TEREX

Supply Management Building an Organizational Capability

Purdue University

Tim Fiore

Agenda

TEREX

- **Terex Corporation Overview**
- **Global Supply Management Organization**
- **Integrated Steel Supply Chain**

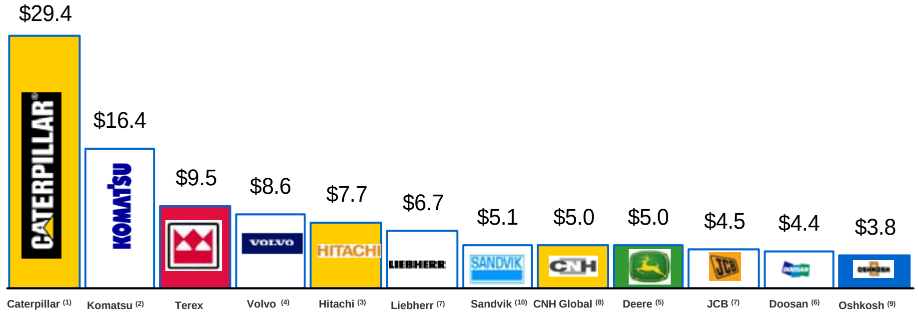
2

Where We Are Today

TEREX

TEREX is the 3rd largest manufacturer of construction equipment in the world

Based on last twelve months of available Construction Equipment Sales ($'s in Billions)



(1) Represents total sales before Power Products and Financing and Insurance Services sales.
(2) Represents Komatsu's Construction and Mining Products segment as of December 31, 2007. Exchange rate of 111.445 as of Dec 31, 2007
(3) Exchange rate used as of December 31, 2007 of USD/JPY 111.445
(4) Represents Volvo's Construction segment as of Dec 31, 2007 plus prorated annual sales of $864 million acquired from Ingersoll Rand's Roadbuilding business in May 2007 for the 4 months not owned in 2007 of approximately $300 million; Rate of USD/SEK 6.464
(5) Represents Deere's Construction and Forestry segment as of January 31, 2008
(6) Represents 2007 Construction equipment sales of $1.5 billion based on exchange rate at December 31, 2007 of KRW/USD 936.07 plus estimated 2007 Bobcat sales of $2.9 billion
(7) Estimated, as these are privately owned companies
JCB: 2007 revenue of GBP 2.25 billion converted at Dec 31, 2007 GBP/USD rate of 1.9870
Liebherr: 2006 Construction segment revenue of EUR 4.6 billion converted at a more current rate, using Dec 31, 2007 EUR/USD rate of 1.45983
(8) Represents CNH Global's Construction Equipment Segment
(9) Includes Access sales of $2.54 billion for the year ended September 30, 2007 plus Commercial (concrete mixer trucks, concrete plants and refuse trucks/systems) sales of $1.25 billion.
(10) Represents 2007 Mining & Construction sales converted at SEK/USD 6.46

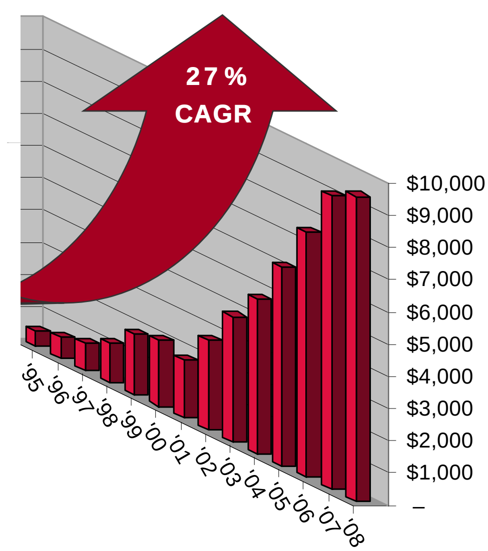
3

3

Recent Financial Highlights

TEREX

- **Fiscal year ended December 31, 2007 income from continuing operations increased 55% versus 2006 on 19% higher sales**
- **Second quarter 2008 earnings per share increased 39.8% versus second quarter 2007 on 25.3% higher revenue**
- **12-year compounded annual growth rate (CAGR) of 27%**
- **2008 Net Sales guidance is for a range of $10.5 – $10.9 billion**



Note: Net Sales in millions of dollars

2008 sales are calculated as LTM through Mar 2008

4

4

Aerial Work Platforms

TEREX

Aerial Work Platforms
Generators
Telehandlers
Trailers
Light Towers

5

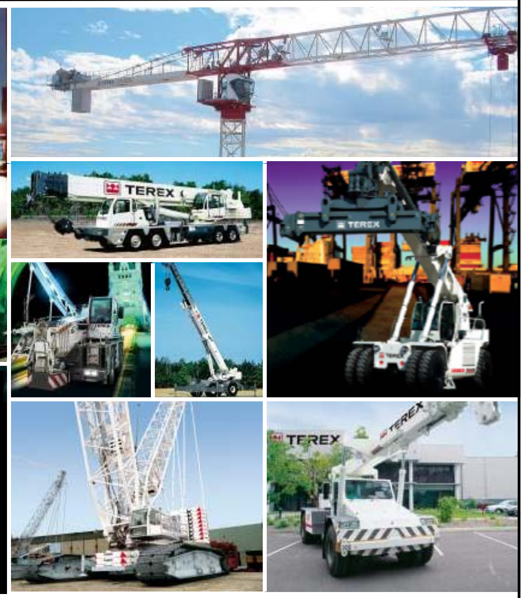
Construction

TEREX

Excavators
Loaders
Off-Road Trucks
Site Dumpers
Compaction
Motor Graders
Material Handlers
Truck Mounted Cranes
Contractor Pumps

6

Cranes



- Rough Terrain Cranes
- Telescopic Truck Cranes
- All Terrain Cranes
- Crawler Cranes
- Lattice Boom Truck Cranes
- Tower Cranes
- Reach Stackers

7

Mining

- Hydraulic Excavators
- Mining Trucks
- Drilling Equipment
- Drill Bits
- Highwall Mining Systems

8

Materials Processing

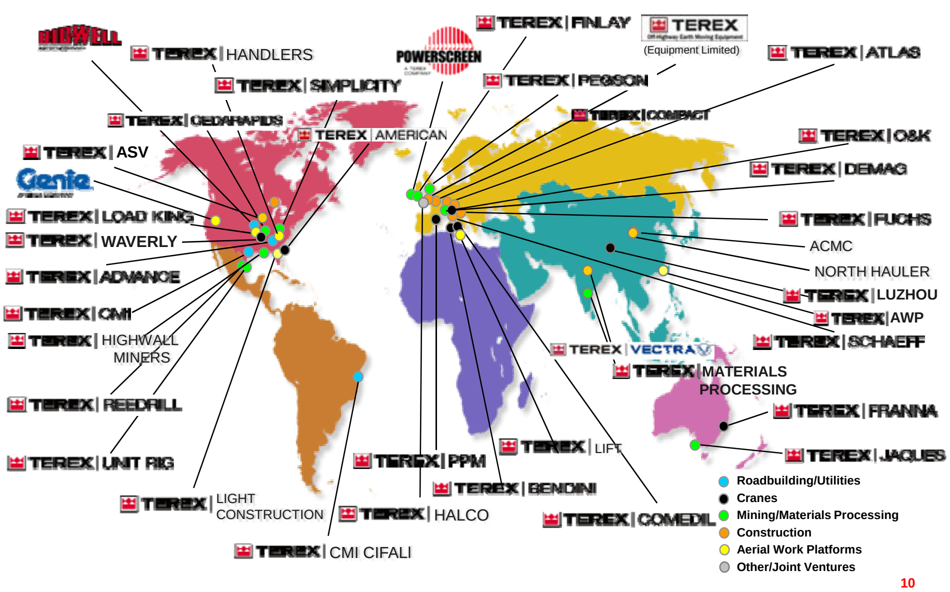
TEREX

- Crushers
- Screens
- Trommels
- Shredders
- Washing-Systems

9

Global Production Sites

TEREX



10

Supply Management: Objectives

TEREX

Create Competitive Advantage In the Supply Chain

2007 *2008* *2009* *2010*

Build the Foundation

- Establish consistent sourcing processes
- Build the organization
- Enhance sourcing tool set

Expand the Core

- Common objectives
- International Sourcing Infrastructure
- Drive savings and common suppliers
- Deploy Day 1 sourcing

Achieve Excellence

- Deeper supplier integration
- TBS initiatives
- Continual focus on TCO

11

Terex Supply Management Strategy Map

TEREX

Financial

Maximize Supply Chain Value Creation

- F1. Drive continuous working capital improvement through the supply chain
- F2. Increase operating margins through total material cost reductions
- F3. Support revenue growth through on-time, defect-free supply chain execution

Stakeholders

Support Customers, Business Units & Supply Chain Partners

- S1. Improve customer satisfaction through enhanced supply chain performance
- S2. Drive continuous improvement in supplier quality & operational performance
- S3. Improve lead-time flexibility for Terex business units & customers
- S4. Be a customer of choice to a diverse Terex supplier base

Processes

Build & Manage a Global Supply Network for Competitive Advantage

Key Supplier Relationships

- P5. Identify strategic supplier relationships & establish selected partnerships
- P6. Ensure access to new technologies & continuous cost improvements
- P7. Implement an effective Early Supplier Involvement process for new products

Structured Supplier Management

- P8. Formalize supplier development & qualification processes across Terex
- P9. Establish an effective suite of e-tools for sourcing & supplier management
- P10. Establish enabling procurement policies & procedures across Terex

Strategic Global Sourcing

- P11. Plan and manage an effective international logistics program
- P12. Establish an effective international procurement organization
- P13. Provide supply chain process leadership across Terex

Strengthen the Foundation

- P1. Establish a systematic Terex sourcing process & category strategies
- P2. Establish effective, cross-functional sourcing teams across Terex
- P3. Implement transparent spend & savings data management systems
- P4. Develop & implement a structured supplier management program

Team

Build & Sustain a World-Class Supply Management Team

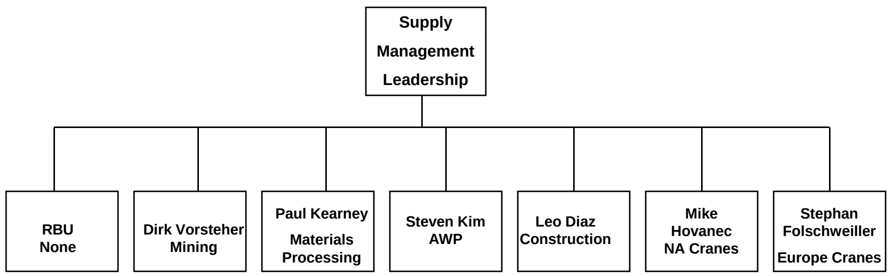
- T1. Attract the "best & brightest" global talent internally & externally
- T2. Provide opportunities for collaborative professional growth & personal development
- T3. Develop a diverse Terex SM team with meaningful growth opportunities for all

12

Live the Terex Values

Division Leadership

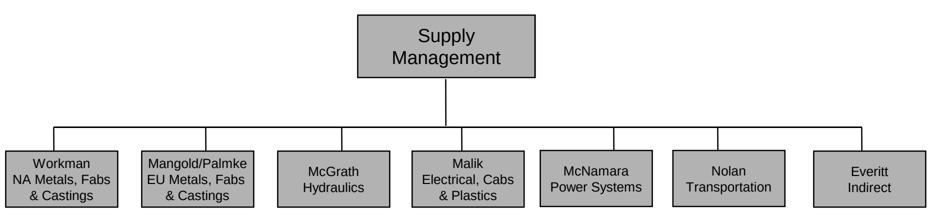
Engage Division Supply Management Leadership



Customer Focus

Supply Management Organization

Organize Around Supply Market



Key Success Metrics

TEREX.

What	Division Improvements	Milestone
Supplier quality	by 30%	year over year
Supplier deliveries	by 25%	year over year
Cash savings	2%	year over year
Re-order lead-times	15%	year over year
Advanced sourcing	25%	Q2 2008
Develop the common processes		Q3 2008

15

Terex Strategic Sourcing Process

TEREX.

	1 Develop Commodity Profile	2 Develop & Select Sourcing Strategy	3 Generate Supplier Portfolio	4 Manage RFP/Auction	5 Negotiate & Select Suppliers	6 Integrate Supplier's)	7 Continuous Improvement & Benchmarking
Purpose	Understand internal spend and external market	Create preliminary "go to market" approach	Evaluate supply base and identify all viable suppliers	Decide appropriate execution tool	Conduct aggressive supplier negotiations	Operationalize agreements	Monitor market and supplier performance
Stage Gate Reviews	1			2		3	4

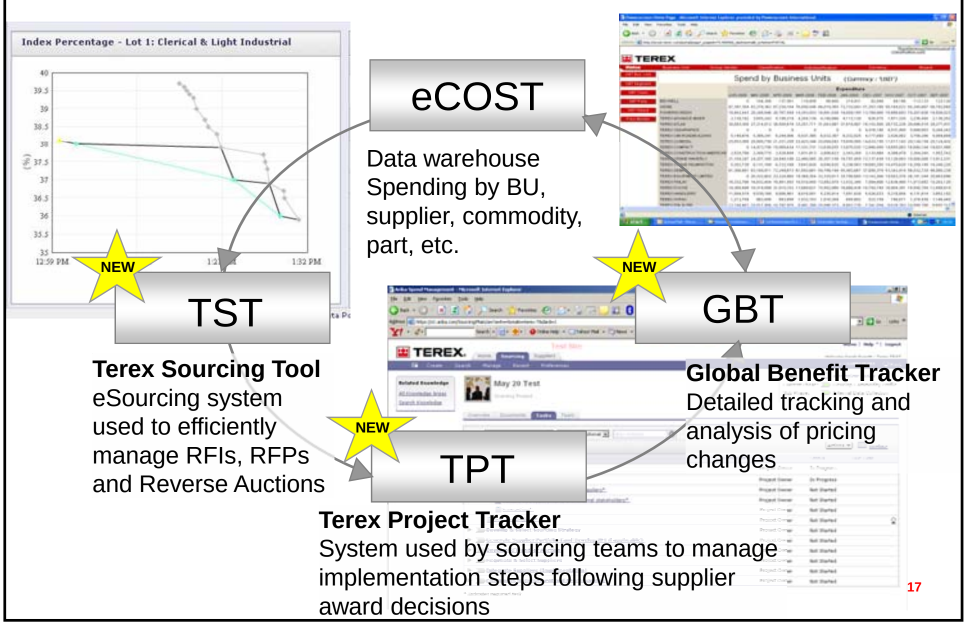
Sourcing Tasks	• Form sourcing team
	• Identify current usage
	  • Overall volumes
	  • Locations and suppliers
	  • Pricing performance
	  • Forecasts
	  • Specification risks
	• Conduct preliminary industry analysis
	  • Supply market
	  • Competitive analysis
		• Perform complexity reduction reviews
		• Value Analysis / Value Engineering reviews
		• Assess business impacts
		• Assess supply market complexity
		• Assess bargaining position
		• Strategically segment the purchases
		• Select appropriate sourcing approaches and techniques
			• Collect detailed supplier information & execute RFI
			• Generate potential supplier master list
			• Develop qualification criteria
			• Screen potential supplier list against criteria
			• Define lotting strategies
			• Establish supplier reduction targets
			• Finalize technical specifications & update drawings
				• Develop internal management engagement plan
				• Select RFP/ e-RFP or supplier development path
				• Develop RFP execution strategy
				• Develop RFP evaluation criteria & weights
				• Develop preliminary negotiation strategy
					• Finalize & distribute RFP to suppliers
					- or –
					• Conduct auction/ negotiation
					• Analyze responses
					  • Best price evaluation
					  • Non-price comparisons
					• Develop award scenarios
					  • Review with plants
					  • Get plant agreements
					• Finalize negotiation strategy
						• Execute written supplier agreements
						• Finalize Terex implementation team
						• Identify & anticipate implementation issues
						• Consider organizational implications & required changes
						• Develop & manage supplier launch plans
						• Develop new processes & procedures
						• Execute transition/ implementation plan
						• Update forecasts
						• Monitor results
							• Develop supplier performance measurement process
							• Evaluate supplier support of VA/VE
							• Develop processes to monitor market conditions
							• Initiate continuous supplier benchmarking
							• Assess supplier improvement opportunities
							• Update competitive analysis of market

Rev. 6/3/08

16

Building a Solid Foundation through Integrated Information Management

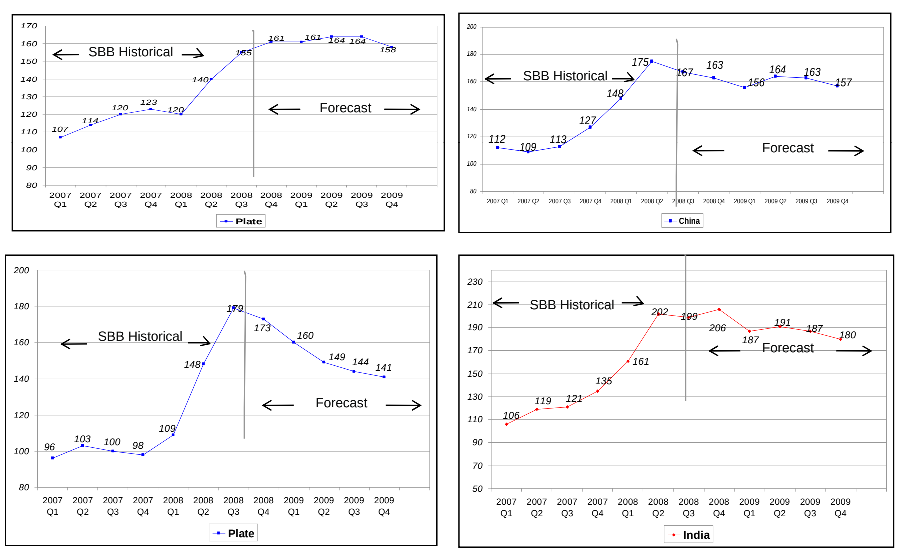
TEREX



17

Global Steel Market Dynamics

TEREX



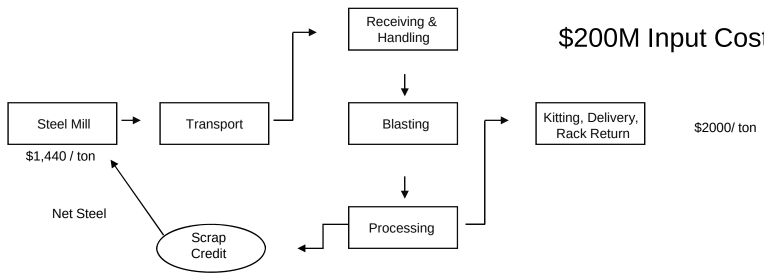
18

Integrated Steel Supply Chain

TEREX

Change Business Relationship with Mills and Key Suppliers

$200M Input Cost



- Fully understand value stream
- Require cost transparency to account for steel fluctuations
- Strike steel deals and flow to subcontractors
  - Retain intimacy of mill prices

Illustrative

19

NA Steel Action Plan

TEREX

Re-Negotiate Pre Cut	Significant price reductions of confirmed to-date Counter-proposal letters requesting retro price reduction issued Oct 9th Meetings to formally notify of supply base consolidation plans – 'winner take all scenario'
New Pre-Cut Source (NA)	Data collection and opportunity analysis underway Goal is to identify five (5) high potential supplier candidates Key features: industry incumbent, $50M to $250M revenue, limited capital investment, lower labor rates
NA Fab Sourcing	$20M Fab spend quoted to preferred global suppliers 5 Terex Business Units included $4.53M savings identified in BCC, move to implementable
BCC Pre-Cut Plate	Terex site audit complete Award scenario confirmed, steel order confirmed, cert testing and sample validation underway 1st article production acceptance scheduled for Dec-08
Mill Agreement	NA steel RFP responses received. Mgmt review complete Nov 7th 'Quick Strike' negotiations scheduled with for week of Oct 20th; other mills to follow
Steel Price Validation	Draft of steel spend versus steel index complete Data received for Q4 steel RFP for market price comparison Terex price analysis received from key supplier

20