OSHKOSH CORP
Form 10-Q
April 28, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2011

or

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

Commission File Number: 1-31371

Oshkosh Corporation

(Exact name of registrant as specified in its charter)

Wisconsin	**39-0520270**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 2566 **Oshkosh, Wisconsin** (Address of principal executive offices)	**54903-2566** (Zip Code)

Registrant s telephone number, including area code: **(920) 235-9151**

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. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. x Yes o No

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 Act). o Yes S No

As of April 25, 2011, 91,091,605 shares of the registrant s Common Stock were outstanding.

n

Table of Contents

OSHKOSH CORPORATION

FORM 10-Q INDEX

FOR THE QUARTER ENDED MARCH 31, 2011

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OSHKOSH CORPORATION

Condensed Consolidated Statements of Income

(In millions, except per share amounts; unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Net sales	$ 1,745.6	$ 2,864.2	$ 3,446.4	$ 5,298.3
Cost of sales	1,464.5	2,236.4	2,856.3	4,191.3
Gross income	281.1	627.8	590.1	1,107.0
Operating expenses:				
Selling, general and administrative	133.7	118.3	258.7	233.1
Amortization of purchased intangibles	15.0	15.2	30.3	30.6
Intangible asset impairment charges				23.3
Total operating expenses	148.7	133.5	289.0	287.0
Operating income	132.4	494.3	301.1	820.0
Other income (expense):				
Interest expense	(21.7)	(45.7)	(48.2)	(96.5)
Interest income	1.0	0.5	1.8	1.4
Miscellaneous, net	0.4	1.0	0.1	1.2
	(20.3)	(44.2)	(46.3)	(93.9)
Income from continuing operations before income taxes and equity in earnings (losses) of unconsolidated affiliates	112.1	450.1	254.8	726.1
Provision for income taxes	44.2	157.4	88.2	260.6
Income from continuing operations before equity in earnings (losses) of unconsolidated affiliates	67.9	292.7	166.6	465.5
Equity in earnings (losses) of unconsolidated affiliates	(0.2)	(0.1)	0.2	(0.4)
Income from continuing operations, net of tax	67.7	292.6	166.8	465.1
Loss on discontinued operations, net of tax				(2.9)
Net income	67.7	292.6	166.8	462.2
Net loss attributable to the noncontrolling interest	0.2		0.7	
Net income attributable to Oshkosh Corporation	$ 67.9	$ 292.6	$ 167.5	$ 462.2
Earnings (loss) per share attributable to Oshkosh Corporation common shareholders-basic:				
Continuing operations	$ 0.75	$ 3.27	$ 1.85	$ 5.19
Discontinued operations				(0.03)

	$	0.75	$	3.27	$	1.85	$	5.16
Earnings (loss) per share attributable to Oshkosh								
Corporation common shareholders-diluted:								
Continuing operations	$	0.74	$	3.22	$	1.83	$	5.12
Discontinued operations								(0.03)
	$	0.74	$	3.22	$	1.83	$	5.09

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

Table of Contents

OSHKOSH CORPORATION

Condensed Consolidated Balance Sheets

(In millions, except share and per share amounts; unaudited)

	March 31, 2011	September 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 416.7	$ 339.0
Receivables, net	773.9	889.5
Inventories, net	773.6	848.6
Deferred income taxes	72.4	86.7
Other current assets	65.4	52.1
Total current assets	2,102.0	2,215.9
Investment in unconsolidated affiliates	32.1	30.4
Property, plant and equipment, net	388.4	403.6
Goodwill	1,059.9	1,049.6
Purchased intangible assets, net	870.4	896.3
Other long-term assets	94.4	112.8
Total assets	$ 4,547.2	$ 4,708.6
Liabilities and Equity		
Current liabilities:		
Revolving credit facility and current maturities of long-term debt	$ 83.1	$ 215.9
Accounts payable	669.4	717.7
Customer advances	250.0	373.2
Payroll-related obligations	95.2	127.5
Income taxes payable	1.7	1.3
Accrued warranty	73.5	90.5
Deferred revenue	37.2	76.9
Other current liabilities	253.7	209.0
Total current liabilities	1,463.8	1,812.0
Long-term debt, less current maturities	1,053.8	1,086.4
Deferred income taxes	182.9	189.6
Other long-term liabilities	304.5	293.8
Commitments and contingencies		
Equity:		
Preferred Stock ($.01 par value; 2,000,000 shares authorized; none issued and outstanding)		
Common Stock ($.01 par value; 300,000,000 shares authorized; 91,091,605 and 90,662,377 shares issued, respectively)	0.9	0.9
Additional paid-in capital	677.3	659.7
Retained earnings	926.7	759.2
Accumulated other comprehensive loss	(62.2)	(93.2)
Total Oshkosh Corporation shareholders equity	1,542.7	1,326.6
Noncontrolling interest	(0.5)	0.2
Total equity	1,542.2	1,326.8
Total liabilities and equity	$ 4,547.2	$ 4,708.6

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

4

Table of Contents

OSHKOSH CORPORATION

Condensed Consolidated Statements of Equity

(In millions; unaudited)

[redacted]

Balance at September 30, 2009	$ 0.9	$ 619.5	$ (30.8)	$ (74.7)	$ (0.8)	$ 2.2	
Sale of discontinued operations						(2.2)	
Comprehensive income (loss):							
Net income			462.2				$ 462.2
Change in fair value of derivative instruments, net of tax of $7.3				10.0			10.0
Employee pension and postretirement benefits, net of tax of $1.1				1.7			1.7
Currency translation adjustments				(35.2)			(35.2)
Total comprehensive income							$ 438.7
Exercise of stock options		2.3			0.8		
Stock-based compensation and award of nonvested shares		7.1					
Other		1.7					
Balance at March 31, 2010	$ 0.9	$ 630.6	$ 431.4	$ (98.2)	$	$	

	Oshkosh Corporation s Shareholders						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury at Cost	Non-Controlling Interest	Comprehensive Income
Balance at September 30, 2010	$ 0.9	$ 659.7	$ 759.2	$ (93.2)	$	$ 0.2	
Comprehensive income:							
Net income			167.5			(0.7)	$ 166.8
Change in fair value of derivative instruments, net of tax of $3.1				5.4			5.4
Employee pension and postretirement benefits, net of tax of $1.7				2.9			2.9
Currency translation adjustments				22.7			22.7
Total comprehensive income							$ 197.8

Exercise of stock options				7.0								
Stock-based compensation and award of nonvested shares				8.4								
Tax benefit related to stock-based compensation				2.1								
Other				0.1								
Balance at March 31, 2011	$	0.9	$	677.3	$	926.7	$	(62.2)	$		$	(0.5)

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

Table of Contents

OSHKOSH CORPORATION

Condensed Consolidated Statements of Cash Flows

(In millions; unaudited)

	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Operating activities:		
Net income	$ 166.8	$ 462.2
Non-cash asset impairment charges		23.3
Loss on sale of discontinued operations, net of tax		2.9
Depreciation and amortization	69.9	80.8
Deferred income taxes	2.7	(28.8)
Other non-cash adjustments	4.7	13.4
Changes in operating assets and liabilities	12.5	211.5
Net cash provided by operating activities	256.6	765.3
Investing activities:		
Additions to property, plant and equipment	(31.0)	(34.4)
Additions to equipment held for rental	(3.1)	(3.5)
Proceeds from sale of property, plant and equipment	0.7	0.5
Proceeds from sale of equipment held for rental	7.8	6.0
Other investing activities	(1.1)	0.8
Net cash used by investing activities	(26.7)	(30.6)
Financing activities:		
Repayment of long-term debt	(65.3)	(907.0)
Proceeds from issuance of long-term debt		500.0
Repayments under revolving credit facility, net	(100.0)	
Debt issuance costs		(10.8)
Proceeds from exercise of stock options	7.0	3.1
Other financing activities	1.8	1.1
Net cash used by financing activities	(156.5)	(413.6)
Effect of exchange rate changes on cash	4.3	(6.6)
Increase in cash and cash equivalents	77.7	314.5
Cash and cash equivalents at beginning of period	339.0	530.4
Cash and cash equivalents at end of period	$ 416.7	$ 844.9
Supplemental disclosures:		
Cash paid for interest	$ 45.5	$ 99.8
Cash paid for income taxes	79.8	239.6

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

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in Oshkosh Corporation s (the Company) Annual Report on Form 10-K for the year ended September 30, 2010. The interim results are not necessarily indicative of results for the full year.

During fiscal 2010, in conjunction with the appointment of a new segment president, the Company transferred operational responsibility of its subsidiary, JerrDan Corporation (JerrDan), from the fire & emergency segment to the access equipment segment. As a result, JerrDan has been included within the access equipment segment for financial reporting purposes. Historical information has been reclassified to include JerrDan in the access equipment segment for all periods presented.

2. New Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued a new standard to address the elimination of the concept of a qualifying special purpose entity. The new variable interest standard also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, the new variable interest standard provides more timely and useful information about an enterprise s involvement with a variable interest entity. The Company adopted the new variable interest standard as of October 1, 2010. The adoption of the new variable interest standard did not have a material impact on the Company s financial condition, results of operations or cash flows.

In July 2010, the FASB amended Accounting Standards Codification (ASC) Topic 310, *Receivables*, to require more robust and disaggregated disclosures about the credit quality of an entity s financing receivables and its allowances for credit losses. The new disclosures require additional information for nonaccrual and past due accounts, the allowance for credit losses, impaired loans, credit quality and account modifications. The Company adopted the new disclosure requirements as of October 1, 2010. See Note 3 of the Notes to Condensed Consolidated Financial Statements for additional information.

3. Receivables

Receivables consisted of the following (in millions):

	March 31, 2011	September 30, 2010
U.S. government		
Amounts billed	$ 266.7	$ 380.1
Costs and profits not billed	66.6	75.2
	333.3	455.3
Other trade receivables	420.5	401.8
Finance receivables	30.2	65.6
Notes receivable	48.9	52.1
Other receivables	21.0	19.5
	853.9	994.3
Less allowance for doubtful accounts	(35.9)	(42.0)
	$ 818.0	$ 952.3

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Costs and profits not billed generally result from undefinitized change orders on existing long-term contracts and not-to-exceed undefinitized contracts whereby the Company cannot invoice the customer the full price under the contract or contract change order until such change order or contract is definitized and agreed to with the customer following a review of costs under such a contract award even though the contract deliverables may have been met. Definitization of a change order on an existing long-term contract or a sole source contract begins when the U.S. government customer undertakes a detailed review of the Company s submitted costs related to the contract, with the final change order or contract price subject to review. The Company recognizes revenue on undefinitized contracts to the extent that it can reasonably and reliably estimate the expected final contract price and when collectability is reasonably assured. To the extent that contract definitization results in changes to previously estimated incurred costs or revenues, the Company records those adjustments as a change in estimate. During the quarter ending March 31, 2011, the Company updated its estimated costs under an undefinitized change order related to MRAP-All Terrain Vehicles (M-ATVs) produced and sold to the customer in the fourth quarter of fiscal 2010 and first quarter of fiscal 2011. As a result of cost estimate changes, the Company recorded a $15.2 million reduction in deferred revenue and a corresponding increase to revenue during the second quarter of fiscal 2011. As all costs associated with the contract had been previously expensed, the change increased operating income by $15.2 million and net income by $9.6 million or $0.10 per share.

Classification of receivables in the Condensed Consolidated Balance Sheets consisted of the following (in millions):

	March 31, 2011	September 30, 2010
Current receivables	$ 773.9	$ 889.5
Long-term receivables	44.1	62.8
	$ 818.0	$ 952.3

Finance Receivables: Finance receivables represent sales-type leases resulting from the sale of the Company s products and the purchase of finance receivables from lenders pursuant to defaults under program agreements with finance companies. Finance receivables originated by the Company generally include a residual value component. Residual values are determined based on the expectation that the underlying equipment will have a minimum fair market value at the end of the lease term. This residual value accrues to the Company at the end of the lease. The Company uses its experience and knowledge as an original equipment manufacturer and participant in end markets for the related products along with third-party studies to estimate residual values. The Company monitors these values for impairment on a periodic basis and reflects any resulting reductions in value in current earnings. Finance receivables consisted of the following (in millions):

	March 31, 2011	September 30, 2010
Finance receivables	$ 36.4	$ 74.7
Estimated residual value		2.1
Less unearned income	(6.2)	(11.2)
Net finance receivables	30.2	65.6

Less allowance for doubtful accounts		(16.3)		(20.9)
	$	13.9	$	44.7

The contractual maturities of the Company s finance receivables at March 31, 2011 were as follows: 2011 (remaining six months) - $12.5 million; 2012 - $7.2 million; 2013 - $6.0 million; 2014 - $5.5 million; 2015 - $2.1 million; 2016 - $1.5 million; and thereafter - $1.6 million. Historically, finance receivables have been paid off prior to their contractual due dates, although actual repayment timing is often times impacted by the economic environment at the time. As a result, contractual maturities are not to be regarded as a forecast of future cash flows.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Delinquency is the primary indicator of credit quality for finance receivables. The Company maintains a general allowance for finance receivables considered doubtful of future collection based upon historical experience. Additional allowances are established based upon the Company s perception of the quality of the finance receivables, including the length of time the receivables are past due, past experience of collectability and underlying economic conditions. In circumstances where the Company believes collectability is no longer reasonably assured, a specific allowance is recorded to reduce the net recognized receivable to the amount reasonably expected to be collected. Under the terms of these agreements, the Company generally has the ability to take possession of the underlying collateral. The Company many incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers financial obligations is not realized. As of March 31, 2011, approximately 49% of the finance receivables were due from two parties.

Notes Receivable: Notes receivable include refinancing of trade accounts and finance receivables. As of March 31, 2011, approximately 89% of the notes receivable balance outstanding was due from three parties. The Company routinely evaluates the creditworthiness of its customers and establishes reserves where the Company believes collectability is no longer reasonably assured. Certain notes receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the debtor. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers financial obligations is not realized.

Quality of Finance and Notes Receivable: The Company does not accrue interest income on finance receivables in circumstances where the Company believes collectability is no longer reasonably assured. Any cash payments received on nonaccrual finance receivables are applied first to principal balances. The Company does not resume accrual of interest income until the customer has shown that it is capable of meeting its financial obligations by making timely payments over a sustained period of time. The Company determines past due or delinquency status based upon the due date of the receivable. Finance and notes receivable aging and accrual status consisted of the following (in millions):

	Finance Receivables		Notes Receivable	
	March 31, 2011	**September 30, 2010**	**March 31, 2011**	**September 30, 2010**
Aging of receivables that are past due				
Greater than 30 days and less than 60 days	$ 1.0	$ 3.3	$	$
Greater than 60 days and less than 90 days				
Greater than 90 days	15.7	20.7	0.8	2.6
Receivables on nonaccrual status	17.8	57.7	0.8	2.6
Receivables past due 90 days or more and still accruing				
Receivables subject to general reserves	4.2	3.9	3.5	21.5
Allowance for doubtful accounts	(0.1)	(0.1)	(0.4)	(0.4)
Receivables subject to specific reserves	26.0	61.7	45.4	30.6
Allowance for doubtful accounts	(16.2)	(20.8)	(9.8)	(9.0)

9

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Changes in the Company s allowance for doubtful accounts were as follows (in millions):

	Three Months Ended March 31, 2011			
	Finance Receivables	Notes Receivable	Trade and Other Receivables	Total
Allowance for doubtful accounts at beginning of period	$ (14.8)	$ (12.7)	$ (10.7)	$ (38.2)
Provision for doubtful accounts, net of recoveries	(2.3)	0.6	(0.5)	(2.2)
Charge-off of accounts	0.8	2.1	1.9	4.8
Foreign currency translation		(0.2)	(0.1)	(0.3)
Allowance for doubtful accounts at end of period	$ (16.3)	$ (10.2)	$ (9.4)	$ (35.9)

	Six Months Ended March 31, 2011			
	Finance Receivables	Notes Receivable	Trade and Other Receivables	Total
Allowance for doubtful accounts at beginning of period	$ (20.9)	$ (9.4)	$ (11.7)	$ (42.0)
Provision for doubtful accounts, net of recoveries	(0.9)	(2.8)	(0.3)	(4.0)
Charge-off of accounts	5.5	2.1	2.7	10.3
Foreign currency translation		(0.1)	(0.1)	(0.2)
Allowance for doubtful accounts at end of period	$ (16.3)	$ (10.2)	$ (9.4)	$ (35.9)

4. Inventories

Inventories consisted of the following (in millions):

	March 31, 2011	September 30, 2010
Raw materials	$ 525.9	$ 658.6
Partially finished products	460.5	332.2

Finished products	292.2	227.3
Inventories at FIFO cost	1,278.6	1,218.1
Less: Progress/performance-based payments on U.S. government contracts	(439.0)	(308.7)
Excess of FIFO cost over LIFO cost	(66.0)	(60.8)
	$ 773.6	$ 848.6

Title to all inventories related to U.S. government contracts, which provide for progress or performance-based payments, vests with the government to the extent of unliquidated progress or performance-based payments.

Inventory includes costs which are amortized to expense as sales are recognized under certain contracts. At March 31, 2011 and September 30, 2010, unamortized costs related to long-term contracts of $0.9 million and $4.1 million, respectively, were included in inventory.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

5. Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates are accounted for under the equity method, and consisted of the following (in millions):

	Percent-owned	March 31, 2011	September 30, 2010
OMFSP (U.S.)	50%	$ 13.1	$ 12.9
RiRent (The Netherlands)	50%	11.5	11.1
Other		7.5	6.4
		$ 32.1	$ 30.4

The investment generally represents the Company s maximum exposure to loss as a result of the Company s ownership interest. Earnings or losses are reflected in Equity in earnings (losses) of unconsolidated affiliates in the Condensed Consolidated Statements of Income.

The Company and an unaffiliated third-party are partners in Oshkosh/McNeilus Financial Services Partnership (OMFSP), a general partnership, formed for the purpose of offering lease financing to certain customers of the Company. OMFSP engages in vendor lease business providing financing to certain customers of the Company. The Company sells vehicles, vehicle bodies and concrete batch plants to OMFSP for lease to user-customers. The Company s sales to OMFSP were $0.2 million and $1.9 million for the six months ended March 31, 2011 and 2010, respectively. Banks and other financial institutions lend to OMFSP a portion of the purchase price, with recourse solely to OMFSP, secured by a pledge of lease payments due from the user-lessees. Each partner funds one-half of the approximate 4.0% to 8.0% equity portion of the cost of new equipment purchases. Customers typically provide a 2.0% to 6.0% down payment. Each partner is allocated its proportionate share of OMFSP s cash flow and taxable income in accordance with the partnership agreement. Indebtedness of OMFSP is secured by the underlying leases and assets of, and is with recourse solely to, OMFSP. All such OMFSP indebtedness is non-recourse to the Company and its partner. Each of the two general partners has identical voting, participating and protective rights and responsibilities, and each general partner materially participates in the activities of OMFSP. For these and other reasons, the Company has determined that OMFSP is a voting interest entity. Accordingly, the Company accounts for its equity interest in OMFSP under the equity method.

The Company and an unaffiliated third-party are joint venture partners in RiRent Europe, B.V. (RiRent). RiRent maintains a fleet of access equipment for short-term lease to rental companies throughout most of Europe. The re-rental fleet provides rental companies with equipment to support requirements on short notice. RiRent does not provide services directly to end users. The Company s sales to RiRent were $2.0 million and $2.3 million for the six months ended March 31, 2011 and 2010, respectively. The Company recognizes income on sales to RiRent at the time of shipment in proportion to the outside third-party interest in RiRent and recognizes the remaining income ratably over the estimated useful life of the equipment, which is generally five years. Indebtedness of RiRent is secured by the underlying leases and assets of RiRent. All such RiRent indebtedness is non-recourse to the Company and its partner. Under RiRent s 15.0 million bank credit facility, the partners of RiRent have committed to maintain an overall equity to asset ratio of at least 30.0% (58.5% as of March 31, 2011).

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in millions):

	March 31, 2011	September 30, 2010
Land and land improvements	$ 46.3	$ 46.7
Buildings	237.4	237.2
Machinery and equipment	504.4	490.2
Equipment on operating lease to others	38.7	46.0
Construction in progress		0.9
	826.8	821.0
Less accumulated depreciation	(438.4)	(417.4)
	$ 388.4	$ 403.6

Depreciation expense was $36.9 million and $39.1 million for the six months ended March 31, 2011 and 2010, respectively. Equipment on operating lease to others represents the cost of equipment sold to customers for whom the Company has guaranteed the residual value and equipment on short-term leases. These transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic lives of five to ten years. Cost less accumulated depreciation for equipment on operating lease at March 31, 2011 and September 30, 2010 was $17.6 million and $25.2 million, respectively.

7. Goodwill and Purchased Intangible Assets

The following table presents the changes in goodwill during the six months ended March 31, 2011 (in millions):

	Access Equipment	Fire & Emergency	Commercial	Total
Balance at September 30, 2010:				
Goodwill	$ 1,848.1	$ 182.1	$ 197.3	$ 2,227.5
Accumulated impairment losses	(932.1)	(69.9)	(175.9)	(1,177.9)
	916.0	112.2	21.4	1,049.6
Fiscal 2011 Activity:				
Translation	10.1		0.2	10.3

Balance at March 31, 2011	$	926.1	$	112.2	$	21.6	$	1,059.9
Balance at March 31, 2011:								
Goodwill	$	1,858.2	$	182.1	$	197.5	$	2,237.8
Accumulated impairment losses		(932.1)		(69.9)		(175.9)		(1,177.9)
	$	926.1	$	112.2	$	21.6	$	1,059.9

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Details of the Company s total purchased intangible assets were as follows (in millions):

	March 31, 2011			
	Weighted-Average Life	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	$ 55.4	$ (20.0)	$ 35.4
Non-compete	10.5	56.9	(51.8)	5.1
Technology-related	11.8	104.0	(49.0)	55.0
Customer relationships	12.6	582.8	(209.4)	373.4
Other	16.7	15.8	(11.8)	4.0
	14.2	814.9	(342.0)	472.9
Non-amortizable tradenames		397.5		397.5
Total		$ 1,212.4	$ (342.0)	$ 870.4

	September 30, 2010			
	Weighted-Average Life	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	$ 55.4	$ (19.3)	$ 36.1
Non-compete	10.5	56.3	(50.6)	5.7
Technology-related	11.8	104.0	(44.6)	59.4
Customer relationships	12.7	577.2	(183.8)	393.4
Other	16.6	15.7	(11.3)	4.4
	14.3	808.6	(309.6)	499.0
Non-amortizable tradenames		397.3		397.3
Total		$ 1,205.9	$ (309.6)	$ 896.3

Amortization expense was $30.3 million and $30.6 million for the six months ended March 31, 2011 and 2010, respectively. The estimated future amortization expense of purchased intangible assets for the remainder of fiscal 2011 and the five fiscal years succeeding September 30, 2011 are as follows: 2011 (remaining six months) - $30.6 million; 2012 - $59.5 million; 2013 - $56.9 million; 2014 - $55.5 million; 2015 - $54.7 million and 2016 - $54.1 million.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

8. Credit Agreements

The Company was obligated under the following debt instruments (in millions):

	March 31, 2011	September 30, 2010
Senior secured term loan	$ 585.0	$ 650.0
8 1/4% Senior notes due March 2017	250.0	250.0
8 1/2% Senior notes due March 2020	250.0	250.0
Other long-term facilities	1.9	2.1
	1,086.9	1,152.1
Less current portion	(33.1)	(65.7)
	$ 1,053.8	$ 1,086.4
Revolving line of credit	$ 50.0	$ 150.0
Current portion of long-term debt	33.1	65.7
Other short-term facilities		0.2
	$ 83.1	$ 215.9

On September 27, 2010, the Company replaced its existing credit agreement with a new senior secured credit agreement with various lenders (the Credit Agreement). The Credit Agreement provides for (i) a revolving credit facility (Revolving Credit Facility) that matures in October 2015 with an initial maximum aggregate amount of availability of $550 million and (ii) a $650 million term loan (Term Loan) facility due in quarterly principal installments of $16.25 million commencing December 31, 2010 with a balloon payment of $341.25 million due at maturity in October 2015. During the first quarter of fiscal 2011, the Company prepaid the principal installments which were originally due March 31, 2011 through September 30, 2011. At March 31, 2011, borrowings of $50.0 million and outstanding letters of credit of $33.0 million reduced available capacity under the Revolving Credit Facility to $467.0 million.

The Company s obligations under the Credit Agreement are guaranteed by certain of its domestic subsidiaries, and the Company will guarantee the obligations of certain of its subsidiaries under the Credit Agreement to the extent such subsidiaries borrow directly under the Credit Agreement. Subject to certain exceptions, the Credit Agreement is secured by (i) a first-priority perfected lien and security interests in substantially all of the personal property of the Company, each material subsidiary of the Company and each subsidiary guarantor, (ii) mortgages upon certain real property of the Company and certain of its domestic subsidiaries and (iii) a pledge of the equity of each material subsidiary and each subsidiary guarantor.

The Company must pay (1) an unused commitment fee ranging from 0.40% to 0.50% per annum of the average daily unused portion of the aggregate revolving credit commitments under the Credit Agreement and (2) a fee ranging from 1.125% to 3.50% per annum of the maximum amount available to be drawn for each letter of credit issued and outstanding under the Credit Agreement.

Borrowings under the Credit Agreement bear interest at a variable rate equal to (i) LIBOR plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied, or (ii) for dollar-denominated loans only, the base rate (which is the highest of (a) the administrative agent s prime rate, (b) the federal funds rate plus 0.50% or (c) the sum of 1% plus one-month LIBOR) plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied. At March 31, 2011, the interest spread on the Revolving Credit Facility and Term Loan was 250 basis points. The weighted-average interest rate on borrowings outstanding at March 31, 2011, prior to consideration of the interest rate swap, was 2.75% for the Revolving Credit Facility and 2.78% for the Term Loan.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

To manage a portion of the Company s exposure to changes in LIBOR-based interest rates on its variable-rate debt, the Company entered into an amortizing interest rate swap agreement in 2007 that effectively fixes the interest payments on a portion of the Company s variable-rate debt. The swap, which has a termination date of December 6, 2011, effectively fixes the LIBOR-based interest rate on the debt in the amount of the notional amount of the swap at 5.105% plus the applicable spread based on the terms of the Credit Agreement (7.605% at March 31, 2011). The notional amount of the swap at March 31, 2011 was $250.0 million.

A portion of the swap has been designated as a cash flow hedge of 3-month LIBOR-based interest payments. The effective portion of the change in fair value of the derivative has been recorded in Accumulated other comprehensive income (loss), with any ineffective portion recorded as an adjustment to miscellaneous expense. At March 31, 2011, a loss of $8.2 million ($5.1 million net of tax) was recorded in Accumulated other comprehensive income (loss). The differential paid or received on the designated portion of the interest rate swap will be recognized as an adjustment to interest expense when the hedged, forecasted interest is recorded. Net gains or losses related to hedge ineffectiveness on the interest rate swap were insignificant for all periods presented.

Under this swap agreement, the Company will pay the counterparty interest on the notional amount at a fixed rate of 5.105% and the counterparty will pay the Company interest on the notional amount at a variable rate equal to 3-month LIBOR. The 3-month LIBOR rate applicable to this agreement was 0.30% at March 31, 2011. The notional amounts do not represent amounts exchanged by the parties, and thus are not a measure of exposure of the Company. The amounts exchanged are normally based on the notional amounts and other terms of the swaps. The variable rates are subject to change over time as 3-month LIBOR fluctuates. Neither the Company nor the counterparty is required to collateralize its obligations under these swaps.

The Credit Agreement contains various restrictions and covenants, including requirements that the Company maintain certain financial ratios at prescribed levels and restrictions on the ability of the Company and certain of its subsidiaries to consolidate or merge, create liens, incur additional indebtedness, dispose of assets, consummate acquisitions and make investments in joint ventures and foreign subsidiaries. The Credit Agreement contains the following financial covenants:

- Leverage Ratio: A maximum leverage ratio (defined as, with certain adjustments, the ratio of the Company s consolidated indebtedness to consolidated net income before interest, taxes, depreciation, amortization, non-cash charges and certain other items (EBITDA)) as of the last day of any fiscal quarter of 4.50 to 1.0.

- Interest Coverage Ratio: A minimum interest coverage ratio (defined as, with certain adjustments, the ratio of the Company s consolidated EBITDA to the Company s consolidated cash interest expense) as of the last day of any fiscal quarter of 2.50 to 1.0.

• Senior Secured Leverage Ratio: A maximum senior secured leverage ratio (defined as, with certain adjustments, the ratio of the Company s consolidated secured indebtedness to the Company s consolidated EBITDA) of the following:

Fiscal Quarters Ending	
March 31, 2011 through September 30, 2011	3.25 to 1.0
December 31, 2011 through September 30, 2012	3.00 to 1.0
Thereafter	2.75 to 1.0

The Company was in compliance with the financial covenants contained in the Credit Agreement as of March 31, 2011 and expects to be able to meet the financial covenants contained in the Credit Agreement over the next twelve months.

Additionally, with certain exceptions, the Credit Agreement limits the ability of the Company to pay dividends and other distributions. However, so long as no event of default exists under the Credit Agreement or would result from such payment, the Company may pay dividends and other distributions in an aggregate amount not exceeding the sum of:

(i) $50 million during any fiscal year; plus

(ii) the excess of (a) 25% of the cumulative net income of the Company and its consolidated subsidiaries for all fiscal quarters ending after September 27, 2010, over (b) the cumulative amount of all such dividends and other distributions made in any fiscal year ending after such date that exceed $50 million; plus

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(iii) for each of the first four fiscal quarters ending after September 27, 2010, $25 million per fiscal quarter, in each case provided that the leverage ratio (as defined) as of the last day of the most recently ended fiscal quarter was less than 2.0 to 1.0; plus

(iv) for the period of four fiscal quarters ending September 30, 2011 and for each period of four fiscal quarters ending thereafter, $100 million during such period, in each case provided that the leverage ratio (as defined) as of the last day of the most recently ended fiscal quarter was less than 2.0 to 1.0.

In March 2010, the Company issued $250.0 million of 8¼% unsecured senior notes due March 1, 2017 and $250.0 million of 8½% unsecured senior notes due March 1, 2020 (collectively, the Senior Notes). The Senior Notes were issued pursuant to an indenture (the Indenture) among the Company, the subsidiary guarantors named therein and a trustee. The Indenture contains customary affirmative and negative covenants. The Company has the option to redeem the Senior Notes due 2017 and Senior Notes due 2020 for a premium after March 1, 2014 and March 1, 2015, respectively. Certain of the Company s subsidiaries fully, unconditionally, jointly and severally guarantee the Company s obligations under the Senior Notes. See Note 19 of the Notes to Condensed Consolidated Financial Statements for separate financial information of the subsidiary guarantors.

The fair value of the long-term debt is estimated based upon the market rate of the Company s debt. At March 31, 2011, the fair value of the Senior Notes was estimated to be $553.8 million and the fair value of the Term Loan approximated book value.

9. Warranty and Guarantee Arrangements

The Company s products generally carry explicit warranties that extend from six months to five years, based on terms that are generally accepted in the marketplace. Selected components (such as engines, transmissions, tires, etc.) included in the Company s end products may include manufacturers warranties. These manufacturers warranties are generally passed on to the end customer of the Company s products, and the customer would generally deal directly with the component manufacturer.

Changes in the Company s warranty liability were as follows (in millions):

	Six Months Ended March 31,	
	2011	**2010**
Balance at beginning of period	$ 90.5	$ 72.8

Warranty provisions		17.1		43.1
Settlements made		(25.2)		(32.5)
Changes in liability for pre-existing warranties, net		(9.2)		1.1
Disposition of business				(1.6)
Foreign currency translation adjustment		0.3		(1.2)
Balance at end of period	$	73.5	$	81.7

Provisions for estimated warranty and other related costs are recorded at the time of sale and are periodically adjusted to reflect actual experience. For the six months ended March 31, 2011, warranty claims under the Company s M-ATV program were less than estimated at the time of sale. Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. At times, warranty issues arise that are beyond the scope of the Company s historical experience. For example, accelerated programs to design, test, manufacture and deploy products such as the M-ATV in war-time conditions carry with them an increased level of inherent risk of product or component failure. It is reasonably possible that additional warranty and other related claims could arise from disputes or other matters in excess of amounts accrued; however, any such amounts, while not determinable, would not be expected to have a material adverse effect on the Company s financial condition, result of operations or cash flows.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

In the fire & emergency segment, the Company provides guarantees of certain customers obligations under deferred payment contracts and lease payment agreements to third parties. Guarantees provided prior to February 1, 2008 are limited to $1.0 million per year in total. In January 2008, the Company entered into a new guarantee arrangement. Under this arrangement, guarantees are limited to $3.0 million per year for contracts signed after February 1, 2008. These guarantees are mutually exclusive, and until the portfolio under the $1.0 million guarantee is repaid, the Company has exposure of up to $4.0 million per year. Both guarantees are supported by the residual value of the underlying equipment. The Company s actual losses under these guarantees over the last ten years have been negligible. In accordance with FASB ASC Topic 460, *Guarantees*, the Company has recorded the fair value of all such guarantees issued after January 1, 2003 as a liability and a reduction of the initial revenue recognized on the sale of equipment. Liabilities accrued for guarantees for all periods presented were insignificant.

In the access equipment segment, the Company is party to multiple agreements whereby it guarantees an aggregate of $194.3 million in indebtedness of others, including $179.2 million under loss pool agreements. The Company estimated that its maximum loss exposure under these contracts was $64.2 million at March 31, 2011. Under the terms of these and various related agreements and upon the occurrence of certain events, the Company generally has the ability to, among other things, take possession of the underlying collateral. At March 31, 2011 and September 30, 2010, the Company had recorded liabilities related to these agreements of $10.1 million and $22.8 million, respectively. If the financial condition of the customers were to deteriorate and result in their inability to make payments, then additional accruals may be required. While the Company does not expect to experience losses under these agreements that are materially in excess of the amounts reserved, it cannot provide any assurance that the financial condition of the customers will not deteriorate resulting in the customers inability to meet their obligations. In the event that occurs, the Company cannot guarantee that the collateral underlying the agreements will be sufficient to avoid losses materially in excess of the amounts reserved. Any losses under these guarantees would generally be mitigated by the value of any underlying collateral, including financed equipment, and are generally subject to the finance company s ability to provide the Company clear title to foreclosed equipment and other conditions. During periods of economic weakness, collateral values generally decline and can contribute to higher exposure to losses.

Changes in the Company s credit guarantee liability were as follows (in millions):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	**2010**	**2011**	**2010**
Balance at beginning of period	$ 14.1	$ 26.6	$ 22.8	$ 26.7
Provision for new credit guarantees			0.1	0.1
Settlements made	(0.7)		(3.0)	(0.3)
Changes for pre-existing guarantees, net	(2.6)	(2.8)	(8.9)	(2.3)
Amortization of previous guarantees	(0.8)	(0.3)	(1.0)	(0.7)
Foreign currency translation adjustment	0.1	(0.1)	0.1	(0.1)
Balance at end of period	$ 10.1	$ 23.4	$ 10.1	$ 23.4

In the first quarter of fiscal 2011, the Company reached a settlement with a customer that resulted in the customer s repayment of $28.3 million of loans supported by Company guarantees for which the Company had established specific credit loss reserves. Upon release of the guarantees, the Company reduced previously accrued reserves by $8.1 million.

10. Derivative Financial Instruments and Hedging Activities

The Company has used forward foreign currency exchange contracts (derivatives) to reduce the exchange rate risk of specific foreign currency denominated transactions. These derivatives typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date. At times, the Company has designated these hedges as either cash flow hedges or fair value hedges under FASB ASC Topic 815, *Derivatives and Hedging*, as follows:

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Fair Value Hedging Strategy The Company enters into forward foreign exchange contracts to hedge certain firm commitments denominated in foreign currencies, primarily the Euro. The purpose of the Company s foreign currency hedging activities is to protect the Company from risk that the eventual U.S. dollar-equivalent cash flows from the sale of products to international customers will be adversely affected by changes in the exchange rates.

Cash Flow Hedging Strategy To protect against an increase in the cost of forecasted purchases of foreign-sourced component parts payable in Euro, the Company has a foreign currency cash flow hedging program. The Company hedges portions of its forecasted purchases denominated in Euro with forward contracts. When the U.S. dollar weakens against the Euro, increased foreign currency payments are offset by gains in the value of the forward contracts. Conversely, when the U.S. dollar strengthens against the Euro, reduced foreign currency payments are offset by losses in the value of the forward contracts.

At March 31, 2011, the Company had no forward foreign exchange contracts designated as hedges.

To manage a portion of the Company s exposure to changes in LIBOR-based interest rates on its variable-rate debt, the Company entered into an amortizing interest rate swap agreement that effectively fixes the interest payments on a portion of the Company s variable-rate debt. A portion of the swap has been designated as a cash flow hedge of 3-month LIBOR-based interest payments and, accordingly, derivative gains or losses are reflected as a component of accumulated other comprehensive income (loss) and are amortized to interest expense over the respective lives of the borrowings. At March 31, 2011, $8.2 million of net unrealized losses remained deferred in Accumulated other comprehensive income (loss) in the Condensed Consolidated Balance Sheet. See Note 8 of the Notes to Condensed Consolidated Financial Statements for information regarding the interest rate swap.

The Company has entered into forward foreign currency exchange contracts to create an economic hedge to manage foreign exchange risk exposure associated with non-functional currency denominated payables resulting from global sourcing activities. The Company has not designated these derivative contracts as hedge transactions under FASB ASC Topic 815, and accordingly, the mark-to-market impact of these derivatives is recorded each period in current earnings. The fair value of foreign currency related derivatives is included in the Condensed Consolidated Balance Sheets in Other current assets and Other current liabilities. At March 31, 2011, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled $104.4 million in notional amounts, including $56.6 million in contracts to sell Euro, $37.5 million in contracts to sell Australian dollars and $8.0 million in contracts to sell U.K. pounds sterling and buy Euro, with the remaining contracts covering a variety of foreign currencies.

Fair Market Value of Financial Instruments The fair values of all open derivative instruments in the Condensed Consolidated Balance Sheets were as follows (in millions):

	March 31, 2011			September 30, 2010		
	Other Current Assets	Other Current Liabilities	Other Long-term Liabilities	Other Current Assets	Other Current Liabilities	Other Long-term Liabilities
Designated as hedging instruments:						
Interest rate contracts	$	$ 8.2	$	$	$ 15.6	$ 2.8
Not designated as hedging instruments:						
Foreign exchange contracts	0.2	0.6		0.3	0.8	
Total derivatives	$ 0.2	$ 8.8	$	$ 0.3	$ 16.4	$ 2.8

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

The pre-tax effects of derivative instruments on the Condensed Consolidated Statements of Income consisted of the following (in millions):

	Classification of Gains (Losses)	Three Months Ended March 31, 2011		2010
Cash flow hedges:				
Reclassified from other comprehensive income (effective portion):				
Interest rate contracts	Interest expense	$	(3.0)	$ (9.1)
Not designated as hedges:				
Foreign exchange contracts	Miscellaneous, net		(4.1)	3.0
Total		$	(7.1)	$ (6.1)

	Classification of Gains (Losses)	Six Months Ended March 31, 2011		2010
Cash flow hedges:				
Reclassified from other comprehensive income (effective portion):				
Interest rate contracts	Interest expense	$	(10.5)	$ (22.8)
Foreign exchange contracts	Cost of sales		(0.1)	(0.1)
Not designated as hedges:				
Foreign exchange contracts	Miscellaneous, net		(4.7)	4.3
Total		$	(15.3)	$ (18.6)

11. Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2:

Observable inputs other than quoted prices other than those included in Level 1, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management s own assumptions about the inputs used in pricing the asset or liability.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

As of March 31, 2011, the fair values of the Company s financial assets and liabilities were as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets:				
Foreign currency exchange derivatives (a)	$	$ 0.2	$	$ 0.2
Liabilities:				
Foreign currency exchange derivatives (a)	$	$ 0.6	$	$ 0.6
Interest rate swaps (b)		8.2		8.2
Total liabilities at fair value	$	$ 8.8	$	$ 8.8

(a) Based on observable market transactions of forward currency prices.

(b) Based on observable market transactions of forward LIBOR rates.

12. Stock-Based Compensation

Under the Company s 2009 Incentive Stock and Awards Plan (the 2009 Stock Plan), officers, directors, including non-employee directors, and employees of the Company may be granted stock options, stock appreciation rights, performance shares, performance units, shares of Common Stock, restricted stock, restricted stock units and other stock-based awards. The 2009 Stock Plan provides for the granting of options to purchase shares of the Company s Common Stock at not less than the fair market value of such shares on the date of grant. Stock options granted under the 2009 Stock Plan become exercisable in equal installments over a three-year period, beginning with the first anniversary of the date of grant of the option, unless a shorter or longer duration is established by the Human Resources Committee of the Board of Directors at the time of the option grant. Stock options terminate not more than seven years from the date of grant. Except for performance shares and performance units, vesting is based solely on continued service as an employee of the Company and generally vest upon retirement. The maximum number of shares of stock reserved for all awards under the 2009 Stock Plan is 4,000,000. At March 31, 2011, the Company had reserved 6,830,833 shares of Common Stock to provide for the exercise of outstanding stock options and the issuance of Common Stock under incentive compensation awards, including awards issued prior to the effective date of the 2009 Stock Plan.

The Company recognizes compensation expense for stock option, nonvested stock and performance share awards over the requisite service period for vesting of the award, or to an employee s eligible retirement date, if earlier and applicable. Total stock-based compensation expense included in the Company s Condensed Consolidated Statements of Income for the three and six months ended March 31, 2011 was $4.2 million ($2.7 million net of tax) and $8.4 million ($5.3 million net of tax), respectively. Total stock-based compensation expense included in the Company s Condensed Consolidated Statements of Income for the three and six months ended March 31, 2010 was $3.9 million ($2.5 million net of tax) and $7.1 million ($4.5 million net of tax), respectively.

The Company granted 30,575 and 23,650 options to purchase shares of the Company s common stock and issued 13,812 and 19,182 shares of nonvested stock during the six month periods ended March 31, 2011 and 2010, respectively.

13. Restructuring and Other Charges

As part of the Company s actions to rationalize and optimize its global manufacturing footprint and in an effort to streamline operations, the Company announced in September 2010 that it was closing two JerrDan manufacturing facilities and relocating towing and recovery equipment production to other underutilized access equipment segment facilities. The Company largely completed these actions in the fourth quarter of fiscal 2010 and the first quarter of fiscal 2011. As a result of the Company s plan to put a leased facility back into use, a liability for lease termination costs was reversed in the second quarter of fiscal 2011.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

In October 2010, the Company announced that its fire & emergency segment would be closing its Oshkosh Specialty Vehicles manufacturing facilities and integrating those operations into existing operations in Florida. In the first quarter of fiscal 2011, the Company accrued severance payments of $0.7 million in connection with this consolidation. The Company largely completed this action in the first quarter of fiscal 2011.

In January 2011, the Company initiated a plan to address continued weak market conditions in its access equipment segment in Europe. The plan includes the consolidation of certain facilities and other cost reduction initiatives that will result in reductions in its workforce in Europe. In connection with this plan, the Company recorded statutorily or contractually required termination benefit costs of $11.3 million in the first quarter of fiscal 2011. During the second quarter of fiscal 2011, the Company reached an agreement with the works councils on certain details of the plan, including the number of employees that will ultimately receive severance. As a result of employees voluntarily leaving the Company prior to the finalization of the plan, the accrual was reduced during the second quarter of fiscal 2011. Also in January 2011, the Company announced that its fire & emergency segment would be closing its Medtec Ambulance Corporation manufacturing facilities and integrating those operations into existing operations in Florida. The Company expects to incur approximately $2 million of additional restructuring charges in connection with these facility consolidations and workforce reductions in fiscal 2011.

Pre-tax restructuring charges (credits) for the three and six month periods ended March 31, 2011 were as follows (in millions):

	Three Months Ended March 31, 2011		
	Cost of Sales	Selling, General and Administrative	Total
Access equipment	$ (4.5)	$ (1.3)	$ (5.8)
Fire & emergency		0.7	0.7
Commercial	0.1	0.3	0.4
	$ (4.4)	$ (0.3)	$ (4.7)

	Six Months Ended March 31, 2011		
	Cost of Sales	Selling, General and Administrative	Total
Access equipment	$ 4.3	$ 1.4	$ 5.7
Fire & emergency		1.4	1.4
Commercial	0.1	0.3	0.4
	$ 4.4	$ 3.1	$ 7.5

Changes in the Company s restructuring reserves, included within Other current liabilities in the Condensed Consolidated Balance Sheets, were as follows (in millions):

	Employee Severance and Termination Benefits	Property, Plant and Equipment Impairment	Other	Total
Original provision	$ 0.4	$ 6.9	$ 3.2	$ 10.5
Utilized - cash	(0.3)			(0.3)
Utilized - noncash		(6.9)		(6.9)
Balance at September 30, 2010	0.1		3.2	3.3
Restructuring provisions	9.9		(2.4)	7.5
Utilized - cash	(0.6)		(0.5)	(1.1)
Balance at March 31, 2011	$ 9.4	$	$ 0.3	$ 9.7

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

14. Employee Benefit Plans

Components of net periodic pension benefit cost were as follows (in millions):

	U.S. Plans			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Service cost	$ 4.7	$ 4.0	$ 8.6	$ 7.6
Interest cost	3.4	3.1	6.5	5.9
Expected return on plan assets	(3.6)	(3.0)	(7.2)	(6.0)
Amortization of prior service cost	0.6	0.5	1.0	0.8
Amortization of net actuarial loss	2.2	1.1	3.5	2.1
Net periodic benefit cost	$ 7.3	$ 5.7	$ 12.4	$ 10.4

	Non-U.S. Plans			
	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Service cost	$ 0.1	$ 0.3	$ 0.3	$ 0.4
Interest cost	0.2	0.3	0.4	0.5
Expected return on plan assets	(0.2)	(0.3)	(0.5)	(0.5)
Net periodic benefit cost	$ 0.1	$ 0.3	$ 0.2	$ 0.4

The Company expects to contribute approximately $25.0 million to its pension plans in fiscal 2011 compared to $34.7 million in fiscal 2010.

Components of net periodic other post-employment benefit costs were as follows (in millions):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Service cost	$ 1.2	$ 1.1	$ 2.3	$ 2.1
Interest cost	0.7	0.7	1.5	1.4

Amortization of net actuarial loss		0.2		0.2		0.5		0.4
Net periodic benefit cost	$	2.1	$	2.0	$	4.3	$	3.9

The Company made contributions to fund benefit payments of $0.3 million and $0.3 million for the three months ended and $0.6 and $0.6 million for the six months ended March 31, 2011 and 2010, respectively, under its other post-employment benefit plans. The Company estimates additional contributions of approximately $0.6 million will be made under these other post-employment benefit plans prior to the end of fiscal 2011.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

15. Income Taxes

The Company s effective income tax rate was 34.6% and 35.9% for the six months ended March 31, 2011 and 2010, respectively. The effective income tax rate for the six months ended March 31, 2011 was favorably impacted by discrete tax benefits, including the impact of benefits associated with foreign tax credits related to a decision to repatriate earnings previously fully reinvested (234 basis points), reductions of tax reserves related to the expiration of the statute of limitations (66 basis points) and the December 2010 reinstatement of the U.S. research and development tax credit (83 basis points). The effective income tax rate for the six months ended March 31, 2010 was unfavorably impacted by non-deductible intangible asset impairment charges (50 basis points).

The Company s liability for gross unrecognized tax benefits, excluding related interest and penalties, was $55.7 million and $53.4 million as of March 31, 2011 and September 30, 2010, respectively. Excluding interest and penalties, net unrecognized tax benefits of $43.5 million would affect the Company s net income if recognized, $23.4 million of which would impact net income from continuing operations.

The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in the Provision for income taxes in the Company s Condensed Consolidated Statements of Income. During the six months ended March 31, 2011 and 2010, the Company recognized $0.9 million and $1.8 million in interest and penalties, respectively. At March 31, 2011, the Company had accruals for the payment of interest and penalties of $13.6 million. During the next twelve months, it is reasonably possible that federal, state and foreign tax audit resolutions could reduce unrecognized tax benefits by approximately $6.2 million, because the Company s tax positions are sustained on audit, the Company agrees to their disallowance or the statute of limitations expires.

The Company files federal income tax returns, as well as multiple state, local and non-U.S. jurisdiction tax returns. The Company is regularly audited by federal, state and foreign tax authorities. The Company is currently under audit by the Internal Revenue Service for the taxable years ended September 30, 2008 and 2009; the Belgium taxing authorities for the taxable years ended September 30, 2008 and 2009; and the state of Wisconsin for the taxable years 2006 through 2009.

16. Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted weighted-average shares used in the denominator of the per share calculations:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Basic weighted-average shares outstanding	90,839,750	89,596,583	90,716,175	89,536,608
Effect of dilutive stock options and other equity-based compensation awards	964,606	1,322,631	921,762	1,301,505
Diluted weighted-average shares outstanding	91,804,356	90,919,214	91,637,937	90,838,113

Options to purchase 1,399,955 shares of Common Stock were outstanding during the three and six months ended March 31, 2011, but were not included in the computation of diluted earnings (loss) per share attributable to Oshkosh Corporation common shareholders because the exercise price of the options was greater than the average market price of the shares of Common Stock and therefore would have been anti-dilutive. Options to purchase 1,390,849 and 1,397,794 shares of Common Stock were outstanding during the three and six months ended March 31, 2010, but were not included in the computation of diluted earnings (loss) per share attributable to Oshkosh Corporation common shareholders because the exercise price of the options was greater than the average market price of the shares of Common Stock and therefore would have been anti-dilutive.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Income attributable to Oshkosh Corporation common shareholders was as follows (in millions):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Amounts attributable to Oshkosh Corporation common shareholders:				
Continuing operations, net of tax	$ 67.9	$ 292.6	$ 167.5	$ 465.1
Discontinued operations, net of tax				(2.9)
Net income	$ 67.9	$ 292.6	$ 167.5	$ 462.2

17. Contingencies, Significant Estimates and Concentrations

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

The Company had reserves of $2.2 million and $1.9 million for losses related to environmental matters that were probable and estimable at March 31, 2011 and September 30, 2010, respectively. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs to be incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a materially adverse effect on the Company s financial position, results of operations or cash flows.

Personal Injury Actions and Other - Product and general liability claims arise against the Company from time to time in the ordinary course of business. The Company is generally self-insured for future claims up to $3.0 million per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. At March 31, 2011 and September 30, 2010, reserves for product and general liability claims were $43.8 million and $44.4 million, respectively, based on available information. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses in excess of established reserves will not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

Market Risks - The Company was contingently liable under bid, performance and specialty bonds totaling $194.4 million and open standby letters of credit issued by the Company s banks in favor of third parties totaling $33.0 million at March 31, 2011.

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

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

The ramp-up of the FMTV program has been challenging for the Company as it worked through a number of issues associated with the start-up of production. The Company expensed start-up costs of $13.5 million during the second quarter of fiscal 2011, which resulted in a loss for the FMTV program for the quarter. The Company expects to incur additional start-up costs in the third and fourth quarters of fiscal 2011, but at amounts lower than in the second quarter, which it expects will lead to further losses for the program in those quarters. The Company expects that FMTV production and sales beyond fiscal 2011 will be profitable and, therefore, has not recorded a charge for a loss contract. In evaluating the profitability under the FMTV contract, it is necessary to estimate future production costs. Management cost assumptions include estimates for future increases in the costs of raw materials, targeted cost savings and production efficiencies. There are inherent uncertainties related to these factors and management s judgment in applying them to the analysis of profitability. For example, a 1% escalation in material costs over the Company s projection for FMTV orders currently in backlog would increase the cost of materials by approximately $21 million. Although this amount is less than the expected future profitability, it would significantly reduce the expected future gross margins on orders received to date. It is possible that assumptions underlying the analysis could change in such a manner that the Company would determine in the future that this is a loss contract, which could result in a material charge.

18. Business Segment Information

The Company is organized into four reportable segments based on the internal organization used by management for making operating decisions and measuring performance and based on the similarity of customers served, common management, common use of facilities and economic results attained. During fiscal 2010, in conjunction with the appointment of a new segment president, the Company transferred operational responsibility of JerrDan from the fire & emergency segment to the access equipment segment. As a result, JerrDan is currently included with the access equipment segment for financial reporting purposes. Historical information has been reclassified to include JerrDan in the access equipment segment for all periods presented.

For purposes of business segment performance measurement, the Company does not allocate to individual business segments costs or items that are of a non-operating nature or organizational or functional expenses of a corporate nature. The caption Corporate includes corporate office expenses, including share-based compensation and results of insignificant operations. Identifiable assets of the business segments exclude general corporate assets, which principally consist of cash and cash equivalents, certain property, plant and equipment and certain other assets pertaining to corporate activities. Intersegment sales generally include amounts invoiced by a segment for work performed for another segment. Amounts are based on actual work performed and agreed-upon pricing which is intended to be reflective of the contribution made by the supplying business segment.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Summarized financial information concerning the Company s product lines and reportable segments was as follows (in millions):

	Three Months Ended March 31, 2011			Three Months Ended March 31, 2010		
	External Customers	Inter-segment	Net Sales	External Customers	Inter-segment	Net Sales
Net sales:						
Defense	$ 971.3	$ 1.0	$ 972.3	$ 2,267.8	$ 2.4	$ 2,270.2
Access equipment						
Aerial work platforms	237.1		237.1	105.0		105.0
Telehandlers	138.1		138.1	71.6		71.6
Other (a)	96.0		96.0	91.9	741.7	833.6
Total access equipment	471.2		471.2	268.5	741.7	1,010.2
Fire & emergency	172.4	4.8	177.2	208.0	6.1	214.1
Commercial						
Concrete placement	40.1		40.1	39.5		39.5
Refuse collection	72.5		72.5	65.3		65.3
Other	18.1	21.0	39.1	15.1	26.0	41.1
Total commercial	130.7	21.0	151.7	119.9	26.0	145.9
Intersegment eliminations		(26.8)	(26.8)		(776.2)	(776.2)
Consolidated	$ 1,745.6	$	$ 1,745.6	$ 2,864.2	$	$ 2,864.2

	Six Months Ended March 31, 2011			Six Months Ended March 31, 2010		
	External Customers	Inter-segment	Net Sales	External Customers	Inter-segment	Net Sales
Net sales:						
Defense	$ 2,083.1	$ 2.9	$ 2,086.0	$ 4,125.3	$ 4.6	$ 4,129.9
Access equipment						
Aerial work platforms	357.0		357.0	192.9		192.9
Telehandlers	223.4		223.4	110.4		110.4
Other (a)	181.4	36.7	218.1	188.1	1,272.5	1,460.6
Total access equipment	761.8	36.7	798.5	491.4	1,272.5	1,763.9
Fire & emergency	369.5	9.2	378.7	428.4	10.9	439.3
Commercial						

Concrete placement	74.6		74.6	81.1		81.1
Refuse collection	122.7		122.7	146.0		146.0
Other	34.7	39.2	73.9	26.1	47.8	73.9
Total commercial	232.0	39.2	271.2	253.2	47.8	301.0
Intersegment eliminations		(88.0)	(88.0)		(1,335.8)	(1,335.8)
Consolidated	$ 3,446.4	$	$ 3,446.4	$ 5,298.3	$	$ 5,298.3

(a) Access equipment intersegment sales involve assembly of M-ATV crew capsules and complete vehicles for the defense segment. These sales are eliminated in consolidation.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Income (loss) from continuing operations:				
Defense	$ 141.6	$ 452.8	$ 359.5	$ 792.5
Access equipment	17.7	45.8	1.0	59.1
Fire & emergency (a)	(6.6)	19.3	(4.0)	17.3
Commercial	5.3	1.4	(2.4)	4.5
Corporate	(25.5)	(23.8)	(56.7)	(48.2)
Intersegment eliminations	(0.1)	(1.2)	3.7	(5.2)
Operating income	132.4	494.3	301.1	820.0
Interest expense, net of interest income	(20.7)	(45.2)	(46.4)	(95.1)
Miscellaneous, net	0.4	1.0	0.1	1.2
Income from continuing operations before income taxes and equity in earnings (losses) of unconsolidated affiliates	$ 112.1	$ 450.1	$ 254.8	$ 726.1

(a) Results for the six months ended March 31, 2010 include non-cash goodwill and long-lived asset impairment charges of $23.3 million.

	March 31, 2011	September 30, 2010
Identifiable assets:		
Defense - U.S. (a)	$ 599.9	$ 876.4
Access equipment:		
U.S.	1,690.0	1,766.5
Europe (a)	808.9	794.0
Rest of world	215.0	186.7
Total access equipment	2,713.9	2,747.2
Fire & emergency:		
U.S.	526.5	529.9
Europe	16.0	15.6
Total fire & emergency	542.5	545.5
Commercial:		
U.S. (a)	329.5	316.4
Other North America (a)	37.9	38.7
Total commercial	367.4	355.1
Corporate and other:		
U.S.	321.4	183.1
Rest of world	2.1	1.3
Total corporate and other	323.5	184.4
Consolidated	$ 4,547.2	$ 4,708.6

(a) Includes investments in unconsolidated affiliates.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Net sales by geographic region based on product shipment destination were as follows (in millions):

	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Net sales:		
United States	$ 2,876.0	$ 4,865.9
Other North America	71.8	38.3
Europe, Africa and Middle East	309.7	267.8
Rest of world	188.9	126.3
Consolidated	$ 3,446.4	$ 5,298.3

19. Separate Financial Information of Subsidiary Guarantors of Indebtedness

The Senior Notes are jointly, severally and unconditionally guaranteed on a senior unsecured basis by all of Oshkosh Corporation s existing and future subsidiaries that from time to time guarantee obligations under Oshkosh Corporation s senior credit facility, with certain exceptions (the Guarantors).

The following condensed supplemental consolidating financial information reflects the summarized financial information of Oshkosh Corporation, the Guarantors on a combined basis and Oshkosh Corporation s non-guarantor subsidiaries on a combined basis (in millions):

Condensed Consolidating Statement of Income

For the Three Months Ended March 31, 2011

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 1,004.9	$ 553.7	$ 227.9	$ (40.9)	$ 1,745.6
Cost of sales	834.1	477.9	193.3	(40.8)	1,464.5
Gross income	170.8	75.8	34.6	(0.1)	281.1
Selling, general and administrative expenses	52.6	45.1	36.0		133.7
Amortization of purchased intangibles		9.8	5.2		15.0

Intangible asset impairment charges									
Operating income (loss)		118.2		20.9		(6.6)		(0.1)		132.4
Interest expense		(50.0)		(22.1)		(0.9)		51.3		(21.7)
Interest income		0.9		6.2		45.2		(51.3)		1.0
Miscellaneous, net		3.4		(32.1)		29.1				0.4
Income (loss) from continuing operations before income taxes		72.5		(27.1)		66.8		(0.1)		112.1
Provision for (benefit from) income taxes		31.2		(11.2)		24.2				44.2
Income (loss) from continuing operations before equity in earnings of affiliates		41.3		(15.9)		42.6		(0.1)		67.9
Equity in earnings (losses) of consolidated subsidiaries		26.6		13.4		(11.1)		(28.9)		
Equity in earnings (losses) of unconsolidated affiliates						(0.2)				(0.2)
Income (loss) from continuing operations		67.9		(2.5)		31.3		(29.0)		67.7
Discontinued operations, net of tax										
Net income (loss)		67.9		(2.5)		31.3		(29.0)		67.7
Net loss attributable to the noncontrolling interest						0.2				0.2
Net income (loss) attributable to Oshkosh Corporation	$	67.9	$	(2.5)	$	31.5	$	(29.0)	$	67.9

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Condensed Consolidating Statement of Income

For the Three Months Ended March 31, 2010

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total