OSHKOSH CORP
Form 10-Q
April 29, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2010

or

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

For the transition period from to

Commission File Number: 1-31371

Oshkosh Corporation

(Exact name of registrant as specified in its charter)

Wisconsin (State or other jurisdiction of incorporation or organization)	**39-0520270** (I.R.S. Employer Identification No.)
P.O. Box 2566 **Oshkosh, Wisconsin** (Address of principal executive offices)	**54903-2566** (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes x No

As of April 26, 2010, 89,768,011 shares of the Registrant s Common Stock were outstanding.

Table of Contents

OSHKOSH CORPORATION

FORM 10-Q INDEX

FOR THE QUARTER ENDED MARCH 31, 2010

		Page
	PART I FINANCIAL INFORMATION	
ITEM 1.	FINANCIAL STATEMENTS (UNAUDITED)	
	Condensed Consolidated Statements of Operations for the Three Months and Six Months Ended March 31, 2010 and 2009	3
	Condensed Consolidated Balance Sheets at March 31, 2010 and September 30, 2009	4
	Condensed Consolidated Statements of Equity for the Six Months Ended March 31, 2010 and 2009	5
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended March 31, 2010 and 2009	6
	Notes to Condensed Consolidated Financial Statements	7
ITEM 2.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	31
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	43
ITEM 4.	CONTROLS AND PROCEDURES	44
	PART II OTHER INFORMATION	
ITEM 1.	LEGAL PROCEEDINGS	45
ITEM 1A.	RISK FACTORS	45
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	49
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	50
ITEM 6.	EXHIBITS	50
SIGNATURES		51
EXHIBIT INDEX		52

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OSHKOSH CORPORATION

Condensed Consolidated Statements of Operations

(In millions, except per share amounts; unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Six Months Ended March 31, 2010	Six Months Ended March 31, 2009
Net sales	$ 2,864.2	$ 1,237.3	$ 5,298.3	$ 2,566.0
Cost of sales	2,236.4	1,100.3	4,191.3	2,279.4
Gross income	627.8	137.0	1,107.0	286.6
Operating expenses:				
Selling, general and administrative	118.3	95.8	233.1	203.6
Amortization of purchased intangibles	15.2	15.6	30.6	31.8
Intangible asset impairment charges		1,188.2	23.3	1,188.2
Total operating expenses	133.5	1,299.6	287.0	1,423.6
Operating income (loss)	494.3	(1,162.6)	820.0	(1,137.0)
Other income (expense):				
Interest expense	(45.7)	(41.2)	(96.5)	(85.4)
Interest income	0.5	0.5	1.4	1.7
Miscellaneous, net	1.0	(3.2)	1.2	0.1
	(44.2)	(43.9)	(93.9)	(83.6)
Income (loss) from continuing operations before income taxes and equity in earnings of unconsolidated affiliates	450.1	(1,206.5)	726.1	(1,220.6)
Provision for (benefit from) income taxes	157.4	(26.8)	260.6	(28.6)
Income (loss) from continuing operations before equity in earnings of unconsolidated affiliates	292.7	(1,179.7)	465.5	(1,192.0)
Equity in earnings (losses) of unconsolidated affiliates, net of tax	(0.1)		(0.4)	0.5
Income (loss) from continuing operations, net of tax	292.6	(1,179.7)	465.1	(1,191.5)
Discontinued operations, net of tax		(12.4)	(2.9)	(21.5)
Net income (loss)	292.6	(1,192.1)	462.2	(1,213.0)
Net loss attributable to the noncontrolling interest		0.2		0.4
Net income (loss) attributable to Oshkosh Corporation	$ 292.6	$ (1,191.9)	$ 462.2	$ (1,212.6)
Earnings (loss) per share attributable to Oshkosh Corporation common shareholders-basic:				
Income (loss) from continuing operations	$ 3.27	$ (15.86)	$ 5.19	$ (16.02)
Discontinued operations		(0.16)	(0.03)	(0.28)
	$ 3.27	$ (16.02)	$ 5.16	$ (16.30)

Earnings (loss) per share attributable to Oshkosh Corporation common shareholders-diluted:								
Income (loss) from continuing operations	$	3.22	$	(15.86)	$	5.12	$	(16.02)
Discontinued operations				(0.16)		(0.03)		(0.28)
	$	3.22	$	(16.02)	$	5.09	$	(16.30)

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

Table of Contents

OSHKOSH CORPORATION

Condensed Consolidated Balance Sheets

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

		March 31, 2010		September 30, 2009
Assets				
Current assets:				
Cash and cash equivalents	$	844.9	$	530.4
Receivables, net		788.4		563.8
Inventories, net		851.7		789.7
Deferred income taxes		86.3		75.5
Other current assets		52.6		183.8
Total current assets		2,623.9		2,143.2
Investment in unconsolidated affiliates		34.4		37.3
Property, plant and equipment, net		394.4		410.2
Goodwill		1,044.5		1,077.3
Purchased intangible assets, net		924.8		967.8
Other long-term assets		144.3		132.2
Total assets	$	5,166.3	$	4,768.0
Liabilities and Equity				
Current liabilities:				
Revolving credit facility and current maturities of long-term debt	$	0.9	$	15.0
Accounts payable		979.9		555.8
Customer advances		636.0		731.9
Payroll-related obligations		90.2		74.5
Income taxes payable		15.0		3.1
Accrued warranty		81.7		72.8
Other current liabilities		232.0		205.5
Total current liabilities		2,035.7		1,658.6
Long-term debt, less current maturities		1,615.4		2,023.2
Deferred income taxes		229.2		239.6
Other long-term liabilities		321.3		330.3
Commitments and contingencies				
Equity:				
Preferred Stock ($.01 par value; 2,000,000 shares authorized; none issued and outstanding)				
Common Stock ($.01 par value; 300,000,000 shares authorized; 89,674,911 and 89,495,337 shares issued, respectively)		0.9		0.9
Additional paid-in capital		630.6		619.5
Retained earnings (accumulated deficit)		431.4		(30.8)
Accumulated other comprehensive loss				
Cumulative translation adjustments		5.9		41.2
Employee pension and postretirement benefits		(82.5)		(84.3)
Losses on derivatives		(21.6)		(31.6)
Total accumulated other comprehensive loss		(98.2)		(74.7)
Common Stock in treasury, at cost (64,215 shares at September 30, 2009)				(0.8)
Total Oshkosh Corporation shareholders equity		964.7		514.1
Noncontrolling interest				2.2
Total equity		964.7		516.3
Total liabilities and equity	$	5,166.3	$	4,768.0

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

Table of Contents

OSHKOSH CORPORATION

Condensed Consolidated Statements of Equity

(In millions, except per share amounts; unaudited)

	Oshkosh Corporation s Shareholders						
	Common Stock	**Additional Paid-In Capital**	**Retained Earnings (Accumulated Deficit)**	**Accumulated Other Comprehensive Income (Loss)**	**Common Stock in Treasury at Cost**	**Non-Controlling Interest**	**Comprehensive Income (Loss)**
Balance at September 30, 2009	$ 0.9	$ 619.5	$ (30.8)	$ (74.7)	$ (0.8)	$ 2.2	
Sale of discontinued operations						(2.2)	
Comprehensive income:							
Net income			462.2				$ 462.2
Change in fair value of derivative instruments, net of tax of $7.3				10.0			10.0
Employee pension and postretirement benefits, net of tax of $1.1				1.7			1.7
Currency translation adjustments				(35.2)			(35.2)
Comprehensive income							$ 438.7
Exercise of stock options		2.3			0.8		
Stock-based compensation and award of nonvested shares		7.1					
Other		1.7					
Balance at March 31, 2010	$ 0.9	$ 630.6	$ 431.4	$ (98.2)	$	$	
Balance at September 30, 2008	$ 0.7	$ 250.7	$ 1,082.9	$ 55.7	$ (1.4)	$ 3.3	
Comprehensive loss:							
Net loss			(1,212.6)			(0.4)	$ (1,213.0)
Change in fair value of derivative instruments, net of tax of $9.9				(15.8)			(15.8)
Currency translation adjustments				(75.7)		(0.3)	(76.0)
Comprehensive loss							$ (1,304.8)
Cash dividends ($0.20 per share)			(14.9)				
Stock-based compensation and award of nonvested shares		3.1					
Other		(0.3)			0.2		
Balance at March 31, 2009	$ 0.7	$ 253.5	$ (144.6)	$ (35.8)	$ (1.2)	$ 2.6	

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

Table of Contents

OSHKOSH CORPORATION

Condensed Consolidated Statements of Cash Flows

(In millions; unaudited)

	Six Months Ended March 31,	
	2010	**2009**
Operating activities:		
Net income (loss)	$ 462.2	$ (1,213.0)
Non-cash asset impairment charges	23.3	1,197.8
Loss on sale of discontinued operations, net of tax	2.9	
Depreciation and amortization	80.8	76.1
Other non-cash adjustments	(15.4)	(15.6)
Changes in operating assets and liabilities	211.5	279.1
Net cash provided by operating activities	765.3	324.4
Investing activities:		
Additions to property, plant and equipment	(34.4)	(14.6)
Additions to equipment held for rental	(3.5)	(2.2)
Proceeds from sale of property, plant and equipment	0.5	3.8
Proceeds from sale of equipment held for rental	6.0	3.5
Other investing activities	0.8	(1.2)
Net cash used by investing activities	(30.6)	(10.7)
Financing activities:		
Repayment of long-term debt	(907.0)	(213.5)
Proceeds from issuance of long-term debt	500.0	
Net repayments under revolving credit facilities		(40.3)
Debt issuance costs	(10.8)	(20.0)
Dividends paid		(14.9)
Other financing activities	4.2	
Net cash used by financing activities	(413.6)	(288.7)
Effect of exchange rate changes on cash	(6.6)	(5.5)
Increase in cash and cash equivalents	314.5	19.5
Cash and cash equivalents at beginning of period	530.4	88.2
Cash and cash equivalents at end of period	$ 844.9	$ 107.7
Supplemental disclosures:		
Cash paid for interest	$ 99.8	$ 77.5
Cash paid for income taxes	239.6	13.3

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

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in Oshkosh Corporation s (the Company) Annual Report on Form 10-K for the year ended September 30, 2009. The interim results are not necessarily indicative of results for the full year.

In October 2009, the Company sold its 75% ownership interest in BAI Brescia Antincendi International S.r.l. (BAI). BAI, a European fire apparatus manufacturer, had sales of $42.2 million in fiscal 2009 and was previously included in the Company s fire & emergency operating segment. The historical operating results of this business have been reclassified and are now presented in Discontinued operations, net of tax, in the Condensed Consolidated Statements of Operations.

2. New Accounting Standards

In September 2007, the Financial Accounting Standards Board (FASB) issued a new standard on fair value measurements, which defined fair value, established a framework for measuring fair value and expanded disclosures about fair value measurements. The fair value standard clarified the definition of exchange price as the price between market participants in an orderly transaction to sell an asset or transfer a liability in the market in which the reporting entity would transact business for the asset or liability, that is, the principal or most advantageous market for the asset or liability. Effective October 1, 2008, the Company partially adopted the fair value standard but did not adopt it for non-financial assets and liabilities which are not recognized or disclosed at fair value on a recurring basis. Effective October 1, 2009, the Company adopted the fair value standard for non-financial assets and liabilities which are not recognized or disclosed at fair value on a recurring basis. The adoption of the remaining provisions of the fair value standard did not have a material impact on the Company s consolidated financial position, results of operations or cash flows. See Note 12 of the Notes to Condensed Consolidated Financial Statements for additional information regarding fair value measurement disclosures.

In December 2007, the FASB issued a new standard on business combinations, which requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, at their fair values as of that date. Acquisition-related transaction and restructuring costs are expensed rather than treated as acquisition costs and included in the amount recorded for assets acquired. The new business combination standard became effective for the Company on a prospective basis for all business combinations for which the acquisition date is on or after October 1, 2009. The new business combination standard also amends FASB Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to October 1, 2009 would also apply the provision of the new business combination standard. At

September 30, 2009, the Company had $20.1 million of tax contingencies associated with acquisitions that closed prior to October 1, 2009. Any adjustments required upon resolution of these contingencies will now be reflected in Provision for (benefit from) income taxes in the Condensed Consolidated Statements of Operations, whereas, under the previous standard, they would have been recorded as adjustments to goodwill.

In December 2007, the FASB issued a new standard on noncontrolling interests in consolidated financial statements, which clarified that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The Company adopted the new noncontrolling interests standard as of October 1, 2009. The adoption of the new noncontrolling interests standard did not have a material impact on the Company s financial condition, results of operations or cash flows.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

In June 2009, the FASB issued a new standard to address the elimination of the concept of a qualifying special purpose entity. The new variable interest standard also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, the new variable interest standard provides more timely and useful information about an enterprise s involvement with a variable interest entity. The Company will be required to adopt the new variable interest standard as of October 1, 2010. The Company is currently evaluating the impact of the new variable interest standard on the Company s financial condition, results of operations and cash flows.

3. Discontinued Operations

In July 2009, the Company completed the sale of its ownership in Geesink Group B.V., Geesink Norba Limited and Norba A.B. (collectively, Geesink) for nominal cash consideration. Geesink, a European refuse collection vehicle manufacturer, was previously included in the Company s commercial operating segment.

In October 2009, the Company sold its 75% ownership interest in BAI for nominal cash consideration. Following reclassification of $0.8 million of cumulative translation adjustments out of equity, the Company recorded a small after tax loss on the sale, which was recognized in the first quarter of fiscal 2010 and has been included in discontinued operations. BAI, a European fire apparatus manufacturer, was previously included in the Company s fire & emergency operating segment.

The historical results of operations of these businesses for the three and six months ended March 31, 2009 have been reclassified and are now included in discontinued operations in the Condensed Consolidated Statements of Operations (in millions):

	Three Months Ended March 31, 2009	Six Months Ended March 31, 2009
Net sales	$ 58.6	$ 116.0
Cost of sales	54.0	109.6
Gross income	4.6	6.4
Operating expenses:		
Selling, general and administrative	7.4	17.6
Amortization of purchased intangibles	0.2	0.3
Intangible asset impairment charges	9.6	9.6
Total operating expenses	17.2	27.5
Operating loss	(12.6)	(21.1)
Other income (expense)	0.1	(0.4)

Loss before income taxes		(12.5)		(21.5)
Benefit from income taxes		(0.1)		
Discontinued operations, net of tax	$	(12.4)	$	(21.5)

The Company has elected not to reclassify BAI balances in the Condensed Consolidated Balance Sheet to assets held for sale as of September 30, 2009.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

4. Receivables

Receivables consisted of the following (in millions):

	March 31, 2010	September 30, 2009
U.S. government		
Amounts billed	$ 421.6	$ 243.1
Cost and profits not billed	54.7	5.9
	476.3	249.0
Other trade receivables	270.7	289.9
Finance receivables	66.9	46.7
Notes receivable	58.8	66.5
Other receivables	34.2	26.9
	906.9	679.0
Less allowance for doubtful accounts	(40.6)	(42.0)
	$ 866.3	$ 637.0
Current receivables	$ 788.4	$ 563.8
Long-term receivables	77.9	73.2
	$ 866.3	$ 637.0

Costs and profits not billed generally will become billable upon the Company achieving certain contract milestones.

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

Finance receivables consisted of the following (in millions):

	March 31,	September 30,

	2010	2009
Finance receivables	$ 76.5	$ 52.0
Estimated residual value	2.1	2.1
Less unearned income	(11.7)	(7.4)
Net finance receivables	66.9	46.7
Less allowance for doubtful accounts	(18.1)	(11.8)
	$ 48.8	$ 34.9

The contractual maturities of the Company s finance receivables at March 31, 2010 were as follows: 2010 (remaining six months) - $24.8 million; 2011 - $15.8 million; 2012 - $16.1 million; 2013 - $11.4 million; 2014 - $7.9 million and 2015 - $0.5 million.

Historically, finance receivables have been paid off prior to their contractual due dates, although that may change in the current economic conditions. As a result, the above amounts are not to be regarded as a forecast of future cash flows. Provisions for losses on finance receivables are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover losses in the existing receivable portfolio.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Notes receivable include refinancing of trade accounts and finance receivables. As of March 31, 2010 and September 30, 2009, approximately 87% and 85%, respectively, of the notes receivable were due from two parties. The Company routinely evaluates the creditworthiness of its customers and establishes reserves if required under the circumstances. Certain notes receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the debtor. The Company may incur losses in excess of recorded reserves if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers financial obligations is not realized.

5. Inventories

Inventories consisted of the following (in millions):

	March 31, 2010	September 30, 2009
Raw materials	$ 677.5	$ 513.4
Partially finished products	387.5	326.3
Finished products	259.1	325.2
Inventories at FIFO cost	1,324.1	1,164.9
Less: Progress/performance-based payments on U.S. government contracts	(409.3)	(317.3)
Excess of FIFO cost over LIFO cost	(63.1)	(57.9)
	$ 851.7	$ 789.7

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

Inventory includes costs which are amortized to expense as sales are recognized under certain contracts. At March 31, 2010 and September 30, 2009, unamortized costs related to long-term contracts of $4.4 million and $3.5 million, respectively, were included in inventory.

6. Investment in Unconsolidated Affiliates

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

	Percent-owned	March 31, 2010	September 30, 2009
OMFSP (U.S.)	50%	$ 13.8	$ 14.7
RiRent (The Netherlands)	50%	14.5	15.7
Mezcladoras (Mexico)	49%	6.1	6.9
		$ 34.4	$ 37.3

The investment represents the Company s maximum exposure to loss as a result of the Company s ownership interest. Earnings or losses, net of related income taxes, are reflected in Equity in earnings (losses) of unconsolidated affiliates, net of tax.

In February 1998, concurrent with the Company s acquisition of McNeilus Companies, Inc. (McNeilus), the Company and an unaffiliated third-party, BA Leasing & Capital Corporation, formed Oshkosh/McNeilus Financial Services Partnership (OMFSP), a general partnership, for the purpose of offering lease financing to certain customers of the Company. Each partner contributed existing lease assets (and, in the case of the Company, related notes payable to third-party lenders, which

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

were secured by such leases) to capitalize the partnership. Leases and related notes payable contributed by the Company were originally acquired in connection with the McNeilus acquisition.

OMFSP manages the contributed assets and liabilities and engages in new vendor lease business providing financing to certain customers of the Company. The Company sells vehicles, vehicle bodies and concrete batch plants to OMFSP for lease to user-customers. The Company s sales to OMFSP were $1.9 million and $12.3 million for the six months ended March 31, 2010 and 2009, respectively. Banks and other financial institutions lend to OMFSP a portion of the purchase price, with recourse solely to OMFSP, secured by a pledge of lease payments due from the user-lessees. Each partner funds one-half of the approximate 4.0% to 8.0% equity portion of the cost of new equipment purchases. Customers typically provide a 2.0% to 6.0% down payment. Each partner is allocated its proportionate share of OMFSP s cash flow and taxable income in accordance with the partnership agreement. Indebtedness of OMFSP is secured by the underlying leases and assets of, and is with recourse to, OMFSP. All such OMFSP indebtedness is non-recourse to the Company and its partner. Each of the two general partners has identical voting, participating and protective rights and responsibilities, and each general partner materially participates in the activities of OMFSP. For these and other reasons, the Company has determined that OMFSP is a voting interest entity. Accordingly, the Company accounts for its equity interest in OMFSP under the equity method.

The Company and an unaffiliated third-party are joint venture partners in RiRent Europe, B.V. (RiRent). RiRent maintains a fleet of access equipment for short-term lease to rental companies throughout most of Europe. The re-rental fleet provides rental companies with equipment to support requirements on short notice. RiRent does not provide services directly to end users. The Company s sales to RiRent were $2.3 million and $1.8 million for the six months ended March 31, 2010 and 2009, respectively. The Company recognizes income on sales to RiRent at the time of shipment in proportion to the outside third-party interest in RiRent and recognizes the remaining income ratably over the estimated useful life of the equipment, which is generally five years. Indebtedness of RiRent is secured by the underlying leases and assets of RiRent. All such RiRent indebtedness is non-recourse to the Company and its partner. Under RiRent s 55.0 million bank credit facility, the partners of RiRent have committed to maintain an overall equity to asset ratio of at least 30.0% (46.7% as of December 31, 2009).

7. Property, Plant and Equipment

The following table presents details of the Company s property, plant and equipment (in millions):

	March 31, 2010	September 30, 2009
Land and land improvements	$ 44.3	$ 44.2
Buildings	207.3	210.4
Machinery and equipment	453.5	442.3
Equipment on operating lease to others	53.0	56.8

Construction in progress		20.7		9.7
		778.8		763.4
Less accumulated depreciation		(384.4)		(353.2)
	$	394.4	$	410.2

Depreciation expense recorded in continuing operations was $39.1 million and $37.3 million for the six months ended March 31, 2010 and 2009, respectively. Equipment on operating lease to others represents the cost of equipment sold to customers for whom the Company has guaranteed the residual value and equipment on short-term leases. These transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic lives of five to ten years. Cost less accumulated depreciation for equipment on operating lease to others at March 31, 2010 and September 30, 2009 was $31.6 million and $38.7 million, respectively.

Table of Contents

OSHKOSH CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

8. Goodwill and Purchased Intangible Assets

In accordance with the provisions of ASC Topic 350-20, *Goodwill*, the Company reviews goodwill annually for impairment, or more frequently if potential interim indicators exist that could result in impairment. In the first quarter of fiscal 2010, the Oshkosh Specialty Vehicles (OSV) reporting unit experienced a significant decline in sales, operating income and orders for future sales. The decline was primarily attributable to concerns of OSV s mobile medical trailer customers regarding current and future levels of Medicare reimbursement for services performed by these customers. As a result of these significant declines, the reporting unit revised its forecast to incorporate these reductions which resulted in a significant decline in projected fiscal 2010 sales and operating income. The severity of the decline in the updated forecast, the current Medicare reimbursement environment and the uncertainty at that time regarding the potential for passage of a health care reform bill which could further reduce Medicare reimbursement rates resulted in an interim indicator of impairment of the reporting unit that required the Company to perform additional impairment testing of goodwill and long-lived intangible assets at this reporting unit in the first quarter of fiscal 2010.

To derive the fair value of OSV, the Company utilized both the income and market approaches. This fair value determination was categorized as level 3 in the fair value hierarchy. Under the income approach, the Company determined fair value based on estimated future cash flows discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of the reporting unit and the rate of return an outside investor would expect to earn. Estimated future cash flows were based on the Company s internal projection models, industry projections and other assumptions deemed reasonable by management. For the OSV impairment analysis, the Company used a weighted-average cost of capital of 14.5% and a terminal growth rate of 3%. Under the market approach, the Company derived the fair value of the reporting unit based on revenue multiples of comparable publicly-traded companies. The final valuation was more heavily weighted towards the income approach as the Company believed the data available to apply the market approach at the time of the testing was not reliable as a result of the extreme volatility in stock prices due to the global recession and tight credit markets.

As a result of this analysis, $16.8 million of goodwill and $6.5 million of other long-lived intangible assets were considered impaired and were written off during the first quarter of fiscal 2010. Assumptions utilized in the impairment analysis are highly judgmental. Changes in estimates or the application of alternative assumptions could have produced significantly different results.

The following table presents the changes in goodwill during the six months ended March 31, 2010 (in millions):

	Access equipment	Fire & emergency	Commercial