TEREX CORP
Form 10-Q
August 01, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

F O R M 10 – Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

o **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.)

200 Nyala Farm Road, Westport, Connecticut 06880

(Address of principal executive offices)

(203) 222-7170

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

YES x **NO o**

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

Large accelerated filer x **Accelerated filer o** **Non-accelerated filer o** **Smaller Reporting Company o**

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

YES o **NO x**

Number of outstanding shares of common stock: 97.2 million as of July 29, 2008.

The Exhibit Index begins on page 52.

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TEREX CORPORATION AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation ("Terex" or the "Company") generally speaks as of June 30, 2008 unless specifically noted otherwise, and includes financial information with respect to the following subsidiaries of the Company (all of which are wholly-owned) which were guarantors on June 30, 2008 (the "Guarantors") of the Company's 7-3/8% Senior Subordinated Notes due 2014. See Note Q – "Consolidating Financial Statements" to the Company's June 30, 2008 Condensed Consolidated Financial Statements included in this Quarterly Report.

Guarantor	State or other jurisdiction of incorporation or organization	I.R.S. employer identification number
Amida Industries, Inc.	South Carolina	57-0531390
A.S.V. Distribution, Inc.	Minnesota	41-1631451
A.S.V., Inc.	Minnesota	41-1459569
Cedarapids, Inc.	Iowa	42-0332910
CMI Terex Corporation	Oklahoma	73-0519810
Duvalpilot Equipment Outfitters, LLC	Florida	22-3886719
Genie Financial Services, Inc.	Washington	91-1712115
Genie Holdings, Inc.	Washington	91-1666966
Genie Industries, Inc.	Washington	91-0815489
Genie International, Inc.	Washington	91-1975116
Genie Manufacturing, Inc.	Washington	91-1499412
GFS National, Inc.	Washington	91-1959375
Halco America Inc.	Georgia	58-1851191
Hydra Platforms Mfg. Inc.	North Carolina	56-1714789
Koehring Cranes, Inc.	Delaware	06-1423888
Loegering Mfg. Inc.	North Dakota	45-0310755
Powerscreen Holdings USA Inc.	Delaware	61-1265609
Powerscreen International LLC	Delaware	61-1340898
Powerscreen North America Inc.	Delaware	61-1340891
Powerscreen USA, LLC	Kentucky	31-1515625
Powerscreen USC Inc.	Delaware	23-2846987
PPM Cranes, Inc.	Delaware	39-1611683
Schaeff Incorporated	Iowa	42-1097891
Schaeff of North America, Inc.	Delaware	75-2852436
Spinnaker Insurance Company	Vermont	03-0372517
Superior Highwall Holding, Inc.	Delaware	20-4694546
Superior Highwall Miners, Inc.	Delaware	20-4694797
Terex Advance Mixer, Inc.	Delaware	06-1444818
Terex Aerials, Inc.	Wisconsin	39-1028686
Terex Cranes, Inc.	Delaware	06-1513089
Terex Cranes Wilmington, Inc.	North Carolina	56-1570091
Terex Financial Services, Inc.	Delaware	45-0497096
Terex Mexico, LLC	Delaware	81-0586645
Terex Mining Equipment, Inc.	Delaware	06-1503634

Terex USA, LLC	Delaware	75-3262430
Terex Utilities, Inc.	Oregon	93-0557703
Terex-RO Corporation	Kansas	44-0565380
Terex-Telelect, Inc.	Delaware	41-1603748

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 Securities Exchange Act of 1934) regarding future events or our future financial performance that involve certain contingencies and uncertainties, including those discussed below 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 analo 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. We have 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 forward-looking statements. Such risks and uncertainties, many of which are beyond our control, include, among others:

- Our business is cyclical and weak general economic conditions may affect the sales of our products and financial results;
- our business is sensitive to fluctuations in interest rates and government spending;
- our business is very competitive and may be affected by pricing, product initiatives and other actions taken by competitors;
- a material disruption to one of our significant facilities;
- our retention of key management personnel;
- the financial condition of suppliers and customers, and their continued access to capital;
- our continued access to capital and ability to obtain parts and components from suppliers on a timely basis at competitive prices;
- our ability to timely manufacture and deliver products to customers;
- the need to comply with restrictive covenants contained in our debt agreements;
- our business is global and subject to changes in exchange rates between currencies, as well as international politics, particularly in developing markets;
- the effects of changes in laws and regulations;
- possible work stoppages and other labor matters;
- compliance with applicable environmental laws and regulations;
- product liability claims and other liabilities arising out of our business;
- investigations by the Securities and Exchange Commission and the Department of Justice;
- our implementation of a global enterprise system and its performance;
- our ability to successfully integrate acquired businesses; and
- other factors.

Actual events or our actual future results 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. We expressly disclaim 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 our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TEREX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in millions, except per share data)

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2008	2007	2008	2007
Net sales	$ 2,935.9	$ 2,342.2	$ 5,298.6	$ 4,354.9
Cost of goods sold	(2,284.7)	(1,835.1)	(4,133.4)	(3,435.8)
Gross profit	651.2	507.1	1,165.2	919.1
Selling, general and administrative expenses	(280.3)	(222.6)	(538.0)	(433.9)
Income from operations	370.9	284.5	627.2	485.2
Other income (expense)				
Interest income	5.0	3.5	14.1	6.9
Interest expense	(24.3)	(14.7)	(49.8)	(28.9)
Loss on early extinguishment of debt	-	-	-	(12.5)
Other income (expense) – net	1.5	(2.0)	8.1	2.6
Income before income taxes	353.1	271.3	599.6	453.3
Provision for income taxes	(116.8)	(96.7)	(200.0)	(164.9)
Net income	$ 236.3	$ 174.6	$ 399.6	$ 288.4
PER COMMON SHARE:				
Basic	$ 2.35	$ 1.70	$ 3.96	$ 2.81
Diluted	$ 2.32	$ 1.66	$ 3.89	$ 2.75
Weighted average number of shares outstanding in per share calculation				
Basic	100.5	102.8	100.8	102.5
Diluted	102.0	104.9	102.6	104.7

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)

	June 30, *2008*	*December 31,* *2007*
Assets		
Current assets		
Cash and cash equivalents	$ 590.0	$ 1,272.4
Trade receivables (net of allowance of $69.1 and $62.5 at June 30, 2008 and December 31, 2007, respectively)	1,512.8	1,195.8
Inventories	2,530.2	1,934.3
Deferred taxes	163.7	166.3
Other current assets	247.5	208.1
Total current assets	5,044.2	4,776.9
Non-current assets		
Property, plant and equipment - net	502.6	419.4
Goodwill	1,010.6	699.0
Deferred taxes	98.2	143.1
Other assets	338.2	277.9
Total assets	$ 6,993.8	$ 6,316.3
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	$ 36.1	$ 32.5
Trade accounts payable	1,451.1	1,212.9
Accrued compensation and benefits	200.6	194.8
Accrued warranties and product liability	150.9	132.0
Customer advances	112.6	181.8
Other current liabilities	569.6	421.3
Total current liabilities	2,520.9	2,175.3
Non-current liabilities		
Long-term debt, less current portion	1,319.8	1,319.5
Retirement plans and other	488.5	478.3
Total liabilities	4,329.2	3,973.1
Commitments and contingencies		
Stockholders' equity		
Common stock, $.01 par value – authorized 300.0 shares; issued 106.9 and 106.2 shares at June 30, 2008 and December 31, 2007, respectively	1.1	1.1
Additional paid-in capital	1,024.2	1,004.1
Retained earnings	1,684.3	1,284.7

Accumulated other comprehensive income	354.9	256.6
Less cost of shares of common stock in treasury – 8.3 and 5.9 shares at June 30, 2008 and December 31, 2007, respectively	(399.9)	(203.3)
Total stockholders' equity	2,664.6	2,343.2
Total liabilities and stockholders' equity	$ 6,993.8	$ 6,316.3

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

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TEREX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in millions)

	Six Months Ended June 30,	
	2008	*2007*
Operating Activities		
Net income	$ 399.6	$ 288.4
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	36.4	30.5
Amortization	10.5	6.1
Deferred taxes	19.3	(4.4)
Loss on early extinguishment of debt	-	3.2
Gain on sale of assets	(1.2)	(5.0)
Stock-based compensation	31.9	33.4
Excess tax benefit from stock-based compensation	(6.5)	(17.2)
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):		
Trade receivables	(232.7)	(244.8)
Inventories	(446.4)	(373.7)
Trade accounts payable	176.6	192.9
Accrued compensation and benefits	(22.7)	(13.8)
Income taxes payable	74.0	54.5
Accrued warranties and product liability	8.3	8.4
Customer advances	(78.1)	11.6
Other, net	(25.1)	(59.1)
Net cash used in operating activities	(56.1)	(89.0)
Investing Activities		
Acquisition of businesses, net of cash acquired	(478.1)	-
Capital expenditures	(63.8)	(44.0)
Proceeds from sale of assets	2.8	9.7
Net cash used in investing activities	(539.1)	(34.3)
Financing Activities		
Principal repayments of long-term debt	-	(200.0)
Excess tax benefit from stock-based compensation	6.5	17.2
Proceeds from stock options exercised	2.0	8.1
Net borrowings under revolving line of credit agreements	1.0	84.4
Share repurchases	(135.6)	(24.7)
Other, net	(1.2)	1.4
Net cash used in financing activities	(127.3)	(113.6)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	40.1	13.6
Net Decrease in Cash and Cash Equivalents	(682.4)	(223.3)
Cash and Cash Equivalents at Beginning of Period	1,272.4	676.7
Cash and Cash Equivalents at End of Period	$ 590.0	$ 453.4

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

TEREX CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008

(unaudited)

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

NOTE A - BASIS OF PRESENTATION

Basis of Presentation. The accompanying unaudited Condensed Consolidated Financial Statements of Terex Corporation and subsidiaries as of June 30, 2008 and for the three and six months ended June 30, 2008 and 2007 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America to be included in full year financial statements. The accompanying Condensed Consolidated Balance Sheet as of December 31, 2007 has been derived from the audited Consolidated Balance Sheet as of that date.

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

In the opinion of management, all adjustments considered necessary for fair statement of these interim financial statements have been made. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the three and six months ended June 30, 2008 are not necessarily indicative of results that may be expected for the year ending December 31, 2008. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007.

Cash and cash equivalents at June 30, 2008 and December 31, 2007 include $5.8 and $3.7, respectively, which was not immediately available for use. These consist primarily of cash balances held in escrow to secure various obligations of the Company.

Certain prior period amounts in the Condensed Consolidated Financial Statements have been reclassified to conform with current period presentation.

Recent Accounting Pronouncements. In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS No. 157”), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. This statement applies under other accounting pronouncements that require or permit fair value measurements. The statement indicates, among other things, that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. SFAS No. 157 defines fair value based upon an exit price model. In February 2008, the FASB issued FASB Staff Positions ("FSP") No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" and FSP No. 157-2, "Effective Date of FASB Statement No. 157." FSP No. 157-1 amends SFAS No. 157 to exclude SFAS No. 13, "Accounting for Leases" and its related interpretive accounting pronouncements that address leasing transactions, while FSP No. 157-2 delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) until the beginning of the first quarter of 2009. The provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities. The adoption of SFAS No. 157 did not have a significant impact on the determination or reporting of the Company's financial results.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115," which is effective for fiscal years beginning after November 15, 2007. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Unrealized gains and losses on items for which the fair value option is elected would be reported in earnings. The Company has not elected to apply this provision to its existing financial instruments as of June 30, 2008.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"), which replaces SFAS No. 141, "Business Combinations." SFAS No. 141R retains the underlying concepts of SFAS No. 141 in that all business combinations are still required to be accounted for at fair value under the acquisition method of accounting, but SFAS No. 141R changes the application of the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141R is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008. Early adoption is prohibited. The effects of SFAS No. 141R will depend on any future acquisitions the Company may complete.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS No. 160"). This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with earlier adoption prohibited. This statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. It also amends certain of ARB No. 51's consolidation procedures for consistency with the requirements of SFAS No. 141R. This statement also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The Company is currently evaluating the effects, if any, that SFAS No. 160 may have on its financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS No. 161"). This statement is effective for fiscal years, and interim periods within those fiscal years, beginning after November 15, 2008, with early application encouraged. SFAS No. 161 is intended to improve financial reporting by requiring transparency about the nature, purpose, location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities;" and how derivative instruments and related hedged items affect its financial position, financial performance and cash flows. The Company is currently evaluating the effects, if any, that SFAS No. 161 may have on its financial statements.

In April 2008, the FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP No. 142-3"). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets." FSP No. 142-3 is effective on a prospective basis to all intangible assets acquired and for disclosures on all intangible assets recognized on or after the beginning of the first annual period subsequent to December 15, 2008. Early adoption is prohibited. The Company is currently evaluating the effects, if any, that FSP No. 142-3 may have on its financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for nongovernmental entities (the "Hierarchy"). The Hierarchy within SFAS No. 162 is similar to the definition in the American Institute of Certified Public Accountants Statement on Auditing Standards No. 69, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles" ("SAS No. 69"). SFAS No. 162 is effective 60 days following the United States Securities and Exchange Commission's (the "SEC") approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The adoption of SFAS No. 162

will not have a material effect on the Company’s financial statements because the Company has utilized the guidance within SAS No. 69.

Accounts Receivable and Allowance for Doubtful Accounts. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on historical customer review. The Company reviews its allowance for doubtful accounts at least quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company determines that the receivable will not be recovered. The Company has off-balance sheet credit exposure related to guarantees provided to financial institutions as disclosed in Note O - "Litigation and Contingencies." Substantially all receivables were trade receivables at June 30, 2008 and December 31, 2007.

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

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

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

	Six Months Ended June 30, 2008
Balance at beginning of period	$ 145.4
Accruals for warranties issued during the period	81.3
Changes in estimates	2.2
Settlements during the period	(75.3)
Foreign exchange effect/other	10.3
Balance at end of period	$ 163.9

NOTE B - BUSINESS SEGMENT INFORMATION

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

The Aerial Work Platforms segment designs, manufactures, refurbishes and markets aerial work platform equipment, telehandlers, power equipment and construction trailers. Customers in the construction and building maintenance industries use these products to build and/or maintain large physical assets and structures.

The Construction segment designs, manufactures and markets two primary categories of construction equipment: heavy construction and compact construction equipment. Construction, logging, mining, industrial and government customers use these products in construction and infrastructure projects and in coal, minerals, sand and gravel operations. The Company acquired A.S.V., Inc. (“ASV”) on February 26, 2008. The results of ASV are included in the Construction segment from its date of acquisition.

The Cranes segment designs, manufactures and markets mobile telescopic cranes, tower cranes, lattice boom crawler cranes, truck-mounted cranes (boom trucks) and telescopic container stackers. These products are used primarily for construction, repair and maintenance of infrastructure, building and manufacturing facilities.

The Materials Processing & Mining segment designs, manufactures and markets crushing and screening equipment, hydraulic mining excavators, highwall mining equipment, high capacity surface mining trucks, drilling equipment and other products. Construction, mining, quarrying and government customers use these products in construction and commodity mining. The Company acquired Superior Highwall Miners, Inc. and its affiliates (collectively “SHM”) on November 6, 2007. The results of SHM are included in the Materials Processing & Mining segment from its date of acquisition.

The Roadbuilding, Utility Products and Other segment designs, manufactures and markets asphalt and concrete equipment, bridge inspection equipment, landfill compactors and utility equipment. Government, utility and construction customers use these products to build roads, construct and maintain utility lines, trim trees and for other commercial operations. Additionally, the Company owns much of the North American distribution channel for its utility products group, operates a fleet of rental utility products in the United States and Canada and owns a distributor of its equipment and other products. The Company also assists customers in their rental, leasing and acquisition of its products through Terex Financial Services, Inc. and Terex Financial Services Holding B.V. ("TFSH"), its joint venture with a European financial institution.

Included in Eliminations/Corporate are the eliminations among the five segments, as well as general and corporate items that have not been allocated to the segments, for the three and six months ended June 30, 2008 and 2007. Business segment information is presented below:

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2008	*2007*	*2008*	*2007*
Net Sales				
Aerial Work Platforms	$ 672.7	$ 640.3	$ 1,259.3	$ 1,188.0
Construction	620.9	502.5	1,069.2	910.3
Cranes	809.8	544.5	1,442.0	1,045.3
Materials Processing & Mining	681.5	515.6	1,245.8	910.9
Roadbuilding, Utility Products and Other	191.3	168.8	360.5	347.6
Eliminations/Corporate	(40.3)	(29.5)	(78.2)	(47.2)
Total	$ 2,935.9	$ 2,342.2	$ 5,298.6	$ 4,354.9
Income from Operations				
Aerial Work Platforms	$ 125.3	$ 147.0	$ 231.9	$ 246.3
Construction	17.6	23.7	20.7	29.8
Cranes	126.6	56.8	212.4	109.8
Materials Processing & Mining	110.6	63.1	179.3	109.5
Roadbuilding, Utility Products and Other	9.8	4.1	9.1	6.5
Eliminations/Corporate	(19.0)	(10.2)	(26.2)	(16.7)
Total	$ 370.9	$ 284.5	$ 627.2	$ 485.2

	June 30,	*December 31,*
	2008	*2007*
Identifiable Assets		
Aerial Work Platforms	$ 1,143.4	$ 894.5
Construction	2,130.0	1,559.1
Cranes	1,857.9	1,597.7
Materials Processing & Mining	2,537.3	2,243.6
Roadbuilding, Utility Products and Other	471.0	436.4
Eliminations/Corporate	(1,145.8)	(415.0)
Total	$ 6,993.8	$ 6,316.3

NOTE C - INCOME TAXES

The effective tax rate for the three months ended June 30, 2008 was 33.1%, as compared to an effective rate of 35.6% for the three months ended June 30, 2007. The effective tax rate for the six months ended June 30, 2008 was 33.4%, as compared to an effective rate of 36.4% for the six months ended June 30, 2007. The effective tax rate for the three and six months ended June 30, 2008 was lower than the prior year period primarily due to the mix of international business and the effect of recently reduced statutory rates in several European countries, which had a positive impact in 2008. Additionally, the tax effect of a repayment of an intercompany loan in the first quarter of 2007 had a negative impact in the six months ended June 30, 2007.

In the first quarter of 2008, the Company released a tax reserve related to its method of deducting certain compensation expenses for tax purposes. During the quarter, the Company filed an application with a tax authority to change its income tax accounting method. Upon filing the application, the tax position became highly certain, thereby requiring the release of the

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reserve. The release of the reserve resulted in a $15.2 reduction in the Company's total gross uncertain tax positions and reduced tax expense by $0.5 for the six months ended June 30, 2008.

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business the Company is subject to examination by taxing authorities throughout the world, including such major jurisdictions as Australia, Germany, Italy, the United Kingdom and the U.S. Certain subsidiaries of the Company are currently under audit in Germany and the United Kingdom. It is reasonably possible that these audits may be completed during the next 12 months. While the amount of uncertain tax benefits with respect to these audits may change within this period, it is not anticipated that any of the changes will be significant. With few exceptions, including net operating loss carry forwards in the U.S. and Australia, the Company and its subsidiaries are generally no longer subject to U.S. federal, state and local, or non-U.S., income tax examinations for years before 1999.

NOTE D - EARNINGS PER SHARE

	Three Months Ended June 30, (in millions, except per share data)		*Six Months Ended June 30, (in millions, except per share data)*	
	2008	*2007*	*2008*	*2007*
Net income	$ 236.3	$ 174.6	$ 399.6	$ 288.4
Basic Shares:				
Weighted average shares outstanding	100.5	102.8	100.8	102.5
Earnings per share - basic:	$ 2.35	$ 1.70	$ 3.96	$ 2.81
Diluted shares:				
Weighted average shares outstanding	100.5	102.8	100.8	102.5
Effect of dilutive securities:				
Stock options and restricted stock awards	1.5	2.1	1.8	2.2
Diluted weighted average shares outstanding	102.0	104.9	102.6	104.7
Earnings per share - diluted:	$ 2.32	$ 1.66	$ 3.89	$ 2.75

Weighted average restricted stock awards of 52 thousand and 138 thousand were outstanding during the three months ended June 30, 2008 and 2007 respectively, but were not included in the computation of diluted shares because the effect would be anti-dilutive or because performance targets were not yet achieved for awards contingent upon performance. Weighted average restricted stock awards of 113 thousand and 120 thousand were outstanding during the six months ended June 30, 2008 and 2007, respectively, but were not included in the computation of diluted shares because the effect would be anti-dilutive or because performance targets were not yet achieved for awards contingent upon performance. Weighted average options to purchase 17 thousand shares of Common Stock were outstanding during the six months ended June 30, 2008, but were not included in the computation of diluted shares as the exercise price of these awards exceeded the average market price for the period and the effect would have been anti-dilutive. There were no options to purchase shares of Common Stock outstanding during the three months ended June 30, 2008 and the three and six months ended June 30, 2007 that were not included in the computation of diluted shares. SFAS No. 128, "Earnings per Share," requires that employee stock options and non-vested restricted shares granted by the Company be treated as potential common shares outstanding in computing diluted earnings per share. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. The Company includes the impact of pro forma deferred tax assets in determining the amount of tax benefits for potential windfalls and shortfalls (the differences between tax deductions and book expense) in this calculation.

NOTE E - INVENTORIES

Inventories consist of the following:

	June 30, 2008	*December 31, 2007*
Finished equipment	$ 866.4	$ 638.2
Replacement parts	424.9	368.7
Work-in-process	474.7	337.9
Raw materials and supplies	764.2	589.5
Inventories	$ 2,530.2	$ 1,934.3

Reserves for excess and obsolete inventory were $120.2 and $105.5 at June 30, 2008 and December 31, 2007, respectively.

NOTE F - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	June 30, 2008	*December 31, 2007*
Property	$ 58.7	$ 56.0
Plant	231.9	197.8
Equipment	538.8	451.0
	829.4	704.8
Less: Accumulated depreciation	(326.8)	(285.4)
Property, plant and equipment - net	$ 502.6	$ 419.4

NOTE G - 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 $83 and $73 at June 30, 2008 and December 31, 2007, respectively, (net of accumulated depreciation of approximately $39 and $35, respectively), and is included within Other assets in the Company’s Condensed Consolidated Balance Sheet. The equipment is depreciated on the straight-line basis over the shorter of the estimated useful life or the estimated amortization period of any borrowings secured by the asset to its estimated salvage value.

NOTE H - ACQUISITIONS

2008 Acquisitions

On February 26, 2008, the Company acquired approximately 98% of the outstanding common stock of ASV through a tender offer. This was followed by a merger that was completed on March 3, 2008, pursuant to which the Company acquired all of the remaining outstanding common stock of ASV. The results of ASV are included in the Construction Segment from the date of acquisition. Headquartered in Grand Rapids, Minnesota, ASV is a manufacturer of compact rubber track loaders and related accessories, undercarriages and traction products. The acquisition enhances the Company’s product line for smaller construction equipment and provides opportunities for expanding the customer base of ASV and the Company. The Company intends to expand ASV product sales outside the U.S.

The aggregate purchase price for ASV was approximately $457, net of cash acquired. The Company issued 24 thousand restricted shares of the Company’s Common Stock valued at $1.7, of which $0.8 was allocated to the purchase price and the remaining $0.9 will be recorded as expense for the Company over the remaining service period. On the date of acquisition, ASV had approximately $47 in cash.

Although the acquisition of ASV is not material to the Company, given the relative significance of the goodwill recorded, the following table provides information summarizing the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The Company is in the process of finalizing the valuations of certain intangible assets; thus, the allocation of the purchase price is subject to refinement.

At February 26, 2008:

Current assets	$	164
Property, plant and equipment – net		28
Intangible assets		78
Goodwill		274
Other assets		8
Total assets acquired		552
Current liabilities		21
Non-current liabilities		27
Total liabilities assumed		48
Net assets acquired	$	504

On a preliminary basis, of the approximately $78 of acquired intangible assets, approximately $60 was assigned to customer relationships with useful lives of 10-20 years, approximately $12 to patents with useful lives of 10-19 years and approximately $6 was assigned to trademarks and trade names, which have been deemed to have indefinite lives.

Goodwill of $295 was initially recognized on the date of acquisition and purchase accounting adjustments of $21 were recorded during the period ended June 30, 2008, primarily related to adjustments to customer relationships and deferred taxes. Goodwill of approximately $274 represented the excess of the purchase price over the preliminary estimated fair values of net assets acquired. None of the goodwill assigned to ASV is expected to be deductible for tax purposes.

The Company also completed smaller acquisitions during 2008 in the Aerial Work Platforms and Roadbuilding, Utility Products and Other segments that, taken together, had an aggregate purchase price of less than $30. These acquisitions did not have a material impact on the Company’s financial results either individually or in the aggregate.

2007 Acquisitions

On November 6, 2007, the Company acquired SHM, headquartered in Beckley, West Virginia, a leading manufacturer of highwall mining equipment for use in trench mining, open pit mining, contour mining and auger hole mining applications. The total consideration for the transaction was approximately $146 in cash. The purchase price for the acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. Goodwill of approximately $71 was recorded, which represented the excess of the purchase price over the estimated fair values of net assets acquired. Goodwill of $55 was initially recognized on the date of acquisition and purchase accounting adjustments of $16 were recorded during the six-month period ended June 30, 2008, primarily related to adjustments to customer relationships and deferred taxes. Approximately $25 of the goodwill assigned to SHM is expected to be deductible for tax purposes. The results of SHM are included in the Materials Processing & Mining segment from the date of acquisition.

NOTE I - INVESTMENT IN JOINT VENTURE

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

As of June 30, 2008, TFSH had total assets of $650.6, consisting primarily of financing receivables and lease related equipment, and total liabilities of $592.2, consisting primarily of debt issued by the joint venture partner. Prior to March 31, 2006, the Company provided guarantees related to potential losses arising from shortfalls in the residual values of financed equipment or credit defaults by the joint venture's customers. As of June 30, 2008, the maximum exposure to loss under these guarantees was approximately $18. 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. The Company did not contribute capital to TFSH during 2007 or 2008.

NOTE J - GOODWILL

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

	Terex Aerial Work Platforms	Terex Construction	Terex Cranes	Terex Materials Processing & Mining	Terex Roadbuilding, Utility Products and Other	Total
Balance at December 31, 2007	$ 96.7	$ 129.4	$ 116.0	$ 278.8	$ 78.1	$ 699.0
Acquisitions	5.1	274.2	-	16.6	5.3	301.2
Foreign exchange effect and other	1.1	2.6	6.4	0.2	0.1	10.4
Balance at June 30, 2008	$ 102.9	$ 406.2	$ 122.4	$ 295.6	$ 83.5	$ 1,010.6

As of June 30, 2008, the roadbuilding reporting unit within the Roadbuilding, Utility Products and Other segment did not meet the forecasted business performance used in the annual goodwill impairment test as of October 1, 2007. The downturn in the U.S. residential housing market and limited funding for infrastructure projects has negatively impacted the businesses in which this reporting unit operates.

The Company updated its forecast to address the impact of changes in business conditions and performed a goodwill impairment test as of June 30, 2008 for the roadbuilding reporting unit. The roadbuilding reporting unit passed the test and no impairment charge was recorded. The Company will continue to monitor the estimated fair value of the roadbuilding business for purposes of determining whether impairment is evidenced. The amount of goodwill recorded for the roadbuilding reporting unit as of June 30, 2008 was $39.7.

NOTE K - DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company operates internationally, with manufacturing and sales facilities in various locations around the world, and uses certain financial instruments to manage its foreign currency, interest rate and fair value exposures. To qualify a derivative as a hedge at inception and throughout the hedge period, the Company formally documents the nature and relationships between hedging instruments and hedged items, as well as its risk-management objectives, strategies for undertaking various hedge transactions and method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, the significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If it is deemed probable the forecasted transaction will not occur, the gain or loss would be recognized in current earnings. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. The Company does not engage in trading or other speculative use of financial instruments.

The Company uses forward contracts and options to mitigate its exposure to changes in foreign currency exchange rates on third party and intercompany forecasted transactions. The primary currencies to which the Company is exposed are the Euro and British Pound. When using options as a hedging instrument, the Company excludes time value from assessment of effectiveness. The effective portion of unrealized gains and losses associated with forward contracts and the intrinsic value of option contracts are deferred as a component of Accumulated other comprehensive income until the underlying hedged transactions are reported in the Company's Condensed Consolidated Statement of Income. 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 designated as fair value hedges are recognized in earnings as offsets to changes in fair value of exposures being hedged. The change in fair value of derivatives designated as cash flow hedges are deferred in Accumulated other comprehensive income and are recognized in earnings as hedged transactions occur. Transactions deemed ineffective are recognized in earnings immediately.

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

In November 2007, the Company entered into an interest rate swap agreement that converted a fixed rate interest payment into a variable rate interest payment. At June 30, 2008, the Company had $400.0 notional amount of this interest rate swap agreement outstanding, which matures in 2017. The fair market value of this swap at June 30, 2008 was a gain of $8.1, which is recorded in Other assets.

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

The Company is also a party to currency exchange forward contracts that generally mature within one year to manage its exposure to changing currency exchange rates. At June 30, 2008, the Company had $1,619.9 notional amount of currency exchange forward contracts outstanding, most of which mature on or before June 30, 2009. The fair market value of these swaps at June 30, 2008 was a net loss of $0.5. At June 30, 2008, $1,522.8 notional amount ($1.0 of fair value losses) of these swap agreements have been designated as, and are effective as, cash flow hedges of specifically identified transactions. The Company records the change in fair value for these cash flow hedges to Accumulated other comprehensive income, and reclassified to earnings a portion of the deferred gain or loss from Accumulated other comprehensive income as the hedged transactions occurred and were recognized in earnings.

At June 30, 2008, the fair value of all derivative instruments designated as cash flow and fair value hedges has been recorded in the Condensed Consolidated Balance Sheet as an asset of $24.4 and as a liability of $17.1.

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

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

	Three Months Ended		*Six Months Ended*	
	June 30,		*June 30,*	
	2008	*2007*	*2008*	*2007*
Balance at beginning of period	$ (5.3)	$ (0.6)	$ (5.0)	$ 1.0

Additional gains (losses)	10.3	2.6	11.4	(0.5)
Amounts reclassified to earnings	(5.8)	(2.9)	(7.2)	(1.4)
Balance at end of period	$ (0.8)	$ (0.9)	$ (0.8)	$ (0.9)

The estimated amount of existing pre-tax net losses for derivative contracts recorded in Accumulated other comprehensive income as of June 30, 2008 expected to be reclassified into earnings in the next twelve months is $0.8.

NOTE L – FAIR VALUE MEASUREMENTS

Assets and liabilities measured at fair value on a recurring basis under the provisions of SFAS No. 157 include interest rate swap and foreign currency forward contracts discussed in Note K - "Derivative Financial Instruments." These contracts are valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. These approaches often use market multiples derived from a set of comparables. As discussed in Note A – "Basis of Presentation," the Company has only adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities that are measured at fair value within the condensed consolidated financial statements. In accordance with FSP No. 157-2, the Company has deferred the application of the provisions of this statement to its non-financial assets and liabilities measured at fair value on a non-recurring basis, such as the fair value measurements used in the Company's annual goodwill impairment assessment and business combination related fair value measurements. SFAS No. 157 establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and our own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (e.g., supported by little or no market activity).

Determining which category an asset or liability falls within this hierarchy requires judgment. The Company evaluates its hierarchy disclosures each quarter. As discussed in Note K - "Derivative Financial Instruments," the Company has two types of derivative instruments that it records at fair value on a recurring basis, the interest rate swap and foreign exchange contracts. The interest rate swap is categorized under Level 2 of the hierarchy above and is recorded at June 30, 2008 as an asset of $8.1. The foreign exchange contracts are categorized under Level 1 of the hierarchy above and are recorded at June 30, 2008 as a liability of $1.0. The fair value of the interest rate swap agreement is based on LIBOR yield curves at the reporting date. The fair values of the foreign exchange forward contracts are based on quoted forward foreign exchange prices at the reporting date.

NOTE M - LONG-TERM OBLIGATIONS

8% Senior Subordinated Notes

On November 13, 2007, the Company sold and issued $800 aggregate principal amount of 8% Senior Subordinated Notes Due 2017 ("8% Notes"). The 8% Notes are not currently guaranteed by any of the Company's subsidiaries, but under specified limited circumstances could be guaranteed by certain domestic subsidiaries of the Company in the future. The 8% Notes were issued under an indenture, dated as of July 20, 2007, and supplemental indenture, dated as of November 13, 2007, between the Company and HSBC Bank USA, National Association, as trustee. The 8% Notes are redeemable by the Company beginning in November 2012 at an initial redemption price of 104.000% of principal amount.

7-3/8% Senior Subordinated Notes

As of June 30, 2008, the Company had $298.5 aggregate principal amount of 7-3/8% Senior Subordinated Notes Due 2014 (“7-3/8% Notes”) outstanding. The 7-3/8% Notes are jointly and severally guaranteed by certain domestic subsidiaries of the Company (see Note Q - “Consolidating Financial Statements”). The 7-3/8% Notes are redeemable by the Company beginning in January 2009 at an initial redemption price of 103.688% of principal amount. On June 25, 2008, Terex and certain of its domestic subsidiaries entered into a First Supplemental Indenture for the 7-3/8% Notes, joining other domestic subsidiaries of Terex as additional guarantors pursuant to the terms of the Indenture for the 7-3/8% Notes.

9-1/4% Senior Subordinated Notes

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

The amounts in the Condensed Consolidated Statement of Income for the six months ended June 30, 2007 showed $12.5 for loss on early extinguishment of debt while the Condensed Consolidated Statement of Cash Flows for this period showed $3.2. The $12.5 in the Condensed Consolidated Statement of Income include (a) cash payments of $9.3 for call premiums associated with the repayment of $200 of outstanding debt and (b) $3.2 of non-cash charges for accelerated amortization of debt acquisition costs associated with the outstanding debt, which all flow into the calculation of Net Income. In preparing the Condensed Consolidated Statement of Cash Flows, the non-cash item (b) was added to Net Income to reflect cash flow appropriately.

2006 Credit Agreement

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

As of June 30, 2008 and December 31, 2007, the Company had $196.0 and $197.0, respectively, of term loans outstanding under the 2006 Credit Agreement. Term loans under the 2006 Credit Agreement bear interest at a rate based on LIBOR plus 1.75%. The weighted average interest rate on the term loans under the 2006 Credit Agreement at June 30, 2008 and December 31, 2007 was 4.55% and 6.58%, respectively.

The 2006 Credit Agreement incorporates facilities for issuance of letters of credit. Letters of credit issued under the 2006 Credit Agreement letter of credit facility decrease availability under the $700 revolving line of credit. The 2006 Credit Agreement also permits the Company to have additional letter of credit facilities, and letters of credit issued under such additional facilities do not decrease availability under the revolving line of credit.

As of June 30, 2008, the Company had letters of credit issued under the 2006 Credit Agreement that totaled $132.1. The Company did not have an outstanding balance under the revolving credit component of the 2006 Credit Agreement at June 30, 2008 or December 31, 2007.

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

On January 11, 2008, Terex and the Lenders entered into an amendment of the 2006 Credit Agreement. The amendment enables Terex and certain of its subsidiaries to sell accounts receivable of up to $250 at any time through a program utilizing a special purpose subsidiary of Terex. The amendment also allows Terex and certain of its subsidiaries to enter into purchase-money loan and lease financing transactions with their customers in an aggregate amount not to exceed $500 at any time, and provides Terex and its subsidiaries the ability to sell such loans and leases to third parties. The amendment also removes from the definition of permitted acquisition a previous prohibition on an acquisition of a company that is preceded by an unsolicited tender offer for the equity interests of such company. Finally, the amendment makes a number of technical changes to reflect the impact of these substantive revisions.

On June 25, 2008, Terex, certain of its domestic subsidiaries and Credit Suisse entered into Supplement No. 1 to the Guarantee and Collateral Agreement under the 2006 Credit Agreement, joining other domestic subsidiaries of Terex as additional guarantors of amounts borrowed under the 2006 Credit Agreement pursuant to the terms of the 2006 Credit Agreement.

NOTE N - RETIREMENT PLANS AND OTHER BENEFITS

Pension Plans

U.S. Plans - As of June 30, 2008, the Company maintained four qualified defined benefit pension plans covering certain domestic employees (the "Terex Plans"). The benefits for the plan covering salaried employees are based primarily on years of service and employees' qualifying compensation during the final years of employment. Participation in the plan for salaried employees was frozen on or before October 15, 2000. The benefits for three plans covering bargaining unit employees are based primarily on years of service and a flat dollar amount per year of service. Participation was frozen effective December 31, 2000 for one plan, February 18, 2006 for another plan, and June 29, 2007 for the third plan. For all four plans, no participants will be credited with service following the effective dates of their freeze except that participants are credited with post-freeze service for purposes of determining vesting and retirement eligibility only. It is the Company's policy generally to fund the Terex Plans based on the minimum requirements of the Employee Retirement Income Security Act of 1974. Plan assets consist primarily of common stocks, bonds, and short-term cash equivalent funds.

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

Other Postemployment Benefits

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

	Pension Benefits			
	Three Months Ended		*Six Months Ended*	
	June 30,		*June 30,*	
	2008	2007	2008	2007
Components of net periodic cost:				
Service cost	$ 0.5	$ 0.6	$ 1.1	$ 1.2
Interest cost	2.0	1.9	4.1	3.8
Expected return on plan assets	(2.2)	(2.1)	(4.5)	(4.2)
Amortization of prior service cost	-	-	0.1	-
Recognized actuarial loss	0.6	0.7	1.1	1.3
Net periodic cost	$ 0.9	$ 1.1	$ 1.9	$ 2.1

	Other Benefits			
	Three Months Ended		*Six Months Ended*	
	June 30,		*June 30,*	
	2008	2007	2008	2007
Components of net periodic cost:				
Service cost	$ -	$ -	$ 0.1	$ 0.1
Interest cost	0.2	0.2	0.4	0.4
Recognized actuarial loss	0.1	0.2	0.2	0.3
Net periodic cost	$ 0.3	$ 0.4	$ 0.7	$ 0.8

The Company plans to contribute approximately $3 to its U.S. defined benefit pension and post-retirement plans for the year ending December 31, 2008. During the six months ended June 30, 2008, the Company contributed $2.5 to its U.S. defined benefit pension plans.

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

	Pension Benefits			
	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2008	2007	2008	2007
Components of net periodic cost:				
Service cost	$ 2.1	$ 1.6	$ 4.1	$ 3.3
Interest cost	4.6	3.8	9.1	7.6
Expected return on plan assets	(2.0)	(1.8)	(4.0)	(3.6)
Amortization of prior service cost	0.3	0.3	0.6	0.6
Recognized actuarial loss	0.3	0.4	0.6	0.8
Net periodic cost	$ 5.3	$ 4.3	$ 10.4	$ 8.7

The Company plans to contribute approximately $18 to its international defined benefit pension plans for the year ending December 31, 2008. During the six months ended June 30, 2008, the Company contributed $8.6 to its international defined benefit pension plans.

NOTE O - LITIGATION AND CONTINGENCIES

In the Company's lines of business, a number of suits have been filed alleging damages for accidents that have occurred during the use or operation of the Company's products. The Company is insured for product liability, general liability, workers' compensation, employer's liability, property damage and other insurable risk as required by law or contract with retained liability to the Company or deductibles. The Company has recorded and maintains an estimated liability in the amount of management's estimate of the Company's aggregate exposure for such retained liabilities and deductibles. For such retained liabilities and deductibles, the Company determines its exposure based on probable loss estimations, which requires such losses to be both probable and the amount or range of possible loss to be estimable. Management does not believe that the final outcome of such matters will have a material adverse effect on the Company's consolidated financial statements.

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

The Company's outstanding letters of credit totaled $155.7 at June 30, 2008. The letters of credit generally serve as collateral for certain liabilities included in the Condensed Consolidated Balance Sheet. Certain of the letters of credit serve as collateral guaranteeing the Company's performance under contracts.

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

Credit Guarantees

Customers of the Company from time to time may fund the acquisition of the Company's equipment through third-party finance companies. In certain instances, the Company may provide a credit guarantee to the finance company, by which the Company agrees to make payments to the finance company should the customer default. The maximum liability of the Company generally is limited to the finance company's net exposure to the customer at the time of default. In the event of customer default, the Company is generally able to recover and dispose of the equipment at a minimum loss, if any, to the Company.

As of June 30, 2008, the Company's maximum exposure to such credit guarantees was $240.0, including total guarantees issued by Terex Demag, part of the Cranes segment, and Genie, part of the Aerial Work Platforms segment, of $153.8 and $44.7, respectively. The terms of these guarantees coincide with the financing arranged by the customer and generally do not exceed five years. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

Residual Value and Buyback Guarantees

The Company issues residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date. The maximum exposure for residual value guarantees issued by the Company totaled $43.8 as of June 30, 2008. The risk to the Company associated with these guarantees is mitigated because the maturity of these guarantees is staggered, limiting the amount of used equipment entering the marketplace at any one time.

The Company from time to time guarantees that it will buy equipment from its customers in the future at a stated price if certain conditions are met by the customer. Such guarantees are referred to as buyback guarantees. These conditions generally pertain to the functionality and state of repair of the machine. As of June 30, 2008, the Company's maximum exposure pursuant to buyback guarantees was $139.3. The risk to the Company for these guarantees is mitigated because the timing of the buybacks is staggered and the Company can leverage its access to the used equipment markets provided by its original equipment manufacturer status.

The Company has recorded an aggregate liability within Other current liabilities and Retirement plans and other non-current liabilities in the Condensed Consolidated Balance Sheet of approximately $20 and $19 for the estimated fair value of all guarantees provided as of June 30, 2008 and December 31, 2007, respectively.

NOTE P - STOCKHOLDERS' EQUITY

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

	Three Months Ended June 30,		*Six Months Ended June 30,*	
	2008	2007	2008	2007
Net income	$ 236.3	$ 174.6	$ 399.6	$ 288.4
Other comprehensive income (loss):				
Pension liability adjustment	(0.1)	1.5	-	1.3
Translation adjustment	13.1	37.2	94.1	49.6
Derivative hedging adjustment	4.5	(0.3)	4.2	(1.9)
Comprehensive income	$ 253.8	$ 213.0	$ 497.9	$ 337.4

During the first quarter of 2008, the Company granted 946 thousand shares of restricted stock to its employees with a weighted average grant date fair value of $66.52 per share. Substantially all of these restricted stock awards vest over a three-year period, with 552 thousand of the shares awarded cliff vesting at the end of the three-year period. 424 thousand of these shares are based on performance targets, with 96 thousand shares of these performance grants containing a market condition. The Company used the Monte Carlo method to provide grant date fair value for the awards with a market condition determined to be $69.71 per share. The Monte Carlo method is a statistical simulation technique used to provide the grant date fair value of an award. The following table presents the weighted-average assumptions used in the valuation:

Dividend yields	0.00%
Expected volatility	41.80%
Risk free interest rate	1.86%
Expected life (in years)	3

In December 2006, the Board of Directors of the Company authorized the repurchase of up to $200 of the Company's outstanding common shares through June 30, 2008. In December 2007, the Board of Directors of the Company increased the share repurchase program by $500, bringing the total amount that may be repurchased under the program at that time to $700, and extended the expiration date for the program through June 30, 2009. In July 2008, the Board of Directors of the Company increased the share repurchase program by an additional $500, bringing the total amount that may be repurchased under the program to $1,200. The expiration date for the program remains June 30, 2009. During the six months ended June 30, 2008, the Company acquired 3.2 million shares at an aggregate cost of $195.5 pursuant to the share repurchase program. The Condensed Consolidated Statement of Cash Flows for this period showed $135.6 for share repurchases. The $59.9 difference between the Condensed Consolidated Statement of Cash Flows and the amount disclosed relates to cash settlement of share repurchases subsequent to June 30, 2008. In total, the Company has purchased 5.5 million shares under this program for approximately $362 through June 30, 2008.

NOTE Q - CONSOLIDATING FINANCIAL STATEMENTS

On November 25, 2003, the Company sold and issued $300 aggregate principal amount of the 7-3/8% Notes. As of June 30, 2008, the 7-3/8% Notes were jointly and severally guaranteed by the following wholly-owned subsidiaries of the Company (the "Wholly-owned Guarantors"): Amida Industries, Inc., A.S.V. Distribution, Inc., A.S.V., Inc., Cedarapids, Inc., CMI Terex Corporation, Duvalpilot Equipment Outfitters, LLC, Genie Financial Services, Inc., Genie Holdings, Inc., Genie Industries, Inc., Genie International, Inc., Genie Manufacturing, Inc., GFS National, Inc., Halco America Inc., Hydra Platforms Mfg. Inc., Koehring Cranes, Inc., Loegering Mfg. Inc., Powerscreen Holdings USA Inc., Powerscreen International LLC, Powerscreen North America Inc., Powerscreen USA, LLC, Powerscreen USC Inc., PPM Cranes, Inc., Schaeff Incorporated, Schaeff of North America, Inc., Spinnaker Insurance Company, Superior Highwall Holding, Inc., Superior Highwall Miners, Inc., Terex Advance Mixer, Inc., Terex Aerials, Inc., Terex Cranes, Inc., Terex Cranes Wilmington, Inc., Terex Financial Services, Inc., Terex Mexico, LLC, Terex Mining Equipment, Inc., Terex Utilities, Inc., Terex USA, LLC, Terex-RO Corporation and Terex-Telelect, Inc. All of the guarantees are full and unconditional. No subsidiaries of the Company except the Wholly-owned Guarantors have provided a guarantee of the 7-3/8% Notes.

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

Terex Corporation consists of parent company operations and non-guarantor subsidiaries directly owned by the parent company. Subsidiaries of the parent company are reported on the equity basis. Wholly-owned Guarantors combine the operations of the Wholly-owned Guarantor subsidiaries. Subsidiaries of Wholly-owned Guarantors that are not themselves guarantors are reported on the equity basis. Non-guarantor subsidiaries combine the operations of subsidiaries which have not provided a guarantee of the obligations of Terex Corporation under the 7-3/8% Notes. Debt and goodwill allocated to subsidiaries are presented on a "push-down" accounting basis. In December 2007, the Company changed the methodology to allocate tax expense between Terex Corporation and the Wholly-owned Guarantors using the Company's consolidated current year U.S. effective tax rate applied to Income before income taxes. On June 25, 2008, Terex and certain of its domestic subsidiaries entered into a First Supplemental Indenture for the 7-3/8% Notes, joining other domestic subsidiaries of Terex as Wholly-owned Guarantors pursuant to the terms of the Indenture for the 7-3/8% Notes. These additional subsidiaries are included in the current period financial statements as Wholly-owned Guarantors. Prior period financial statements have been recast to include the additional subsidiaries as Wholly-owned Guarantors for all periods presented.

TEREX CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

THREE MONTHS ENDED JUNE 30, 2008

(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$ 199.6	$ 1,034.8	$ 2,097.5	$ (396.0)	$ 2,935.9
Cost of goods sold	(179.0)	(803.1)	(1,698.6)	396.0	(2,284.7)
Gross profit	20.6	231.7	398.9	-	651.2
Selling, general and administrative expenses	(34.4)	(76.0)	(169.9)	-	(280.3)
Income (loss) from operations	(13.8)	155.7	229.0	-	370.9
Interest income	0.3	0.1	4.6	-	5.0
Interest expense	(15.7)	(2.4)	(6.2)	-	(24.3)
Income from subsidiaries	258.9	-	-	(258.9)	-
Other income (expense) - net	(7.2)	21.8	(13.1)	-	1.5
Income before income taxes	222.5	175.2	214.3	(258.9)	353.1
Benefit from (provision for) income taxes	13.8	(63.2)	(67.4)	-	(116.8)
Net income	$ 236.3	$ 112.0	$ 146.9	$ (258.9)	$ 236.3

TEREX CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

THREE MONTHS ENDED JUNE 30, 2007

(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$ 209.0	$ 808.6	$ 1,530.1	$ (205.5)	$ 2,342.2
Cost of goods sold	(183.6)	(588.2)	(1,268.8)	205.5	(1,835.1)
Gross profit	25.4	220.4	261.3	-	507.1
Selling, general and administrative expenses	(25.0)	(64.2)	(133.4)	-	(222.6)
Income from operations	0.4	156.2	127.9	-	284.5
Interest income	0.1	0.1	3.3	-	3.5
Interest expense	(2.0)	(4.9)	(7.8)	-	(14.7)
Income from subsidiaries	168.9	-	-	(168.9)	-
Other income (expense) - net	10.6	(0.3)	(12.3)	-	(2.0)
Income before income taxes	178.0	151.1	111.1	(168.9)	271.3

Provision for income taxes	(3.4)	(52.2)	(41.1)	-	(96.7)
Net income	$ 174.6	$ 98.9	$ 70.0	$ (168.9)	$ 174.6

TEREX CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

SIX MONTHS ENDED JUNE 30, 2008

(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$ 368.2	$ 1,865.3	$ 3,755.6	$ (690.5)	$ 5,298.6
Cost of goods sold	(329.6)	(1,436.6)	(3,057.7)	690.5	(4,133.4)
Gross profit	38.6	428.7	697.9	-	1,165.2
Selling, general and administrative expenses	(56.6)	(158.2)	(323.2)	-	(538.0)
Income (loss) from operations	(18.0)	270.5	374.7	-	627.2
Interest income	3.9	0.3	9.9	-	14.1
Interest expense	(32.3)	(5.1)	(12.4)	-	(49.8)
Income from subsidiaries	427.9	-	-	(427.9)	-
Other income (expense) - net	4.3	22.1	(18.3)	-	8.1
Income before income taxes	385.8	287.8	353.9	(427.9)	599.6
Benefit from (provision for) income taxes	13.8	(101.5)	(112.3)	-	(200.0)
Net income	$ 399.6	$ 186.3	$ 241.6	$ (427.9)	$ 399.6

TEREX CORPORATION

CONDENSED CONSOLIDATING STATEMENT OF INCOME

SIX MONTHS ENDED JUNE 30, 2007

(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$ 380.6	$ 1,556.9	$ 2,815.7	$ (398.3)	$ 4,354.9
Cost of goods sold	(328.5)	(1,169.6)	(2,336.0)	398.3	(3,435.8)
Gross profit	52.1				