall, during the first quarter of 2004, the Company experienced a strengthened backlog and moderate revenue growth. Backlog increased \$316 million, or 66%, compared to the first quarter of



## Edgar Filing: TEREX CORP - Form 10-Q/A

2003.

39

The Company anticipates a mix of end market conditions for the remainder of 2004, with certain products anticipating recovering markets and others expecting continued sluggish markets. For example, the Company sees opportunities for growth in the Construction and Aerial Work Platforms businesses resulting from initial signs of economic recovery, and in the Mining business based on recovering commodity prices; however, the Company envisions a continued weak North American crane market and difficult end markets for the Roadbuilding business. Overall, an economic recovery in the markets served by the Company's businesses would have a beneficial impact on the Company's performance. A significant area of uncertainty for 2004 remains the impact of currency moves, particularly the relative strength of the U.S. dollar.

During 2004, the Company is continuing to focus on cash generation, debt reduction and margin improvement initiatives. The Company experienced a net use of cash in the first quarter of 2004, as the Company used cash for working capital purposes in preparation for the second quarter selling season and as a result of the increase in backlog. The Company recently initiated its Terex Improvement Process ("TIP") program aimed at improving the Company's internal processes and benefiting the Company's customers, investors and employees. As part of the TIP objectives, Terex management will have a particular focus on achieving a number of key objectives including revenue growth, through a combination of expansion into markets not currently served and by increasing market share in existing products, and improving the Company's return on invested capital, through reducing working capital requirements as a percentage of sales and by improving operating margins through reducing the total cost of manufacturing products.

### RESTRUCTURING

Prior to 2004, the Company initiated numerous restructuring programs in response to a slowing economy, to reduce duplicative operating facilities, including those arising from the Company's acquisitions, and to respond to specific market conditions. Restructuring programs were initiated within the Company's Terex Construction, Terex Cranes, Terex Mining and Terex Roadbuilding, Utility Products and Other segments. The Company's programs have been designed to minimize the impact of any program on future operating results and the Company's liquidity. To date, these restructuring programs have not had a material negative impact on operating results or the Company's liquidity. These initiatives are intended to generate a reduction in ongoing labor and factory overhead expense as well as to reduce overall material costs by leveraging the purchasing power of the consolidated facilities. See Note F -- "Restructuring and Other Charges" in the Company's Condensed Consolidated Financial Statements for a detailed description of the Company's restructuring programs, including the reasons, timing and costs associated with each such program.

40

THREE MONTHS ENDED MARCH 31, 2004 COMPARED WITH THREE MONTHS ENDED  
MARCH 31, 2003

TEREX CONSOLIDATED

Edgar Filing: TEREX CORP - Form 10-Q/A

Three Months Ended March 31,					
2004		2003			
Restated		Restated			
% of Sales		% of Sales		% Change	
(\$ amounts in millions)					
Net Sales.....	\$1,059.4		\$934.4		13.4%
Gross Profit.....	\$ 160.4	15.1%	\$126.8	13.6%	26.5%
SG&A.....	\$ 112.5	10.6%	\$ 89.2	9.5%	26.1%
Income from operations	\$ 47.9	4.5%	\$ 37.6	4.0%	27.4%

Total net sales for the three months ended March 31, 2004 totaled \$1,059.4 million, an increase of \$125.0 million when compared to the same period in 2003. The impact of a weaker dollar relative to the British Pound and the Euro increased sales by approximately 8% when compared to the first quarter of 2003. Sales fell relative to the first quarter of 2003 in the Cranes segment as a result of continuing weak market conditions in North America, as well as lower new and used machine sales in the European crane business. Mining sales declined relative to the first quarter of 2003, in part because of the temporary disruption in order activity due to the uncertainty surrounding the attempted sale of the mining truck business in the second half of 2003. These declines were offset by sales generated by the acquisition of Tatra, higher sales of aerial work platform products driven by increased demand in the United States, and increased sales of compact construction and crushing and screening equipment in Europe and North America. During the first quarter of 2004, the Company's backlog increased in substantially all of its businesses, reflecting improved economic conditions in many end markets.

Total gross profit for the three months ended March 31, 2004 totaled \$160.4 million, an increase of \$33.6 million when compared to the same period in 2003. During the first quarter of 2003, the Company recorded \$5.0 million of charges primarily related to the fair value of inventory acquired at Genie and Demag as well as costs related to the closure of the Company's EarthKing Internet business. The acquisition of the Tatra and ATC businesses increased gross profit by approximately \$7 million when compared to the first quarter of 2003. Gross profit increased in all segments other than the Mining segment, where lower sales in South Africa offset other gross profit improvements. The Company's gross profit was also negatively impacted by the increased value of the Euro and the British Pound in the first quarter of 2004. This negatively impacted the gross profit recognized on products produced in Europe and sold in U.S. dollars. The Company continues to address recent market increases in steel pricing and potential availability concerns and has taken several actions to mitigate the impact of these events on the Company.

Total selling, general and administrative costs ("SG&A") increased for the three months ended March 31, 2004 by \$23.3 million when compared to the same period in 2003. A weaker U.S. dollar relative to the British Pound and the Euro accounted for approximately one-third of the increase, as costs reported in these currencies translate into more U.S. dollars than reported in 2003. SG&A costs also increased as a result of higher commissions and related costs due to increased sales levels during the first quarter of 2004. The acquisitions of the Tatra and ATC businesses accounted for approximately 20% of the increase in SG&A. The majority of the remaining increases were experienced in the Aerial Work Platforms and Construction segments, and were the result of higher sales levels.

## Edgar Filing: TEREX CORP - Form 10-Q/A

Income from operations increased by \$10.3 million for the three months ended March 31, 2004 when compared to the same period in 2003. The Company benefited from sales increases in the Aerial Work Platforms and Construction segments as well as from the acquisition of Tatra. These gains were partially offset by lower operating profits earned in the Cranes segment as a result of weak demand in the North American crane businesses, as well as lower sales realized in the European crane businesses. Operating profit relative to the first quarter 2003 declined in the Mining segment, primarily due to lower sales of large mining shovels. The Company continues to see improvements in the economic outlook for many of the businesses in the Construction segment, as well as in the Aerial Work Platforms segment. The Company has also begun to see increased demand for its mining products as a result of recent improvements in commodity pricing.

41

### TEREX CONSTRUCTION

Three Months Ended March 31,					
-----					
2004		2003			
Restated		Restated			
-----					
% of Sales		% of Sales		% Change	
-----					
(\$ amounts in millions)					
Net Sales.....	\$401.1		\$316.7		26.6%
Gross Profit.....	\$ 53.0	13.2%	\$ 41.8	13.2%	26.8%
SG&A.....	\$ 36.2	9.0%	\$ 27.5	8.7%	31.6%
Income from operations	\$ 16.8	4.2%	\$ 14.3	4.5%	17.5%

Net sales in the Terex Construction segment increased by \$84.4 million for the three months ended March 31, 2004 when compared to the same period in 2003 and totaled \$401.1 million. A weaker U.S. dollar relative to the British Pound and the Euro increased sales by approximately 12% when compared to the first quarter of 2003. Excluding the effect of changes in foreign currency, sales in the compact construction equipment, crushing and screening and scrap handling businesses increased when compared to the comparable period in 2003, while sales of heavy construction equipment fell, primarily as a result of lower sales of off-highway trucks and of Atlas products. Sales of compact construction equipment benefited in part from the Company's ability to leverage the Terex brand in the United States and recovering end-market conditions. Sales in the crushing and screening business increased, particularly in the United States, when compared to the comparable period in 2003.

Gross profit increased to \$53.0 million for the three months ended March 31, 2004, an increase of \$11.2 million when compared to 2003 results for the same period. Gross margins, defined as gross profit as a percentage of sales, improved in the compact construction equipment and crushing and screening businesses when compared to the first quarter of 2003 as a result of improved pricing, cost reductions from consolidation of compact equipment manufacturing facilities in 2003 and the benefit of higher production volumes. Gross margins in the heavy equipment businesses fell when compared to the first quarter of 2003, as the weakening of the U.S. dollar relative to the British Pound depressed margins earned on U.S. dollar denominated transactions in the off-highway truck business. In addition, during the first quarter of 2004, the percentage of orders sold in U.S. dollars was significantly higher than the

## Edgar Filing: TEREX CORP - Form 10-Q/A

historical average, further depressing margins.

SG&A costs for the three months ended March 31, 2004 totaled \$36.2 million, an increase of \$8.7 million when compared to the same period in 2003. A weaker U.S. dollar relative to the British Pound and the Euro increased SG&A costs by approximately \$4 million when compared to the first quarter of 2003. Approximately 86% of the segment's SG&A costs are incurred in either British Pounds or Euro. The remaining increase in SG&A was due primarily to increased spending for new product development, sales and marketing efforts and increased administrative costs in the heavy and compact equipment businesses.

Income from operations for the three months ended March 31, 2004 totaled \$16.8 million, an increase of \$2.5 million when compared to \$14.3 million for the same period in 2003.

### TEREX CRANES

	Three Months Ended March 31,			% Change
	2004	2003		
	Restated	Restated		
	% of Sales	% of Sales	% of Sales	
	(\$ amounts in millions)			
Net Sales.....	\$210.8	\$254.4		(17.1%)
Gross Profit.....	\$ 29.9	14.2%	\$ 26.9	10.6%
SG&A.....	\$ 23.4	11.1%	\$ 20.4	8.0%
Income from operations	\$ 6.5	3.1%	\$ 6.5	2.6%

Net sales for the Terex Cranes segment for the three months ended March 31, 2004 decreased by \$43.6 million and totaled \$210.8 million when compared to \$254.4 million for the same period in 2003. The year-over-year decrease was due to a decline in the number of used cranes sold during the first quarter of 2004, a large one-time public works sale that occurred in 2003, a continuing soft end-market in North America, and the sale of the Company's fork-lift business, Schaeff Incorporated, and its Crane & Machinery, Inc. ("C&M") distribution business in November 2003. Sales in the first quarter of 2003 were also strengthened due to the order fulfillment of Demag's significant backlog that existed at the time of its acquisition by Terex in August 2002. The decrease in net sales was partially offset by the effect of a weaker U.S. dollar relative to the Euro, an increase in sales volume of all terrain and rough terrain cranes in Australia, as well as strong markets in Italy, the U.K. and the Asia/Pacific region. The tower crane business also continued to show signs of growth.

Gross profit for the three months ended March 31, 2004 increased by \$3.0 million relative to the same period in 2003 and totaled \$29.9 million. The sale of the Schaeff Incorporated and C&M businesses reduced gross profit by \$0.6 million in the first quarter of 2004 when compared to the same period in 2003. Gross profit fell in the North American cranes businesses primarily as a result of lower production volumes when compared to the first quarter of 2003, and were partially offset by improvements in the international mobile crane businesses as well as in the tower crane businesses. Included in gross profit for the first

## Edgar Filing: TEREX CORP - Form 10-Q/A

quarter of 2003 is a \$2.1 million non-recurring reduction of gross profit related to fair value accounting at Demag. The fair value adjustment related to the acquired inventory of Demag. In addition, the cost reduction impact of past restructuring activities related to the acquisition of Demag are positively reflected in the year-over-year results.

SG&A costs for the three months ended March 31, 2004 totaled \$23.4 million, an increase of \$3.0 million over the same period in 2003. The sale of Schaeff Incorporated and C&M reduced SG&A costs in the first quarter of 2004 by \$0.6 million relative to the first quarter of 2003. Cost reductions achieved in the North American cranes businesses in response to continued weak market conditions were offset by the impact of a weaker U.S. dollar relative to the Euro. Approximately 85% of the segment's SG&A costs were incurred in Euro.

Income from operations for the three month periods ended March 31, 2004 and 2003 totaled \$6.5 million.

### TEREX AERIAL WORK PLATFORMS

Three Months Ended March 31,					
-----					
2004		2003			
Restated		Restated			
-----					
% of Sales		% of Sales		% Change	
-----					
(\$ amounts in millions)					
Net Sales.....	\$168.0		\$147.2		14.1%
Gross Profit.....	\$ 36.2	21.5%	\$ 29.1	19.8%	24.4%
SG&A.....	\$ 15.9	9.5%	\$ 13.7	9.3%	16.1%
Income from operations	\$ 20.3	12.1%	\$ 15.4	10.5%	31.8%

Total net sales for the Terex Aerial Work Platforms segment for the three months ended March 31, 2004 were \$168.0 million, an increase of \$20.8 million when compared to the same period in 2003. Sales increased when compared to the first quarter of 2003 as a result of stronger demand from the rental channel in the United States and improved parts sales. Rental market demand was positively impacted as rental channel customers began to buy new equipment to reduce the age of their fleets.

Total gross profit for the Aerial Work Platforms segment for the three months ended March 31, 2004 was \$36.2 million, an increase of \$7.1 million when compared to the same period in 2003. Gross profit for the first quarter of 2003 included a \$0.6 million charge related to certain fair value adjustments to Genie's inventory values recorded at the time of acquisition; no such charges were included in 2004 results. Gross profit also improved relative to 2003, as the Aerial Work Platforms segment benefited from the impact of higher volumes of equipment sales.

Total SG&A costs for the three months ended March 31, 2004 totaled \$15.9 million, an increase of \$2.2 million from the same period in 2003. The increase was due primarily to higher commissions and related costs arising from higher sales levels.

## Edgar Filing: TEREX CORP - Form 10-Q/A

Income from operations for the Aerial Work Platforms segment for the three months ended March 31, 2004 was \$20.3 million, an increase of \$4.9 million from the same period in 2003 due to the higher sales volume and improved margins.

### TEREX MINING

Three Months Ended March 31,					
-----					
2004		2003			
Restated		Restated			
-----					
% of Sales		% of Sales		% Change	
-----		-----		-----	
(\$ amounts in millions)					
Net Sales.....	\$73.5		\$78.8		(6.7%)
Gross Profit.....	\$11.2	15.2%	\$11.8	15.0%	(5.1%)
SG&A.....	\$ 9.2	12.5%	\$ 7.3	9.3%	26.0%
Income from operations	\$ 2.0	2.7%	\$ 4.5	5.7%	(55.6%)

Net sales in the Terex Mining segment decreased by \$5.3 million to \$73.5 million in the first quarter of 2004 compared to \$78.8 million in the comparable period in 2003. The decrease in sales was mainly attributable to the temporary disruption in order activity due to the uncertainty surrounding the attempted sale of the mining truck business in the second half of 2003. On December 10, 2003, the Company announced that it had terminated its discussions to sell the mining truck business. Additionally, there was an unusually high level of new mining shovel sales in the first quarter of 2003.

Gross profit decreased by \$0.6 million in the three months ended March 31, 2004 when compared to the comparable period in 2003 and totaled \$11.2 million. Gross profit earned in South Africa decreased due to a change in the mix of products sold in that region.

SG&A expense increased by \$1.9 million in the first quarter of 2004 relative to the comparable period in 2003, to a total of \$9.2 million. The increase in SG&A is mainly due to the effect of foreign currency exchange fluctuations.

Income from operations for the Terex Mining segment was \$2.0 million in the first quarter of 2004, or 2.7% of sales, a decrease of \$2.5 million from \$4.5 million in the comparable period in 2003. This reduction in operating income was a result of lower sales volumes due to the uncertainty about the future of the Company's mining business and a change in the mix of products sold in South Africa.

### TEREX ROADBUILDING, UTILITY PRODUCTS AND OTHER

Three Months Ended March 31,	
-----	
2004	2003
Restated	Restated
-----	

## Edgar Filing: TEREX CORP - Form 10-Q/A

	% of Sales -----		% of Sales -----	% Change -----
		(\$ amounts in millions)		
Net Sales.....	\$216.5		\$151.0	43.4%
Gross Profit.....	\$ 30.0	13.9%	\$ 17.5	11.6%
SG&A.....	\$ 25.0	11.5%	\$ 18.3	12.1%
Income from operations	\$ 5.0	2.3%	\$ (0.8)	(0.5%) (725.0%)

Total net sales for the Terex Roadbuilding, Utility Products and Other segment for the three months ended March 31, 2004 were \$216.5 million, an increase of \$65.5 million when compared to the same period in 2003. The acquisition of Tatra on August 28, 2003 increased sales in the first quarter of 2004 by approximately

44

\$44 million when compared to the same period a year ago. Sales increased relative to the first quarter of 2003 in all other businesses reported in the segment. Sales of roadbuilding products increased marginally over the comparable period in 2003, primarily as a result of increased demand for asphalt paving products.

Gross profit for the three months ended March 31, 2004 totaled \$30.0 million, an increase of \$12.5 million when compared to the same period in 2003. The majority of the increase is due to the acquisition of Tatra, which was partially offset by costs incurred by the ATC business. The Company acquired a majority interest in ATC as a result of its acquisition of Tatra. Gross profit realized in the Utility Products business fell relative to the first quarter of 2003, in part as a result of increases in raw material prices as well as a result of investments made to implement manufacturing process improvements. Gross profit improved in the Roadbuilding businesses as a result of cost reductions implemented during 2003 and increased parts sales. During the first quarter of 2003, the Company recorded a \$0.9 million charge related to the closure of its EarthKing Internet subsidiary.

SG&A costs for the segment for the three months ended March 31, 2004 totaled \$25.0 million, an increase of \$6.7 million when compared to the same period in 2003. The majority of the increase was due to the acquisition of Tatra and ATC.

Income from operations for the Roadbuilding, Utility Products and Other segment for the three months ended March 31, 2004 was \$5.0 million, compared to a loss of \$0.8 million for the same period in 2003.

### NET INTEREST EXPENSE

During the three months ended March 31, 2004, the Company's net interest expense decreased \$2.7 million to \$21.5 million from \$24.2 million for the prior year period. The decrease was due to the overall decrease in debt during the first quarter of 2004 as compared to the same period in 2003 and lower interest rates.

### OTHER INCOME (EXPENSE) -- NET

Other income (expense) -- net for the three months ended March 31, 2004 was an expense of \$2.4 million as compared to income of \$0.3 million for the prior year period. During the three months ended March 31, 2003, the Company recorded income of \$2.4 million related to a favorable court judgment on appeal as the defendant in a patent infringement case. This income was partially offset by a

## Edgar Filing: TEREX CORP - Form 10-Q/A

loss of \$0.8 million related to its Internet e-commerce investments.

### INCOME TAXES

During the three months ended March 31, 2004, the Company recognized income tax expense of \$5.3 million on income before income taxes of \$24.0 million, an effective rate of 22.1%, as compared to income tax expense of \$4.2 million on income before income taxes of \$13.7 million, an effective rate of 30.7%, in the prior year period. The effective tax rate for the first quarter of 2004 is lower than the prior period rate due to the impact of recording a valuation allowance against current period U.S. income, offsetting changes in assumptions in foreign valuation allowances, the mix of income by jurisdiction, and the impact of statutory reviews concluded in the first quarter of 2004.

### CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Changes in the estimates and assumptions used by management could have significant impact on the Company's financial results. Actual results could differ from those estimates.

The Company believes that the following are among its most significant accounting policies which are important in determining the reporting of transactions and events and which utilize estimates about the effect of matters that are inherently uncertain and therefore are based on management judgment.

45

**INVENTORIES** -- Inventories are stated at the lower of cost or market value. Cost is determined principally by the first-in, first-out ("FIFO") method. In valuing inventory, management is required to make assumptions regarding the level of reserves required to value potentially obsolete or over-valued items at the lower of cost or market. The valuation of used equipment taken in trade from customers requires the Company to use the best information available to determine the value of the equipment to potential customers. This value is subject to change based on numerous conditions. Inventory reserves are established taking into account age, frequency of use, or sale, and in the case of repair parts, the installed base of machines. While calculations are made involving these factors, significant management judgment regarding expectations for future events is involved. Future events which could significantly influence management's judgment and related estimates include general economic conditions in markets where the Company's products are sold, new equipment price fluctuations, competitive actions including the introduction of new products and technological advances, as well as new products and design changes introduced by the Company. At March 31, 2004, reserves for excess and obsolete inventory totaled \$60.0 million.

**ACCOUNTS RECEIVABLE** -- Management is required to make judgments relative to the Company's ability to collect accounts receivable from the Company's customers. Valuation of receivables includes evaluating customer payment histories, customer leverage, availability of third party financing, political and exchange risks and other factors. Many of these factors, including the assessment of a customer's ability to pay, are influenced by economic and market factors which cannot be predicted with certainty. At March 31, 2004, reserves for potentially uncollectible accounts receivable totaled \$40.3 million.



## Edgar Filing: TEREX CORP - Form 10-Q/A

GUARANTEES -- The Company has issued guarantees to financial institutions of customer financing to purchase equipment as of March 31, 2004. The Company must assess the probability of losses or non-performance in ways similar to the evaluation of accounts receivable, including consideration of a customer's payment history, leverage, availability of third party finance, political and exchange risks and other factors. Many of these factors, including the assessment of a customer's ability to pay, are influenced by economic and market factors that cannot be predicted with certainty. To date, losses related to guarantees have been negligible.

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 Company is limited to the remaining payments due to the finance company at the time of default. In the event of customer default, the Company is generally able to 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, 2004, the Company's maximum exposure to such credit guarantees was \$311.4 million. The terms of these guarantees coincide with the financing arranged by the customer and generally does 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.

The Company, through its Genie subsidiary, 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 point in time. As described in Note K -- "Net Investment in Sales-Type Leases" in the Notes to the Condensed Consolidated Financial Statements, the Company's maximum exposure related to residual value guarantees at March 31, 2004 was \$36.4 million. The Company is able to mitigate the risk associated with these guarantees because the maturity of the guarantees is staggered, which limits 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, 2004, the Company's maximum exposure pursuant to buyback guarantees was \$49.1 million. The Company is able to mitigate the risk of these guarantees by staggering the timing of the buybacks and through leveraging its access to the used equipment markets provided by the Company's original equipment manufacturer status.

46

The Company has recorded an aggregate liability within "other current liabilities" and "other non-current liabilities" of approximately \$10 million for the estimated fair value of all guarantees provided as of March 31, 2004.

The Company recognizes a loss under a guarantee when the Company's obligation to make payment under the guarantee is probable and the amount of the loss can be estimated. A loss would be recognized if the Company's payment obligation under the guarantee exceeds the value the Company can expect to recover to offset such payment, primarily through the sale of the equipment underlying the guarantee.

## Edgar Filing: TEREX CORP - Form 10-Q/A

REVENUE RECOGNITION -- Revenue and costs are generally recorded when products are shipped and invoiced to either independently owned and operated dealers or to customers.

Revenue generated in the United States is recognized when title and risk of loss pass from the Company to its customers which occurs upon shipment when terms are FOB shipping point (which is customary for the Company) and upon delivery when terms are FOB destination. The Company also has a policy requiring it to meet certain criteria in order to recognize revenue, including satisfaction of the following requirements:

- a) Persuasive evidence that an arrangement exists;
- b) The price to the buyer is fixed or determinable;
- c) Collectibility is reasonably assured; and
- d) The Company has no significant obligations for future performance.

In the United States, the Company has the ability to enter into a security agreement and receive a security interest in the product by filing an appropriate Uniform Commercial Code ("UCC") financing statement. However, a significant portion of the Company's revenue is generated outside of the United States. In many countries outside of the United States, as a matter of statutory law, a seller retains title to a product until payment is made. The laws do not provide for a seller's retention of a security interest in goods in the same manner as established in the UCC. In these countries, the Company retains title to goods delivered to a customer until the customer makes payment so that the Company can recover the goods in the event of customer default on payment. In these circumstances, where the Company only retains title to secure its recovery in the event of customer default, the Company also has a policy which requires it to meet certain criteria in order to recognize revenue, including satisfaction of the following requirements:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable;
- d) Collectibility is reasonably assured;
- e) The Company has no significant obligations for future performance; and
- f) The Company is not entitled to direct the disposition of the goods, cannot rescind the transaction, cannot prohibit the customer from moving, selling, or otherwise using the goods in the ordinary course of business and has no other rights of holding title that rest with a titleholder of property that is subject to a lien under the UCC.

In circumstances where the sales transaction requires acceptance by the customer for items such as testing on site, installation, trial period or performance criteria, revenue is not recognized unless the following criteria have been met:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable;
- d) Collectibility is reasonably assured; and
- e) The customer has given their acceptance, the time period for acceptance has elapsed or the Company has otherwise objectively demonstrated that the criteria specified in the acceptance provisions have been satisfied.

In addition to performance commitments, the Company analyzes factors such as the reason for the purchase to determine if revenue should be recognized. This analysis is done before the product is shipped and includes the evaluation of factors that may affect the conclusion related to the revenue recognition

## Edgar Filing: TEREX CORP - Form 10-Q/A

criteria as follows:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable; and
- d) Collectibility is reasonably assured.

Certain new units may be invoiced prior to the time customers take physical possession. Revenue is recognized in such cases only when the customer has a fixed commitment to purchase the units, the units have been completed, tested and made available to the customer for pickup or delivery, and the customer has requested that the Company hold the units for pickup or delivery at a time specified by the customer. In such cases, the units are invoiced under the Company's customary billing terms, title to the units and risks of ownership pass to the customer upon invoicing, the units are segregated from the Company's inventory and identified as belonging to the customer and the Company has no further obligations under the order.

Revenue from sales-type leases is recognized at the inception of the lease. Income from operating leases is recognized ratably over the term of the lease. The Company routinely sells equipment subject to operating leases and the related lease payments. If the Company does not retain a substantial risk of ownership in the equipment, the transaction is recorded as a sale. If the Company does retain a substantial risk of ownership, the transaction is recorded as a borrowing, the operating lease payments are recognized as revenue over the term of the lease and the debt is amortized over a similar period.

GOODWILL -- Goodwill represents the difference between the total purchase price paid in the acquisition of a business and the fair value of the assets, both tangible and intangible, and liabilities acquired by the Company. The Company is required annually to review the value of its recorded goodwill to determine if it is potentially impaired. The initial recognition of goodwill, as well as the annual review of the carrying value of goodwill, requires that the Company develop estimates of future business performance. These estimates are used to derive expected cash flow and include assumptions regarding future sales levels, the impact of cost reduction programs, and the level of working capital needed to support a given business. The Company relies on data developed by business segment management as well as macroeconomic data in making these calculations. The estimate also includes a determination of the Company's weighted average cost of capital. The cost of capital is based on assumptions about interest rates, as well as a risk-adjusted rate of return required by the Company's equity investors. Changes in these estimates can impact the present value of the expected cash flow that is used in determining the fair value of goodwill, as well as the overall expected value of a given business.

IMPAIRMENT OF LONG LIVED ASSETS -- The Company's policy is to assess its ability to realize on its long lived assets, including intangible assets, and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if the estimated future undiscounted cash flows is less than its carrying value. Future cash flow projections include assumptions regarding future sales levels, the impact of cost reduction programs, and the level of working capital needed to support each business. The Company relies on data developed by business segment management as well as macroeconomic data in making these calculations. There are no assurances that future cash flow assumptions will be achieved. The amount of any impairment then recognized would be calculated as the difference between estimated fair value and the carrying value of the asset.

ACCRUED WARRANTIES -- The Company records accruals for potential warranty claims based on the Company's prior claim experience. Warranty costs are accrued at the time revenue is recognized. However, adjustments to the initial warranty accrual

## Edgar Filing: TEREX CORP - Form 10-Q/A

are recorded if actual claim experience indicates that adjustments are necessary. These warranty costs are based upon management's assessment of past claims and current experience. However, actual claims could be higher or lower than amounts estimated, as the amount and value of warranty claims are subject to variation as a result of many factors that cannot be predicted with certainty, including the performance of new products, models and technology, changes in weather conditions for product operation, different uses for products and other similar factors.

ACCRUED PRODUCT LIABILITY -- The Company records accruals for potential product liability claims based on the Company's prior claim experience. Accruals for product liability claims are valued based upon the Company's prior claims experience, including consideration of the jurisdiction, circumstances of the accident, type of loss or injury, identity of plaintiff, other potential responsible parties, analysis of outside legal counsel, analysis of internal product liability counsel and the experience of the Company's director of product safety. The Company provides accruals for estimated product liability experience on known claims. Actual product liability costs could be different due to a number of variables such as the decisions of juries or judges.

PENSION BENEFITS -- Pension benefits represent financial obligations that will be ultimately settled in the future with employees who meet eligibility requirements. Because of the uncertainties involved in estimating the timing and amount of future payments, significant estimates are required to calculate pension expense and liabilities related to the Company's plans. The Company utilizes the services of several independent actuaries, whose models are used to facilitate these calculations.

48

Several key assumptions are used in actuarial models to calculate pension expense and liability amounts recorded in the financial statements. Management believes the three most significant variables in the models are expected long-term rate of return on plan assets, the discount rate, and the expected rate of compensation increase. The actuarial models also use assumptions for various other factors including employee turnover, retirement age and mortality. The Company's management believes the assumptions used in the actuarial calculations are reasonable and are within accepted practices in each of the respective geographic locations in which the Company operates.

The expected long-term rates of return on pension plan assets were 8.00% for U.S. plans and 2.00% to 6.50% for international plans at March 31, 2004. These rates are determined annually by management based on a weighted average of current and historical market trends, historical portfolio performance and the portfolio mix of investments.

The discount rates for pension plan liabilities were 6.00% for U. S. plans and 5.50% to 6.00% for international plans at March 31, 2004. These rates are used to calculate the present value of plan liabilities and are determined annually by management based on market yields for high-quality fixed income investments on the measurement date.

The expected rates of compensation increase for the Company's pension plans were 4.00% for U.S. plans and 2.75% to 4.00% for international plans at March 31, 2004. These estimated annual compensation increases are determined by management every year and are based on historical trends and market indices.

INCOME TAXES -- At March 31, 2004, the Company had deferred tax assets of \$3.1 million, net of valuation allowances. The income tax expense was \$5.3 million for the three months ended March 31, 2004. The Company estimates income taxes based on diverse and complex regulations that exist in various jurisdictions

## Edgar Filing: TEREX CORP - Form 10-Q/A

where it conducts business. Deferred income tax assets and liabilities represent tax benefits or obligations that arise from temporary timing differences due to differing treatment of certain items for accounting and income tax purposes.

The Company evaluates deferred tax assets each period to ensure that estimated future taxable income will be sufficient in character, amount and timing to result in the utilization of its deferred tax assets. "Character" refers to the type (capital gain vs. ordinary income) as well as the source (foreign vs. domestic) of the income generated by the Company. "Timing" refers to the period in which future income is expected to be generated and is important because certain of the Company's net operating losses expire if not used within an established time frame based on the jurisdiction in which they were generated.

A significant portion of the Company's deferred tax assets are comprised of net operating loss ("NOL") generated in the United States by the Company. The Company has had a history of generating tax losses in the United States and has accumulated NOLs of \$418.1 million as of December 31, 2003. During the fourth quarter of 2003, and during the subsequent periods, the Company evaluated its ability to utilize its NOLs generated in the United States. The Company included the following information in its analysis:

- o The three-year cumulative historical loss for U.S. operations.
- o The acquisitions of Genie and Terex Advance Mixer in 2002 added significantly to the Company's U.S. based income generation. In addition, the Company had begun to see an increase in demand for Genie products in the United States relative to 2002.
- o The Company continued to reduce its long-term debt through the generation of operating cash flow, thereby reducing interest expense in the United States relative to prior periods.
- o The Company has undergone significant restructuring in the United States to address market conditions in its North American crane business as well as its Roadbuilding businesses. The Company believes that these businesses are now properly sized for current business volumes and that their respective end markets have stabilized.
- o The Company has not yet taken advantage of several tax strategies that would allow it to accelerate the utilization of accumulated NOLs.

Based on these facts, the Company has determined that it is more likely than not that expected future U.S. earnings are not sufficient to fully utilize the Company's U.S. deferred tax assets and therefore, recorded a valuation allowance for the year ended December 31, 2003 and for subsequent periods.

49

In addition to its domestic NOLs, the Company has accumulated \$887.7 million of foreign NOLs at December 31, 2003. During the fourth quarter of 2003, and during the subsequent period, the Company also evaluated its ability to utilize these NOLs on a country-by-country and entity-by-entity basis. In performing this analysis, the Company reviewed the past and anticipated future earnings for each foreign entity, and, where necessary, a valuation allowance was provided for foreign NOLs which the Company believed were not more likely than not to be realized in the future.

In the three months ended March 31, 2004, no change in the valuation allowance was recorded as a discrete item in determining the Company's income tax provision.

Considerable judgments are required in establishing deferred tax valuation allowances and in assessing possible exposures related to tax matters. Tax

## Edgar Filing: TEREX CORP - Form 10-Q/A

returns are subject to audit and local taxing authorities could challenge tax filing positions taken by the Company. The Company's practice is to review tax-filing positions by jurisdiction and to record provisions for probable tax assessments, including interest and penalties, if applicable. The Company believes it records and/or discloses tax liabilities as appropriate and has reasonably estimated its income tax liabilities and recoverable tax assets.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's main sources of funding are cash generated from operations, use of the Company's bank credit facilities and access to capital markets. Management believes that cash generated from operations, together with the Company's bank credit facilities and cash on hand, provides the Company with adequate liquidity to meet the Company's operating and debt service requirements. The Company had cash and cash equivalents of \$408.0 million at March 31, 2004. In addition, the Company had \$225.8 million available for borrowing under its revolving credit facilities at March 31, 2004.

Cash from operations is dependent on the Company's ability to generate net income through the sales of the Company's products and by reducing its investment in working capital. During 2003, the Company's focus shifted from a largely acquisition oriented growth approach to improving its operating performance. The Company recently initiated a series of programs, collectively known as TIP, aimed at improving operating earnings and net income as a percentage of sales and at reducing the relative level of working capital needed to operate the business. The Company is improving its liquidity through the collection of receivables in a more timely manner. Consistent with past practice, each quarter the Company sells receivables to various third party financial institutions through a series of established pre-arranged facilities. The discontinuance of these facilities could negatively impact the Company's liquidity. During the first quarter of 2004 and 2003, the Company sold, without recourse, accounts receivable approximating 23% and 25% of its first quarter revenue in 2004 and 2003, respectively, to provide additional liquidity.

The Company is reducing inventory requirements by sharing, throughout the Company, many of the lean manufacturing processes that Genie has successfully utilized. These initiatives are expected to reduce the levels of raw materials and work in process needed to support the business and enable the Company to reduce its manufacturing lead times, thereby reducing the Company's working capital requirements.

The Company's ability to generate cash from operations is subject to the following factors:

- o A substantial number of the Company's customers fund their purchases through third party finance companies. Finance companies extend credit to customers based on the credit worthiness of the customers and the expected residual value of the Company's equipment. Changes in either the customers' credit rating or in used equipment values may impact the ability of customers to purchase equipment.
- o As the Company's sales levels increase, the absolute amount of working capital needed to support the business may increase with a corresponding reduction in cash generated by operations. The TIP initiatives described above are intended to reduce the relative increase in working capital.
- o As described above, the Company insures and sells a significant portion of its accounts receivable to third party finance companies. These third party finance companies are not obligated to purchase

## Edgar Filing: TEREX CORP - Form 10-Q/A

accounts receivable from the Company, and may choose to limit or discontinue further purchases from the Company at any time. Changes in customers' credit worthiness, in the market for credit insurance or in the willingness of third party finance companies to purchase accounts receivable from the Company may impact the Company's cash flow from operations.

- o The Company purchases material and services from its suppliers on terms extended based on the Company's overall credit rating. Changes in the Company's credit rating may impact suppliers' willingness to extend terms and increase the cash requirements of the business.
- o Sales of the Company's products are subject to general economic conditions, weather, competition and foreign currency fluctuations, and other such factors that in many cases are outside the Company's direct control. For example, during periods of economic uncertainty, many of the Company's customers have tended to delay purchasing decisions, which has had a negative impact on cash generated from operations.

The Company's sales are seasonal, with more than half of the Company's sales being generated in the first two quarters of a calendar year. This seasonality is a result of the needs of the Company's customers to have new equipment available for the spring, summer and fall construction season. As a result, the Company tends to use cash to fund its operations during the first half of a calendar year and generate cash from operations during the second half of the year. For example, during the first quarter of 2004, the Company used \$64.4 million of cash for operations.

To help fund this seasonal cash pattern, the Company maintains a significant cash balance and a revolving line of credit in addition to term borrowings from its bank group. The Company maintains a bank credit facility that originally provided for \$375 million of term debt maturing in July 2009 and a revolving credit facility of \$300 million that is available through July 2007. The facility also includes provisions for an additional \$250 million of term borrowing by the Company on terms similar to the current term loan debt under the facility, of which the Company has utilized \$210 million of additional term borrowings. During 2003, the Company prepaid \$200 million principal amount of its bank term loans.

The Company's ability to borrow under its existing bank credit facilities is subject to the Company's ability to comply with a number of covenants. The Company's bank credit facilities include covenants that require the Company to meet certain financial tests, including a pro forma consolidated leverage ratio test, a consolidated interest ratio test, a consolidated fixed charge ratio test, a pro forma consolidated senior secured debt leverage ratio test and a capital expenditures test. These covenants require quarterly compliance and become more restrictive through the third quarter of 2005. The Company has significant debt service requirements, including semi-annual interest payments on its senior subordinated notes and monthly interest payments on its bank credit facilities. Other than a default under the terms of the Company's debt instruments, there are no other events that would accelerate the repayment of the Company's debt. In the event of a default, these borrowings would become payable on demand.

The Company is currently in compliance with all of its financial covenants under its bank credit facilities. The Company's future compliance with its financial covenants will depend on its ability to generate earnings, cash flow from working capital reductions, other asset sales and cost reductions from its restructuring programs.

## Edgar Filing: TEREX CORP - Form 10-Q/A

The Company's bank credit facilities also have various non-financial covenants, both requiring the Company to take certain actions, such as keeping in good standing its corporate existence, maintaining insurance, and providing its bank lending group with financial information on a timely basis, and requiring the Company to refrain from taking certain actions, such as incurring certain types of prohibited indebtedness and granting liens not permitted under the facilities. The Company has obtained a waiver from its bank lending group that allows the Company until March 1, 2006 to provide its lenders with its financial information for the year ended December 31, 2004 and for the quarterly periods ended March 31, 2005, June 30, 2005 and September 30, 2005. The Company's future ability to provide its bank lending group with financial information on a timely basis will depend on its ability to file its periodic reports with the Securities and Exchange Commission ("SEC") on a timely basis.

The interest rates charged under the Company's bank credit facilities are subject to adjustment based on the Company's consolidated pro forma leverage ratio. The weighted average interest rate on the outstanding portion of the revolving credit component of the Company's bank credit facility was 4.41% at March 31, 2004.

51

During 2003, the Company changed its debt profile by using cash generated from operations to reduce its debt, extending the maturities of its term debt and thereby reducing the rate of interest on its debt. On June 30, 2003, the Company redeemed \$50 million of its 8-7/8% Senior Subordinated Notes due 2008 (the "8-7/8% Notes"). On November 25, 2003, the Company sold and issued \$300 million of its 7-3/8% Senior Subordinated Notes due 2014 (the "7-3/8% Notes") using the proceeds plus \$119 million of available cash to prepay the remaining \$200 million outstanding principal amount of its 8-7/8% Notes and \$200 million plus accrued interest of its bank term loans.

The Company manages its interest rate risk by maintaining a balance between fixed and floating rate debt through interest rate derivatives. Over the long term, the Company believes this balance will produce lower interest cost than a purely fixed rate mix without substantially increasing risk.

At the same time that it issued its 7-3/8% Notes, the Company negotiated an amendment to certain of the financial covenants under its bank credit facilities, described above, to extend the rate at which the pro forma consolidated leverage ratio and the pro forma consolidated senior secured debt leverage ratio are reduced in 2004 and 2005.

The Company continues to review its alternatives to improve its capital structure and to reduce debt service costs through a combination of debt refinancing, issuing equity, asset sales and the sale of non-strategic businesses. The Company's ability to access the capital markets to raise funds, through the sale of equity or debt securities, is subject to various factors, some specific to the Company and some impacted by general economic and/or financial market conditions. These include results of operations, projected operating results for future periods and debt to equity leverage. The Company's ability to access the capital markets is also subject to its timely filing of its periodic reports with the SEC, and the Company's recent failure to file certain of its periodic reports on a timely basis will limit the ability of the Company to access the capital markets using short-form registration for a period of twelve months from the date the Company becomes current with all of its SEC filings. In addition, the terms of the Company's bank credit facility and senior subordinated notes restrict the Company's ability to make further borrowings and to sell substantial portions of its assets.

CASH FLOWS



## Edgar Filing: TEREX CORP - Form 10-Q/A

Cash flow from operations for the three months ended March 31, 2004 was a net use of \$64.4 million. Approximately \$81 million of cash was used for working capital purposes in preparation for the second quarter selling season. The Company defines working capital as the sum of accounts receivable and inventory less accounts payable. Cash flow from operations decreased by \$179.2 million in the first quarter of 2004 when compared to the same period in 2003. During the first quarter of 2003, the Company generated approximately \$93 million from the reduction of working capital. A significant portion of the working capital reduction in the first quarter of 2003 was due to improvements realized at Demag, which was acquired in August 2002 with a high level of working capital.

Cash used in investing activities in the first quarter of 2004 was \$9.2 million, \$5.3 million less than cash used in investing activities in the first quarter of 2003. The reduction in cash usage is a direct result of the lower number and size of acquisitions completed in the first quarter of 2004 when compared to the same period in 2003.

Cash provided by financing activities was \$14.7 million in the first quarter of 2004, compared to cash used in financing activities in the first quarter of 2003 of \$35.6 million. During the first quarter of 2004, the Company generated \$4.1 million from the exercise of stock options and \$14.0 from net borrowings under its revolving line of credit. In the first quarter of 2003, the Company utilized cash from operations to reduce its debt by approximately \$24 million.

### OFF-BALANCE SHEET ARRANGEMENTS

#### 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 Company is limited to the remaining payments due to the finance company at the time of

52

default. In the event of customer default, the Company is generally able to 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, 2004, the Company's maximum exposure to such credit guarantees was \$311.4 million, including total credit guarantees issued by Demag and Genie of \$207.0 million and \$55.5 million, respectively. The terms of these guarantees coincide with the financing arranged by the customer and generally does 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.

The Company, from time to time, 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 point in time. As described in Note K -- "Net Investment in Sales-Type Leases" in the Notes to the Condensed Consolidated Financial Statements, the Company's maximum exposure related to residual value guarantees under sales-type leases was \$36.4 million at March 31, 2004. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company is able to mitigate the risk associated with these guarantees because the maturity of the guarantees is staggered, which limits the amount of used equipment entering the marketplace

## Edgar Filing: TEREX CORP - Form 10-Q/A

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, 2004, the Company's maximum exposure pursuant to buyback guarantees was \$49.1 million. The Company is able to mitigate the risk of these guarantees by staggering the timing of the buybacks 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 "other non-current liabilities" of approximately \$10 million for the estimated fair value of all guarantees provided as of March 31, 2004.

### Variable Interest Entities

In April 2001, Genie entered into a joint venture arrangement with a European financial institution, pursuant to which Genie maintained a forty-nine percent (49%) ownership interest in the joint venture, Genie Financial Services Holding B.V. ("GFSH"). GFSH was established to facilitate the financing of Genie's products sold in Europe. Genie contributed \$4.7 million in cash in exchange for its ownership interest in GFSH. During January 2003 and 2002, Genie contributed an additional \$0.8 million and \$0.6 million, respectively, in cash to GFSH.

On January 1, 2004, the Company and its joint venture partner revised the co-operation agreement and operating relationship with respect to GFSH. As part of the reorganization, the name of the joint venture was changed to Terex Financial Services Holding B.V. ("TFSH"), Genie's ownership interest in TFSH was reduced to forty percent (40%), and Genie transferred this interest to another Company subsidiary. In addition, the scope of TFSH's operations was broadened, as it was granted the right to facilitate the financing of all of the Company's products sold in Europe.

As of March 31, 2004, TFSH had total assets of \$160.8 million, consisting primarily of financing receivables and lease related equipment, and total liabilities of \$144.5 million, consisting primarily of debt issued by the joint venture partner. The Company has 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, 2004, the maximum exposure to loss under these guarantees was approximately \$14 million. 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.

As defined by FASB Interpretation No. 46 ("FIN 46R"), TFSH is a Variable Interest Entity ("VIE"). For entities created prior to February 1, 2003, FIN 46R requires the application of its provisions effective the first reporting

53

period after March 15, 2004. Based on the legal 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 will not consolidate the results of TFSH into its consolidated financial results. The Company applies the equity method of accounting for its investment in TFSH.

### Sale-Leaseback Transactions

## Edgar Filing: TEREX CORP - Form 10-Q/A

The Company's rental business typically rents equipment to customers for periods of no less than three months. To better match cash outflows in the rental business to cash inflows from customers, the Company finances the equipment through a series of sale-leasebacks which are classified as operating leases. The leaseback period is typically 60 months in duration. At March 31, 2004, the historical cost of equipment being leased back from the financing companies was approximately \$100 million and the minimum lease payment for the remainder of 2004 will be approximately \$14 million.

### CONTINGENCIES AND UNCERTAINTIES

#### FOREIGN CURRENCIES AND INTEREST RATE RISK

The Company's products are sold in over 100 countries around the world and, accordingly, revenues of the Company are generated in foreign currencies, while the costs associated with those revenues are only partly incurred in the same currencies. The major foreign currencies, among others, in which the Company does business, are the Euro, the British Pound, the Australian Dollar and the Czech Koruna. The Company may, from time to time, hedge specifically identified committed and forecasted cash flows in foreign currencies using forward currency sale or purchase contracts. At March 31, 2004, the Company had foreign exchange contracts with a notional value of \$174.6 million.

The Company manages exposure to fluctuating interest rates with interest protection arrangements. Certain of the Company's obligations, including indebtedness under the Company's bank credit facility, bear interest at floating rates, and as a result an increase in interest rates could adversely affect, among other things, the results of operations of the Company. The Company has entered into interest protection arrangements with respect to approximately \$100 million of the principal amount of its indebtedness under its bank credit facility, fixing interest at 6.52% for the period from July 1, 2004 through June 30, 2009.

Certain of the Company's obligations, including its senior subordinated notes, bear interest at a fixed interest rate. The Company has entered into interest rate agreements to convert these fixed rates to floating rates with respect to approximately \$200 million of the principal amount of its indebtedness under its 7-3/8% Senior Subordinated Notes and approximately \$79 million of operating leases. The floating rates are based on a spread of 2.45% to 4.50% over the London Interbank Offer Rate ("LIBOR"). At March 31, 2004, the floating rates ranged between 3.61% and 5.59%.

All derivatives are required to be recognized in the statement of financial position as either assets or liabilities and measured at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In addition, all hedging relationships must be reassessed and documented pursuant to the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities."

#### OTHER

The Company is subject to a number of contingencies and uncertainties including, without limitation, product liability claims, self-insurance obligations, tax examinations and guarantees. Many of the exposures are unasserted or proceedings are at a preliminary stage, and it is not presently possible to estimate the amount or timing of any cost to the Company. However, the Company does not believe that these contingencies and uncertainties will, in the aggregate, have a material adverse effect on the Company. When it is probable that a loss has been incurred and possible to make reasonable estimates of the Company's liability with respect to such matters, a provision is

recorded for the amount of such estimate or for the minimum amount of a range of estimates when it is not possible to estimate the amount within the range that is most likely to occur.

The Company generates hazardous and non-hazardous wastes in the normal course of its manufacturing operations. As a result, Terex is subject to a wide range of federal, state, local and foreign environmental laws and regulations. These laws and regulations govern actions that may have adverse environmental effects, such as discharges to air and water, and also require compliance with certain practices when handling and disposing of hazardous and non-hazardous wastes. These laws and regulations also impose liability for the costs of, and damages resulting from, cleaning up sites, past spills, disposals and other releases of hazardous substances, should any of such events occur. No such incidents have occurred which required the Company to pay material amounts to comply with such laws and regulations. Compliance with such laws and regulations has required, and will continue to require, the Company to make expenditures. The Company does not expect that these expenditures will have a material adverse effect on its business or profitability.

#### RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board (the "FASB") issued FIN 46, "Consolidation of Variable Interest Entities." A variable interest entity ("VIE") is a corporation, partnership, trust or other legal entity that does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its own activities. The interpretation requires a company to consolidate a VIE when the company has a majority of the risk of loss from the VIE's activities or is entitled to receive a majority of the entity's residual returns or both. In December 2003, the FASB revised FIN 46 ("FIN 46R") and modified its effective date. The Company is required to adopt the provisions of FIN 46R, for special purpose entities and VIEs created on or after February 1, 2003, effective December 31, 2003. As of March 31, 2004, there were no such entities that are required to be consolidated by the Company. For all other entities, the Company has adopted the provisions of FIN 46R on March 31, 2004. The application of FIN 46R has not had a material impact on the Company's consolidated financial position or results of operations.

In January 2003, the Emerging Issues Task Force (the "EITF") released EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF 00-21 clarifies the timing and recognition of revenue from certain transactions that include the delivery and performance of multiple products or services. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF 00-21 has not had a material impact on the Company's consolidated financial position or results of operations.

During April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments and hedging activities, resulting primarily from decisions reached by the FASB Derivatives Implementation Group subsequent to the original issuance of SFAS No. 133. This statement is generally effective prospectively for contracts and hedging relationships entered into after June 30, 2003. The adoption of SFAS No. 149 has not had a material impact on the Company's consolidated financial position or results of operations.

On May 15, 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial

## Edgar Filing: TEREX CORP - Form 10-Q/A

Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. SFAS No. 150 must be applied immediately to instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. The adoption of SFAS No. 150 has not had a material impact on the Company's financial position or results of operations.

### ITEM 3 -- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to certain market risks which exist as part of its ongoing business operations and the Company uses derivative financial instruments, where appropriate, to manage these risks. The Company, as a matter of policy, does not engage in trading or speculative transactions.

55

#### FOREIGN EXCHANGE RISK

The Company is exposed to fluctuations in foreign currency cash flows related to third party purchases and sales, intercompany product shipments and intercompany loans. The Company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, the Company is exposed to volatility in the translation of foreign currency earnings to U.S. Dollars. Primary exposures include the U.S. Dollars versus functional currencies of the Company's major markets which include the Euro, the British Pound, the Czech Koruna and the Australian Dollar. The Company assesses foreign currency risk based on transactional cash flows and identifies naturally offsetting positions and purchases hedging instruments to protect anticipated exposures. At March 31, 2004, the Company had foreign currency contracts with a notional value of \$174.6 million. The fair market value of these arrangements, which represents the cost to settle these contracts, was an asset of approximately \$9 million at March 31, 2004.

#### INTEREST RATE RISK

The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. Prime Rate and LIBOR. The Company uses interest rate swaps to manage its interest rate risk. At March 31, 2004, approximately 50% of the Company's debt was floating rate debt and the weighted average interest rate for all debt was approximately 6%.

At March 31, 2004, the Company had approximately \$100 million of interest rate swaps fixing interest rates at 6.52% for the period from July 1, 2004 through June 30, 2009. The fair market value of these arrangements, which represents the cost to settle these contracts, was a liability of approximately \$5 million at March 31, 2004.

At March 31, 2004, the Company had approximately \$279 million of interest rate swaps that converted fixed rates to floating rates. The floating rates ranged between 3.61% and 5.59% at March 31, 2004. The fair market value of these arrangements, which represent the cost to settle these contracts, was an asset of approximately \$12 million.

At March 31, 2004, the Company performed a sensitivity analysis for the Company's derivatives and other financial instruments that have interest rate risk. The Company calculated the pretax earnings effect on its interest

## Edgar Filing: TEREX CORP - Form 10-Q/A

sensitive instruments. Based on this sensitivity analysis, the Company has determined that an increase of 10% in the Company's weighted average interest rates at March 31, 2004 would have increased interest expense by approximately \$1 million in the three months ended March 31, 2004.

### COMMODITIES RISK

Principal materials used by the Company in its various manufacturing processes include steel, castings, engines, tires, hydraulic cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. The Company's performance may be impacted by extreme movements in material pricing and from availability of these materials. For example, steel prices have increased and steel availability has decreased in response to higher demand caused from a recovering end-market and higher consumption of emerging market countries, such as China. In the absence of labor strikes or other unusual circumstances, substantially all materials are normally available from multiple suppliers. Current and potential suppliers are evaluated on a regular basis on their ability to meet the Company's requirements and standards. The Company actively manages its material supply sourcing and prices, and may employ various methods to limit risk associated with commodity pricing and availability.

### ITEM 4 -- CONTROLS AND PROCEDURES

#### (a) Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Quarterly Report on Form 10-Q/A, the Company's management carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as of March 31, 2004, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is

56

defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon this evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2004 because of the material weaknesses discussed below and because the Company was unable to file the Annual Report on Form 10-K for the year ended December 31, 2004 and the Quarterly Reports on Form 10-Q for the interim periods ended September 30, 2004, March 31, 2005, June 30, 2005 and September 30, 2005 within the time periods specified in the SEC's rules. Notwithstanding the material weaknesses discussed below, the Company's management has concluded that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q/A make a fair statement in all material respects of the Company's financial condition, results of operations and cash flows for the periods presented in conformity with generally accepted accounting principles.

#### (b) Changes in Internal Control Over Financial Reporting

In connection with their audit of the Company's financial statements for the year ended December 31, 2003, PricewaterhouseCoopers LLP ("PwC"), the Company's independent auditors, did not report any material weaknesses related to the Company's internal controls. PwC did, however, advise management and the Audit Committee of the Board of Directors of two conditions with respect to the Company's design or operations of internal controls that needed improvement.

The first condition identified by PwC related to the Company's process for collecting, reconciling and analyzing information to support the valuation of its foreign deferred tax assets and liabilities. In addition, PwC identified a

## Edgar Filing: TEREX CORP - Form 10-Q/A

need to enhance the process used to estimate future taxable income, as this information is used in determining the appropriateness of valuation allowances. The second condition related to accounting controls at a Cranes segment location, as well as the associated monitoring controls used by the Cranes segment's management team.

As a result, the Company implemented changes to its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal quarter ended March 31, 2004, to enhance its internal control over financial reporting in these areas.

To address the tax matters, during the first quarter of 2004, the Company enhanced certain processes used to determine future taxable income by statutory entity, related to the calculation of valuation allowances, and reserves related to specific statutory issues. To address the conditions identified in the Cranes segment, during the first quarter of 2004, the Company increased corporate oversight within the Cranes segment. The Company has also launched a process to increase the level of supervision and review within the accounting function of the Cranes segment.

### (c) Effectiveness of Internal Control Over Financial Reporting

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Subsequent to March 31, 2004 and prior to filing this Form 10-Q/A, the Company identified the material weaknesses described below in its annual assessment of the effectiveness of the Company's internal control over financial reporting. These material weaknesses also existed as of March 31, 2004.

- o The Company did not maintain effective controls over its financial reporting process due to an insufficient complement of personnel with a level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with the Company's financial reporting requirements. Specifically, this control deficiency directly contributed to the material weaknesses described below, as well as resulting in errors in the timing of revenue recognition of certain transactions and not maintaining effective controls over the Company's acquisition accounting, primarily resulting in errors in accruing for estimated future legal expenses, assumed product liabilities and certain asset valuations.

57

This control deficiency also resulted in errors in net sales, cost of goods sold, goodwill, accounts receivable, accrued warranties and product liability and other non-current liabilities resulting in restatements of the 2000, 2001, 2002 and 2003 annual consolidated financial statements, the consolidated financial statements for the interim periods in 2003 and the first two quarters of 2004. This control deficiency further resulted in audit adjustments at two of the Company's operating locations to the cost of sales and inventory accounts in the 2004 annual consolidated financial statements due to the Company not maintaining effective controls over its accounting for inventory; specifically, the reconciliation of parts and finished goods inventory accounts and the costing of internally transferred parts and work in process inventory were not sufficient to ensure the completeness and accuracy of those accounts.

- o The Company did not maintain effective controls over the recording and

## Edgar Filing: TEREX CORP - Form 10-Q/A

elimination of its intercompany accounts. As a result of an internal investigation into the Company's intercompany accounting practices, management determined that the Company did not maintain effective controls over the proper accounting for and monitoring of the recording of its intercompany transactions. This control deficiency resulted in management's failure to detect the improper recording of elimination entries related to intercompany transactions, resulting in restatements of the 2000, 2001, 2002 and 2003 annual consolidated financial statements, the consolidated financial statements for the interim periods in 2003 and the first two quarters of 2004. This control deficiency primarily impacted cost of goods sold, accounts payable, goodwill and cumulative translation adjustment.

- o The Company did not maintain effective controls over its accounting for income taxes, including income taxes payable, deferred income tax assets and liabilities and the related income tax provision. Specifically, the Company did not maintain effective controls over the accuracy and completeness of the components of the income tax provision calculations and related deferred income taxes and income taxes payable, and over the monitoring of the differences between the income tax basis and the financial reporting basis of assets and liabilities to effectively reconcile the differences to the reported deferred income tax balances. This control deficiency resulted in restatements of the 2000, 2001, 2002 and 2003 annual consolidated financial statements, the consolidated financial statements for the interim periods in 2003 and the first two quarters of 2004 as well as audit adjustments to the 2004 annual consolidated financial statements.
- o The Company did not maintain effective controls over its accounting for goods received but not yet invoiced. The Company's processes, procedures and controls at two of the Company's operating locations, including reconciliation and review related to the completeness and accuracy of its goods received not invoiced liability, were ineffective. The goods received not invoiced account at the two locations was not adequately documented and differences were not adequately analyzed between detailed account listings and amounts recorded in the general ledger. This control deficiency resulted in restatement adjustments to the 2003 annual consolidated financial statements, as well as the consolidated financial statements for the interim periods in 2003 and the first two quarters of 2004. In addition, the control deficiency resulted in audit adjustments at one of these locations to the cost of sales and goods received not invoiced liability accounts in the 2004 annual consolidated financial statements.
- o The Company did not maintain effective controls over its accounting for goodwill denominated in foreign currencies. The Company's processes, procedures and controls related to certain asset valuations, in addition to the translation of certain goodwill accounts denominated in a currency other than U.S. dollars, were not sufficient to ensure that goodwill was accurately recorded in accordance with generally accepted accounting principles. This control deficiency resulted in restatements of the 2000, 2001, 2002 and 2003 annual consolidated financial statements, the consolidated financial statements for the interim periods in 2003 and the first two quarters of 2004, as well as adjustments to the 2004 annual consolidated financial statements. This control deficiency primarily affected goodwill and accumulated other comprehensive income.
- o The Company did not maintain effective controls over its accounting for certain of its retirement and other benefit plans. Specifically, the Company's processes, procedures and controls related to the use of



## Edgar Filing: TEREX CORP - Form 10-Q/A

actuarial information in the determination of its minimum pension liability for foreign defined benefit plans were not sufficient to ensure that such liability was accurately recorded. In addition, the Company's processes, procedures and controls related to the accounting for the Company's common stock component of its

58

deferred compensation plan were not effective. This control deficiency resulted in restatements of the 2000, 2001, 2002 and 2003 annual consolidated financial statements, the consolidated financial statements for the interim periods in 2003 and the first two quarters of 2004, as well as adjustments to the 2004 consolidated financial statements. This control deficiency primarily impacted other long-term liability, accumulated other comprehensive income, additional paid-in capital and treasury stock.

Additionally, each of these control deficiencies could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Management has determined that each of these control deficiencies constitutes a material weakness in the Company's internal control over financial reporting.

### (d) Management's Remediation Initiatives

In response to the material weaknesses identified and upon instructions received from the Audit Committee of the Company's Board of Directors, the Company has taken a number of substantial actions and will continue to take further significant steps to strengthen its control processes and procedures in order to remediate the material weaknesses. The Company will continue to evaluate the effectiveness of its internal controls and procedures on an ongoing basis and will take further action as appropriate.

The following are among the specific actions taken by the Company in its internal control over financial reporting processes during the quarter ended December 31, 2004 and subsequently to address the material weaknesses described above:

- o The Company has changed the reporting relationship for operating financial personnel, so that they now report directly to the corporate finance group, and ultimately the Company's Chief Financial Officer, rather than to operational managers.
- o The Company has taken disciplinary actions and/or made changes with respect to certain personnel as a result of the errors in accounting and failure to account in accordance with generally accepted accounting principles.
- o The Company now requires periodic activity balancing, so that both parties recognize intercompany transactions at the same time. In the event of a dispute, the receiving party is required to recognize the transaction and escalate the dispute within the corporate finance group, so that reconciling items not resolved between the parties within a specified time frame are promptly resolved by the Company.
- o The Company has added additional personnel, including: hiring a new Vice President of Information Technology and a new human resources director dedicated to the Company's financial organization, both reporting to the Company's Chief Financial Officer; appointing a new Chief Accounting Officer and Controller, reporting to the Company's Chief Financial Officer; hiring a new Vice President of Internal Audit, reporting directly to the Chairman of the Audit

## Edgar Filing: TEREX CORP - Form 10-Q/A

Committee and for administrative purposes to the Company's Chief Financial Officer; hiring an intercompany controller and hiring other financial personnel in the corporate accounting, field location and internal audit areas.

- o The Company engaged an outside service provider to review the Company's existing set of internal controls and recommend process improvements specifically related to the treatment of intercompany activity.
- o The Company's Chairman and Chief Executive Officer, Chief Financial Officer, General Counsel, Senior Vice President of Human Resources and several others conducted full day mandatory meetings for approximately 350 of the Company's executives on a worldwide basis concerning business practices, the Company's Code of Ethics and Conduct, compliance, full disclosure and other matters.
- o The Company has provided additional training in the application of U.S. generally accepted accounting principles to financial personnel in the U.S. and internationally.

The following are among the specific actions taken by the Company in its internal control over financial reporting processes during the quarter ended March 31, 2004 and subsequently to address the reportable condition, regarding accounting for income taxes, previously disclosed in the Company's Quarterly Report on Form 10-Q for the interim period ended March 31, 2004 and subsequently identified above as a material weakness as of December 31, 2004:

- o The Company, with the assistance of an outside service provider, established procedures to more effectively and accurately accumulate detailed support for approximately eighty foreign tax basis balance sheets and related processes to identify the deferred tax items.

59

- o The Company conducted income tax training sessions with financial personnel.
- o The Company revised its tax provision processes (including a redesign of U.S. federal and state tax provision processes) to improve visibility, accuracy and support.
- o The Company has increased staffing in the tax department.

The Company intends to take further actions to remediate the material weaknesses noted above and improve controls overall which actions are intended to prevent this type of situation from occurring in the future including:

- o Providing enhanced and ongoing training for financial and tax personnel.
- o Adding additional personnel in key areas throughout the Company's financial organization.
- o Increasing internal audit capabilities and other oversight to verify compliance with the Company's policies and procedures.
- o Simplifying the Company's legal and reporting entity structure to facilitate the processing of intercompany transactions and simplify the tax reporting processes.
- o Implementing a common information technology platform/business management system worldwide for use throughout the Company to facilitate the accounting for and reconciliation of transactions as well as to provide other operational benefits.
- o Developing an education program providing training to employees on how to handle different types of business issues to promote an open and transparent global business culture where the Company's employees use responsible business practices.

## Edgar Filing: TEREX CORP - Form 10-Q/A

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that the Company's controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

The Company will continue to develop new policies and procedures and educate and train its employees on its existing policies and procedures in a continual effort to improve its internal control over financial reporting and will take further actions as appropriate. The Company views this as an ongoing project to which it will be devoting significant resources and which will need to be maintained and updated over time.

### PART II OTHER INFORMATION

#### Item 1. Legal Proceedings

The Company is involved in certain claims and litigation arising in the ordinary course of business, which are not considered material to the financial operations or cash flow of the Company. For information concerning litigation and other contingencies see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Contingencies and Uncertainties."

#### Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Not applicable.

#### Item 3. Defaults Upon Senior Securities

Not applicable.

#### Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

#### Item 5. Other Information

##### Recent Developments

60

On April 16, 2004, the Company commenced an offer to exchange up to \$300 million aggregate principal amount of its new 7-3/8% Senior Subordinated Notes due 2014, which have been registered under the Securities Act of 1933, for a like amount of its outstanding 7-3/8% Senior Subordinated Notes due 2014, which the Company issued on November 25, 2003 in a private offering. The exchange offer will expire at 5:00 p.m., New York City time, on May 17, 2004, unless extended by the Company.

On January 12, 2005, the Company's management and the Audit Committee concluded that the financial statements for the years ended December 31, 2001, 2002 and 2003 would require restatement and should no longer be relied upon. On March 3, 2005, the Company's management and the Audit Committee concluded that the financial statements for the year ended December 31, 2000 would require restatement and should no longer be relied upon. On September 8, 2005, the Company's management and the Audit Committee concluded that the financial statements for the quarters ended March 31, 2004 and June 30, 2004 would require restatement and should no longer be relied upon. The Company's management has since completed its review and will be completing in the very near future the

## Edgar Filing: TEREX CORP - Form 10-Q/A

restatement of its financial statements for the years ended December 31, 2000, 2001, 2002 and 2003. For more information concerning the background of these matters, the specific adjustments made and management's discussion and analysis of results of operations for periods giving effect to the restated results, see Note B of the Notes to Condensed Consolidated Financial Statements, Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Restatement of Consolidated Financial Statements" and Item 4 "Controls and Procedures."

The Company was advised verbally by the SEC that the SEC has commenced an investigation of Terex's accounting. Subsequently, on February 1, 2006, the Company received a copy of a written order of a private investigation from the SEC. For additional information regarding the SEC investigation of Terex, see the Company's Current Report on Form 8-K filed with the SEC on October 27, 2005. In addition, the Company has periodically updated its website, [www.terex.com](http://www.terex.com), regarding the status of the SEC investigation. Terex has been voluntarily cooperating with the SEC and will continue to cooperate fully to furnish the SEC staff with information needed to complete their review.

Terex has also received a subpoena from the SEC dated May 9, 2005, in a matter entitled "In the Matter of United Rentals, Inc." The subpoena principally requested information to assist the SEC in its investigation of four transactions involving Terex and its subsidiaries, on the one hand, and United Rentals, on the other, in 2000 and 2001. Terex is also cooperating fully with this investigation.

On September 14, 2005, in the Superior Court of the State of Connecticut, a class action and derivative complaint was filed entitled Michael Morter, derivatively on behalf of nominal defendant Terex Corporation, v. G. Chris Andersen, Ronald M. DeFeo, Don DeFosset, William H. Fike, Donald P. Jacobs, David A. Sachs, J.C. Watts, Jr., Helge H. Wehmeier and Phillip C. Widman, defendants, and Terex Corporation, nominal defendant. The complaint alleges breach of fiduciary duty and breach of the Company's by-laws. The action is at the very early stages and the Company has no information other than as set forth in the complaint. Plaintiffs have filed a Motion for Summary Judgment requesting that the court order the Company to hold an annual meeting of shareholders which has not been held to date due to the inability of the Company to satisfy SEC and New York Stock Exchange rules. In connection therewith, the court has directed the Company to hold an annual meeting of its shareholders on or before June 1, 2006. The Company intends to vigorously defend the matter.

61

### Forward-Looking Information

Certain information in this Quarterly Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act) regarding future events or the future financial performance of the Company that involve certain contingencies and uncertainties, including those discussed above in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Contingencies and Uncertainties." In addition, when included in this Quarterly Report or in documents incorporated herein by reference, the words "may," "expects," "intends," "anticipates," "plans," "projects," "estimates" and the negatives thereof and analogous or similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statement is not forward-looking. The Company has based these forward-looking statements on current expectations and projections about future events. These statements are not guarantees of future performance. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such

## Edgar Filing: TEREX CORP - Form 10-Q/A

forward-looking statements. Such risks and uncertainties, many of which are beyond the Company's control, include, among others:

- o the Company's business is highly cyclical and weak general economic conditions may affect the sales of its products and its financial results;
- o the sensitivity of construction, infrastructure and mining activity and products produced for the military to interest rates and government spending;
- o the ability to successfully integrate acquired businesses;
- o the retention of key management personnel;
- o the Company's businesses are very competitive and may be affected by pricing, product initiatives and other actions taken by competitors;
- o the effects of changes in laws and regulations;
- o the Company's business is international in nature and is subject to changes in exchange rates between currencies, as well as international politics;
- o the Company's continued access to capital and ability to obtain parts and components from suppliers on a timely basis at competitive prices;
- o the financial condition of suppliers and customers, and their continued access to capital;
- o the Company's ability to timely manufacture and deliver products to customers;
- o the Company's significant amount of debt and its need to comply with restrictive covenants contained in the Company's debt agreements;
- o limitations on the Company's ability to access the capital markets using short form SEC documents;
- o the Company's ability to maintain adequate disclosure controls and procedures, maintain adequate internal controls over financial reporting and file its periodic reports with the SEC on a timely basis;
- o the investigation of the Company by the SEC;
- o compliance with applicable environmental laws and regulations; and
- o other factors.

Actual events or the actual future results of the Company may differ materially from any forward looking statement due to these and other risks, uncertainties and significant factors. The forward-looking statements contained herein speak only as of the date of this Quarterly Report and the forward-looking statements contained in documents incorporated herein by reference speak only as of the date of the respective documents. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained or incorporated by reference in this Quarterly Report to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### Item 6. Exhibits and Reports on Form 8-K

- (a) The exhibits set forth on the accompanying Exhibit Index have been filed as part of this Form 10-Q.
- (b) Reports on Form 8-K:

62

During the quarter ended March 31, 2004, the Company filed or furnished the following Current Reports on Form 8-K:

Edgar Filing: TEREX CORP - Form 10-Q/A

- A report on Form 8-K was filed on January 23, 2004, announcing that Rick Nichols was named to the position of President of Terex Material Processing and Mining.
- A report on Form 8-K was filed on February 4, 2004, announcing the intention of the Company to make presentations at a number of conferences and the departure of Thys de Beer from the Company.
- A report on Form 8-K was filed on February 9, 2004, announcing a conference call to be held to review the Company's year-end 2003 financial results and 2004 outlook.
- A report on Form 8-K was filed on February 18, 2004, announcing the intention of the Company to amend its financial statements for the first three quarters of 2003 to revise the accounting for its deferred compensation plan.
- A report on Form 8-K was furnished on February 18, 2004, providing the Company's press release reviewing the Company's financial results for the year-ended December 31, 2003 and its 2004 outlook.
- A report on Form 8-K/A was furnished on February 19, 2004, providing corrected information with respect to the Company's financial results for the year-ended December 31, 2003.
- A report on Form 8-K was filed on February 26, 2004, announcing the Company's hosting of a meeting with analysts on February 26, 2004.
- A report on Form 8-K was filed on March 1, 2004, announcing that a transcript of the February 26, 2004 meeting with analysts was posted on the Company's website.

63

SIGNATURES

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

TEREX CORPORATION  
(Registrant)

Date: February 17, 2006

/s/ Phillip C. Widman

-----  
Phillip C. Widman  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: February 17, 2006

/s/ Jonathan D. Carter

-----  
Jonathan D. Carter  
Vice President, Controller  
and Chief Accounting Officer  
(Principal Accounting Officer)

EXHIBIT INDEX

- 3.1 Restated Certificate of Incorporation of Terex Corporation (incorporated by reference to Exhibit 3.1 to the Form S-1 Registration Statement of Terex Corporation, Registration No. 33-52297).
- 3.2 Certificate of Elimination with respect to the Series B Preferred Stock (incorporated by reference to Exhibit 4.3 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
- 3.3 Certificate of Amendment to Certificate of Incorporation of Terex Corporation dated September 5, 1998 (incorporated by reference to Exhibit 3.3 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
- 3.4 Amended and Restated Bylaws of Terex Corporation (incorporated by reference to Exhibit 3.2 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
- 4.1 Indenture, dated as of March 29, 2001, between Terex Corporation and United States Trust Company of New York, as Trustee (incorporated by reference to Exhibit 4.12 to the Form 10-Q for the quarter ended March 31, 2001 of Terex Corporation, Commission File No. 1-10702).
- 4.2 First Supplemental Indenture, dated as of October 1, 2001, between Terex Corporation and United States Trust Company of New York, as Trustee (to Indenture dated as of March 29, 2001) (incorporated by reference to Exhibit 4.15 to the Form 10-Q for the quarter ended September 30, 2001 of Terex Corporation, Commission File No. 1-10702).
- 4.3 Second Supplemental Indenture, dated as of September 30, 2002, between Terex Corporation and Bank of New York (as successor trustee to United States Trust Company of New York), as Trustee (to Indenture dated as of March 29, 2001) (incorporated by reference to Exhibit 4.18 to the Form 10-K for the year ended December 31, 2002 of Terex Corporation, Commission File No. 1-10702).
- 4.4 Third Supplemental Indenture, dated as of March 31, 2003, between Terex Corporation and Bank of New York (as successor to United States Trust Company of New York), as Trustee (to Indenture dated as of March 29, 2001) (incorporated by reference to Exhibit 4.21 to the Form 10-Q for the quarter ended March 31, 2003 of Terex Corporation, Commission File No. 1-10702).
- 4.5 Fourth Supplemental Indenture, dated as of November 25, 2003, among Terex Corporation, the Subsidiary Guarantors named therein and The Bank of New York (as successor to United States Trust Company of New York), as Trustee (to Indenture dated as of March 29, 2001) (incorporated by reference to Exhibit 4.5 to the Form 10-K for the year ended December 31, 2003 of Terex Corporation, Commission File No. 1-10702).
- 4.6 Indenture, dated as of December 17, 2001, between Terex Corporation, the Guarantors named therein and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.16 to Form S-4 Registration Statement of Terex Corporation, Registration No. 333-75700).

## Edgar Filing: TEREX CORP - Form 10-Q/A

- 4.7 First Supplemental Indenture, dated as of September 30, 2002, between Terex Corporation and Bank of New York (as successor trustee to United States Trust Company of New York), as Trustee (to Indenture dated as of December 17, 2001) (incorporated by reference to Exhibit 4.20 to the Form 10-K for the year ended December 31, 2002 of Terex Corporation, Commission File No. 1-10702).
- 4.8 Second Supplemental Indenture, dated as of March 31, 2003, between Terex Corporation and Bank of New York (as successor to United States Trust Company of New York), as Trustee (to Indenture dated as of December 17, 2001) (incorporated by reference to Exhibit 4.24 to the Form 10-Q for the quarter ended March 31, 2003 of Terex Corporation, Commission File No. 1-10702).
- 65
- 4.9 Third Supplemental Indenture, dated as of November 25, 2003, among Terex Corporation, the Subsidiary Guarantors named therein and The Bank of New York (as successor to United States Trust Company of New York), as Trustee (to Indenture dated as of December 17, 2001) (incorporated by reference to Exhibit 4.9 to the Form 10-K for the year ended December 31, 2003 of Terex Corporation, Commission File No. 1-10702).
- 4.10 Indenture, dated as of November 25, 2003, between Terex Corporation, the Guarantors named therein and HSBC Bank USA, as Trustee (incorporated by reference to Exhibit 4.10 to Form S-4 Registration Statement of Terex Corporation, Registration No. 333-112097).
- 10.1 Terex Corporation Incentive Stock Option Plan, as amended (incorporated by reference to Exhibit 4.1 to the Form S-8 Registration Statement of Terex Corporation, Registration No. 33-21483).
- 10.2 1994 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the Form 10-K for the year ended December 31, 1994 of Terex Corporation, Commission File No. 1-10702).
- 10.3 Terex Corporation Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.3 to the Form 10-K for the year ended December 31, 2003 of Terex Corporation, Commission File No. 1-10702).
- 10.4 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to Form S-8 Registration Statement of Terex Corporation, Registration No. 333-03983).
- 10.5 Amendment No. 1 to 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.5 to the Form 10-K for the year ended December 31, 1999 of Terex Corporation, Commission File No. 1-10702).
- 10.6 Amendment No. 2 to 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.6 to the Form 10-K for the year ended December 31, 1999 of Terex Corporation, Commission File No. 1-10702).
- 10.7 Terex Corporation 1999 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 to the Form 10-Q for the quarter ended March 31, 2000 of Terex Corporation, Commission File No. 1-10702).
- 10.8 Terex Corporation 2000 Incentive Plan, as amended (incorporated by reference to Exhibit 10.8 to the Form 10-Q for the quarter ended June



## Edgar Filing: TEREX CORP - Form 10-Q/A

30, 2002 of Terex Corporation, Commission File No. 1-10702).

- 10.9 Terex Corporation Supplemental Executive Retirement Plan, effective October 1, 2002 (incorporated by reference to Exhibit 10.9 to the Form 10-K for the year ended December 31, 2002 of Terex Corporation, Commission File No. 1-10702).
  - 10.10 Terex Corporation 2004 Annual Incentive Compensation Plan incorporated by reference to Exhibit 10.10 to the Form 10-Q for the quarter ended March 31, 2004 of Terex Corporation, Commission File No. 1-10702).
  - 10.11 Amended and Restated Credit Agreement, dated as of July 3, 2002, among Terex Corporation, certain of its Subsidiaries, the Lenders named therein, and Credit Suisse First Boston, as Administrative Agent (incorporated by reference to Exhibit 10.9 to the Form 10-Q for the quarter ended June 30, 2002 of Terex Corporation, Commission File No. 1-10702).
  - 10.12 Incremental Term Loan Assumption Agreement, dated as of September 13, 2002, relating to the Amended and Restated Credit Agreement dated as of July 3, 2002, among Terex Corporation, certain of its subsidiaries, the lenders party thereto and Credit Suisse First Boston, as administrative agent (incorporated by reference to Exhibit 2 of the Form 8-K Current Report, Commission File No. 1-10702, dated September 13, 2002 and filed with the Commission on September 20, 2002).
- 66
- 10.13 Amendment No. 1 and Agreement, dated as of November 25, 2003, to the Amended and Restated Credit Agreement, dated as of July 3, 2002, among Terex Corporation, certain of its Subsidiaries, the Lenders named therein, and Credit Suisse First Boston, as Administrative Agent (incorporated by reference to Exhibit 10.12 to Form S-4 Registration Statement of Terex Corporation, Registration No. 333-112097).
  - 10.14 Guarantee Agreement dated as of March 6, 1998 of Terex Corporation and Credit Suisse First Boston, as Collateral Agent (incorporated by reference to Exhibit 10.14 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
  - 10.15 Guarantee Agreement dated as of March 6, 1998 of Terex Corporation, each of the subsidiaries of Terex Corporation listed therein and Credit Suisse First Boston, as Collateral Agent (incorporated by reference to Exhibit 10.15 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
  - 10.16 Security Agreement dated as of March 6, 1998 of Terex Corporation, each of the subsidiaries of Terex Corporation listed therein and Credit Suisse First Boston, as Collateral Agent (incorporated by reference to Exhibit 10.16 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
  - 10.17 Pledge Agreement dated as of March 6, 1998 of Terex Corporation, each of the subsidiaries of Terex Corporation listed therein and Credit Suisse First Boston, as Collateral Agent (incorporated by reference to Exhibit 10.17 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
  - 10.18 Form Mortgage, Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Financing entered into by Terex Corporation and certain of the subsidiaries of Terex Corporation, as Mortgagor, and

## Edgar Filing: TEREX CORP - Form 10-Q/A

Credit Suisse First Boston, as Mortgagee (incorporated by reference to Exhibit 10.18 to the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).

- 10.19 Sale and Purchase Agreement, dated May 16, 2002, among Terex Corporation, Terex Germany GmbH & Co. KG and Demag Mobile Cranes GmbH (incorporated by reference to Exhibit 1 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 16, 2002 and filed with the Commission on May 17, 2002).
- 10.20 Agreement and Plan of Merger, dated July 19, 2002, among Terex Corporation, Magic Acquisition Corp., Genie Holdings, Inc., Robert Wilkerson, S. Ward Bushnell, F. Roger Brown, Wilkerson Limited Partnership, Bushnell Limited Partnership and R. Brown Limited Partnership (incorporated by reference to Exhibit 1 of the Form 8-K Current Report, Commission File No. 1-10702, dated July 19, 2002 and filed with the Commission on July 22, 2002).
- 10.21 First Amendment to Agreement and Plan of Merger, dated as of September 18, 2002, by and among Terex Corporation, Magic Acquisition Corp., Genie Holdings, Inc. and Robert Wilkerson, S. Ward Bushnell and F. Roger Brown and certain limited partnerships (incorporated by reference to Exhibit 1 of the Form 8-K Current Report, Commission File No. 1-10702, dated September 13, 2002 and filed with the Commission on September 20, 2002).
- 10.22 Second Amendment to Agreement and Plan of Merger, dated as of April 14, 2004, by and among Terex Corporation, Robert Wilkerson, S. Ward Bushnell and F. Roger Brown and certain limited partnerships (incorporated by reference to Exhibit 10.22 to the Form 10-Q for the quarter ended March 31, 2004 of Terex Corporation, Commission File No. 1-10702).
- 10.23 Purchase Agreement, dated as of November 10, 2003, among Terex Corporation and the Initial Purchasers, as defined therein Agent (incorporated by reference to Exhibit 10.22 to Form S-4 Registration Statement of Terex Corporation, Registration No. 333-112097).
- 67
- 10.24 Registration Rights Agreement, dated as of November 25, 2003, among Terex Corporation and the Initial Purchasers, as defined therein (incorporated by reference to Exhibit 10.23 to Form S-4 Registration Statement of Terex Corporation, Registration No. 333-112097).
- 10.25 Second Amended and Restated Employment and Compensation Agreement, dated as of January 1, 2002, between Terex Corporation and Ronald M. DeFeo (incorporated by reference to Exhibit 10.34 to the Form 10-K for the year ended December 31, 2001 of Terex Corporation, Commission File No. 1-10702).
- 10.26 Form of Amended and Restated Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.36 to the Form 10-Q for the quarter ended March 31, 2002 of Terex Corporation, Commission File No. 1-10702).
- 10.27 Form of Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.35 to the Form 10-K for the year ended December 31, 2002 of Terex Corporation, Commission File No. 1-10702).

## Edgar Filing: TEREX CORP - Form 10-Q/A

- 10.28 Retirement Agreement dated as of November 13, 2003 between Terex Corporation and Filip Filipov (incorporated by reference to Exhibit 10.29 to Form S-4 Registration Statement of Terex Corporation, Registration No. 333-112097).
- 10.29 Consulting Agreement dated as of November 13, 2003 between Terex Corporation and Filver S.A. (incorporated by reference to Exhibit 10.30 to Form S-4 Registration Statement of Terex Corporation, Registration No. 333-112097).
- 10.30 Termination, Severance, General Release and Waiver Agreement between Terex Corporation and Matthys de Beer dated as of February 1, 2004 (incorporated by reference to Exhibit 99.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated February 1, 2004 and filed with the Commission on February 4, 2004).
- 12 Calculation of Ratio of Earnings to Fixed Charges.\*
- 31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).\*
- 31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).\*
- 32 Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes -Oxley Act of 2002. \*

\* Exhibit filed with this document.