

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

TEREX CORP  
Form 10-Q/A  
March 12, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

F O R M 10 - Q/A  
Amendment No. 1 to Form 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2003

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)

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

500 Post Road East, Suite 320, Westport, Connecticut 06880  
(Address of principal executive offices)

(203) 222-7170  
(Registrant's telephone number, including area code)

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

YES X NO \_\_\_\_\_

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b -2).

YES X NO \_\_\_\_\_

Number of outstanding shares of common stock: 48.2 million as of May 8, 2003.

The Exhibit Index begins on page 44.

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

## INDEX

### TEREX CORPORATION AND SUBSIDIARIES

#### GENERAL

This Amendment to the Quarterly Report on Form 10-Q filed by Terex Corporation ("Terex" or the "Company") includes financial information with respect to the following subsidiaries of the Company (all of which are wholly-owned) which were guarantors on March 31, 2003 (the "Guarantors") of the Company's \$300 million principal amount of 10-3/8% Senior Subordinated Notes due 2011 (the "10-3/8% Notes"), \$250 million principal amount of 8-7/8% Senior Subordinated Notes due 2008 (the "8-7/8% Notes") and \$200 million principal amount of 9-1/4% Senior Subordinated Notes due 2011 (the "9-1/4% Notes"). See Note O to the Company's March 31, 2003 Condensed Consolidated Financial Statements included in this Amendment to the Quarterly Report.

Guarantor -----	State or other jurisdiction of Incorporation or organization -----	I.R.S. employer identification number -----
Amida Industries, Inc.	South Carolina	57-0531390
Benford America, Inc.	Delaware	76-0522879
BL-Pegson USA, Inc.	Connecticut	31-1629830
Cedarapids, Inc.	Iowa	42-0332910
CMI Dakota Company	South Dakota	46-0440642
CMI Terex Corporation	Oklahoma	73-0519810
CMIOIL Corporation	Oklahoma	73-1125438
Coleman Engineering, Inc.	Tennessee	62-0949893
Combatel Distribution, Inc.	Delaware	63-1094091
Commercial Body Corporation	Delaware	74-3075523
EarthKing, Inc.	Delaware	06-1572433
Finlay Hydrascreen USA, Inc.	New Jersey	22-2776883
Fuchs Terex, Inc.	Delaware	06-1570294
Genie Access Services, Inc.	Washington	91-2073567
Genie China, Inc.	Washington	91-1973009
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 Commercial LLC	Washington	n/a
GFS National, Inc.	Washington	91-1959375
Go Credit Corporation	Washington	91-1563427
Koehring Cranes, Inc.	Delaware	06-1423888
Lease Servicing & Funding Corp.	Washington	91-1808180
O & K Orenstein & Koppel, Inc.	Delaware	58-2084520
Payhauler Corp.	Illinois	36-3195008
Powerscreen Holdings USA Inc.	Delaware	61-1265609
Powerscreen International LLC	Delaware	61-1340898
Powerscreen North America Inc.	Delaware	61-1340891
Powerscreen USA, LLC	Kentucky	31-1515625
PPM Cranes, Inc.	Delaware	39-1611683
Product Support, Inc.	Oklahoma	73-1488926
Royer Industries, Inc.	Pennsylvania	24-0708630
Schaeff, Inc.	Iowa	42-1097891
Standard Havens, Inc	Delaware	43-0913249
Standard Havens Products, Inc.	Delaware	43-1435208

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

Telelect Southeast Distribution, Inc.	Tennessee	02-0560744
Terex Advance Mixer, Inc.	Delaware	06-1444818
Terex Bartell, Inc.	Delaware	34-1325948
Terex Cranes, Inc.	Delaware	06-1513089
Terex Financial Services, Inc.	Delaware	45-0497096
Terex Mining Equipment, Inc.	Delaware	06-1503634
Terex Utilities, Inc.	Delaware	04-3711918
Terex-RO Corporation	Kansas	44-0565380
Terex-Telelect, Inc.	Delaware	41-1603748
The American Crane Corporation	North Carolina	56-1570091
Utility Equipment, Inc.	Oregon	93-0557703

PART I FINANCIAL INFORMATION

Item 1 Condensed Consolidated Financial Statements

TEREX CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statement of Operations --

Three months ended March 31, 2003 and 2002.....

Condensed Consolidated Balance Sheet - March 31, 2003 and December 31, 2002.....

Condensed Consolidated Statement of Cash Flows --

Three months ended March 31, 2003 and 2002.....

Notes to Condensed Consolidated Financial Statements -- March 31, 2003.....

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

SIGNATURES .....

EXHIBIT INDEX .....

EXPLANATORY NOTE

This Amendment to the Quarterly Report on Form 10-Q/A ("Form 10-Q/A") of Terex Corporation (the "Company" or "Terex") is being filed to amend and restate certain items of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, which was filed with the SEC on May 15, 2003 ("Original Form 10-Q"). Terex maintains a deferred compensation plan (the "Plan") for participating employees that, prior to January 1, 2004, permitted participants to transfer funds between investment options, one of which is an option to invest in shares of Terex common stock. It has been the practice of the Plan to purchase shares of Terex common stock on an ongoing basis as participants contribute to the Terex common stock fund, in order to eliminate the risk associated with fluctuations in the price of Terex common stock.

The Company, in consultation with its independent auditors, has determined that generally accepted accounting principles required the Company to record an obligation to Plan participants invested in Terex common stock at the fair value of the Terex common stock. Accordingly, the Company's consolidated financial statements as of and for the three months ended March 31, 2003 have been

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

restated to record the fair value of the Company's obligations to Plan participants invested in Terex common stock. As the Company has acquired shares equal to its obligation to Plan participants, there is no cash impact associated with this amendment.

The amendments contained herein reflect changes resulting from the foregoing adjustments with regard to the Plan and the related income tax effect. The Company has not updated the information contained herein for events and transactions occurring subsequent to May 15, 2003, the filing date of the Original Form 10-Q, except to reflect the restatement of the Company's financial statements as described above.

3

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

#### TEREX CORPORATION AND SUBSIDIARIES

#### CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (unaudited) (in millions, except per share data)

	For the Three Months Ended March 31,	
	(Restated - See Note A)	
	2003	2002
	-----	-----
Net sales.....	\$ 927.7	\$ 582.0
Cost of goods sold.....	798.0	490.7
	-----	-----
Gross profit.....	129.7	91.3
Selling, general and administrative expenses.....	89.2	59.8
	-----	-----
Income from operations.....	40.5	31.5
Other income (expense):		
Interest income.....	1.7	0.8
Interest expense.....	(25.9)	(22.0)
Other income (expense) - net.....	0.3	(1.2)
	-----	-----
Income before income taxes and cumulative effect of change in accounting principle.....	16.6	9.1
Provision for income taxes.....	(4.6)	(2.9)
	-----	-----

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

Income before cumulative effect of change in accounting principle.....	12.0	6.2
Cumulative effect of change in accounting principle (net of income tax expense of \$1.0 in 2002).....	---	(113.4)
	-----	-----
Net income (loss).....	\$ 12.0	\$ (107.2)
	=====	=====
Per common share:		
Basic:		
Income before cumulative effect of change in accounting principle.....	\$ 0.25	\$ 0.16
Cumulative effect of change in accounting principle.....	---	(2.98)
	-----	-----
Net income (loss).....	\$ 0.25	\$ (2.82)
	=====	=====
Diluted:		
Income before cumulative effect of change in accounting principle.....	\$ 0.24	\$ 0.16
Cumulative effect of change in accounting principle.....	---	(2.93)
	-----	-----
Net income (loss).....	\$ 0.24	\$ (2.77)
	=====	=====
Weighted average number of shares outstanding in per share calculation:		
Basic.....	47.2	38.0
Diluted.....	49.0	38.7

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

4

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

Assets  
 Current assets

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

Cash and cash equivalents.....	\$
Trade receivables (net of allowance of \$19.6 at March 31, 2003 and \$19.6 at December 31, 2002).....	
Inventories.....	
Other current assets.....	-----
Total current assets.....	
Long-term assets	
Property, plant and equipment.....	
Goodwill.....	
Deferred taxes.....	
Other assets.....	-----
 Total assets.....	 \$ =====
 Liabilities and Stockholders' Equity	
Current liabilities	
Notes payable and current portion of long-term debt.....	\$
Trade accounts payable.....	
Accrued compensation and benefits.....	
Accrued warranties and product liability.....	
Other current liabilities.....	-----
Total current liabilities.....	
Non-current liabilities	
Long-term debt, less current portion.....	
Other.....	
 Commitments and contingencies	
Stockholders' equity	
Common stock, \$.01 par value - authorized 150.0 shares; issued 49.2 and 48.6 shares at March 31, 2003 and December 31, 2002, respectively.....	
Additional paid-in capital.....	
Retained earnings.....	
Accumulated other comprehensive income (loss).....	
Less cost of shares of common stock in treasury - 1.2 shares at March 31, 2003 and December 31, 2002.....	-----
Total stockholders' equity.....	-----
 Total liabilities and stockholders' equity.....	 \$ =====

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

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

TEREX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(unaudited)  
(in millions)

	For the Three Months Ended March 31,
	(Restated - See Note A)
	2003
<hr/>	
Operating Activities	
Net income (loss).....	\$ 12.0
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:	
Depreciation.....	12.9
Amortization.....	2.7
Impairment charges and asset write downs.....	1.7
Gain on sale of fixed assets.....	(0.5)
Changes in operating assets and liabilities (net of effects of acquisitions):	
Trade receivables.....	(9.3)
Inventories.....	40.4
Trade accounts payable.....	59.1
Other, net.....	(4.1)
	<hr/>
Net cash provided by (used in) operating activities.....	114.9
	<hr/>
Investing Activities	
Acquisition of businesses, net of cash acquired.....	(8.5)
Capital expenditures.....	(8.6)
Proceeds from sale of assets.....	2.6
	<hr/>
Net cash used in investing activities.....	(14.5)
	<hr/>
Financing Activities	
Principal borrowings (repayments) of long-term debt.....	(1.5)
Net borrowings (repayments) under revolving line of credit agreements.....	(22.5)
Other.....	(11.6)
	<hr/>
Net cash provided by (used in) financing activities.....	(35.6)
	<hr/>
Effect of Exchange Rate Changes on Cash and Cash Equivalents.....	2.9
	<hr/>

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

Net Increase (Decrease) in Cash and Cash Equivalents.....	67.7
Cash and Cash Equivalents at Beginning of Period.....	352.2
	-----
Cash and Cash Equivalents at End of Period.....	\$ 419.9
	=====

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

6

### TEREX CORPORATION AND SUBSIDIARIES

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003  
(unaudited)

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

NOTE A -- BASIS OF PRESENTATION Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Terex Corporation and subsidiaries as of March 31, 2003 and for the three months ended March 31, 2003 and 2002 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, 2002 has been derived from the audited consolidated balance sheet as of that date.

The condensed consolidated financial statements include the accounts of Terex Corporation and its majority owned subsidiaries ("Terex" or the "Company"). All material intercompany balances, transactions and profits have been eliminated.

In the opinion of management, all adjustments considered necessary for a fair statement have been made. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. 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, 2002.

Cash and cash equivalents at March 31, 2003 and December 31, 2002 include \$13.7 and \$4.5, respectively, which was not immediately available for use. These consist primarily of cash balances held in escrow to secure various obligations of the Company.

Restatement - The Company maintains a deferred compensation plan (the "Plan") for participating employees that, prior to January 1, 2004, permitted participants to transfer funds between investment options, one of which is an option to invest in shares of Terex common stock. The Company, in consultation with its independent auditors, has determined that generally accepted accounting principles require the Company to adjust its obligation to Plan participants invested in Terex common stock to the fair value of the Terex common stock. Accordingly, the Company's consolidated financial statements for the three

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

months ended March 31, 2003 have been restated to increase the liability to Plan participants by \$0.8 as of March 31, 2003 based on the fair value of Terex common stock at that date.

The impact of the restatement on the restated components of the Company's consolidated balance sheet is as follows (in millions):

March 31, 2003	As Original Reported
Deferred Tax Assets.....	150.4
Total assets.....	\$ 3,680.0
Other long term liabilities.....	262.4
Retained earnings.....	79.9
Total stockholders' equity.....	800.7
Total liabilities and stockholders' equity.....	\$ 3,680.0

For the Three Months Ended March 31, 2003	As Originally Reported
Net Sales	\$ 927.7
Selling, general and administrative expenses.....	(88.4)
Income from operations.....	41.3
Provision for income taxes.....	(4.9)
Net income.....	\$ 12.5
Earnings per share - Net income.....	\$ 0.26
Diluted earnings per share - Net income.....	\$ 0.26

7

Recent Accounting Pronouncements. Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued in October 2001. SFAS No. 144 became effective for the Company on January 1, 2002 and provides new guidance on the recognition of impairment losses on long-lived assets to be held and used or to be disposed of and also broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. The adoption of the standard has not materially changed the methods used by the Company to determine impairment losses on long-lived assets, but may result in additional items being reported as discontinued operations in the future. Refer to Note E - "Restructuring and Other Charges" for information on the recognition of impairment losses.

SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002," was issued in May 2002. SFAS No. 145 became effective for certain leasing transactions occurring after May 15, 2002 and became effective for the Company on January 1, 2003 with respect to reporting gains and losses from extinguishments of debt. The adoption of SFAS No. 145 will result in the Company reporting most gains and losses from

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

extinguishments of debt as a component of income or loss from continuing operations before income taxes and extraordinary items; there will be no effect on the Company's net income or loss. Prior period amounts will be reclassified.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued in June 2002. SFAS No. 146 became effective for exit or disposal activities that are initiated after December 31, 2002. Under SFAS No. 146, a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under previous accounting principles, a liability for an exit cost would be recognized at the date of an entity's commitment to an exit plan. Adoption of SFAS No. 146 has been applied prospectively and has not had a material effect on the Company's consolidated financial position or results of operations.

In November 2002, the Financial Accounting Standards Board (the "FASB") issued FASB Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of Statement of Financial Accounting Standards Nos. 5, 57, and 107 and rescission of FIN 34." FIN 45 extends the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of its obligations under certain guarantees. The disclosure provisions of FIN 45 were effective for financial statements for periods ending after December 15, 2002. The provisions for initial recognition and measurement of guarantees are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. The application of FIN 45 has not had a material impact on the Company's consolidated financial position or results of operations.

During January 2003 the FASB issued FIN 46, "Consolidation of Variable Interest Entities" which is effective for the Company on July 1, 2003 for any existing entities and to any variable interest entities created after January 31, 2003. A variable interest entity ("VIE") is a corporation, partnership, trust or other legal entity that does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its own activities. This interpretation requires a company to consolidate a VIE when the company has a majority of the risk of loss from the VIE's activities or is entitled to receive a majority of the entity's residual returns or both. The Company is currently evaluating the provisions of FIN 46 to determine its impact on the Company's consolidated financial position or results of operations.

In January 2003, the Emerging Issues Task Force (the "EITF") released EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF 00-21 clarifies the timing and recognition of revenue from certain transactions that include the delivery and performance of multiple products or services. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company is currently reviewing the impact of EITF 00-21 on the Company's consolidated financial position or results of operations.

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

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

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

8

A liability for estimated warranty claims is accrued at the time of sale. The liability is established using a historical warranty claim experience for each product sold. The historical claim experience may be adjusted for known design improvements or for the impact of unusual product quality issues. Warranty reserves are reviewed quarterly to ensure that critical assumptions are updated for known events that may impact the potential warranty liability.

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

	Three Months Ended March 31, 2003	
Balance at beginning of period.....	\$	59.1
Accruals for warranties issued during the period.....		13.3
Changes in estimates.....		0.1
Settlements during the period.....		(14.2)
Foreign exchange effect.....		0.9
Balance at end of period.....	\$	59.2
		=====

Stock-Based Compensation. At March 31, 2003, the Company has stock-based employee compensation plans. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No employee compensation cost is reflected in net income for the granting of employee stock options, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income (loss) and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

	For the Three Months Ended March 31,	
	2003	2002
Reported net income (loss).....	\$ 12.0	\$ (107.2)
Deduct: Total stock-based employee compensation expense		

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

determined under fair value based methods for all awards, net of related income tax effects.....	(1.1)	(0.7)
Pro forma net income (loss).....	\$ 10.9	\$ (107.9)
Per common share:		
Basic:		
Reported net income (loss).....	\$ 0.25	\$ (2.82)
Pro forma net income (loss).....	\$ 0.23	\$ (2.84)
Diluted:		
Reported net income (loss).....	\$ 0.24	\$ (2.77)
Pro forma net income (loss).....	\$ 0.22	\$ (2.79)

The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for the three months ended March 31, 2003 and 2002, respectively: dividend yields of 0% and 0%; expected volatility of 51.24% and 51.24%; risk-free interest rates of 4.90% and 5.42%; and expected life of 9.7 years and 9.6 years. The aggregate fair value of options granted during the three months ended March 31, 2003 and 2002 for which the exercise price equals the market price on the grant date was \$4.5 and \$2.5 respectively. The weighted average fair value at date of grant for options granted during the three months ended March 31, 2003 and 2002, was \$7.59 and \$14.71. per share, respectively.

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

9

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure as amendment of FASB Statement No. 123," was issued. SFAS No. 148, which became effective for fiscal years ended after December 15, 2002, provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123. The adoption of SFAS No. 148 has not had, and will not have, a material impact on the Company's financial statements, since the Company will continue to follow the method in APB Opinion No. 25.

### NOTE B -- ACQUISITIONS

On February 14, 2003, the Company completed the acquisition of Commercial Body Corporation ("Commercial Body"). Commercial Body, headquartered in San Antonio, Texas with locations in various states, distributes, assembles, rents and provides service of products for the utility, telecommunications and municipal markets. In connection with the acquisition, the Company issued approximately 600 thousand shares of Common Stock and paid \$4.5 cash, subject to adjustment. One of such adjustments may require the Company to pay cash or issue additional

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

shares of Common Stock (at the Company's option) if, on the second anniversary of the Commercial Body acquisition, the Common Stock is not trading on the New York Stock Exchange at a price at least 50% higher than it was at the time of the acquisition, up to a maximum number of shares of Common Stock having a value of \$3.4. At the time of Terex's acquisition of Commercial Body, Commercial Body had a 50% equity interest in Combatel Distribution, Inc. ("Combatel"). The remaining 50% of Combatel was owned by Terex and prior to the acquisition had been accounted for under the equity method of accounting. Commercial Body and Combatel are included in the Terex Roadbuilding, Utility Products and Other segment.

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

The Company is in the process of completing certain valuations, appraisals and actuarial and other studies for purposes of determining the respective fair values of tangible and intangible assets used in the allocation of purchase consideration for the acquisitions of Commercial Body and Combatel. The Company does not anticipate that the final results of these valuations will have a material impact on its financial position, operations or cash flows. The Company may revise its preliminary allocations as additional information is obtained. The Company is in the process of evaluating various alternatives to integrate the activities of Commercial Body and Combatel into the Company, including alternatives to exit or consolidate certain facilities and/or activities and restructure certain functions and reduce the related headcount. These alternatives could impact the acquired businesses or existing businesses, and the Company intends to finalize its plans by June 30, 2003. The Company does not believe that these restructuring activities by themselves will have an adverse impact on the Company's ability to meet customer requirements for the Company's products.

On September 18, 2002, the Company completed the acquisition of Genie Holdings, Inc. and its affiliates ("Genie"), a global manufacturer of aerial work platforms (the "Genie Acquisition"). The Company initiated the Genie Acquisition as an opportunity to diversify its product offering with the addition of a complete line of aerial work platforms with a strong global brand and significant market share. The Genie Acquisition was also intended to provide operational and marketing synergies and cost savings, such as allowing the Genie product line to expand the reach of its distribution through the Company's existing sales base, particularly in Europe. Genie is included in the Terex Aerial Work Platforms segment.

The following pro forma summary presents the consolidated results of operations as though the Company completed the Genie Acquisition as of the beginning of the respective period, after giving effect to certain adjustments for interest expense, amortization of debt issuance costs and other expenses related to the transaction:

Pro Forma for the  
Three Months Ended  
March 31, 2002

Net sales.....	\$	725.9
Income from operations.....	\$	36.4
Income (loss) before cumulative effect of change in accounting principle.....	\$	4.7
Income (loss) before cumulative effect of change in accounting principle, per share:		

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

Basic.....	\$	0.11
Diluted.....	\$	0.11

10

The pro forma information is not necessarily indicative of what the actual results of operations of the Company would have been for the period indicated, nor does it purport to represent the results of operations for future periods.

### NOTE C - ACCOUNTING CHANGE - BUSINESS COMBINATIONS AND GOODWILL

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 141, effective July 1, 2001, addresses financial accounting and reporting for business combinations and requires all business combinations be accounted for using the purchase method. One requirement of SFAS No. 141 is that previously recorded negative goodwill be eliminated. Accordingly, the Company recorded a cumulative effect of an accounting change of \$17.8, \$10.7, net of income tax, related to the write-off of negative goodwill at January 1, 2002 from the acquisition of Fermec Manufacturing Limited in December 2000.

SFAS No. 142 addresses financial accounting for acquired goodwill and other intangible assets and how such assets should be accounted for in financial statements upon their acquisition and after they have been initially recognized in the financial statements. In accordance with SFAS No. 142, goodwill related to acquisitions completed after June 30, 2001 was not amortized in 2001 or 2002 and, effective January 1, 2002, goodwill related to acquisitions completed prior to July 1, 2001 is no longer being amortized. Under this standard, goodwill and indefinite life intangible assets are to be reviewed at least annually for impairment and written down only in the period in which the recorded value of such assets exceed their fair value.

Under the transitional provisions of SFAS No. 142, the Company identified its reporting units and performed impairment tests on the net goodwill and other intangible assets associated with each of the reporting units, using a valuation date of January 1, 2002. The SFAS No. 142 impairment test is a two-step process. First, it requires comparison of the book value of net assets to the fair value of the related reporting units. If the fair value is determined to be less than book value, a second step is performed to compute the amount of impairment. In the second step, the implied fair value of goodwill is estimated as the fair value of the reporting unit used in the first step less the fair values of all other tangible and intangible assets of the reporting unit. If the carrying amount of goodwill exceeds its implied fair market value, an impairment loss is recognized in an amount equal to that excess.

Consistent with the approach required under SFAS No. 142, the Company estimated the fair value of each of its ten reporting units existing as of January 1, 2002. Fair value was determined using a projection of undiscounted cash flow for each reporting unit. Undiscounted cash flow was calculated using projected after tax operating earnings, adding back depreciation and amortization, deducting projected capital expenditures and also including the net change in working capital employed. The assumptions were based on the Company's 2002 operating plan. The present value of the undiscounted cash flows were calculated using the Company's weighted cost of capital. The Company used an explicit five-year projection of cash flow along with a terminal value based on the fifth year's projected cash flow. The Company created these models. The total fair value of the Company, as determined above, as of January 1, 2002, was approximately equal to the market value of the Company at the same date, as determined by the market value of the Company's equity and debt.

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

The Company performed the test described in SFAS No. 142 for all units where the Company's carrying amount for such unit was below the fair value of that unit as calculated by the method described above. SFAS No. 142 defines how a company determines the implied fair value of goodwill.

The Terex Mining segment's carrying value exceeded the present value of the cash flow expected to be generated by the segment. Future cash flow expectations have been reduced due to the continued weakness in mineral commodity prices which are a major determinant of the overall demand for mining equipment. The Company calculated the fair market value of the Terex Mining segment's fixed assets and intangible assets. Given the specialized nature of this calculation, the Company employed a third party to assist in the determination of the fair value of intangible assets at the Terex Mining reporting unit. The appraiser helped determine the value for the Terex Mining unit's intangible assets, which included trade names, customer relationships, backlog and technology, as defined in SFAS No. 141. An income-based approach was used to determine the market value of these intangible assets. A market comparable approach was used to determine appropriate royalty rates. In addition, the fair value of the Terex Mining unit's plant, property and equipment was calculated using a cost approach. The Company provided guidance to the appraiser related to assumptions and methodologies used in valuation and took responsibility for determining the goodwill impairment charge. The results of this valuation work were used in the determination of the implied value of the Mining unit's goodwill as of January 1, 2002, which resulted in a goodwill impairment of \$105.7 (\$105.7, net of income taxes).

The Light Construction reporting unit, a component of the Terex Roadbuilding, Utility Products and Other segment, also was determined to have a carrying value in excess of its projected discounted cash flow. The market for the unit's products, primarily light towers, has been negatively impacted by the consolidation of distribution outlets for the unit's products, which has reduced demand for these products, and the increasing preference of end users of the unit's products to rent, rather than purchase, equipment. The analysis resulted in a goodwill impairment of \$26.2 (\$18.1, net of income taxes).

11

The EarthKing reporting unit, a component of the Terex Roadbuilding, Utility Products and Other segment, was also determined to have a carrying value in excess of its projected discounted cash flow. EarthKing was created to provide web based procurement services and complimentary products and services. Several businesses in which EarthKing invested were unsuccessful in gaining customer acceptance and were generating revenue at levels insufficient to warrant anticipated growth, which substantially reduced its value. A goodwill impairment of \$0.3 (\$0.3, net of income taxes) was recorded.

The Company did not require the assistance of a third party when determining the goodwill impairment associated with the Light Construction and EarthKing reporting units, whose carrying amount exceeded their fair value, as it was evident that the fair value of net tangible assets at these units was greater than the estimated fair value of the reporting units, and that 100% of the related goodwill was impaired.

The adjustment from the adoption of SFAS No. 142, an impairment loss of \$132.2 (\$124.1, net of income taxes) was recorded as a cumulative effect of change in accounting principle adjustment as of January 1, 2002.

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

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

	Terex Construction	Terex Cranes	Terex Roadbuilding, Utility Products and Other	Terex Aerial Work Platforms
Balance at December 31, 2002....	\$ 311.8	\$ 90.3	\$ 177.5	\$ 43.3
Acquisitions.....	---	3.2	6.8	1.4
Foreign exchange effect.....	0.6	0.3	---	---
Balance at March 31, 2003.....	\$ 312.4	\$ 93.8	\$ 184.3	\$ 44.7

The goodwill recognized for the acquisitions of Commercial Body, Combatel, Demag Mobile Cranes GmbH & Co. KG and its affiliates ("Demag") and Genie as of March 31, 2003 is not final, as the Company has not yet completed its valuation of their respective tangible and intangible assets.

The initial impairment test was performed as of January 1, 2002. The Company selected October 1 as the date for the required annual impairment test. The Company performed its last review of the carrying value of its goodwill, as required by SFAS No. 142, as of October 1, 2002. At that time, the estimated fair value of each reporting unit exceeded the carrying value of each reporting unit. Therefore, goodwill was not considered to be impaired and no further analysis was required by SFAS No. 142. Subsequent impairment tests will be performed effective October 1 of each year and more frequently if circumstances warrant.

Business performance during the first quarter of 2003 in the Roadbuilding reporting unit has not yet met the expectations assumed by the Company when goodwill was last tested for impairment on October 1, 2002. Sales levels in the Roadbuilding reporting unit have not reached expected volumes, as funding levels for road construction remain weak. In addition, margins have been affected as competitors have priced products aggressively to maintain market share. As a result of these issues, cash flow generated in the Roadbuilding business has not yet met the Company's estimates. The Company has taken several actions to address this shortfall, including staff reductions and changes in management. The Company is closely monitoring the performance of this business and, if results do not approximate expectations, a re-assessment of the expected future performance of the Roadbuilding business will be undertaken. If such a review is required and indicates a significant, permanent reduction in expected cash flows, the Company may be required to record a goodwill impairment charge to reflect a decrease in fair value for the Roadbuilding business. If required, the results of this review will be reflected in the Company's June 30, 2003 financial statements.

NOTE D -- DERIVATIVE FINANCIAL INSTRUMENTS

There are two types of derivatives that the Company enters into: 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.

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

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

The Company uses forward contracts and options to mitigate its exposure to changes in foreign currency exchange rates on third-party and intercompany forecasted transactions. The primary currencies to which the Company is exposed include the Euro, British Pound and Australian Dollar. When using options as a hedging instrument, the Company excludes the time value from the assessment of effectiveness. The effective portion of unrealized gains and losses associated with forward contracts and the intrinsic value of option contracts are deferred as a component of accumulated other comprehensive income (loss) until the underlying hedged transactions are reported on the Company's consolidated statement of operations. The Company uses interest rate swaps to mitigate its exposure to changes in interest rates related to existing issuances of variable rate debt and to fair value changes of fixed rate debt. Primary exposure includes movements in the London Interbank Offer Rate ("LIBOR").

Changes in the fair value of derivatives that are designated as fair value hedges are recognized in earnings as offsets to the changes in fair value of exposures being hedged. The change in fair value of derivatives that are designated as cash flow hedges are deferred in accumulated other comprehensive income (loss) and are recognized in earnings as the hedged transactions occur. Any ineffectiveness is recognized in earnings immediately.

The Company records hedging activity related to debt instruments in interest expense and hedging activity related to foreign currency and lease obligations in operating profit.

The Company entered into interest rate swap agreements that effectively converted variable rate interest payments into fixed rate interest payments. At March 31, 2003, the Company had \$100.0 notional amount of such interest rate swap agreements outstanding, all of which mature in 2009. The fair market value of these swaps at March 31, 2003 was a loss of \$2.0. These swap agreements have been designated as, and are effective as, cash flow hedges of outstanding debt instruments. During the three months ended March 31, 2003 and 2002, the Company recorded the change in fair value to accumulated other comprehensive income (loss) and reclassified to earnings a portion of the deferred loss from accumulated other comprehensive income (loss) as the hedged transactions occurred and were recognized in earnings.

The Company has entered into a series of interest rate swap agreements that converted fixed rate interest payments into variable rate interest payments. At March 31, 2003, the Company had \$154.0 notional amount of such interest rate swap agreements outstanding, all of which mature in 2006 through 2008. The fair market value of these swaps at March 31, 2003 was a gain of \$9.5, which is recorded in other non-current assets. These swap agreements have been designated as, and are effective as, fair value hedges of outstanding debt instruments.

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

During March 2003 and December 2002, the Company exited interest rate swap agreements in the notional amount of \$275.0 with maturities from 2008 through 2011 that converted fixed rate interest payments into variable rate interest payments. The Company received \$13.4 upon exiting these swap agreements. These gains are being amortized over the original maturity and, combined with the market value of the swap agreements held at March 31, 2003, are offset by a \$22.7 addition in the carrying value of the long-term obligations being hedged.

The Company is also a party to currency exchange forward contracts to manage its exposure to changing currency exchange rates that mature within one year. At March 31, 2003, the Company had \$158.5 of notional amount of currency exchange forward contracts outstanding, all of which mature on or before March 1, 2004. The fair market value of these swaps at March 31, 2003 was a gain of \$3.2. All of these swap agreements have been designated as, and are effective as, cash flow hedges of specifically identified assets and liabilities.

During the three months ended March 31, 2003 and 2002, the Company recorded the change in fair value to accumulated other comprehensive income (loss) and reclassified to earnings a portion of the deferred loss from accumulated other comprehensive income (loss) as the hedged transactions occurred and were recognized in earnings.

At March 31, 2003, the fair value of all derivative instruments has been recorded in the Condensed Consolidated Balance Sheet as a net asset of \$10.3, net of income taxes.

13

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

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

	Three Months Ended March 31,	
	2003	2002
Balance at beginning of period.....\$	2.1	(0.8)
Additional gains (losses).....	(0.5)	(0.2)
Amounts reclassified to earnings.....	(0.8)	0.1
Balance at end of period.....\$	0.8	(0.9)

### NOTE E -- RESTRUCTURING AND OTHER CHARGES

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

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

has initiated the restructuring programs described below. For further information on restructuring programs initiated prior to 2002, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

There have been no material changes relative to the initial plans established by the Company for the restructuring activities discussed below. The Company does not believe that these restructuring activities by themselves will have an adverse impact on the Company's ability to meet customer requirements for the Company's products.

### 2003 Programs

In the first quarter of 2003, the Company recorded a charge of \$0.7 related to restructuring at its CMI Terex facility in Oklahoma City, Oklahoma. Due to the continued poor performance in the roadbuilding business, the Company reduced employment by approximately 146 employees at its CMI Terex facility. As of March 31, 2003, none of the employees had ceased employment with the Company. The program is expected to be completed by June 30, 2003. CMI Terex is included in the Terex Roadbuilding, Utility Products and Other Segment.

Also in the first quarter of 2003, the Company recorded charges of \$0.3 for restructuring at its Terex-RO facility in Olathe, Kansas. As a result of weak demand in the Company's North American crane business, the Terex-RO facility will be closed and the production currently performed at that facility will be consolidated into the Company's hydraulic crane production facility in Waverly, Iowa. The program will reduce employment by approximately 50 employees and is expected to be completed by June 30, 2003. None of the 50 employees had ceased employment with the Company as of March 31, 2003. Booms for the Terex-RO product are already made in the Waverly facility; accordingly, no production problems are anticipated in connection with this consolidation. Terex-RO is included in the Terex Cranes Segment.

The Company recorded a charge of \$1.5 in the first quarter of 2003 for the exit of all activities at its EarthKing e-commerce subsidiary. The \$1.5 charge is for non-cash closure costs and has been recorded in cost of sales. EarthKing is included in the Terex Roadbuilding, Utility Products and Other Segment. The program is expected to be completed by June 30, 2003.

These projects are expected to reduce annual operating costs by approximately \$8 when fully implemented.

Additionally, the Company wrote down certain investments it held in technology businesses related to its EarthKing subsidiary. These investments were no longer economically viable, as these businesses were unsuccessful in gaining customer acceptance and were generating revenue at levels insufficient to warrant anticipated growth, and resulted in a write-down of \$0.8. This write-down was reported in "Other income (expense) - net."

### 2002 Programs

During 2002, the Company initiated a series of restructuring projects that related to productivity and business rationalization.

In the first quarter of 2002, the Company recorded a charge of \$1.2 in connection with the closure and subsequent relocation of the Cedarapids hot mix asphalt plant facility to the Company's CMI Terex facility in Oklahoma City. The consolidation of duplicative CMI Terex and Cedarapids production facilities and support functions was intended to lower the Company's operating costs. Approximately \$0.7 of this charge related to severance costs which have been

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

paid, with the remainder related to non-cash closure costs. Approximately 92 employees were terminated in connection with this action. This restructuring was complete as of September 30, 2002.

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

The Company also recorded a charge of \$0.9 in the second quarter of 2002 in connection with a reduction to the Cedarapids workforce in response to adverse market conditions and resulting decreased demand for Cedarapids products. The charge recorded in connection with this reduction to the Cedarapids workforce is for employee severance costs. Approximately 42 employees have been terminated as a result of this action. The Cedarapids restructuring was complete as of December 31, 2002.

In the third quarter of 2002, the Company announced restructuring charges of \$3.5 in connection with the consolidation of facilities in the Light Construction group and staff reductions at its CMI Terex Roadbuilding operation and in the Terex Cranes segment. The restructuring charges at the Light Construction group were \$2.6, of which \$0.2 was for severance in relation to the elimination of approximately 71 positions. The remaining \$2.4 was for costs associated with the termination of leases and the write-down of inventory. Demand for the Light Construction group's products has been negatively impacted by the consolidation of distribution outlets for the unit's products and a change in end user preference from direct ownership of the unit's products to rental of such equipment. These changes have made it uneconomical to maintain numerous separate production facilities. The restructuring charges at CMI Terex were \$0.7 for severance in connection with the elimination of approximately 146 positions. CMI Terex's roadbuilding business has faced slow market conditions and reduced demand, due in large part to delays in government funding for roadbuilding projects, resulting in a need for staff reductions. Additionally, the Terex Cranes segment recorded restructuring charges of \$0.2 for severance in connection with the elimination of approximately 35 positions at three of its North American facilities due to reduced demand for the products manufactured at these facilities. These restructurings were completed by December 31, 2002.

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

- o The closure of the Company's pressurized vessel container business. This business, located in Clones, Ireland, provides pressurized containers to the shipping industry. The business, acquired as part of the Powerscreen acquisition in 1999, is part of the Company's Construction segment and is not core to the Company's overall strategy. The Company recorded a charge of \$5.4, of which \$1.2 was for severance, \$2.5 for the write down of inventory, and \$1.2 for facility closing costs. The remaining \$0.5 relates to the repayment of a local government work grant. The business has faced declining demand over the past few years and, as it is not integral to the Construction business, the Company has scheduled the closure of the

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

- business by the end of the third quarter 2003. This will reduce employment by approximately 137 positions. As of March 31, 2003, 58 employees had ceased employment with the Company.
- o The consolidation of several Terex Construction segment facilities in the U.K. The Company is in the process of consolidating several compact equipment production facilities into a single location in Coventry, England. The Company will move the production of mini-dumpers, rollers, soil compactors and loader backhoes into the new facility. The Company recorded a charge of \$7.2, of which \$6.1 was for severance and \$1.1 was for the costs associated with exiting the facilities. The consolidation will reduce total employment by approximately 269 and is expected to be completed by the end of 2003. As of March 31, 2003, nine employees had ceased employment with the Company.
  - o The exit of certain heavy equipment businesses related to mining products. During the fourth quarter of 2002, the Company conducted a review of its rental equipment businesses in both its Mining and Construction segments. The Company's review indicated that it was not economical to continue its mining equipment rental business due to the high cost of moving mining equipment between customers and given the continued weak demand for mining products. In addition, the Company decided to rationalize its large scraper offering in its Mining segment given the weak demand for related mining products. The Company recorded a charge of \$6.9 associated with the write down of inventory. The Company expects to complete this process by June 30, 2003.

15

- o The exit of certain non-core tower cranes produced by the Terex Cranes segment under the Peiner brand in Germany. The European tower crane business has been negatively impacted by reduced demand from large rental customers who are undergoing financial difficulties. This has resulted in reduced demand and a deterioration in margins recognized in the tower crane business. The Company conducted a review of its offering of tower cranes produced under the Peiner brand and eliminated certain models that overlap with models produced at Gru Comedil S.r.l., the Company's tower crane facility in Italy. The Company recorded a charge of \$3.9, of which \$1.0 was for severance and \$2.9 for inventory write-downs on discontinued product lines. The program will reduce employment by 47 and is expected to be completed by June 30, 2003. As of March 31, 2003, 47 employees had ceased employment with the Company.
- o The elimination of the Standard Havens portable hot mix asphalt product. The Company performed marketing and engineering analysis that indicated that the Standard Havens product line did not meet current customer expectations. As a result, the Company opted to discontinue the Standard Havens portable hot mix asphalt product. The Company recorded a charge of \$1.8 to write-down the discontinued inventory. The program was completed prior to December 31, 2002. The Standard Havens product line was part of the Terex roadbuilding group in the Terex Roadbuilding, Utility Products and Other segment.
- o The severance costs incurred in re-aligning the Company's management structure. The Company eliminated an executive position and recorded a charge of \$1.5. The Company paid \$0.4 prior to December 31, 2002 and expects to pay remaining severance by December 31, 2003.
- o The elimination of the rotating telehandler product in North America by the Terex Construction segment. It was determined that the product, although popular in Europe as a multi-purpose machine, was not gaining customer acceptance in North America. The Company recorded a charge of \$0.7 to write-down the rotating telehandler inventory in North America. The program was completed prior to December 31, 2002.

In the first quarter of 2003, the Company recorded an additional \$0.6 of charges relating to programs begun in 2002. These period charges primarily related to

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

facility closure costs and were consistent with the initial restructuring plans established by the Company.

These 2002 programs are expected to reduce operating costs by approximately \$27 when fully implemented in 2004.

The following table sets forth the components and status of the restructuring charges recorded in 2003 and 2002 that related to productivity and business rationalization:

	Employee Termination Costs	Asset Disposals	Facility Exit Costs	Ot
Accrued restructuring charges				
at December 31, 2002.....	\$ 9.7	\$ ---	\$ 2.4	\$
Restructuring charges.....	1.0	1.7	0.3	
Cash expenditures.....	(1.9)	---	(0.3)	
Non-cash write-offs.....	---	(1.7)	(0.1)	
Accrued restructuring charges at March 31, 2003.....	\$ 8.8	\$ ---	\$ 2.3	\$

In aggregate, the restructuring charges described above incurred during the three months ended March 31, 2003 and 2002 were included in cost of goods sold (\$2.8 and \$1.2) and selling, general and administrative expenses (\$0.3 and \$0.0), respectively.

### Demag and Genie Acquisition Related Projects

During 2002, the Company also initiated a series of restructuring projects aimed at addressing product, channel and production overlap created by the acquisition of Demag and Genie in 2002.

Projects initiated in the Terex Cranes segment in the fourth quarter of 2002 related to the acquisition of Demag consist of:

16

- o The elimination of certain PPM branded 3, 4 and 5 axle cranes produced at the Company's Montceau, France facility. The Company determined that the products produced under the PPM brand were similar to products produced by Demag and has opted to eliminate these PPM models in favor of the similar Demag products, which the Company believes have superior capabilities. As a result, employment levels in Montceau are scheduled to be reduced by approximately 141 employees during the first half of 2003. As of March 31, 2003, 51 employees had ceased employment with the Company. In addition, the Company also recognized a loss in value on the affected PPM branded cranes inventory in France and Spain. The Company recorded a charge of \$15.3, of which \$5.4 was for severance, \$9.6 was associated with the write down of inventory and \$0.3 was for claims related to exiting the sales function of the discontinued products.
- o The closure of the Company's existing crane distribution center in Germany. Prior to the acquisition of Demag, the Company distributed mobile cranes under the PPM brand from a facility in Dortmund, Germany. The acquisition

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

of Demag provided an opportunity to consolidate distribution and reduce the overall cost to serve customers in Germany. The Company recorded a charge of \$2.5, of which \$0.7 was for severance, \$1.2 was for inventory write-downs, and \$0.6 for lease termination costs. Eleven employees will be terminated as a result of these actions. As of March 31, 2003, three employees had ceased employment with the Company. The Company expects this to be completed by June 30, 2003.

- o The rationalization of certain crawler crane products sold under the American Crane brand in the United States. The acquisition of Demag created an overlap with certain large crawler cranes produced in the Company's Wilmington, North Carolina facility. Certain cranes produced in the North Carolina facility will be rated for reduced lifting capacity and marketed to a different class of user. This change in marketing strategy, triggered by the acquisition of Demag, negatively impacted inventory values. The Company recorded a charge of \$3.2 associated with the write down of inventory. The Company expects to complete the sale of such inventory by June 30, 2003.
- o In addition, the acquisition of Demag created an overlap of small, mobile cranes marketed for use in urban work places. As a result, the Company opted to cease production of this style of crane, produced under license from another company, and replace them with cranes produced by Demag. As a result of this decision, a charge of \$1.8 was recorded to terminate the license agreement.

Projects initiated in the Terex Cranes segment in the fourth quarter of 2002 related to the acquisition of Genie consist of:

- o The elimination of Terex branded aerial work platforms. The Company determined that the acquisition of Genie created product and distribution overlap with its existing Terex branded aerial work platforms businesses in the United States and Europe. After a review of products produced by the Company and Genie, the Company decided to discontinue the Terex branded products. As a result, the Company reduced the carrying values of the affected inventories to recognize the loss in value created by the decision to discontinue these models of aerial work platforms. As a result of this decision, a charge of \$1.9 was recorded to write down inventory.

The following table sets forth the components and status of the restructuring charges recorded in the fourth quarter of 2002 that relate to addressing product, channel and production overlaps created by the acquisition of the Demag and Genie businesses:

	Employee Termination Costs	Asset Disposals	Facility Exit Costs	Other
	-----	-----	-----	-----
Accrued restructuring charges at				
December 31, 2002.....\$	5.1	\$ ---	\$ 0.6	\$ 0.3
Restructuring charges.....	---	---	---	---
Cash expenditures.....	(1.4)	---	---	---
Non-cash write-offs.....	---	---	---	---
	-----	-----	-----	-----
Accrued restructuring charges at				
March 31, 2003.....\$	3.7	\$ ---	\$ 0.6	\$ 0.3
	=====	=====	=====	=====

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

NOTE F -- INVENTORIES

Inventories consist of the following:

	March 31, 2003	December 31, 2002
	-----	-----
Finished equipment.....	\$ 433.2	\$ 437.2
Replacement parts.....	237.6	225.0
Work-in-process.....	209.0	225.5
Raw materials and supplies.....	199.2	218.6
	-----	-----
Inventories.....	\$ 1,079.0	\$ 1,106.3
	=====	=====

NOTE G -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	March 31, 2003	December 31, 2002
	-----	-----
Property.....	\$ 41.7	\$ 43.0
Plant.....	177.5	173.4
Equipment.....	197.0	197.6
	-----	-----
Less: Accumulated depreciation.....	416.2 (111.7)	414.0 (104.6)
	-----	-----
Net property, plant and equipment.....	\$ 304.5	\$ 309.4
	=====	=====

NOTE H -- INVESTMENT IN JOINT VENTURE

In April 2001, Genie entered into a joint venture arrangement with a European financial institution whereby Genie maintains a forty-nine percent (49%) ownership interest in the joint venture, Genie Financial Solutions Holding B.V. ("GFSH B.V."). Prior to the Company's acquisition of Genie, Genie had contributed \$5.3 in cash in exchange for its ownership interest in GFSH B.V. During January 2003, Genie contributed an additional \$0.8 in cash to GFSH B.V. The Company applies the equity method of accounting for its investment in GFSH B.V., as the Company does not control the operations of GFSH B.V.

GFSH B.V. was established to facilitate the financing of Genie's products sold in Europe. As of March 31, 2003, the joint venture's total assets were \$119.4 and consisted primarily of financing receivables and lease related equipment; total liabilities were \$106.2 and consisted primarily of debt payable to the fifty-one percent (51%) joint venture partner. The Company provided guarantees related to potential losses arising from shortfalls in the residual values of financed equipment or credit defaults by the joint venture's customers. As of March 31, 2003 the maximum exposure to loss under these guarantees is approximately \$7. Additionally, the Company is required to maintain a capital account balance in GFSH B.V., pursuant to the terms of the joint venture, which could result in the reimbursement to GFSH B.V. by the Company of losses to the

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

extent of the Company's ownership percentage.

As defined by FIN 46, GFSH B.V. is a variable interest entity. For entities created prior to February 1, 2003, FIN 46 requires the application of its provisions effective July 1, 2003. Based on the legal and operating structure of GFSH B.V., it is reasonably possible that the Company will consolidate the results of GFSH B.V. in future financial statements. However, the Company also is evaluating possible changes to the operating structure of GFSH B.V. that would result in GFSH B.V. continuing to be accounted for under the equity method.

### NOTE I -- 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 60 months. The cost of equipment subject to operating leases was approximately \$169 at March 31, 2003. 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.

18

### NOTE J -- NET INVESTMENT IN SALES-TYPE LEASES

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

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

Prior to its acquisition by the Company on September 18, 2002, Genie had a number of domestic agreements with financial institutions to provide financing of new and eligible products to distributors and rental companies. Under these programs, Genie originated leases with distributors and rental companies and the resulting lease receivables were either sold to a financial institution with limited recourse to Genie or used as collateral for borrowings. The aggregate unpaid sales-type lease payments previously transferred was \$54.9 at March 31, 2003. Under these agreements, the Company's recourse obligation is limited to credit losses up to the first 5%, in any given year, of the remaining discounted rental payments due, subject to certain minimum and maximum recourse liability amounts. The Company's maximum credit recourse exposure was \$15.0 at March 31, 2003, representing a contingent liability under the limited recourse provisions.

During 2002 and 2001, domestically and globally, Genie entered into a number of arrangements with financial institutions to provide financing of new and eligible Genie products to distributors and rental companies. Under these programs, Genie originates leases or leasing opportunities with distributors and rental companies. If Genie originates the lease with a distributor or rental

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

company, the financial institution will purchase the equipment and take assignment of the lease contract from Genie. If Genie originates a lease opportunity, the financial institution will purchase the equipment from Genie and execute a lease contract directly with the distributor or rental company. In some instances, the Company retains certain credit and/or residual recourse in these transactions. The Company's maximum exposure, representing a contingent liability, under these transactions reflects a \$41.9 credit risk and a \$35.3 residual risk at March 31, 2003.

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

### NOTE K-- EARNINGS PER SHARE

	Three Months Ended March 31, (in millions, except per share data)			
	2003			
	Income	Shares	Per-Share Amount	Income
Basic earnings per share				
Income before cumulative effect of				
change in accounting principle.....	\$ 12.0	47.2	\$ 0.25	\$ 6.2
Effect of dilutive securities				
Stock Options.....	---	0.5		---
Contingently issuable shares for acquisitions.....	---	0.7		---
Shares held by deferred compensation plan.....	---	0.6		---
Equity Rights.....	---	---		---
Income before cumulative effect of change in accounting principle - diluted.	\$ 12.0	49.0	\$ 0.24	\$ 6.2

Options to purchase 2,169 thousand and 693 thousand shares of Common Stock during the three months ended March 31, 2003 and 2002, respectively, were outstanding but were not included in the computation of diluted earnings per share. These options were excluded because the exercise price of these options was greater than the average market price of the Common Stock during such periods and, therefore, the effect would be anti-dilutive. As discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and in Note B - "Acquisitions", the Company has a contingent obligation to make additional payments in cash or Common Stock based on provisions of certain acquisition agreements. The Company's policy and past practice has been generally to settle such obligations in cash. Accordingly, contingently issuable Common Stock under these arrangements totaling 772 thousand and 74 thousand shares for the three months ended March 31, 2003 and 2002, respectively, are not

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

included in the computation of diluted earnings per share.

### NOTE L -- STOCKHOLDERS' EQUITY

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

	For the Three Months Ended March 31,	
	2003	2002
Net income (loss).....\$	12.0	\$ (107.2)
Other comprehensive income:		
Translation adjustment.....	10.1	(5.9)
Pension liability adjustment.....	---	---
Derivative hedging adjustment.....	(1.3)	(0.1)
Debt and equity securities adjustment.	---	---
Comprehensive income (loss).....\$	20.8	\$ (113.2)
	20.8	\$ (113.2)

As disclosed in "Note B - Acquisitions", the Company also issued approximately 0.6 million shares of its Common Stock during the three months ended March 31, 2003 in connection with the acquisition of Commercial Body.

20

### NOTE M -- LITIGATION AND CONTINGENCIES

In the Company's lines of business numerous suits have been filed alleging damages for accidents that have arisen in the normal course of operations involving the Company's products. The Company is self-insured, up to certain limits, for these product liability exposures, as well as for certain exposures related to general, workers' compensation and automobile liability. Insurance coverage is obtained for catastrophic losses as well as those risks required to be insured by law or contract. The Company has recorded and maintains an estimated liability in the amount of management's estimate of the Company's aggregate exposure for such self-insured risks. For self-insured risks, the Company determines its exposure based on probable loss estimations, which requires such losses to be both probable and the amount or range of possible loss to be estimable.

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

The Company's outstanding letters of credit totaled \$87.5 at March 31, 2003. The letters of credit generally serve as collateral for certain liabilities included in the Condensed Consolidated Balance Sheet. Certain of the letters of credit

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

serve as collateral guaranteeing the Company's performance under contracts.

The Company has a letter of credit outstanding covering losses related to a former subsidiary's worker compensation obligations. The Company has recorded liabilities for these contingent obligations representing management's estimate of the potential losses which the Company might incur.

On March 11, 2002, an action was commenced in the United States District Court for the Southern District of Florida, Miami Division by Ursula Ungaro-Benages and Ursula Ungaro-Benages as Attorney-in-fact for Peter C. Ungaro, M.D., in which the plaintiffs alleged that ownership of O&K Orenstein & Koppel AG ("O&K AG") was illegally taken from the plaintiffs' ancestors by German industry during the Nazi era. The plaintiffs alleged that the Company was liable for conversion and unjust enrichment as the result of its purchase of the shares of the mining shovel subsidiary O&K Mining GmbH from O&K AG, and were claiming restitution of a 25% interest in O&K Mining GmbH and monetary damages. On June 12, 2002, the United States Department of Justice filed a Statement of Interest in the action that expressed the foreign policy interests of the United States in dismissal of the case. At the request of the Company, on October 8, 2002, the Federal Judicial Panel on Multi-district Litigation ordered that the action be transferred to the District of New Jersey and assigned the case to the Honorable William G. Bassler for inclusion in the coordinated or consolidated pretrial proceedings established in that court. On April 21, 2003 the plaintiffs voluntarily dismissed the action against the Company.

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

### Credit Guarantees

Customers of the Company from time to time may fund the acquisition of the Company's equipment through third-party finance companies. In certain instances, the Company may provide a credit guarantee to the finance company, by which the Company agrees to make payments to the finance company should the customer default. The maximum liability of the Company is limited to the remaining payments due to the finance company at the time of default. In the event of customer default, the Company is generally able to dispose of the equipment with the Company realizing the benefits of any net proceeds in excess of the remaining payments due to the finance company.

As of March 31, 2003, the Company's maximum exposure to such credit guarantees is \$297.2. The terms of these guarantees coincide with the financing arranged by the customer and generally does not exceed five years. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

### Residual Value and Buyback Guarantees

The Company, through its Genie subsidiary, issues residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future point in time. As described in Note J - "Net Investment in Sales-Type Leases," the Company's maximum exposure related to residual value guarantees under sales-type leases is \$35.3 at March 31, 2003. The Company is able to mitigate the risk

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

associated with these guarantees because the maturity of these guarantees is staggered, which limits the amount of used equipment entering the marketplace at any time.

21

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 pertain to the functionality and state of repair of the machine. As of March 31, 2003, the Company's maximum exposure to buyback guarantees is \$35.1. The Company is able to mitigate the risk of these guarantees by staggering the timing of the buybacks and through leveraging its access to the used equipment markets provided by the Company's original equipment manufacturer status.

### NOTE N -- BUSINESS SEGMENT INFORMATION

Terex is a diversified global manufacturer of a broad range of equipment for the construction, infrastructure and surface mining industries. From July 1, 2001 through June 30, 2002, the Company operated in three business segments: (i) Terex Americas; (ii) Terex Europe; and (iii) Terex Mining. From July 1, 2002 through September 18, 2002, the Company operated in four business segments: (i) Terex Construction; (ii) Terex Cranes; (iii) Terex Roadbuilding, Utility Products and Other; and (iv) Terex Mining, and upon the acquisition of Genie on September 18, 2002, the Company added the Terex Aerial Work Platforms segment. The Company now operates in five business segments: (i) Terex Construction; (ii) Terex Cranes; (iii) Terex Roadbuilding, Utility Products and Other; (iv) Terex Aerial Work Platforms; and (v) Terex Mining. All prior periods have been restated to reflect results based on these five business segments.

The Terex Construction segment designs, manufactures and markets three primary categories of equipment and their related components and replacement parts: heavy construction equipment (including off-highway trucks and scrapers), compact equipment (including loader backhoes, compaction equipment, mini and midi excavators, loading machines, site dumpers, telehandlers and wheel loaders); and mobile crushing and screening equipment (including jaw crushers, cone crushers, washing screens and trommels). Terex Construction products are currently marketed principally under the following brand names: Atlas Terex, Finlay, Fuchs Terex, Pegson, Powerscreen, Terex Benford, Terex Ferrec, Terex Handlers, Terex Schaeff, Terex and TerexLift. These products are primarily used by construction, logging, mining, industrial and government customers in construction and infrastructure projects and supplying coal, minerals, sand and gravel.

The Terex Cranes segment designs, manufactures and markets mobile telescopic cranes, tower cranes, lattice boom crawler cranes, truck mounted cranes (boom trucks) and telescopic container stackers, as well as their related replacements parts and components. Currently, Terex Cranes products are marketed principally under the following brand names: American, Atlas, Atlas Terex, Bendini, Comedil, Demag, Franna, Lorain, P&H, Peiner, PPM, RO-Stinger and Terex. These products are used primarily for construction, repair and maintenance of infrastructure, building and manufacturing facilities.

The Terex Roadbuilding, Utility Products and Other segment designs, manufactures and markets crushing and screening equipment (including crushers, impactors, screens and feeders), asphalt and concrete equipment (including pavers, plants, mixers, reclaimers, stabilizers and profilers), utility equipment (including digger derricks, aerial devices and cable placers), light construction equipment (including light towers, trowels, power buggies, generators and arrow boards) and construction trailers, as well as related components and replacement parts. These products are currently marketed principally under the following brand

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

names: Amida, Bartell, Bid-Well, Canica, Cedarapids, Cedarapids/Standard Havens, CMI Johnson Ross, CMI Terex, CMI-Cifali, Coleman Engineering, Grayhound, Hi-Ranger, Jaques, Load King, Morrison, Re-Tech, Royer, Simplicity, Terex, Terex Advance Mixer, Terex Power, Terex Recycling and Terex Telelect. These products are used primarily by government, utility and construction customers to build roads, maintain utility lines and trim trees. Terex also owns much of the North American distribution channel for the utility products group, including the distributors Utility Equipment, Telelect Southeast, Commercial Body and Combatel. These operations distribute and install the Company's utility aerial devices as well as other products that service the utility industry.

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

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

22

The results of businesses acquired during 2003 and 2002 are included from the dates of their respective acquisitions.

Included in Eliminations/Corporate are the eliminations among the five segments, as well as general and corporate items for the three months ended March 31, 2003 and 2002. Business segment information is presented below:

	For the Three Months Ended March 31,	
	2003	2002
<b>Sales</b>		
Terex Construction.....	\$ 326.1	\$ 264.3
Terex Cranes.....	237.9	135.1
Terex Roadbuilding, Utility Products and Other.....	158.1	132.6
Terex Aerial Work Platforms.....	139.3	---
Terex Mining.....	80.0	65.3
Eliminations/Corporate.....	(13.7)	(15.3)
Total.....	\$ 927.7	\$ 582.0
<b>Income (Loss) from Operations</b>		
Terex Construction.....	\$ 14.7	\$ 15.5
Terex Cranes.....	6.8	7.3
Terex Roadbuilding, Utility Products and Other.....	1.4	8.4
Terex Aerial Work Platforms.....	15.3	---

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

Terex Mining.....	4.6	1.6
Eliminations/Corporate.....	(2.3)	(1.3)
	-----	-----
Total.....	\$ 40.5	\$ 31.5
	=====	=====

	March 31, 2003	December 31, 2002
	-----	-----
Identifiable Assets		
Terex Construction.....	\$ 1,334.3	\$ 1,326.6
Terex Cranes.....	912.1	937.9
Terex Roadbuilding, Utility Products and Other.....	648.3	602.7
Terex Aerial Work Platforms.....	456.0	469.9
Terex Mining.....	330.4	330.4
Corporate.....	1,917.9	1,895.8
Eliminations.....	(1,918.7)	(1,937.6)
	-----	-----
Total.....	\$ 3,680.3	\$ 3,625.7
	=====	=====

NOTE O -- CONSOLIDATING FINANCIAL STATEMENTS

As discussed in Note A, the Company's consolidated financial statements for the three months ended March 31, 2003 have been restated to increase the liability to participants in its deferred compensation plan by \$0.8 as of March 31, 2003 based on the fair value of Terex common stock at that date.

On March 29, 2001, the Company sold and issued \$300 aggregate principal amount of 10-3/8% Senior Subordinated Notes due 2011 (the "10-3/8% Notes"). On December 17, 2001, the Company sold and issued \$200 aggregate principal amount of 9-1/4% Senior Subordinated Notes due 2011 (the "9-1/4% Notes"). On March 31, 1998 and March 9, 1999, the Company issued and sold \$150 and \$100 aggregate principal amount, respectively, of 8-7/8% Senior Subordinated Notes due 2008 (the "8-7/8% Notes"). As of March 31, 2003, the 10-3/8% Notes, the 9-1/4% Notes and the 8-7/8% Notes were each jointly and severally guaranteed by the following wholly-owned subsidiaries of the Company (the "Wholly-owned Guarantors"): Terex Cranes, Inc., Koehring Cranes, Inc., Terex-Telelect, Inc., Terex-RO Corporation, Payhauler Corp., PPM Cranes, Inc., O & K Orenstein & Koppel, Inc., The American Crane Corporation, Amida Industries, Inc., Cedarapids, Inc., Standard Havens, Inc., Standard Havens Products, Inc., BL-Pegson USA, Inc., Benford America, Inc., Coleman Engineering, Inc., EarthKing, Inc., Finlay Hydrascreen USA, Inc., Powerscreen Holdings USA Inc., Powerscreen International LLC, Powerscreen North America Inc., Powerscreen USA, LLC, Royer Industries, Inc., Terex Bartell, Inc., Terex Mining Equipment, Inc., CMI Terex Corporation, CMI Dakota Company, CMIOIL Corporation, Product Support, Inc., Schaeff, Inc., Fuchs Terex, Inc., Telelect

Southeast Distribution, Inc., Utility Equipment, Inc., Terex Advance Mixer, Inc., Terex Utilities, Inc., Genie Holdings, Inc., Genie Access Services, Inc., Genie Industries, Inc., Genie Financial Services, Inc., GFS National, Inc., Genie Manufacturing, Inc., Genie China, Inc., Genie International, Inc., Lease Servicing & Funding Corp., GFS Commercial LLC, Go Credit Corporation, Combatel Distribution, Inc., Commercial Body Corporation, and Terex Financial Services, Inc. Prior to December 2002, PPM Cranes, Inc. was 92.4% owned by Terex. In

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

December 2002, the Company acquired the remaining minority interest in the equity of PPM Cranes, Inc. The 2003 results include PPM Cranes, Inc. with the Wholly-owned Guarantors; for 2002, PPM Cranes, Inc. is provided under a separate column. All of the guarantees are full and unconditional.

No subsidiaries of the Company except the Wholly-owned Guarantors have provided a guarantee of the 10-3/8% Notes, the 8-7/8% Notes and the 9-1/4% Notes.

The following summarized condensed consolidating financial information for the Company segregates the financial information of Terex Corporation, the Wholly-owned Guarantors, PPM Cranes, Inc. (for 2002) and the Non-guarantor Subsidiaries. The results of businesses acquired during 2003 and 2002 are included from the dates of their respective acquisitions.

Terex Corporation consists of parent company operations. Subsidiaries of the parent company are reported on the equity basis.

Wholly-owned Guarantors combine the operations of the Wholly-owned Guarantor subsidiaries. Subsidiaries of Wholly-owned Guarantors that are not themselves guarantors are reported on the equity basis.

PPM Cranes, Inc. consists of the operations of PPM Cranes, Inc. Its subsidiary is reported on an equity basis.

Non-guarantor Subsidiaries combine the operations of subsidiaries which have not provided a guarantee of the obligations of Terex Corporation under the 10-3/8% Notes, the 9-1/4% Notes and the 8-7/8% Notes.

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

24

TEREX CORPORATION  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
THREE MONTHS ENDED MARCH 31, 2003  
(in millions)

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations
Net sales.....	\$ 64.3	\$ 342.1	\$ 568.3	\$ (47.0)
Cost of goods sold.....	60.9	296.5	487.6	(47.0)
Gross profit.....	3.4	45.6	80.7	---
Selling, general & administrative expenses.....	6.6	30.4	52.2	---
Income (loss) from operations.....	(3.2)	15.2	28.5	---
Interest income.....	0.3	0.2	1.2	---
Interest expense.....	(6.9)	(6.5)	(12.5)	---
Income (loss) from equity investees...	18.3	---	---	(18.3)
Other income (expense) - net.....	(1.8)	(0.8)	2.9	---
Income (loss) before income taxes and	6.7	8.1	20.1	(18.3)

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

cumulative effect of change in accounting principle.....				
Benefit from (provision for) income taxes.....	5.3	(3.2)	(6.7)	---
Income (loss) cumulative effect of change in accounting principle.....	12.0	4.9	13.4	(18.3)
Cumulative effect of change in accounting principles .....	---	---	---	---
Net income (loss).....	\$ 12.0	\$ 4.9	\$ 13.4	\$ (18.3)

TEREX CORPORATION  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
THREE MONTHS ENDED MARCH 31, 2002  
(in millions)

	Terex Corporation	Wholly-owned Guarantors	PPM Cranes, Inc.	Non-guarantor Subsidiaries
Net sales.....	\$ 69.9	\$ 213.7	\$ 5.9	\$ 361.3
Cost of goods sold.....	68.6	183.7	5.5	302.5
Gross profit.....	1.3	30.0	0.4	58.8
Selling, general & administrative expenses	6.3	18.5	0.4	34.6
Income (loss) from operations.....	(5.0)	11.5	---	24.2
Interest income.....	0.4	(0.1)	---	0.5
Interest expense.....	(10.5)	(2.3)	(0.7)	(8.5)
Income (loss) from equity investees...	(90.8)	---	---	---
Other income (expense) - net.....	(0.8)	(0.1)	---	(0.3)
Income (loss) before income taxes and cumulative effect of change in accounting principle.....	(106.7)	9.0	(0.7)	15.9
Provision for income taxes.....	(0.5)	---	---	(2.4)
Income (loss) before cumulative effect of change in accounting principle.....	(107.2)	9.0	(0.7)	13.5
Cumulative effect of change in accounting principle.....	---	(18.4)	---	(95.0)
Net income (loss).....	\$ (107.2)	\$ (9.4)	\$ (0.7)	\$ (81.5)

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

CONDENSED CONSOLIDATING BALANCE SHEET  
MARCH 31, 2003  
(in millions)

	Terex Corporation	Wholly- Owned Guarantors	Non- Guarantor Subsidiaries	Intercompany Eliminations
<b>Assets</b>				
Current assets				
Cash and cash equivalents.....	\$ 152.2	\$ 3.9	\$ 263.8	\$ ---
Trade receivables - net.....	23.4	207.8	366.6	---
Intercompany receivables.....	21.5	9.1	26.9	(57.5)
Net inventories.....	104.7	329.6	626.9	17.8
Other current assets.....	30.3	33.2	94.7	---
<b>Total current assets.....</b>	<b>332.1</b>	<b>583.6</b>	<b>1,378.9</b>	<b>(39.7)</b>
Property, plant & equipment - net....	7.7	122.5	174.3	---
Investment in and advances to				
(from) subsidiaries.....	853.0	(401.4)	(380.1)	(71.5)
Goodwill - net.....	(9.8)	292.9	352.1	---
Other assets - net.....	129.6	161.7	194.4	---
<b>Total assets.....</b>	<b>\$ 1,312.6</b>	<b>\$ 759.3</b>	<b>\$ 1,719.6</b>	<b>\$ (111.2)</b>
<b>Liabilities and stockholders' equity</b>				
(deficit)				
Current liabilities				
Notes payable and current portion of long-term debt.....	\$ 0.5	\$ 33.2	\$ 37.7	\$ ---
Trade accounts payable.....	29.5	150.9	417.1	---
Intercompany payables.....	25.2	19.1	13.2	(57.5)
Accruals and other current liabilities.....	69.1	92.7	328.8	---
<b>Total current liabilities.....</b>	<b>124.3</b>	<b>295.9</b>	<b>796.8</b>	<b>(57.5)</b>
Long-term debt less current portion..	334.3	384.3	738.8	---
Other long-term liabilities.....	53.8	45.4	164.0	---
Stockholders' equity (deficit).....	800.2	33.7	20.0	(53.7)
<b>Total liabilities and stockholders' equity (deficit).....</b>	<b>\$ 1,312.6</b>	<b>\$ 759.3</b>	<b>\$ 1,719.6</b>	<b>\$ (111.2)</b>

TEREX CORPORATION  
CONDENSED CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2002  
(in millions)

Terex	Wholly- Owned	Non- Guarantor	Intercompany
-------	------------------	-------------------	--------------

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

	Corporation	Guarantors	Subsidiaries	Eliminations
<b>Assets</b>				
Current assets				
Cash and cash equivalents.....	\$ 134.0	\$ 6.2	\$ 212.0	\$ ---
Trade receivables - net.....	45.7	189.8	343.1	---
Intercompany receivables.....	13.4	6.7	14.4	(34.5)
Net inventories.....	101.1	324.9	645.6	34.7
Other current assets.....	41.1	54.6	88.3	---
Total current assets.....	335.3	582.2	1,303.4	0.2
Property, plant & equipment - net....	7.4	128.0	174.0	---
Investment in and advances to (from) subsidiaries.....	818.0	(520.9)	(237.2)	(59.9)
Goodwill - net.....	(9.8)	284.7	348.0	---
Other assets - net.....	140.0	144.7	187.6	---
Total assets.....	\$ 1,290.9	\$ 618.7	\$ 1,775.8	\$ (59.7)
<b>Liabilities and stockholders' equity (deficit)</b>				
Current liabilities				
Notes payable and current portion of long-term debt.....	\$ 0.4	\$ 40.7	\$ 33.0	\$ ---
Trade accounts payable.....	39.2	149.3	354.4	---
Intercompany payables.....	23.4	(127.8)	138.9	(34.5)
Accruals and other current liabilities.....	68.0	98.5	322.7	---
Total current liabilities.....	131.0	160.7	849.0	(34.5)
Long-term debt less current portion..	335.7	386.4	765.0	---
Other long-term liabilities.....	55.0	42.7	165.5	---
Stockholders' equity (deficit).....	769.2	28.9	(3.7)	(25.2)
Total liabilities and stockholders' equity (deficit).....	\$ 1,290.9	\$ 618.7	\$ 1,775.8	\$ (59.7)

27

TEREX CORPORATION  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2003  
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations
Net cash provided by (used in) operating activities	\$ 18.6	\$ 8.1	\$ 88.2	\$ ---
Cash flows from investing activities:				
Acquisition of business, net of cash	---	(8.5)	---	---

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

acquired.....				
Capital expenditures.....	(0.4)	(1.2)	(7.0)	---
Proceeds from sale of assets.....	---	0.9	1.7	---
-----				
Net cash provided by (used in) investing activities.....	(0.4)	(8.8)	(5.3)	---
-----				
Cash flows from financing activities:				
Principal borrowings (repayments) of long-term debt.....	---	(0.5)	(1.0)	---
Net borrowings (repayments) under revolving line of credit agreements..	---	(1.1)	(21.4)	---
Other.....	---	---	(11.6)	---
-----				
Net cash provided by (used in) financing activities.....	---	(1.6)	(34.0)	---
-----				
Effect of exchange rates on cash and cash equivalents.....	---	---	2.9	---
-----				
Net (decrease) increase in cash and cash equivalents.....	18.2	(2.3)	51.8	---
Cash and cash equivalents, beginning of period.....	134.0	6.2	212.0	---
-----				
Cash and cash equivalents, end of period\$	152.2	\$ 3.9	\$ 263.8	\$ ---
=====				

TEREX CORPORATION  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2002  
(in millions)

	Terex Corporation	Wholly- owned Guarantors	PPM Cranes, Inc.	Non- guarantor Subsidiaries
-----				
Net cash provided by (used in)				
operating activities	\$ (57.2)	\$ (0.4)	\$ ---	\$ 43.1
-----				
Cash flows from investing activities				
Acquisition of businesses, net of cash acquired.....	(7.3)	---	---	(65.2)
Capital expenditures.....	---	(1.9)	---	(4.0)
Proceeds from sale of assets.....	---	0.2	---	0.2
-----				
Net cash provided by (used in) investing activities.....	(7.3)	(1.7)	---	(69.0)
-----				
Cash flows from financing activities				
Principal borrowings (repayments) of long-term debt.....	---	---	---	0.7
Net borrowings (repayments) under revolving line of credit agreements	---	---	---	1.6
Other.....	---	---	---	(0.3)
-----				
Net cash provided by (used in) financing activities.....	---	---	---	2.0

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

Effect of exchange rates on cash and cash equivalents.....	---	---	---	(1.1)
Net increase (decrease) in cash and cash equivalents.....	(64.5)	(2.1)	---	(25.0)
Cash and cash equivalents, beginning of period.....	144.2	3.9	0.1	102.2
Cash and cash equivalents, end of period	\$ 79.7	\$ 1.8	\$ 0.1	\$ 77.2

28

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

Restatement - Terex maintains a deferred compensation plan (the "Plan") for participating employees that, prior to January 1, 2004, permitted participants to transfer funds between investment options, one of which is an option to invest in shares of Terex common stock. It has been the practice of the Plan to purchase shares of Terex common stock on an ongoing basis as participants contribute to the Terex common stock fund, in order to eliminate the risk associated with fluctuations in the price of Terex common stock.

The Company, in consultation with its independent auditors, has determined that generally accepted accounting principles required the Company to record an obligation to Plan participants invested in Terex common stock at the fair value of the Terex common stock. Accordingly, the Company's consolidated financial statements as of and for the three months ended March 31, 2003 have been restated to record the fair value of the Company's obligations to Plan participants invested in Terex common stock. As the Company has acquired shares equal to its obligation to Plan participants, there is no cash impact associated with this amendment.

The amendments contained herein reflect changes resulting from the foregoing adjustments with regard to the Plan and the related income tax effect. The Company has not updated the information contained herein for events and transactions occurring subsequent to May 15, 2003, the filing date of the Original Form 10-Q, except to reflect the restatement of the Company's financial statements as described above

Results of Operations

Terex is a diversified global manufacturer of a broad range of equipment for the construction, infrastructure and mining industries. From July 1, 2001 through June 30, 2002, the Company operated in three business segments: (i) Terex Americas; (ii) Terex Europe; and (iii) Terex Mining. From July 1, 2002 through September 18, 2002, the Company operated in four business segments: (i) Terex Construction; (ii) Terex Cranes; (iii) Terex Roadbuilding, Utility Products and Other; and (iv) Terex Mining, and upon the acquisition of Genie Holdings, Inc. and its affiliates ("Genie") on September 18, 2002, the Company added the Terex Aerial Work Platforms segment. The Company now operates in five business segments: (i) Terex Construction; (ii) Terex Cranes; (iii) Terex Roadbuilding, Utility Products and Other; (iv) Terex Aerial Work Platforms; and (v) Terex Mining. All prior periods have been restated to reflect results based on these

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

five business segments.

The Terex Construction segment designs, manufactures and markets three primary categories of equipment and their related components and replacement parts: heavy construction equipment (including off-highway trucks and scrapers), compact equipment (including loader backhoes, compaction equipment, mini and midi excavators, loading machines, site dumpers, telehandlers and wheel loaders); and mobile crushing and screening equipment (including jaw crushers, cone crushers, washing screens and trommels). Terex Construction products are currently marketed principally under the following brand names: Atlas Terex, Finlay, Fuchs Terex, Pegson, Powerscreen, Terex Benford, Terex Ferrec, Terex Handlers, Terex Schaeff, Terex and TerexLift. These products are primarily used by construction, logging, mining, industrial and government customers in construction and infrastructure projects and supplying coal, minerals, sand and gravel. The Company acquired the Schaeff Group of Companies ("Schaeff"), including Fuchs-Bagger GmbH & Co. KG, on January 14, 2002. The results of Schaeff are included in the Terex Construction segment since its date of acquisition.

The Terex Cranes segment designs, manufactures and markets mobile telescopic cranes, tower cranes, lattice boom crawler cranes, truck mounted cranes (boom trucks) and telescopic container stackers, as well as their related replacements parts and components. Currently, Terex Cranes products are marketed principally under the following brand names: American, Atlas, Atlas Terex, Bendini, Comedil, Demag, Franna, Lorain, P&H, Peiner, PPM, RO-Stinger and Terex. These products are used primarily for construction, repair and maintenance of infrastructure, building and manufacturing facilities. The Company acquired Demag Mobile Cranes GmbH and Co. KG and its affiliates ("Demag") on August 30, 2002. The results of Demag are included in the Terex Cranes segment since its date of acquisition. The Company also has an interest in Crane and Machinery, Inc. ("Crane & Machinery"). During 2002, the Company acquired from an unaffiliated financial institution outstanding loans owed by Crane & Machinery to that institution, and Crane & Machinery remains obligated to make payments to the Company pursuant to the terms of such loans. The combination of the Company's interest in Crane & Machinery and the rights of the Company under the loans to Crane & Machinery provide a basis for consolidation of Crane & Machinery's results with those of the Company. Accordingly, the results of Crane & Machinery are included in the results of the Terex Cranes segment since December 1, 2002.

29

The Terex Roadbuilding, Utility Products and Other segment designs, manufactures and markets crushing and screening equipment (including crushers, impactors, screens and feeders), asphalt and concrete equipment (including pavers, plants, mixers, reclaimers, stabilizers and profilers), utility equipment (including digger derricks, aerial devices and cable placers), light construction equipment (including light towers, trowels, power buggies, generators and arrow boards) and construction trailers, as well as related components and replacement parts. These products are currently marketed principally under the following brand names: Amida, Bartell, Bid-Well, Canica, Cedarapids, Cedarapids/Standard Havens, CMI Johnson Ross, CMI Terex, CMI-Cifali, Coleman Engineering, Grayhound, Hi-Ranger, Jaques, Load King, Morrison, Re-Tech, Royer, Simplicity, Terex, Terex Advance Mixer, Terex Power, Terex Recycling and Terex Telelect. These products are used primarily by government, utility and construction customers to build roads, maintain utility lines and trim trees. Terex also owns much of the North American distribution channel for the utility products group, including the distributors Utility Equipment Co., Inc. ("Utility Equipment"), Telelect Southeast Distribution, Inc. ("Telelect Southeast"), Commercial Body Corporation ("Commercial Body") and Combatel Distribution, Inc. ("Combatel"). These operations distribute and install the Company's utility aerial devices as well as other products that service the utility industry. The Company acquired

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

Utility Equipment on January 15, 2002, Telelect Southeast on March 26, 2002, certain assets and liabilities of Terex Advance Mixer, Inc. ("Advance Mixer") on April 11, 2002 and Commercial Body, including the remaining 50% of Combatel, on February 14, 2003. The results of Utility Equipment, Telelect Southeast, Advance Mixer, Commercial Body and Combatel are included in the results of the Terex Roadbuilding, Utility Products and Other segment from their respective dates of acquisition.

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

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

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

### Restructuring

The Company has initiated numerous restructuring programs since 2001. These programs were initiated in response to a slowing economy, to reduce duplicative operating facilities, including those arising from the Company's acquisitions, and to respond to specific market conditions. Restructuring programs were initiated within the Company's Terex Construction, Terex Cranes, Terex Mining and Terex Roadbuilding, Utility Products and Other segments. The Company's programs have been designed to minimize the impact of any program on future operating results and the Company's liquidity. To date, these restructuring programs have not negatively impacted operating results or the Company's liquidity. These initiatives are expected to generate a reduction in ongoing labor and factory overhead expense as well as to reduce overall material costs by leveraging the purchasing power of the consolidated facilities. For example, cost savings from projects initiated during 2002 and 2003 are expected to generate annual savings of approximately \$43 million per year by 2004. See Note E - "Restructuring and Other Charges" in the Company's Condensed Consolidated Financial Statements for further information on the Company's restructuring programs, including the reasons, timing and costs associated with each such program.

30

Three Months Ended March 31, 2003 Compared with the Three Months Ended March 31, 2002

The table below is a comparison of net sales, gross profit, selling, general and administrative expenses, and income from operations, by segment, for the three months ended March 31, 2003 and 2002.

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

	Three Months Ended March 31,		Increase (Decrease)
	2003	2002	
(amounts in millions)			
NET SALES			
Terex Construction.....	\$ 326.1	\$ 264.3	\$ 61.8
Terex Cranes.....	237.9	135.1	102.8
Terex Roadbuilding, Utility Products and Other....	158.1	132.6	25.5
Terex Aerial Work Platforms.....	139.3	---	139.3
Terex Mining.....	80.0	65.3	14.7
Eliminations/Corporate.....	(13.7)	(15.3)	1.6
Total.....	\$ 927.7	\$ 582.0	\$ 345.7
GROSS PROFIT			
Terex Construction.....	\$ 42.9	\$ 40.0	\$ 2.9
Terex Cranes.....	27.2	16.8	10.4
Terex Roadbuilding, Utility Products and Other....	19.7	26.3	(6.6)
Terex Aerial Work Platforms.....	28.3	---	28.3
Terex Mining.....	11.9	8.1	3.8
Eliminations/Corporate.....	(0.3)	0.1	(0.4)
Total.....	\$ 129.7	\$ 91.3	\$ 38.4
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
Terex Construction.....	\$ 28.2	\$ 24.5	\$ 3.7
Terex Cranes.....	20.4	9.5	10.9
Terex Roadbuilding, Utility Products and Other....	18.3	17.9	0.4
Terex Aerial Work Platforms.....	13.0	---	13.0
Terex Mining.....	7.3	6.5	0.8
Eliminations/Corporate.....	2.0	1.4	0.6
Total.....	\$ 89.2	\$ 59.8	\$ 29.4
INCOME FROM OPERATIONS			
Terex Construction.....	\$ 14.7	\$ 15.5	\$ (0.8)
Terex Cranes.....	6.8	7.3	(0.5)
Terex Roadbuilding, Utility Products and Other....	1.4	8.4	(7.0)
Terex Aerial Work Platforms.....	15.3	---	15.3
Terex Mining.....	4.6	1.6	3.0
Eliminations/Corporate.....	(2.3)	(1.3)	(1.0)
Total.....	\$ 40.5	\$ 31.5	\$ 9.0

Terex Consolidated

Total sales for the three months ended March 31, 2003 were \$927.7 million, an increase of \$345.7 million when compared to the same period in 2002. Businesses acquired after January 1, 2002, other than Schaeff (the "Recent Acquisitions"), contributed approximately \$323 million of the increase in sales in 2003 when compared to 2002. Sales of large mining trucks and shovels sold by Terex Mining increased sales by \$14.7 million in the first quarter of 2003 when compared to 2002 as the Mining segment experienced increased demand in South Africa and Australia. Sales in Terex Construction increased by \$61.8 million in the first

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

quarter of 2003 when compared to the first quarter of 2002. Sales growth in the Atlas Terex GmbH ("Atlas") and Schaeff businesses contributed to the increase in sales along with favorable exchange rates. Sales of roadbuilding products declined by over 23% in the first quarter of 2003 when compared to 2002 as a result of weak demand and pricing pressure as competitors have priced products aggressively to maintain market share. Sales of mobile cranes in North America decreased significantly in the first quarter of 2003 when compared to the same period in 2002. Weak construction demand and overcapacity in rental markets contributed to the decline in demand for mobile cranes in North America.

31

Gross profit for the three months ended March 31, 2003 was \$129.7 million, an increase of \$38.4 million when compared to the same period in 2002. The Recent Acquisitions contributed \$48.9 million of the increase in gross profit in 2003 when compared to 2002. The Terex Mining segment's gross profit increased by \$3.8 million in 2003 when compared to 2002 as a result of increased sales levels and the benefit of lower costs as a result of the closure of its Tulsa, Oklahoma truck production facility in the third quarter 2002. Gross profit in the Terex Construction segment increased by \$2.9 million in the first quarter of 2003 when compared to the same period in 2002. Sales growth and the benefit of several cost reduction initiatives in the Atlas and Schaeff businesses accounted for approximately two-thirds of the increase in gross profit. Continued weak demand and depressed selling margins for roadbuilding products reduced gross profit in the Terex Roadbuilding, Utility Products and Other Segment by \$6.6 million in the first quarter 2003 when compared to 2002.

Selling, General and Administrative expenses for the three months ended March 31, 2003 totaled \$89.2 million, an increase of \$29.4 million when compared to the same period in 2002. The Recent Acquisitions increased selling, general and administrative expense by \$26.4 million in the first quarter 2003 when compared with the same period in 2002.

Income from operations for the three months ended March 31, 2003 totaled \$40.5 million, an increase of \$9.0 million when compared to the same period in 2002. The Recent Acquisitions increased income from operations by \$22.5 million in the first quarter of 2003 when compared to the same period in 2002. Income from operations in the North American mobile crane business has been negatively impacted by weak construction demand and overcapacity in the crane rental market when compared to the first quarter of 2002. Income from operations in the roadbuilding businesses of the Terex Roadbuilding, Utility Products and Other segment fell by \$4.2 million when compared to the same period in 2002. Demand for roadbuilding products has remained weak due to lower than expected funding levels for road construction. Income from operations in the Terex Mining segment increased by \$3.0 million in the first quarter of 2003 when compared to the same period in 2002. Cost improvements from the closure of the Tulsa, Oklahoma truck production facility as well as higher sales volumes accounted for the majority of the increase.

### Terex Construction

Sales in the Terex Construction segment increased by 23.4% to \$326.1 million for the three months ended March 31, 2003 from \$264.3 million for the comparable 2002 period. Sales of excavators and scrap handling machines under the Atlas and Schaeff brands increased for the three months ended March 31, 2003 when compared to the same period in 2002. Approximately one-third of the increase is due to the relative increase in the Euro exchange rate versus the U. S. Dollar. Sales of other construction products increased for the three months ended March 31, 2003 when compared to the same period in 2002 primarily as a result of the increase in the Euro and the British Pound exchange rates versus the U.S. Dollar. Sales of crushing and screening products increased for the three months

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

ended March 31, 2003 when compared to the same period in 2002. In addition to benefiting from the favorable exchange rates, sales benefited from the continuing shift of customer preferences towards mobile crushing and screening products and away from stationary products.

Gross profit in the Terex Construction segment increased by \$2.9 million or 7.3% for the three months ended March 31, 2003 from the comparable 2002 period. Gross profit in the Schaeff businesses declined slightly during the three months ended March 31, 2003 when compared to the same period in 2002, despite higher sales. Gross margins in the articulated dump truck business were unfavorably impacted by costs related to new product introduction. Gross margins in the crushing and screening business declined during the quarter ended March 31, 2003 when compared to 2002, in part due to the impact of exchange rates on U.S. Dollar denominated sales of products manufactured in the U. K.

Selling, General and Administrative expense in the Terex Construction segment increased by \$3.7 million to \$28.2 million during the three months ended March 31, 2003 when compared to the same period in 2002. A significant portion of the increase is due to the impact of foreign exchange as the majority of the Terex Construction segment businesses incur costs in Euro and British Pounds.

Operating profit in the Terex Construction segment fell by \$0.8 million to \$14.7 million for the three months ended March 31, 2003 when compared to the same period in 2002. Operating profit in the Schaeff and Atlas business increased during the first quarter 2003 when compared to 2002 as the businesses benefited from higher sales and the impact of cost reductions initiated during 2002. Operating profit for the crushing and screening businesses due to lower selling margins earned on the sale of new machines, as noted above. Operating profit in the articulated dump truck business fell due to lower selling margins earned on the sale of new trucks and increased warranty costs.

32

### Terex Cranes

Total sales for the Terex Cranes segment increased by \$102.8 million and totaled \$237.9 million for the three months ended March 31, 2003 as compared to \$135.1 million for the same period in 2002. Sales of Demag, acquired on August 30, 2002, and Crane & Machinery, consolidated since December 1, 2002, totaled \$134.0 million. Sales of mobile cranes in North America decreased significantly relative to 2002. Demand for mobile cranes continues to be negatively impacted by weak construction activity and overcapacity in the rental markets.

Gross profit for the Terex Cranes segment increased by \$10.4 million to \$27.2 million for the three months ended March 31, 2003 as compared to \$16.8 million for the same period in 2002. The majority of the increase was due to the acquisition of Demag. Included in the first quarter results for Demag is a charge of \$2.1 million related to fair value accounting. The fair value adjustment relates to acquired inventory; no further fair value adjustments remain to be recognized as of March 31, 2003. Gross profit in the North American crane business fell in the first quarter of 2003 when compared to the same period in 2002. The decline in gross profit is related primarily to the drop in volume while the remainder is due to lower prices realized on the sale of both new machines and replacement parts.

Selling, General and Administrative expense in the Terex Cranes segment increased by \$10.9 million to \$20.4 million in the first quarter of 2003 when compared to the same period in 2002. Selling, General and Administrative expense from the Demag and Crane & Machinery businesses totaled \$12.2 million, which largely accounts for the increase over the prior year period.

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

Operating profit for the Terex Cranes segment fell by \$0.5 million to \$6.8 million in the three months ended March 31, 2003 when compared to \$7.3 million for the same period in 2002. Demag and Crane & Machinery contributed \$4.0 million of operating profit in the first quarter of 2003. While operating profit in the North American cranes business declined significantly in the first quarter of 2003 when compared to 2002 as profits were depressed by continued weakness in construction markets in North America, the inclusion of Demag and Crane & Machinery partially offset the decline.

Terex Roadbuilding, Utility Products and Other

Sales in the Terex Roadbuilding, Utility Products and Other segment increased by \$25.5 million to \$158.1 million for the three months ended March 31, 2003 from \$132.6 for the comparable 2002 period. Sales from Advance Mixer (acquired April 11, 2002), Telelect Southeast (acquired March 26, 2002) and Commercial Body (acquired February 14, 2003) totaled \$37.6 million for the three months ended March 31, 2003. Sales of CMI Terex Corporation ("CMI Terex") and Cedarapids Inc., ("Cedarapids"), products declined approximately 23% during the three months ended March 31, 2003 when compared to the same period in 2002. Sales of asphalt and concrete paving products under these brand names have been weak over the past twelve months as anticipated improvements in state and federal funding for road construction have yet to materialize.

Gross profit in the Terex Roadbuilding, Utility Products and Other segment declined by \$6.6 million to \$19.7 million for the three months ended March 31, 2003 compared to \$26.3 million for the comparable period in 2002. Gross profit from Advance Mixer, Telelect Southeast and Commercial Body totaled \$3.3 million in the first quarter of 2003. During the first quarter of 2003, the Company recorded a loss on the shut down of its EarthKing e-commerce subsidiary. A total charge of \$1.5 million was recognized in the first quarter results, reflecting the Company's expected net loss. During the first quarter of 2003, the Company eliminated approximately 146 positions at its CMI Terex business to adjust its workforce to expected business levels. The cost of this workforce reduction totaled \$0.7 million and was recorded in the first quarter of 2003. During the first quarter of 2002, the Company recorded a charge of \$1.2 million in gross profit to consolidate the Standard Havens hot mix asphalt plant production into its CMI Terex operation in Oklahoma City, Oklahoma. Gross profit in the Cedarapids and CMI Terex Roadbuilding businesses declined significantly during the three months ended March 31, 2003 when compared to 2002. The drop in margin related to lower selling margins for new machines, the impact of lower volumes on factory costs and lower sales volume. Gross profit in the light construction business increased during the three months ended March 31, 2003 when compared to the same period in 2002. The increase in gross profit is due in part to the consolidation of light tower production into the Rock Hill, North Carolina production facility initiated in 2002.

Selling, General and Administrative expense in the Terex Roadbuilding, Utility Products and Other segment increased by \$0.4 million to \$18.3 million in the three months ending March 31, 2003 when compared to the same period in 2002. The acquisition of Advance Mixer, Telelect Southeast and Commercial Body increased selling, general and administrative expense by \$2.2 million. Costs in the CMI Terex business declined in the first quarter of 2003 as compared to 2002 due to the Company's continued attempt to size the business for anticipated demand.

33

Operating profit in the Terex Roadbuilding, Utility Products and Other segment for the three months ended March 31, 2003 totaled \$1.4 million, a reduction of \$7.0 million from the same period in 2002. Operating profit increased by \$1.1 million over the same period in 2002 as a result of the acquisition of Advance Mixer, Telelect Southeast and Commercial Body. Estimated costs related to the

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

closure of the Company's EarthKing e-commerce subsidiary as well as the cost related to the workforce reduction at CMI Terex reduced profit by \$2.2 million in the first quarter of 2003. During the first quarter of 2002, the Terex Roadbuilding, Utility Products and Other segment's operating profit included a \$1.2 million charge related to the consolidation of its hot mix asphalt plant production facilities. Operating profit in the Cedarapids and CMI Terex roadbuilding businesses fell in the three months ending March 31, 2003 when compared to the same period in 2002. Continued weak demand for the products produced by the business account for the majority of the decline in profits. The Company has taken several actions to address the continued weak demand seen in the roadbuilding businesses. In addition, the Company is in the process of reviewing the long-term outlook for roadbuilding products and any potential impact this may have on the value of the assets of this business.

Business performance during the first quarter of 2003 in the Roadbuilding reporting unit has not yet met the expectations assumed by the Company when goodwill was last tested for impairment on October 1, 2002. Sales levels in the Roadbuilding reporting unit have not reached expected volumes, as funding levels for road construction remain weak. In addition, margins have been affected as competitors have priced products aggressively to maintain market share. As a result of these issues, cash flow generated in the Roadbuilding business has not yet met the Company's estimates. The Company has taken several actions to address this shortfall, including staff reductions and changes in management. The Company is closely monitoring the performance of this business and, if results do not approximate expectations, a re-assessment of the expected future performance of the Roadbuilding business will be undertaken. If such a review is required and indicates a significant, permanent reduction in expected cash flows, the Company may be required to record a goodwill impairment charge to reflect a decrease in fair value for the Roadbuilding business. If required, the results of this review will be reflected in the Company's June 30, 2003 financial statements.

### Terex Aerial Work Platforms

Sales in the Terex Aerial Work Platform segment totaled \$139.3 million for the three months ended March 31, 2003 and were approximately the same as sales during the same period in 2002.

Gross profit in the Terex Aerial Work Platform segment totaled \$28.3 million for the three months ended March 31, 2003, or 20.3% of sales. Included in the gross profit of \$28.3 million is a non-recurring reduction of gross profit of \$0.7 million related to the effects of the required fair-value accounting of Genie. The fair value adjustments relate to acquired inventory. As of March 31, 2003, the remaining fair value adjustment in inventory was \$0.1 million. The remaining fair value adjustment will be charged to cost of sales in 2003 as the associated inventory is sold to customers.

Selling, General and Administrative expense in the Terex Aerial Work Platforms segment totaled \$13.0 million in the three months ended March 31, 2003, resulting in operating profit of \$15.3 million (or 11.0% of sales). The operating profit margin at the Terex Aerial Work Platforms segment for the three months ended March 31, 2003 has improved from the Genie historical operating profit margin, reflecting the impact of global restructuring activities and cost control initiatives begun prior to acquisition by the Company as well as consolidation of additional domestic production facilities subsequent to the acquisition.

### Terex Mining

Total sales for the Terex Mining segment increased by \$14.7 million and totaled \$80.0 million for the three months ended March 31, 2003 when compared to \$65.3 million for the same period in 2002. Sales of the Terex Mining segment's large

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

mining trucks and shovels increased in both South Africa and Australia. This increase was partially offset by continued weakness for large mining truck demand throughout the rest of the world.

Gross profit for the Terex Mining segment totaled \$11.9 million, an increase of \$3.8 million for the three months ended March 31, 2003 when compared to \$8.1 million for the same period in 2002. The closure of the segment's Tulsa, Oklahoma production facility in the second quarter of 2002 reduced operating costs by approximately \$1.5 million in the first quarter 2003 when compared to 2002. Gross profit earned in South Africa increased due to the favorable mix of products sold in the region. Gross profits in the German large shovel business improved due to a favorable mix of shovel models and improved spare parts margins.

Operating expense in the Terex Mining segment totaled \$7.3 million for the three months ended March 31, 2003, an increase of \$0.8 million when compared to the same period in 2002. The majority of the increase is due to the increase in the value of the Euro and South African Rand relative to the U. S. Dollar.

34

Operating profit for the Terex Mining segment increased by \$3.0 million and totaled \$4.6 for the three months ended March 31, 2003 when compared to the same period in 2002. Operating profit in North America increased by \$1.6 million as a result of the closure of the Tulsa, Oklahoma facility. Operating profit in Germany and South Africa increased as a result of higher sales of new machines and favorable replacement part margins.

### Net Interest Expense

During the three months ended March 31, 2003, the Company's net interest expense increased \$3.0 million to \$24.2 million from \$21.2 million for the prior year period. The increase was due to the overall increase in bank debt used to finance acquisitions in 2002. The impact of increased net debt has been partially offset by more favorable interest rates on the Company's floating rate debt.

### Other Income (Expense) - Net

Other income (expense) - net for the three months ended March 31, 2003 was income of \$0.3 million as compared to an expense of \$1.2 million for the prior year period. During the three months ended March 31, 2003, the Company recorded income of \$2.4 million related to a favorable court judgment on appeal as the defendant in a patent infringement case. This income was partially offset by a loss of \$0.8 million related to its internet e-commerce investments.

### Cumulative Effect of Change in Accounting Principle

In accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," the Company recorded a charge for the cumulative effect of change in accounting principle of \$113.4 million in the three months ended March 31, 2002. See "Critical Accounting Policies," below, for additional information on these charges. This charge represents the write-off of \$132.2 million of goodwill (\$124.1 million, net of income taxes) principally in the Mining Group (Terex Mining Segment) (\$105.7 million, or \$105.7 million, net of income taxes), and the Light Construction Group (Terex Roadbuilding, Utility Products and Other Segment) (\$26.2 million, or \$18.1 million, net of income taxes). This charge was partially offset by a one-time gain (\$17.8 million, \$10.7 million net of income taxes) recognized on January 1, 2002 in the Ferrec Manufacturing Limited ("Ferrec") business. The purchase price paid by the

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

Company to acquire Fermec was less than the net assets acquired in the transaction. Prior to January 1, 2002, the difference was recorded as a deferred credit in goodwill. As required by SFAS No. 141, this credit balance was recognized as a cumulative effect adjustment on January 1, 2002.

### CRITICAL ACCOUNTING POLICIES

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

The Company believes that the following are among its most significant accounting policies which are important in determining the reporting of transactions and events and which utilize estimates about the effect of matters that are inherently uncertain and therefore are based on management judgment. Please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 for a complete listing of the Company's accounting policies.

**Inventories** - Inventories are stated at the lower of cost or market value. In valuing inventory, management is required to make assumptions regarding the level of reserves required to value potentially obsolete or over-valued items at the lower of cost or market. The valuation of used equipment taken in trade from customers requires the Company to use the best information available to determine the value of the equipment to potential customers. This value is subject to change based on numerous conditions. Inventory reserves are established taking into account age, frequency of use, or sale, and in the case of repair parts, the installed base of machines. While calculations are made involving these factors, significant management judgment regarding expectations for future events is involved. Future events which could significantly influence management's judgment and related estimates include general economic conditions in markets where the Company's products are sold, new equipment price fluctuations, competitive actions including the introduction of new products and technological advances, as well as new products and design changes introduced by the Company. At March 31, 2003, reserves for excess and obsolete inventory totaled \$37.4 million.

35

**Accounts Receivable** - Management is required to make judgments relative to the Company's ability to collect accounts receivable from the Company's customers. Valuation of receivables includes evaluating customer payment histories, customer leverage, availability of third party financing, political and exchange risks and other factors. Many of these factors, including the assessment of a customer's ability to pay, are influenced by economic and market factors which cannot be predicted with certainty. At March 31, 2003, reserves for potentially uncollectible accounts receivable totaled \$19.6 million.

**Guarantees** - The Company has issued guarantees of customer financing to purchase equipment as of March 31, 2003. The Company must assess the probability of losses or non-performance in ways similar to the evaluation of accounts receivable, including consideration of a customer's payment history, leverage, availability of third party finance, political and exchange risks and other factors. Many of these factors, including the assessment of a customer's ability to pay, are influenced by economic and market factors that cannot be predicted with certainty. To date, losses related to guarantees have been negligible.

Customers of the Company from time to time may fund the acquisition of the

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

Company's equipment through third-party finance companies. In certain instances, the Company may provide a credit guarantee to the finance company, by which the Company agrees to make payments to the finance company should the customer default. The maximum liability of the Company is limited to the remaining payments due to the finance company at the time of default. In the event of customer default, the Company is generally able to dispose of the equipment with the Company realizing the benefits of any net proceeds in excess of the remaining payments due to the finance company.

As of March 31, 2003, the Company's maximum exposure to such credit guarantees is \$297.2 million. The terms of these guarantees coincide with the financing arranged by the customer and generally does not exceed five years. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

The Company, through its Genie subsidiary, issues residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future point in time. As described in Note J - "Net Investment in Sales-Type Leases" in the Notes to the Condensed Consolidated Financial Statements, the Company's maximum exposure related to residual value guarantees at March 31, 2003 is \$35.3 million. The Company is able to mitigate the risk associated with these guarantees because the maturity of the guarantees is staggered, which limits the amount of used equipment entering the marketplace at any one time.

The Company from time to time guarantees that it will buy equipment from its customers in the future at a stated price if certain conditions are met by the customer. Such guarantees are referred to as buyback guarantees. These conditions generally pertain to the functionality and state of repair of the machine. As of March 31, 2003, the Company's maximum exposure pursuant to buyback guarantees is \$35.1 million. The Company is able to mitigate the risk of these guarantees by staggering the timing of the buybacks and through leveraging its access to the used equipment markets provided by the Company's original equipment manufacturer status.

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

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

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

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

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

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

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

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

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

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

Goodwill & Acquired Intangible Assets - Goodwill represents the difference between the total purchase price paid in the acquisition of a business and the fair value of the assets, both tangible and intangible, and liabilities acquired

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

by the Company. Acquired intangible assets generally include trade names, technology and customer relationships and are amortized over their estimated useful lives. The Company is required annually to review the value of its recorded goodwill and intangible assets to determine if either is potentially impaired. The initial recognition of intangible assets, as well as the annual review of the carrying value of goodwill and intangible assets, requires that the Company develop estimates of future business performance. These estimates are used to derive expected cash flow and include assumptions regarding future sales levels, the impact of cost reduction programs, and the level of working capital needed to support a given business. The Company relies on data developed by business segment management as well as macroeconomic data in making these calculations. The estimate also includes a determination of the Company's weighted average cost of capital. The cost of capital is based on assumptions about interest rates as well as a risk-adjusted rate of return required by the Company's equity investors. Changes in these estimates can impact the present value of the expected cash flow that is used in determining the fair value of acquired intangible assets as well as the overall expected value of a given business.

37

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

**Accrued Warranties** - The Company records accruals for potential warranty claims based on the Company's prior claim experience. Warranty costs are accrued at the time revenue is recognized. However, adjustments to the initial warranty accrual are recorded if actual claim experience indicates that adjustments are necessary. These warranty costs are based upon management's assessment of past claims and current experience. However, actual claims could be higher or lower than amounts estimated, as the amount and value of warranty claims are subject to variation as a result of many factors that cannot be predicted with certainty, including the performance of new products, models and technology, changes in weather conditions for product operation, different uses for products and other similar factors.

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

**Pension Benefits** - Pension benefits represent financial obligations that will be ultimately settled in the future with employees who meet eligibility

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

requirements. Because of the uncertainties involved in estimating the timing and amount of future payments, significant estimates are required to calculate pension expense and liabilities related to the Company's plans. The Company utilizes the services of several independent actuaries, whose models are used to facilitate these calculations.

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

The expected long-term rates of return on pension plan assets were 8.00% for U.S. plans and 2.0% to 7.0% for international plans at March 31, 2003. These rates are determined annually by management based on a weighted average of current and historical market trends, historical portfolio performance and the portfolio mix of investments.

The discount rates for pension plan liabilities were 6.75% for U. S. plans and 5.75% to 6.0% for international plans at March 31, 2003. These rates are used to calculate the present value of plan liabilities and are determined annually by management based on market yields for high-quality fixed income investments on the measurement date.

The expected rates of compensation increase for the Company's pension plans were 5.0% for U.S. plans and 3.75% to 4.25% for international plans at March 31, 2003. These estimated annual compensation increases are determined by management every year and are based on historical trends and market indices.

Income Taxes - At March 31, 2003 the Company had deferred tax assets of \$197.8 million, net of valuation allowances. Income tax expense was \$4.9 million for the three months ended March 31, 2003. The Company estimates income taxes based on diverse and complex regulations that exist in various jurisdictions where it conducts business. Deferred income tax assets and liabilities represent tax benefits or obligations that arise from temporary timing differences due to differing treatment of certain items for accounting and income tax purposes. The Company evaluates deferred tax assets each period to ensure that estimated future taxable income will be sufficient in character (e.g., capital gain versus ordinary income treatment), amount and timing to result in their recovery. To the extent that the Company estimates recovery is not likely, then the Company establishes a valuation allowance to reduce the assets to their realizable value. Considerable judgments are required in establishing deferred tax valuation allowances and in assessing possible exposures related to tax matters. Tax returns are subject to audit and local taxing authorities could challenge tax positions. The Company's practice is to review tax-filing positions by jurisdiction and to record provisions for probable tax assessments, including interest and penalties, if applicable. The Company believes it records and/or discloses such potential tax liabilities as appropriate and has reasonably estimated its income tax liabilities and recoverable tax assets.

### LIQUIDITY AND CAPITAL RESOURCES

Net cash of \$114.9 million was provided by operating activities during the three months ended March 31, 2003. Reduced working capital needs provided

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

approximately \$90 million of cash. The Company defines working capital as the sum of accounts receivable and inventory less accounts payable. Net cash used in investing activities was \$14.5 million during the three months ended March 31, 2003, primarily related to the acquisition of Commercial Body and capital expenditures. Net cash used in financing activities was \$35.6 million during the three months ended March 31, 2003. In addition, the Company had \$215.2 million available for borrowing under its revolving credit facilities at March 31, 2003. Therefore, total liquidity available to the Company at March 31, 2003 was approximately \$635.1 million.

Including the February 2003 acquisition of Commercial Body and Combatel, since the beginning of 1995 Terex has invested approximately \$1.9 billion to strengthen and expand its core businesses through more than 25 strategic acquisitions. Acquisitions and new product development have been important components of the Company's growth strategy. Although the Company may make additional acquisitions in the future, particularly those that would complement the Company's existing operations, the Company is currently focused on completing the integration of its recent acquisitions.

Debt reduction and an improved capital structure are major focal points for the Company. The Company regularly reviews its alternatives to improve its capital structure and to reduce debt service through debt refinancings, debt repurchases and redemptions, issuances of equity, asset sales, including strategic dispositions of business units, or any combination thereof. On April 23, 2002, the Company issued approximately 5.3 million shares of its common stock in a public offering with net proceeds to the Company of \$113.3 million. On July 3, 2002, the Company entered into an amended and restated credit facility with its bank lending group. The revised agreement provides for \$375 million of term debt maturing in June 2009 and a revolving credit facility of \$300 million that is available through June 2007. The facility also included provisions for an additional \$250 million of term borrowing by the Company on terms similar to the current term loan debt under the facility. On September 13, 2002, the Company consummated an incremental term loan borrowing of \$210 million maturing in December 2009 under this facility to acquire Genie, to refinance some of Genie's debt and for other general corporate purposes. In addition to providing the Company with additional funds, the revised credit agreement also amended certain covenants and other provisions to allow the Company greater flexibility. This added flexibility included changes to increase the Company's ability to make acquisitions, participate in joint ventures and take other corporate actions. Adjustments were also made to financial covenant ratios, including the Company's consolidated total leverage ratio, consolidated interest coverage ratio and consolidated senior leverage ratio, that permit the Company to maintain additional debt for a longer period of time.

Additionally, in January 2002, March 2002, September 2002 and February 2003, the Company issued approximately 0.5 million shares, 0.3 million shares, 3.2 million shares and 0.6 million shares of its common stock in connection with the acquisition of Utility Equipment, Telelect Southeast, Genie and Commercial Body, respectively. The Company also sold approximately 1.3 million shares of its common stock for \$17.3045 per share, or approximately \$23 million in total, to certain former shareholders of Schaeff in January 2002. In each instance, the number of shares of common stock issued was determined based on the average price of the common stock on the New York Stock Exchange for a specified time period prior to the date of issuance.

The Company's businesses are working capital intensive and require funding for purchases of production and replacement parts inventories, capital expenditures for repair, replacement and upgrading of existing facilities, as well as trade financing for receivables from customers and dealers. The Company has significant debt service requirements, including semi-annual interest payments on its senior subordinated notes and monthly interest payments on its bank credit facilities. Other than default under the terms of the Company's debt

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

instruments, there are no other events that would accelerate the repayment of the Company's debt. In the event of default, these borrowings could become payable on demand.

Management believes that cash generated from operations, together with the Company's bank credit facilities and cash on hand, provides the Company with adequate liquidity to meet the Company's operating and debt service requirements.

The Company's main sources of funding are cash generated from operations and access to the Company's bank credit facilities, as well as the Company's ability to access the capital markets. Additionally, the Company sells customer accounts receivable, substantially all of which are insured, to third party institutions to accelerate the collection of cash.

39

Cash generated from operations is directly tied to the Company's sales. A decrease in sales will have a negative impact on the Company's ability to derive liquidity from its operations. Sales are subject to decline for a number of reasons, including economic conditions, weather, competition and foreign currency fluctuations. A significant portion of sales are financed by third party finance companies in reliance on the credit worthiness of the Company's customers and the estimated residual value of its equipment. Deterioration in the credit quality of the Company's customers or the estimated residual value of its equipment could negatively impact the ability of such customers to obtain the resources needed to make purchases from the Company and could have a material adverse impact on results of operations or financial condition of the Company. The recent economic climate has had a negative effect on cash generated from operations, as consumer confidence remains fragile, many of the Company's customers have delayed purchasing decisions and the availability of third party financing has become more limited.

The Company's ability to borrow under its existing bank credit facilities is subject to the Company's ability to comply with a number of covenants. The Company's bank credit facilities include covenants that require the Company to meet certain financial tests, including a pro forma consolidated leverage ratio test, a consolidated interest ratio test, a consolidated fixed charge ratio test, a pro forma consolidated senior secured debt leverage ratio test and a capital expenditures test. These covenants require quarterly compliance and become more restrictive periodically. Maintaining compliance with these ratios depends on the future performance of the Company and the achievement of cost savings and earning levels anticipated in acquisitions. The Company is currently in compliance with its financial covenants under its bank credit facilities. The Company's ability to remain compliant with its covenants in the future is dependent on its ability to maintain its earnings, including its ability to generate cash flow from working capital reductions, realize cost savings at recently acquired units, realize the benefit of its restructuring programs and maintain an appropriate level of operating profits. The interest rates charged are subject to adjustment based on the Company's consolidated leverage ratio. The weighted average interest rate on the outstanding portion of the revolving credit component of the Company's bank credit facility was 4.29% at March 31, 2003.

The Company's ability to access the capital markets to raise funds, through the sale of equity or debt securities, is subject to various factors, some specific to the Company and some impacted by general economic and/or financial market conditions. These include results of operations, projected operating results for future periods and debt to equity leverage.

At March 31, 2003, the Company had outstanding letters of credit that totaled

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

\$87.5 million and had issued \$297.2 million in guarantees of customer financing to purchase equipment, \$35.3 million in residual value guarantees and \$35.1 million in buyback guarantees.

In April 2001, Genie entered into a joint venture arrangement with a European financial institution whereby Genie maintains a forty-nine percent (49%) ownership interest in the joint venture, Genie Financial Solutions Holding B.V. ("GFSH B.V."). Prior to the Company's acquisition of Genie, Genie had contributed \$5.3 million in cash in exchange for its ownership interest in GFSH B.V. During January 2003, Genie contributed an additional \$0.8 million in cash to GFSH B.V. The Company applies the equity method of accounting for its investment in GFSH B.V., as the Company does not control the operations of GFSH B.V.

GFSH B.V. was established to facilitate the financing of Genie's products sold in Europe. As of March 31, 2003, the joint venture's total assets were \$119.4 million and consisted primarily of financing receivables and lease related equipment; total liabilities were \$106.2 million and consisted primarily of debt payable to the fifty-one percent (51%) joint venture partner. The Company provided guarantees related to potential losses arising from shortfalls in the residual values of financed equipment or credit defaults by the joint venture's customers. As of March 31, 2003, the maximum exposure to loss under these guarantees is approximately \$7 million. Additionally, the Company is required to maintain a capital account balance in GFSH B.V., pursuant to the terms of the joint venture, which could result in the reimbursement to GFSH B.V. by the Company of losses to the extent of the Company's ownership percentage.

### CONTINGENCIES AND UNCERTAINTIES

#### Foreign Currencies and Interest Rate Risk

The Company's products are sold in over 100 countries around the world and, accordingly, revenues of the Company are generated in foreign currencies, while the costs associated with those revenues are only partly incurred in the same currencies. The major foreign currencies, among others, in which the Company does business, are the Euro, the British Pound, the Australian Dollar and the South African Rand. The Company may, from time to time, hedge specifically identified committed cash flows in foreign currencies using forward currency sale or purchase contracts. At March 31, 2003, the Company had foreign exchange contracts with a notional value of \$158.5 million.

40

The Company manages exposure to fluctuating interest rates with interest protection arrangements. Certain of the Company's obligations, including indebtedness under the Company's bank credit facility, bear interest at floating rates, and as a result an increase in interest rates could adversely affect, among other things, the results of operations of the Company. The Company has entered into interest protection arrangements with respect to approximately \$100 million of the principal amount of its indebtedness under its bank credit facility, fixing interest at 6.51% for the period from July 1, 2004 through June 30, 2009.

Certain of the Company's obligations, including its senior subordinated notes, bear interest at a fixed interest rate. The Company has entered into interest rate agreements to convert these fixed rates to floating rates with respect to approximately \$75 million of the principal amount of its indebtedness under its 8-7/8% Senior Subordinated Notes and approximately \$79 million of capital leases. The floating rates are based on a spread of 3.69% to 4.50% over LIBOR. At March 31, 2003, the floating rates ranged between 4.95% and 5.83%.

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

### Other

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

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

On March 11, 2002, an action was commenced in the United States District Court for the Southern District of Florida, Miami Division by Ursula Ungaro-Benages and Ursula Ungaro-Benages as Attorney-in-fact for Peter C. Ungaro, M.D., in which the plaintiffs alleged that ownership of O&K Orenstein & Koppel AG ("O&K AG") was illegally taken from the plaintiffs' ancestors by German industry during the Nazi era. The plaintiffs alleged that the Company was liable for conversion and unjust enrichment as the result of its purchase of the shares of the mining shovel subsidiary O&K Mining GmbH from O&K AG, and were claiming restitution of a 25% interest in O&K Mining GmbH and monetary damages. On June 12, 2002, the United States Department of Justice filed a Statement of Interest in the action that expressed the foreign policy interests of the United States in dismissal of the case. At the request of the Company, on October 8, 2002, the Federal Judicial Panel on Multi-district Litigation ordered that the action be transferred to the District of New Jersey and assigned the case to the Honorable William G. Bassler for inclusion in the coordinated or consolidated pretrial proceedings established in that court. On April 21, 2003 the plaintiffs voluntarily dismissed the action against the Company.

### RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002," was issued in May 2002. SFAS No. 145 became effective for certain leasing transactions occurring after May 15, 2002 and became effective for the Company on January 1, 2003 with respect to reporting gains and losses from extinguishments of debt. The adoption of SFAS No. 145 will result in the Company reporting most gains and losses from extinguishments of debt as a component of income or loss from continuing operations before income taxes and extraordinary items; there will be no effect on the Company's net income or loss. Prior period amounts will be reclassified.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued in June 2002. SFAS No. 146 became effective for exit or

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

disposal activities that are initiated after December 31, 2002. Under SFAS No. 146, a liability for a cost associated with an exit or disposal activity is recognized when the liability is incurred. Under previous accounting principles, a liability for an exit cost would be recognized at the date of an entity's commitment to an exit plan. Adoption of SFAS No. 146 has been applied prospectively and has not had a material effect on the Company's consolidated financial position or results of operations.

41

In November 2002, the Financial Accounting Standard Board (the "FASB") issued FASB Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of Statement of Financial Accounting Standards Nos. 5, 57, and 107 and rescission of FIN 34." FIN 45 extends the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of its obligations under certain guarantees. The disclosure provisions of FIN 45 were effective for financial statements for periods ending after December 15, 2002. The provisions for initial recognition and measurement of guarantees are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002. The application of FIN 45 has not had a material impact on the Company's consolidated financial position or results of operations.

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure as amendment of FASB Statement No. 123," was issued. SFAS No. 148, which became effective for fiscal years ended after December 15, 2002, provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123. The adoption of SFAS No. 148 has not had, and will not have, a material impact on the Company's financial statements, since the Company will continue to follow the method in APB Opinion No. 25.

During January 2003 the FASB issued FIN 46, "Consolidation of Variable Interest Entities" which is effective for the Company on July 1, 2003 for any existing entities and to any variable interest entities created after January 31, 2003. A variable interest entity ("VIE") is a corporation, partnership, trust or other legal entity that does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its own activities. This interpretation requires a company to consolidate a VIE when the company has a majority of the risk of loss from the VIE's activities or is entitled to receive a majority of the entity's residual returns or both. The Company is currently evaluating the provisions of FIN 46 to determine its impact on the Company's consolidated financial position or results of operations.

In January 2003, the Emerging Issues Task Force (the "EITF") released EITF 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF 00-21 clarifies the timing and recognition of revenue from certain transactions that include the delivery and performance of multiple products or services. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company is currently reviewing the impact of EITF 00-21 on the Company's consolidated financial position or results of operations.

During April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies financial accounting and reporting for derivative instruments and hedging activities, resulting primarily from decisions reached by the FASB

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

Derivatives Implementation Group subsequent to the original issuance of SFAS No. 133. This statement is generally effective prospectively for contracts and hedging relationships entered into after June 30, 2003. The adoption of SFAS No. 149 will not have a material impact on the Company's consolidated financial position or results of operations.

42

### SIGNATURES

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

TEREX CORPORATION  
(Registrant)

Date: March 12, 2004

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

Date: March 12, 2004

/s/ Mark T. Cohen  
Mark T. Cohen  
Vice President and Controller  
(Principal Accounting Officer)

43

### EXHIBIT INDEX

12 Calculation of Ratio of Earnings to Fixed Charges. \*

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

- 31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a) \*
- 31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a) \*
- 32 Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\* \* - Exhibit filed with this document