

TEREX CORP  
Form 10-Q  
October 30, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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 September 30, 2014

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

Commission file number 1-10702

Terex Corporation  
(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

34-1531521  
(IRS Employer Identification No.)

200 Nyala Farm Road, Westport, Connecticut 06880  
(Address of principal executive offices)

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

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

YES  NO

Indicate by check mark whether the registrant has submitted electronically filed and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  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  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

Edgar Filing: TEREX CORP - Form 10-Q

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

YES

NO

Number of outstanding shares of common stock: 108.4 million as of October 28, 2014.

The Exhibit Index begins on page 54.

---

## INDEX

## TEREX CORPORATION AND SUBSIDIARIES

## GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation generally speaks as of September 30, 2014 unless specifically noted otherwise, and includes financial information with respect to the subsidiaries of the Company listed below (all of which are 100%-owned) which were guarantors on September 30, 2014 (the “Guarantors”) of the Company’s 4% Convertible Senior Subordinated Notes due 2015 (the “4% Convertible Notes”), its 6% Senior Notes Due 2021 (the “6% Notes”) and its 6-1/2% Senior Notes Due 2020 (the “6-1/2% Notes”). See Note O – “Consolidating Financial Statements” to the Company’s September 30, 2014 Condensed Consolidated Financial Statements included in this Quarterly Report. Unless otherwise indicated, Terex Corporation, together with its consolidated subsidiaries, is hereinafter referred to as “Terex,” the “Registrant,” “us,” “we,” “our” or the “Company.”

## Guarantor Information

Guarantor	State or other jurisdiction of incorporation or organization	I.R.S. employer identification number
A.S.V., Inc.	Minnesota	41-1459569
CMI Terex Corporation	Oklahoma	73-0519810
Fantuzzi Noell USA, Inc.	Illinois	36-3865231
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
GFS National, Inc.	Washington	91-1959375
Loeering Mfg. Inc.	North Dakota	45-0310755
Powerscreen Holdings USA Inc.	Delaware	61-1265609
Powerscreen International LLC	Delaware	61-1340898
Powerscreen North America Inc.	Delaware	61-1340891
Powerscreen USA, LLC	Kentucky	31-1515625
Schaeff Incorporated	Iowa	42-1097891
Schaeff of North America, Inc.	Delaware	75-2852436
Terex Advance Mixer, Inc.	Delaware	06-1444818
Terex Aerials, Inc.	Wisconsin	39-1028686
Terex Financial Services, Inc.	Delaware	45-0497096
Terex South Dakota, Inc.	South Dakota	41-1603748
Terex USA, LLC	Delaware	75-3262430
Terex Utilities, Inc.	Oregon	93-0557703
Terex Washington, Inc.	Washington	91-1499412

## Forward-Looking Information

Certain information in this Quarterly Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) regarding future events or our future financial performance that involve certain contingencies and uncertainties, including those discussed below in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contingencies and Uncertainties.” In addition, when included in this Quarterly Report or in documents incorporated herein by reference, the words “may,” “expects,” “should,” “intends,” “anticipates,” “believes,” “plans,” “projects,” “estimates” and other similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statement is not forward-looking. We have based these forward-looking statements on current expectations and projections about future events. These statements are not guarantees of future performance. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties, many of which are beyond our control, include, among others:

- our business is cyclical and weak general economic conditions affect the sales of our products and financial results;
- our ability to successfully integrate acquired businesses;
- the need to comply with restrictive covenants contained in our debt agreements;
- our ability to generate sufficient cash flow to service our debt obligations and operate our business;
- our ability to access the capital markets to raise funds and provide liquidity;
- our business is sensitive to government spending;
- our business is very competitive and is affected by our cost structure, pricing, product initiatives and other actions taken by competitors;
- our ability to timely manufacture and deliver products to customers;
- our retention of key management personnel;
- the financial condition of suppliers and customers, and their continued access to capital;
- our providing financing and credit support for some of our customers;
- we may experience losses in excess of recorded reserves;
- the carrying value of our goodwill and other indefinite-lived intangible assets could become impaired;
- our ability to obtain parts and components from suppliers on a timely basis at competitive prices;
- our business is global and subject to changes in exchange rates between currencies, regional economic conditions and trade restrictions;
- our operations are subject to a number of potential risks that arise from operating a multinational business, including compliance with changing regulatory environments, the Foreign Corrupt Practices Act and other similar laws, and political instability;
- a material disruption to one of our significant facilities;
- possible work stoppages and other labor matters;
- compliance with changing laws and regulations, particularly environmental and tax laws and regulations;
- litigation, product liability claims, patent claims, class action lawsuits and other liabilities;
- our ability to comply with an injunction and related obligations resulting from the settlement of an investigation by the United States Securities and Exchange Commission (“SEC”);
- our implementation of a global enterprise resource planning system and its performance; and
- other factors.

Actual events or our actual future results may differ materially from any forward-looking statement due to these and other risks, uncertainties and significant factors. The forward-looking statements contained herein speak only as of the date of this Quarterly Report and the forward-looking statements contained in documents incorporated herein by reference speak only as of the date of the respective documents. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained or incorporated by reference

in this Quarterly Report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

2

---

	Page No.
<u>PART I</u>	
<u>FINANCIAL INFORMATION</u>	<u>4</u>
<u>Item 1</u>	
<u>Condensed Consolidated Financial Statements</u>	<u>4</u>
TEREX CORPORATION AND SUBSIDIARIES	
<u>Condensed Consolidated Statement of Comprehensive Income (Loss) – Three and nine months ended September 30, 2014 and 2013</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheet – September 30, 2014 and December 31, 2013</u>	<u>5</u>
<u>Condensed Consolidated Statement of Cash Flows – Nine months ended September 30, 2014 and 2013</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements – September 30, 2014</u>	<u>7</u>
<u>Item 2</u>	
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
<u>Item 3</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
<u>Item 4</u>	
<u>Controls and Procedures</u>	<u>51</u>
<u>PART II</u>	
<u>OTHER INFORMATION</u>	<u>52</u>
<u>Item 1</u>	
<u>Legal Proceedings</u>	<u>52</u>
<u>Item 1A</u>	
<u>Risk Factors</u>	<u>52</u>
<u>Item 2</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>52</u>
<u>Item 3</u>	
<u>Defaults Upon Senior Securities</u>	<u>52</u>
<u>Item 4</u>	
<u>Mine Safety Disclosures</u>	<u>52</u>
<u>Item 5</u>	
<u>Other Information</u>	<u>52</u>
<u>Item 6</u>	
<u>Exhibits</u>	<u>52</u>
<u>SIGNATURES</u>	<u>53</u>
<u>EXHIBIT INDEX</u>	<u>54</u>

## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## TEREX CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net sales	\$1,809.8	\$1,757.0	\$5,519.5	\$5,272.2
Cost of goods sold	(1,452.5 )	(1,375.6 )	(4,405.0 )	(4,218.4 )
Gross profit	357.3	381.4	1,114.5	1,053.8
Selling, general and administrative expenses	(240.5 )	(242.8 )	(761.8 )	(766.1 )
Income (loss) from operations	116.8	138.6	352.7	287.7
Other income (expense)				
Interest income	2.3	1.5	4.8	5.0
Interest expense	(28.8 )	(31.8 )	(90.9 )	(96.6 )
Loss on early extinguishment of debt	(2.6 )	—	(2.6 )	(5.2 )
Other income (expense) – net	(1.3 )	(1.7 )	(6.2 )	(5.6 )
Income (loss) from continuing operations before income taxes	86.4	106.6	257.8	185.3
(Provision for) benefit from income taxes	(27.7 )	(22.8 )	(79.2 )	(65.1 )
Income (loss) from continuing operations	58.7	83.8	178.6	120.2
Income (loss) from discontinued operations – net of tax	—	10.3	1.4	12.8
Gain (loss) on disposition of discontinued operations – net of tax	5.5	(0.4 )	58.5	2.6
Net income (loss)	64.2	93.7	238.5	135.6
Net loss (income) attributable to noncontrolling interest	—	0.7	0.5	4.0
Net income (loss) attributable to Terex Corporation	\$64.2	\$94.4	\$239.0	\$139.6
Amounts attributable to Terex Corporation common stockholders:				
Income (loss) from continuing operations	\$58.7	\$84.5	\$179.1	\$124.2
Income (loss) from discontinued operations – net of tax	—	10.3	1.4	12.8
Gain (loss) on disposition of discontinued operations – net of tax	5.5	(0.4 )	58.5	2.6
Net income (loss) attributable to Terex Corporation	\$64.2	\$94.4	\$239.0	\$139.6
Basic Earnings (Loss) per Share Attributable to Terex Corporation				
Common Stockholders:				
Income (loss) from continuing operations	\$0.53	\$0.76	\$1.62	\$1.12
Income (loss) from discontinued operations – net of tax	—	0.09	0.01	0.12
Gain (loss) on disposition of discontinued operations – net of tax	0.05	—	0.53	0.02
Net income (loss) attributable to Terex Corporation	\$0.58	\$0.85	\$2.16	\$1.26
Diluted Earnings (Loss) per Share Attributable to Terex Corporation				
Common Stockholders:				
Income (loss) from continuing operations	\$0.51	\$0.73	\$1.55	\$1.07
Income (loss) from discontinued operations – net of tax	—	0.08	0.01	0.11
Gain (loss) on disposition of discontinued operations – net of tax	0.05	—	0.51	0.02
Net income (loss) attributable to Terex Corporation	\$0.56	\$0.81	\$2.07	\$1.20
Weighted average number of shares outstanding in per share calculation				
Basic	110.2	111.3	110.4	111.1
Diluted	115.4	116.2	115.7	116.0
Comprehensive income (loss)	\$(106.6 )	\$183.3	\$108.8	\$113.5

Edgar Filing: TEREX CORP - Form 10-Q

Comprehensive loss (income) attributable to noncontrolling interest	—	0.7	0.9	4.0
Comprehensive income (loss) attributable to Terex Corporation	\$(106.6 )	\$184.0	\$109.7	\$117.5
Dividends declared per common share	\$0.05	\$—	\$0.15	\$—

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

4

---



TEREX CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEET

(unaudited)

(in millions, except par value)

	September 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$344.5	\$408.1
Trade receivables (net of allowance of \$33.0 and \$47.6 at September 30, 2014 and December 31, 2013, respectively)	1,196.2	1,176.8
Inventories	1,676.8	1,613.2
Other current assets	320.2	312.0
Current assets – discontinued operations	—	129.3
Total current assets	3,537.7	3,639.4
Non-current assets		
Property, plant and equipment – net	739.5	789.4
Goodwill	1,184.7	1,245.6
Intangible assets – net	397.5	444.8
Other assets	430.3	401.9
Non-current assets – discontinued operations	—	15.6
Total assets	\$6,289.7	\$6,536.7
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	\$160.4	\$86.8
Trade accounts payable	715.3	689.1
Accrued compensation and benefits	236.9	234.3
Accrued warranties and product liability	82.7	96.2
Customer advances	281.6	302.1
Other current liabilities	291.3	270.1
Current liabilities – discontinued operations	—	46.1
Total current liabilities	1,768.2	1,724.7
Non-current liabilities		
Long-term debt, less current portion	1,691.5	1,889.9
Retirement plans	348.9	388.2
Other non-current liabilities	232.5	259.5
Non-current liabilities – discontinued operations	—	5.7
Total liabilities	4,041.1	4,268.0
Commitments and contingencies		
Redeemable noncontrolling interest	—	53.9
Stockholders' equity		
Common stock, \$.01 par value – authorized 300.0 shares; issued 124.5 and 123.7 shares at September 30, 2014 and December 31, 2013, respectively	1.2	1.2
Additional paid-in capital	1,249.4	1,247.5
Retained earnings	1,910.3	1,688.1
Accumulated other comprehensive income (loss)	(246.2)	(116.5)
	(697.0)	(630.2)

Edgar Filing: TEREX CORP - Form 10-Q

Less cost of shares of common stock in treasury – 15.5 and 13.8 shares at September 30, 2014 and

December 31, 2013, respectively

Total Terex Corporation stockholders' equity	2,217.7	2,190.1
Noncontrolling interest	30.9	24.7
Total stockholders' equity	2,248.6	2,214.8
Total liabilities, redeemable noncontrolling interest and stockholders' equity	\$6,289.7	\$6,536.7

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

TEREX CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
 (unaudited)  
 (in millions)

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	\$238.5	\$135.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	118.2	117.6
(Gain) loss on disposition of discontinued operations	(58.5)	(2.6)
Deferred taxes	(10.7)	(6.1)
Stock-based compensation expense	36.1	30.0
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):		
Trade receivables	(65.9)	(95.9)
Inventories	(164.7)	(114.3)
Trade accounts payable	51.4	79.0
Customer advances	(2.7)	(3.3)
Other assets and liabilities	(62.6)	(35.8)
Other operating activities, net	37.5	58.9
Net cash provided by (used in) operating activities	116.6	163.1
Investing Activities		
Capital expenditures	(58.6)	(60.9)
Proceeds from disposition of discontinued operations	162.2	0.7
Proceeds from sale of assets	3.0	45.2
Other investing activities, net	(7.4)	(1.4)
Net cash provided by (used in) investing activities	99.2	(16.4)
Financing Activities		
Repayments of debt	(1,519.9)	(503.5)
Proceeds from issuance of debt	1,411.7	293.6
Distributions to noncontrolling interest	—	(18.4)
Purchase of noncontrolling interest	(73.4)	(228.1)
Share repurchases	(61.5)	(1.1)
Dividends paid	(16.5)	—
Other financing activities, net	(2.0)	9.6
Net cash provided by (used in) financing activities	(261.6)	(447.9)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(17.8)	(6.2)
Net Increase (Decrease) in Cash and Cash Equivalents	(63.6)	(307.4)
Cash and Cash Equivalents at Beginning of Period	408.1	678.0
Cash and Cash Equivalents at End of Period	\$344.5	\$370.6

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

TEREX CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(unaudited)

NOTE A – BASIS OF PRESENTATION

**Basis of Presentation.** The accompanying unaudited Condensed Consolidated Financial Statements of Terex Corporation and subsidiaries as of September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013 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, 2013 has been derived from and should be read in conjunction with the audited Consolidated Balance Sheet as of that date. 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, 2013.

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

In the opinion of management, all adjustments considered necessary for fair statement of these interim financial statements have been made. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the three and nine months ended September 30, 2014 are not necessarily indicative of results that may be expected for the year ending December 31, 2014.

Cash and cash equivalents at September 30, 2014 and December 31, 2013 include \$15.5 million and \$14.5 million, respectively, which were not immediately available for use. These consist primarily of cash balances held in escrow to secure various obligations of the Company.

**Reclassification.** Certain prior year amounts have been reclassified to conform to the current year's presentation. On May 30, 2014 the Company sold its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for approximately \$160 million. As a result, reporting of the truck business has been included in discontinued operations for all periods presented. See Note D – "Discontinued Operations" for more information on discontinued operations.

**Recent Accounting Pronouncements.** In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," ("ASU 2013-05"). The objective of ASU 2013-05 is to clarify the applicable guidance for the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective for annual and interim reporting periods beginning after December 15, 2013. Adoption of this guidance did not have a significant impact on the determination or reporting of the Company's financial results. The future effects of ASU 2013-05 will depend on whether the Company derecognizes any foreign subsidiaries or groups of assets within a foreign entity.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," ("ASU 2013-11"), an amendment to Accounting Standards Codification ("ASC") 740, "Income Taxes." ASU 2013-11 clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax benefit is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be netted with the deferred tax asset. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Adoption of this guidance did not have a significant impact on the determination or reporting of the Company's financial results.

In April 2014, the FASB issued ASU 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” (“ASU 2014-08”). Under ASU 2014-08, only disposals representing a strategic shift in operations that have a major effect on the Company’s operations and financial results should be presented as discontinued operations. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in ASU 2014-08 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. However, ASU 2014-08 should not be applied to a component that is classified as held for sale before the effective date even if the component is disposed of after the effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The effects of ASU 2014-08 will depend on any future disposals by the Company.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. The Company is evaluating the impact that adoption of this guidance will have on the determination or reporting of its financial results.

In June 2014, the FASB issued ASU 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period,” (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. ASU 2014-12 is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted. Adoption of this guidance is not expected to have a significant impact on the determination or reporting of the Company’s financial results.

In August 2014, the FASB issued ASU 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern,” (“ASU 2014-15”). ASU 2014-15 requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern for a one year period subsequent to the date of the financial statements. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. The guidance is effective for all entities for the first annual period ending after December 15, 2016 and interim periods thereafter, with early adoption permitted. Adoption of this guidance is not expected to have any impact on the determination or reporting of the Company’s financial results.

**Accrued Warranties.** The Company records accruals for potential warranty claims based on its claim experience. The Company’s products are typically sold with a standard warranty covering defects that arise during a fixed period. 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. Warranty length is generally a fixed period of time, a fixed number of operating hours, or both.

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

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

	Nine Months Ended September 30, 2014	
Balance at beginning of period	\$106.1	
Accruals for warranties issued during the period	55.8	
Changes in estimates	2.9	
Settlements during the period	(61.7	)
Foreign exchange effect/other	(4.1	)
Balance at end of period	\$99.0	

Fair Value Measurements. Assets and liabilities measured at fair value on a recurring basis under the provisions of ASC 820, "Fair Value Measurement and Disclosure" ("ASC 820") include interest rate swap and foreign currency forward contracts discussed in Note I – "Derivative Financial Instruments." These contracts are valued using a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. ASC 820 establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three levels:

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

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

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

Determining which category an asset or liability falls within this hierarchy requires judgment. The Company evaluates its hierarchy disclosures each quarter.

#### NOTE B – BUSINESS SEGMENT INFORMATION

Terex is a lifting and material handling solutions company. The Company is focused on operational improvement and delivering reliable, customer-driven solutions for a wide range of commercial applications, including the construction, infrastructure, quarrying, mining, manufacturing, transportation, energy and utility industries. The Company operates in five reportable segments: (i) Aerial Work Platforms ("AWP"); (ii) Construction; (iii) Cranes; (iv) Material Handling & Port Solutions ("MHPS"); and (v) Materials Processing ("MP").

The AWP segment designs, manufactures, markets and services aerial work platform equipment, telehandlers and light towers as well as their related replacement parts and components. Customers use these products to construct and maintain industrial, commercial and residential buildings and facilities and for other commercial operations, as well as in a wide range of infrastructure projects.

The Construction segment designs, manufactures and markets compact construction and specialty equipment, as well as their related replacement parts and components. Customers use these products in construction and infrastructure projects, in building roads, bridges, homes, industrial sites and for material handling applications.

In October 2014, the Company announced that it has agreed to sell 51% of A.S.V., Inc., a part of the Construction segment. The transaction is expected to be completed before the end of 2014.

In 2013, the Company divested its roadbuilding operations, formerly a part of the Construction segment, in Brazil and Oklahoma City. On May 30, 2014, the Company sold its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment. The truck business manufactured and sold off-highway rigid and articulated haul trucks. Included in the transaction was the manufacturing facility in Motherwell, Scotland. As a result, the reporting of the truck business has been included in discontinued operations for all periods presented.

The Cranes segment designs, manufactures, markets, services and refurbishes rough terrain cranes, all terrain cranes, truck cranes, tower cranes, lattice boom crawler cranes, lattice boom truck cranes, truck-mounted cranes (boom trucks) and utility equipment, as well as their related replacement parts and components. Customers use these products for construction, repair and maintenance of commercial buildings, manufacturing facilities, construction and maintenance of utility and telecommunication lines, tree trimming and certain construction and foundation drilling



applications and a wide range of infrastructure projects. The segment also provides service and support for industrial cranes and aerial products in North America.

The MHPS segment designs, manufactures, markets and services industrial cranes, including standard cranes, process cranes, rope and chain hoists, electric motors, light crane systems and crane components as well as a diverse portfolio of port and rail equipment including mobile harbor cranes, straddle and sprinter carriers, gantry cranes, ship-to-shore cranes, reach stackers, container handlers, general cargo lift trucks, automated stacking cranes, automated guided vehicles and terminal automation technology, including software, as well as their related replacement parts and components. The segment operates an extensive global sales and service network. Customers use these products for lifting and material handling at manufacturing and port and rail facilities.

The MP segment designs, manufactures and markets materials processing equipment, including crushers, washing systems, screens, apron feeders, biomass and hand-fed chippers and their related replacement parts and components. Customers use these products in construction, infrastructure and recycling projects, in various quarrying and mining applications, as well as in landscaping and biomass production industries.

The Company assists customers in their rental, leasing and acquisition of its products through Terex Financial Services (“TFS”). TFS uses its equipment financing experience to provide financing solutions to customers who purchase the Company’s equipment.

Business segment information is presented below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net Sales				
AWP	\$598.7	\$533.3	\$1,901.5	\$1,649.0
Construction	207.3	188.0	630.2	626.5
Cranes	419.7	453.0	1,316.8	1,445.1
MHPS	468.2	460.6	1,267.8	1,169.6
MP	155.6	147.7	488.7	478.3
Corporate and Other / Eliminations	(39.7)	(25.6)	(85.5)	(96.3)
Total	\$1,809.8	\$1,757.0	\$5,519.5	\$5,272.2
Income (loss) from Operations				
AWP	\$68.4	\$80.7	\$264.1	\$254.3
Construction	1.6	(5.1)	0.6	(24.8)
Cranes	21.8	28.9	51.3	84.8
MHPS	17.6	18.5	14.0	(67.8)
MP	8.7	18.9	42.4	55.1
Corporate and Other / Eliminations	(1.3)	(3.3)	(19.7)	(13.9)
Total	\$116.8	\$138.6	\$352.7	\$287.7
			September 30, 2014	December 31, 2013
Identifiable Assets				
AWP			\$1,291.7	\$937.2
Construction			1,437.1	1,012.5
Cranes			2,005.8	2,040.3
MHPS			2,927.0	2,989.5
MP			860.6	945.6
Corporate and Other / Eliminations			(2,232.5)	(1,533.3)
Discontinued operations			—	144.9
Total			\$6,289.7	\$6,536.7

#### NOTE C – INCOME TAXES

During the three months ended September 30, 2014, the Company recognized income tax expense of \$27.7 million on income of \$86.4 million, an effective tax rate of 32.1% as compared to income tax expense of \$22.8 million on income of \$106.6 million, an effective tax rate of 21.4%, for three months ended September 30, 2013. The higher effective tax rate for the three months ended September 30, 2014 was primarily due to the reduced benefit from the release of uncertain tax positions partially offset by a more favorable geographic mix of earnings when compared to

the three months ended September 30, 2013.

10

---

During the nine months ended September 30, 2014, the Company recognized income tax expense of \$79.2 million on income of \$257.8 million, an effective tax rate of 30.7% as compared to income tax expense of \$65.1 million on income of \$185.3 million an effective tax rate of 35.1%, for the nine months ended September 30, 2013. The lower effective tax rate for the nine months ended September 30, 2014 was primarily due to the reduced impact of losses not benefited and a more favorable geographic mix of earnings partially offset by reduced benefits from the release of uncertain tax positions when compared to the nine months ended September 30, 2013.

As of September 30, 2014, the Company determined that it is appropriate to retain the valuation allowance on its deferred tax assets of its Italian subsidiaries. However, it is reasonably possible that, in the near term, continuing improvement in operating performance and other evidence could change the Company's assessment of the realizability of the Italian deferred tax assets resulting in the reversal of all, or part of, the related valuation allowance.

#### NOTE D – DISCONTINUED OPERATIONS

On May 30, 2014, the Company sold its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for approximately \$160 million. The truck business manufactured and sold off-highway rigid and articulated haul trucks. Included in the transaction was the manufacturing facility in Motherwell, Scotland.

Due to the divestiture of this business and the Atlas business described below, reporting of these businesses has been included in discontinued operations for all periods presented. Cash flows from the Company's discontinued operations are included in the Condensed Consolidated Statement of Cash Flows.

The following amounts related to the discontinued operations were derived from historical financial information and have been segregated from continuing operations and reported as discontinued operations in the Condensed Consolidated Statement of Comprehensive Income (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Net sales	\$—	\$53.6	\$94.8	\$169.8	
Income (loss) from discontinued operations before income taxes	\$—	\$2.8	\$1.7	\$6.4	
(Provision for) benefit from income taxes	—	7.5	(0.3	) 6.4	
Income (loss) from discontinued operations – net of tax	\$—	\$10.3	\$1.4	\$12.8	
Gain (loss) on disposition of discontinued operations	\$(0.8	) \$—	\$66.7	\$3.5	
(Provision for) benefit from income taxes	6.3	(0.4	) (8.2	) (0.9	)
Gain (loss) on disposition of discontinued operations – net of tax	\$5.5	\$(0.4	) \$58.5	\$2.6	

During the three and nine months ended September 30, 2014 the Company recorded a gain of \$5.5 million and \$57.0 million, respectively, related to the sale of its truck business. During the three months ended September 30, 2014, the Company recorded a benefit from income taxes of \$5.8 million to correct the amount recorded in the second quarter related to the sale of its truck business. During the nine months ended September 30, 2014 and 2013 the Company recorded a gain of \$1.5 million and \$3.0 million, respectively, related to the sale of its Atlas heavy construction equipment and knuckle-boom cranes businesses based on contractually obligated earnings based payments from the purchaser. During the three and nine months ended September 30, 2013 the Company recorded a \$0.4 million tax provision related to the sale of the Company's Mining business.



The following table provides the amounts of assets and liabilities reported in discontinued operations in the Condensed Consolidated Balance Sheet (in millions) related to the truck business:

	September 30, 2014	December 31, 2013
Trade receivables, net	\$—	\$49.7
Inventories	—	73.6
Other current assets	—	6.0
Current assets – discontinued operations	\$—	\$129.3
Property, plant and equipment - net	\$—	\$9.5
Other assets	—	6.1
Non-current assets – discontinued operations	\$—	\$15.6
Trade accounts payable	\$—	\$35.9
Other current liabilities	—	10.2
Current liabilities – discontinued operations	\$—	\$46.1
Non-current liabilities – discontinued operations	\$—	\$5.7

#### NOTE E – EARNINGS PER SHARE

(in millions, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Income (loss) from continuing operations attributable to Terex Corporation common stockholders	\$58.7	\$84.5	\$179.1	\$124.2
Income (loss) from discontinued operations—net of tax	—	10.3	1.4	12.8
Gain (loss) on disposition of discontinued operations—net of tax	5.5	(0.4 )	58.5	2.6
Net income (loss) attributable to Terex Corporation	\$64.2	\$94.4	\$239.0	\$139.6
Basic shares:				
Weighted average shares outstanding	110.2	111.3	110.4	111.1
Earnings per share – basic:				
Income (loss) from continuing operations	\$0.53	\$0.76	\$1.62	\$1.12
Income (loss) from discontinued operations—net of tax	—	0.09	0.01	0.12
Gain (loss) on disposition of discontinued operations—net of tax	0.05	—	0.53	0.02
Net income (loss) attributable to Terex Corporation	\$0.58	\$0.85	\$2.16	\$1.26
Diluted shares:				
Weighted average shares outstanding	110.2	111.3	110.4	111.1
Effect of dilutive securities:				
Stock options, restricted stock awards and convertible notes	5.2	4.9	5.3	4.9
Diluted weighted average shares outstanding	115.4	116.2	115.7	116.0
Earnings per share – diluted:				
Income (loss) from continuing operations	\$0.51	\$0.73	\$1.55	\$1.07
Income (loss) from discontinued operations—net of tax	—	0.08	0.01	0.11
Gain (loss) on disposition of discontinued operations—net of tax	0.05	—	0.51	0.02
Net income (loss) attributable to Terex Corporation	\$0.56	\$0.81	\$2.07	\$1.20



The following table provides information to reconcile amounts reported on the Condensed Consolidated Statement of Comprehensive Income to amounts used to calculate earnings per share attributable to Terex Corporation common stockholders (in millions):

## Reconciliation of Amounts Attributable to Common Stockholders

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income (loss) from continuing operations	\$58.7	\$83.8	\$178.6	\$120.2
Noncontrolling interest (income) loss attributed to continuing operations	—	0.7	0.5	4.0
Income (loss) from continuing operations attributable to common stockholders	\$58.7	\$84.5	\$179.1	\$124.2

Weighted average options to purchase 0.1 million of the Company's common stock, par value \$0.01 per share ("Common Stock"), were outstanding during each of the three and nine months ended September 30, 2014, but were not included in the computation of diluted shares as the effect would be anti-dilutive. Weighted average options to purchase 0.2 million of the Company's common stock, par value \$0.01 per share ("Common Stock"), were outstanding during each of the three and nine months ended September 30, 2013, but were not included in the computation of diluted shares as the effect would be anti-dilutive. Weighted average restricted stock awards of 0.5 million and 0.4 million shares were outstanding during the three and nine months ended September 30, 2014, respectively, but were not included in the computation of diluted shares because the effect would be anti-dilutive or performance targets were not yet achieved for awards contingent upon performance. Weighted average restricted stock awards of 0.4 million shares were outstanding during the three and nine months ended September 30, 2013, but were not included in the computation of diluted shares because the effect would be anti-dilutive or performance targets were not yet achieved for awards contingent upon performance. ASC 260, "Earnings per Share," requires that employee stock options and non-vested restricted shares granted by the Company be treated as potential common shares outstanding in computing diluted earnings per share. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. The Company includes the impact of pro forma deferred tax assets in determining the amount of tax benefits for potential windfalls and shortfalls (the differences between tax deductions and book expense) in this calculation.

The 4% Convertible Senior Subordinated Notes due 2015 (the "4% Convertible Notes") described in Note K – "Long-Term Obligations" are dilutive to the extent the volume-weighted average price of the Common Stock for the period evaluated was greater than \$16.25 per share and earnings from continuing operations were positive. The volume-weighted average price of the Common Stock was greater than \$16.25 per share for each of the three and nine months ended September 30, 2014 and 2013. The number of shares that were contingently issuable for the 4% Convertible Notes during the three and nine months ended September 30, 2014 was 4.2 million. The number of shares that were contingently issuable for the 4% Convertible Notes during the three and nine months ended September 30, 2013 was 3.8 million. See Note K – "Long-Term Obligations."

## NOTE F – INVENTORIES

Inventories consist of the following (in millions):

	September 30, 2014	December 31, 2013
Finished equipment	\$455.0	\$450.0
Replacement parts	175.9	168.4



Edgar Filing: TEREX CORP - Form 10-Q

Work-in-process	557.4	527.3
Raw materials and supplies	488.5	467.5
Inventories	\$1,676.8	\$1,613.2

Reserves for lower of cost or market value, excess and obsolete inventory were \$141.1 million and \$132.5 million at September 30, 2014 and December 31, 2013, respectively.

## NOTE G – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – net consist of the following (in millions):

	September 30, 2014	December 31, 2013
Property	\$113.6	\$121.2
Plant	395.9	412.5
Equipment	713.7	720.1
Property, plant and equipment – gross	1,223.2	1,253.8
Less: Accumulated depreciation	(483.7	) (464.4
Property, plant and equipment – net	\$739.5	\$789.4

## NOTE H – GOODWILL AND INTANGIBLE ASSETS, NET

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

	AWP	Construction	Cranes	MHPS	MP	Total
Balance at December 31, 2013, gross	\$140.6	\$274.4	\$235.9	\$727.5	\$207.6	\$1,586.0
Accumulated impairment	(38.6	) (274.4	) (4.2	) —	(23.2	) (340.4
Balance at December 31, 2013, net	102.0	—	231.7	727.5	184.4	1,245.6
Acquisitions	—	—	—	12.0	—	12.0
Foreign exchange effect and other	(1.2	) —	(11.7	) (56.5	) (3.5	) (72.9
Balance at September 30, 2014, gross	139.4	274.4	224.2	683.0	204.1	1,525.1
Accumulated impairment	(38.6	) (274.4	) (4.2	) —	(23.2	) (340.4
Balance at September 30, 2014, net	\$100.8	\$—	\$220.0	\$683.0	\$180.9	\$1,184.7

Intangible assets, net were comprised of the following as of September 30, 2014 and December 31, 2013 (in millions):

	Weighted Average Life (in years)	September 30, 2014			December 31, 2013		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Technology	8	\$89.6	\$ (53.9	) \$ 35.7	\$91.6	\$ (48.7	) \$42.9
Customer Relationships	15	338.9	(114.7	) 224.2	354.7	(105.2	) 249.5
Land Use Rights	57	18.2	(1.7	) 16.5	18.4	(1.5	) 16.9
Other	7	47.7	(40.3	) 7.4	52.2	(40.4	) 11.8
Total definite-lived intangible assets		\$494.4	\$ (210.6	) \$ 283.8	\$516.9	\$ (195.8	) \$321.1
Indefinite-lived intangible assets:							
Tradenames		\$113.7			\$123.7		
Total indefinite-lived intangible assets		\$113.7			\$123.7		

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Aggregate Amortization Expense	\$9.3	\$10.4	\$28.8	\$32.3



Estimated aggregate intangible asset amortization expense (in millions) for each of the five years below is:

2014	\$ 37.6
2015	\$ 36.5
2016	\$ 34.5
2017	\$ 29.9
2018	\$ 23.5

#### NOTE I – DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into two types of derivatives to hedge its interest rate exposure and foreign currency exposure: hedges of fair value exposures and hedges of cash flow exposures. Fair value exposures relate to recognized assets or liabilities and firm commitments, while cash flow exposures relate to the variability of future cash flows associated with recognized assets or liabilities or forecasted transactions.

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

The Company has used and may use forward contracts and options to mitigate its exposure to changes in foreign currency exchange rates on third party and intercompany forecasted transactions. The primary currencies to which the Company is exposed are the Euro, British Pound and Australian Dollar. 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 (“AOCI”) until the underlying hedged transactions are reported in the Company’s Condensed Consolidated Statement of Comprehensive Income. The Company has used and may use interest rate swaps to mitigate its exposure to changes in interest rates related to existing issuances of variable rate debt and changes in the fair value of fixed rate debt. Primary exposure includes movements in the London Interbank Offer Rate (“LIBOR”).

Changes in the fair value of derivatives designated as fair value hedges are recognized in earnings as offsets to changes in fair value of exposures being hedged. The change in fair value of derivatives designated as cash flow hedges are deferred in AOCI and are recognized in earnings as hedged transactions occur. Contracts deemed ineffective are recognized in earnings immediately.

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

The Company is party to currency exchange forward contracts that generally mature within one year to manage its exposure to changing currency exchange rates. At September 30, 2014, the Company had \$349.6 million notional amount of currency exchange forward contracts outstanding that were initially designated as hedge contracts, most of

which mature on or before September 30, 2015. The fair market value of these contracts at September 30, 2014 was a net loss of \$1.2 million. At September 30, 2014, \$272.7 million notional amount (\$1.1 million of fair value losses) of these forward contracts have been designated as, and are effective as, cash flow hedges of forecasted and specifically identified transactions. During 2014 and 2013, the Company recorded the change in fair value for these cash flow hedges to AOCI and reclassified to earnings a portion of the deferred gain or loss from AOCI as the hedged transactions occurred and were recognized in earnings.

The Company records foreign exchange contracts at fair value on a recurring basis. There were no interest rate swaps recorded as of September 30, 2014 and December 31, 2013. The foreign exchange contracts designated as hedging instruments are categorized under Level 1 of the ASC 820 hierarchy and are recorded at September 30, 2014 and December 31, 2013 as a net liability of \$1.2 million and net asset of \$3.8 million, respectively. See Note A – “Basis of Presentation,” for an explanation of the ASC 820 hierarchy. The fair values of these foreign exchange forward contracts are based on quoted forward foreign exchange prices at the reporting date. The fair values of these contracts are based on the contract rate specified at the anticipated contracts’ settlement date and quoted forward foreign exchange prices at the reporting date.

The Company uses forward foreign exchange contracts to mitigate its exposure to changes in foreign currency exchange rates on third party and intercompany forecasted transactions. Certain of these contracts have not been designated as hedging instruments. The foreign exchange contracts are accounted for as financial assets or financial liabilities and measured at fair value at the balance sheet date and are categorized under Level 1 of the ASC 820 hierarchy. The fair values of these foreign exchange forward contracts are based on quoted forward foreign exchange prices at the reporting date. Changes in the fair value of these derivative financial instruments are recognized as gains or losses in Cost of goods sold or Other income (expense) – net in the Condensed Consolidated Statement of Comprehensive Income.

The following table provides the location and fair value amounts of derivative instruments designated as hedging instruments that are reported in the Condensed Consolidated Balance Sheet (in millions):

Asset Derivatives	Balance Sheet Account	September 30, 2014	December 31, 2013
Foreign exchange contracts	Other current assets	\$9.0	\$10.0
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	10.2	6.2
Total Derivatives		\$(1.2	) \$3.8

The following table provides the location and fair value amounts of derivative instruments not designated as hedging instruments that are reported in the Condensed Consolidated Balance Sheet (in millions):

Asset Derivatives	Balance Sheet Account	September 30, 2014	December 31, 2013
Foreign exchange contracts	Other current assets	\$2.5	\$4.1
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	0.2	0.8
Total Derivatives		\$2.3	\$3.3

The following tables provide the effect of derivative instruments that are designated as hedges in the Condensed Consolidated Statement of Comprehensive Income and AOCI (in millions):

Gain (Loss) Recognized in AOCI on Derivatives:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Cash Flow Derivatives				
Foreign exchange contracts	\$(0.3	) \$0.6	\$(2.5	) \$3.5
(Loss) Gain Reclassified from AOCI into Income (Effective):	Three Months Ended September 30,		Nine Months Ended September 30,	
Account	2014	2013	2014	2013
Cost of goods sold	\$0.1	\$1.2	\$2.2	\$0.6
Other income (expense) – net	(0.4	) 1.1	2.1	0.3
Total	\$(0.3	) \$2.3	\$4.3	\$0.9
Gain (Loss) Recognized in Income on Derivatives (Ineffective):				

Edgar Filing: TEREX CORP - Form 10-Q

Account	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Other income (expense) – net	\$0.5	\$(1.6	) \$(2.3	) \$0.5

16

---

The following table provides the effect of derivative instruments that are not designated as hedges in the Condensed Consolidated Statement of Comprehensive Income (in millions):

Gain (Loss) Recognized in Income on Derivatives not designated as hedges: Account	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Cost of goods sold	\$—	\$0.5	\$—	\$0.8	
Other income (expense) – net	1.6	(0.5	) 0.2	(1.4	)
Total	\$1.6	\$—	\$0.2	\$(0.6	)

Counterparties to the Company's 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 continues to monitor counterparty risk and believes the risk of incurring losses on derivative contracts related to credit risk is unlikely and any losses would be immaterial.

Unrealized net gains (losses), net of tax, included in AOCI are as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2014	2013	2014	2013	
Balance at beginning of period	\$0.5	\$2.5	\$2.7	\$(0.4	)
Additional gains (losses) – net	(0.1	) 2.4	0.3	4.3	
Amounts reclassified to earnings	(0.2	) (1.8	) (2.8	) (0.8	)
Balance at end of period	\$0.2	\$3.1	\$0.2	\$3.1	

The estimated amount of existing gains for derivative contracts recorded in AOCI as of September 30, 2014 that are expected to be reclassified into earnings in the next twelve months is \$0.2 million.

#### NOTE J – RESTRUCTURING AND OTHER CHARGES

The Company continually evaluates its cost structure to be appropriately positioned to respond to changing market conditions. From time to time the Company may initiate certain restructuring programs to better utilize its workforce and optimize facility utilization to match the demand for its products.

During the third quarter of 2014, the Company established a restructuring program in the MHPS segment to close one of its manufacturing facilities in Germany and relocate production. The expected benefits of this move are concentration of certain production processes in a single location enabling the segment to realize synergies and optimize its expense structure. The program is expected to cost \$10.7 million, result in the reduction of 84 team members at that location and be completed in 2015.

During the second quarter of 2013, the Company established a restructuring program in the Construction segment related to the distribution organization for Europe, the Middle East and Asia. This program resulted in a more decentralized distribution function. The program cost \$1.9 million, resulted in the reduction of 19 team members and was completed in 2014.

During the second quarter of 2013, the Company established a restructuring program in the MHPS segment resulting in the consolidation of certain production facilities and the redesign of certain back office functions. The program is expected to cost \$19.4 million, result in the reduction of 299 team members and be completed in 2014.

During the year ended December 31, 2012, the Company established a restructuring program in the Construction segment related to its compact construction operations in Germany to concentrate the segment on its core processes



and competencies. This program resulted in the sale, closure or phase-out of several businesses in Germany. The program cost \$11.7 million, resulted in the reduction of 250 team members and was completed in 2013 except for certain payments mandated by governmental agencies. During the fourth quarter of 2013, \$2.6 million of restructuring reserves were reversed based on more team members staying with the sold business than originally anticipated.

During the fourth quarter of 2012, the Company established a restructuring program in the MHPS segment to realize cost synergies and to optimize the selling, general and administrative expense structure. This program resulted in the closing of a production site in Spain and outsourcing of the related future production. The program is expected to cost \$3.0 million, result in the reduction of 26 team members and is expected to be completed in 2014.

The following table provides information for all restructuring activities by segment of the amount of expense incurred during the nine months ended September 30, 2014, the cumulative amount of expenses incurred since inception of the programs from 2012 through 2014 and the total amount expected to be incurred (in millions):

	Amount incurred during the nine months ended September 30, 2014	Cumulative amount incurred through September 30, 2014	Total amount expected to be incurred
Construction	\$(0.1)	\$11.0	\$11.0
MHPS	9.7	34.2	34.2
Total	\$9.6	\$45.2	\$45.2

The following table provides information by type of restructuring activity with respect to the amount of expense incurred during the nine months ended September 30, 2014, the cumulative amount of expenses incurred since inception of the programs from 2012 and the total amount expected to be incurred (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
Amount incurred in the nine months ended September 30, 2014	\$9.6	\$—	\$—	\$9.6
Cumulative amount incurred through September 30, 2014	\$39.4	\$0.3	\$5.5	\$45.2
Total amount expected to be incurred	\$39.4	\$0.3	\$5.5	\$45.2

The following table provides a roll forward of the restructuring reserve by type of restructuring activity for the nine months ended September 30, 2014 (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
Restructuring reserve at December 31, 2013	\$25.4	\$—	\$—	\$25.4
Restructuring charges	9.6	—	—	9.6
Cash expenditures	(13.4)	) —	—	(13.4)
Restructuring reserve at September 30, 2014	\$21.6	\$—	\$—	\$21.6

#### NOTE K – LONG-TERM OBLIGATIONS

##### 2014 Credit Agreement

On August 13, 2014 the Company entered into a new Credit Agreement (the “2014 Credit Agreement”), with the lenders party thereto and Credit Suisse AG, as administrative agent and collateral agent. In connection with the 2014 Credit Agreement, the Company terminated its existing amended and restated credit agreement, dated as of August 5, 2011, as amended (the “2011 Credit Agreement”), among the Company and certain of its subsidiaries, the lenders thereunder and Credit Suisse AG, as administrative agent and collateral agent, and related agreements and documents.

The 2014 Credit Agreement provides the Company with a senior secured revolving line of credit of up to \$600 million that is available through August 13, 2019, a \$230.0 million senior secured term loan and a €200.0 million senior secured term loan, which both mature on August 13, 2021. The 2014 Credit Agreement allows unlimited incremental commitments, which may be extended at the option of the existing or new lenders and can be in the form of revolving credit commitments, term loan commitments, or a combination of both as long as the Company satisfies a senior secured debt financial ratio contained in the 2014 Credit Agreement.



The 2014 Credit Agreement requires the Company to comply with a number of covenants. The covenants limit, in certain circumstances, the Company's ability to take a variety of actions, including but not limited to: incur indebtedness; create or maintain liens on its property or assets; make investments, loans and advances; repurchase shares of its Common Stock; engage in acquisitions, mergers, consolidations and asset sales; redeem debt; and pay dividends and distributions. If the Company's borrowings under its revolving line of credit are greater than 30% of the total revolving credit commitments, the 2014 Credit Agreement requires the Company to comply with certain financial tests, as defined in the 2014 Credit Agreement. If applicable, the minimum required levels of the interest coverage ratio would be 2.5 to 1.0 and the maximum permitted levels of the senior secured leverage ratio would be 2.75 to 1.0. The 2014 Credit Agreement also contains customary default provisions. The 2014 Credit Agreement also has various non-financial covenants, both requiring the Company to refrain from taking certain future actions (as described above) and requiring the Company to take certain actions, such as keeping its corporate existence in good standing, maintaining insurance, and providing its bank lending group with financial information on a timely basis.

In connection with the termination of the 2011 Credit Agreement, the Company recorded charges of \$2.6 million for the accelerated amortization of debt acquisition costs and original issue discount as a loss on early extinguishment of debt for the three and nine months ended September 30, 2014.

On May 16, 2013, the Company repaid \$110.0 million of the outstanding U.S. dollar denominated term loan and €83.5 million of the outstanding Euro denominated term loan under the 2011 Credit Agreement. As a result of the repayment the Company recorded a loss on early extinguishment of debt of \$5.2 million in the Condensed Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2013.

As of September 30, 2014 and December 31, 2013, the Company had \$479.6 million and \$495.3 million, respectively, in U.S. dollar and Euro denominated term loans outstanding under its credit agreements. The weighted average interest rate on the term loans at September 30, 2014 and December 31, 2013 was 3.76% and 3.66%, respectively. The Company had \$50.0 million and \$117.7 million in U.S. dollar and Euro denominated revolving credit amounts outstanding as of September 30, 2014 and December 31, 2013, respectively. The weighted average interest rate on the revolving credit amounts at September 30, 2014 and December 31, 2013 was 2.15% and 5.30%, respectively.

The 2014 Credit Agreement incorporates facilities for issuance of letters of credit up to \$400 million. Letters of credit issued under the 2014 Credit Agreement letter of credit facility decrease availability under the \$600 million revolving line of credit. As of September 30, 2014 the Company had no letters of credit issued under the 2014 Credit Agreement. As of December 31, 2013, the Company had letters of credit issued under the 2011 Credit Agreement that totaled \$54.2 million. The 2014 Credit Agreement also permits the Company to have additional letter of credit facilities up to \$300 million, and letters of credit issued under such additional facilities do not decrease availability under the revolving line of credit. The Company had letters of credit issued under the additional letter of credit facilities of the 2014 Credit Agreement and 2011 Credit Agreement that totaled \$21.9 million and \$3.1 million as of September 30, 2014 and December 31, 2013, respectively.

The Company also has bilateral arrangements to issue letters of credit with various other financial institutions. These additional letters of credit do not reduce the Company's availability under the 2014 Credit Agreement. The Company had letters of credit issued under these additional arrangements of \$281.0 million and \$283.1 million as of September 30, 2014 and December 31, 2013, respectively.

In total, as of September 30, 2014 and December 31, 2013, the Company had letters of credit outstanding of \$302.9 million and \$340.4 million, respectively. The letters of credit generally serve as collateral for certain liabilities included in the Condensed Consolidated Balance Sheet. Certain letters of credit serve as collateral guaranteeing the Company's performance under contracts.

The Company and certain of its subsidiaries agreed to take certain actions to secure borrowings under the 2014 Credit Agreement. As a result, the Company and certain of its subsidiaries entered into a Guarantee and Collateral Agreement with Credit Suisse, as collateral agent for the lenders, granting security to the lenders for amounts borrowed under the 2014 Credit Agreement. The Company is required to (a) pledge as collateral the capital stock of the Company's material domestic subsidiaries and 65% of the capital stock of certain of the Company's material foreign subsidiaries, and (b) provide a first priority security interest in, and mortgages on, substantially all of the Company's domestic assets.

#### 6-1/2% Senior Notes

On March 27, 2012, the Company sold and issued \$300 million aggregate principal amount of Senior Notes Due 2020 (“6-1/2% Notes”) at par. The proceeds from these notes were used for general corporate purposes, including cash requirements resulting from the termination of the Demag Cranes AG Credit Agreement. The 6-1/2% Notes are redeemable by the Company beginning in April 2016 at an initial redemption price of 103.250% of principal amount. The 6-1/2% Notes are jointly and severally guaranteed by certain of the Company’s domestic subsidiaries (see Note O – “Consolidating Financial Statements”).

#### 6% Senior Notes

On November 26, 2012, the Company sold and issued \$850 million aggregate principal amount of Senior Notes due 2021 (“6% Notes”) at par. The proceeds from this offering plus other cash was used to redeem all \$800 million principal amount of the outstanding 8% Senior Subordinated Notes. The 6% Notes are redeemable by the Company beginning in November 2016 at an initial redemption price of 103.0% of principal amount. The 6% Notes are jointly and severally guaranteed by certain of the Company’s domestic subsidiaries (see Note O – “Consolidating Financial Statements”).

#### 4% Convertible Senior Subordinated Notes

On June 3, 2009, the Company sold and issued \$172.5 million aggregate principal amount of 4% Convertible Notes. In certain circumstances and during certain periods, the 4% Convertible Notes will be convertible at an initial conversion rate of 61.5385 shares of Common Stock per \$1,000 principal amount of convertible notes, equivalent to an initial conversion price of approximately \$16.25 per share of Common Stock, subject to adjustment in some events. Upon conversion, Terex will deliver cash up to the aggregate principal amount of the 4% Convertible Notes to be converted and shares of Common Stock with respect to the remainder, if any, of Terex’s convertible obligation in excess of the aggregate principal amount of the 4% Convertible Notes being converted. The 4% Convertible Notes are jointly and severally guaranteed by certain of the Company’s domestic subsidiaries (see Note O – “Consolidating Financial Statements”).

The Company, as issuer of the 4% Convertible Notes, must separately account for the liability and equity components of the 4% Convertible Notes in a manner that reflects the Company’s nonconvertible debt borrowing rate at the date of issuance for interest cost to be recognized in subsequent periods. The Company allocated \$54.3 million of the \$172.5 million principal amount of the 4% Convertible Notes to the equity component, which represents a discount to the debt and will be amortized into interest expense using the effective interest method through June 2015. The Company recorded a related deferred tax liability of \$19.4 million on the equity component. During 2012 the Company purchased approximately 25% of the outstanding 4% convertible notes. The balance of the 4% Convertible Notes was \$122.9 million at September 30, 2014. The Company recognized interest expense of \$10.0 million on the 4% Convertible Notes for the nine months ended September 30, 2014. The interest expense recognized for the 4% Convertible Notes will increase as the discount is amortized using the effective interest method, which accretes the debt balance over its term to \$128.8 million at maturity. Interest expense on the 4% Convertible Notes throughout its term includes 4% annually of cash interest on the maturity balance of \$128.8 million plus non-cash interest expense accreted to the debt balance as described.

The Company paid dividends of \$0.05 per share on March 19, 2014, June 19, 2014 and September 19, 2014. Under the terms of the 4% Convertible Notes, these dividends changed the conversion ratio from 61.6206 at December 31, 2013 to 61.8566 shares of common stock at September 30, 2014.

Edgar Filing: TEREX CORP - Form 10-Q

Based on indicative price quotations from financial institutions multiplied by the amount recorded on the Company's Condensed Consolidated Balance Sheet ("Book Value"), the Company estimates the fair values ("FV") of its debt set forth below as of September 30, 2014, as follows (in millions, except for quotes):

	Book Value	Quote	FV
6% Notes	\$850.0	\$1.03500	\$880
4% Convertible Notes (net of discount)	\$122.9	\$1.97545	\$243
6-1/2% Notes	\$300.0	\$1.04750	\$314
2014 Credit Agreement Term Loan (net of discount) – USD	\$228.1	\$0.99750	\$228
2014 Credit Agreement Term Loan (net of discount) – EUR	\$251.6	\$0.99875	\$251

The fair value of debt reported in the table above is based on price quotations on the debt instrument in an active market and therefore categorized under Level 1 of the ASC 820 hierarchy. See Note A – “Basis of Presentation,” for an explanation of the ASC 820 hierarchy. The Company believes that the carrying value of its other borrowings approximates fair market value based on maturities for debt of similar terms. The fair value of these other borrowings are categorized under Level 2 of the ASC 820 hierarchy.

#### NOTE L – RETIREMENT PLANS AND OTHER BENEFITS

The Company maintains defined benefit plans in the United States, France, Germany, India, Switzerland and the United Kingdom for some of its subsidiaries including a nonqualified Supplemental Executive Retirement Plan (“SERP”) in the United States. In Austria and Italy there are mandatory termination indemnity plans providing a benefit that is payable upon termination of employment in substantially all cases of termination. The Company also has several programs that provide postemployment benefits, including health and life insurance benefits, to certain former salaried and hourly employees. Information regarding the Company’s plans, including the SERP, was as follows (in millions):

	Three Months Ended			2013			Nine Months Ended			2013		
	September 30,			September 30,			September 30,			September 30,		
	U.S.	Non-U.S.	Other	U.S.	Non-U.S.	Other	U.S.	Non-U.S.	Other	U.S.	Non-U.S.	Other
	Pension	Pension		Pension	Pension		Pension	Pension		Pension	Pension	
Components of net periodic cost:												
Service cost	\$0.2	\$ 1.1	\$—	\$0.3	\$ 2.1	\$—	\$0.6	\$ 3.6	\$—	\$0.8	\$ 6.2	\$—
Interest cost	1.9	3.5	0.1	1.7	4.1	0.1	5.5	12.6	0.2	5.1	12.2	0.2
Expected return on plan assets	(2.3 )	(1.0 )	—	(2.3 )	(1.8 )	—	(6.9 )	(4.9 )	—	(6.8 )	(5.2 )	—
Amortization of actuarial loss	0.7	0.5	—	1.1	1.4	—	2.3	2.1	—	3.4	4.1	0.1
Other costs	—	—	—	—	(0.3 )	—	—	—	—	—	(0.5 )	—
Net periodic cost	\$0.5	\$ 4.1	\$0.1	\$0.8	\$ 5.5	\$0.1	\$1.5	\$ 13.4	\$0.2	\$2.5	\$ 16.8	\$0.3

#### NOTE M – LITIGATION AND CONTINGENCIES

##### General

The Company is involved in various legal proceedings, including product liability, general liability, workers’ compensation liability, employment, commercial and intellectual property litigation, which have arisen in the normal course of operations. The Company is insured for product liability, general liability, workers’ compensation, employer’s liability, property damage and other insurable risk required by law or contract, with retained liability or deductibles. The Company has recorded and maintains an estimated liability in the amount of management’s estimate of the Company’s aggregate exposure for such retained liabilities and deductibles. For such retained liabilities and deductibles, the Company determines its exposure based on probable loss estimations, which requires such losses to be both probable and the amount or range of probable loss to be estimable. The Company believes it has made appropriate and adequate reserves and accruals for its current contingencies and that the likelihood of a material loss beyond the amounts accrued is remote except for those cases disclosed below where the Company includes a range of the possible loss. The Company believes that the outcome of such matters, individually and in the aggregate, will not have a material adverse effect on its consolidated financial position. However, the outcomes of lawsuits cannot be predicted and, if determined adversely, could ultimately result in the Company incurring significant liabilities which could have a material adverse effect on its results of operations.





## ERISA, Securities and Stockholder Derivative Lawsuits

The Company has received complaints seeking certification of class action lawsuits in an ERISA lawsuit, a securities lawsuit and a stockholder derivative lawsuit as follows:

A consolidated complaint in the ERISA lawsuit was filed in the United States District Court, District of Connecticut on September 20, 2010 and is entitled In Re Terex Corp. ERISA Litigation.

A consolidated class action complaint for violations of securities laws in the securities lawsuit was filed in the United States District Court, District of Connecticut on November 18, 2010 and is entitled Sheet Metal Workers Local 32 Pension Fund and Ironworkers St. Louis Council Pension Fund, individually and on behalf of all others similarly situated v. Terex Corporation, et al.

A stockholder derivative complaint for violation of the Securities and Exchange Act of 1934, breach of fiduciary duty, waste of corporate assets and unjust enrichment was filed on April 12, 2010 in the United States District Court, District of Connecticut and is entitled Peter Derrer, derivatively on behalf of Terex Corporation v. Ronald M. DeFeo, Phillip C. Widman, Thomas J. Riordan, G. Chris Andersen, Donald P. Jacobs, David A. Sachs, William H. Fike, Donald DeFosset, Helge H. Wehmeier, Paula H.J. Cholmondeley, Oren G. Shaffer, Thomas J. Hansen, and David C. Wang, and Terex Corporation.

These lawsuits generally cover the period from February 2008 to February 2009 and allege, among other things, that certain of the Company's SEC filings and other public statements contained false and misleading statements which resulted in damages to the Company, the plaintiffs and the members of the purported class when they purchased the Company's securities and in the ERISA lawsuit and the stockholder derivative complaint, that there were breaches of fiduciary duties and of ERISA disclosure requirements. The stockholder derivative complaint also alleges waste of corporate assets relating to the repurchase of the Company's shares in the market and unjust enrichment as a result of securities sales by certain officers and directors. The complaints all seek, among other things, unspecified compensatory damages, costs and expenses. As a result, the Company is unable to estimate a possible loss or a range of losses for these lawsuits. The stockholder derivative complaint also seeks amendments to the Company's corporate governance procedures in addition to unspecified compensatory damages from the individual defendants in its favor.

The Company believes that the allegations in the suits are without merit, and Terex, its directors and the named executives will continue to vigorously defend against them. The Company believes that it has acted, and continues to act, in compliance with federal securities laws and ERISA law with respect to these matters. Accordingly, the Company has filed motions to dismiss the ERISA lawsuit and the securities lawsuit. These motions are currently pending before the court. The plaintiff in the stockholder derivative lawsuit has agreed with the Company to put this lawsuit on hold pending the outcome of the motion to dismiss in connection with the securities lawsuit.

## Other

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

## 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 generally limited to its customer's remaining payments due to the finance company at the time of default. In the event of customer default, the Company is generally able to recover and dispose of the equipment at a minimum loss, if any, to the Company.

As of September 30, 2014 and December 31, 2013, the Company's maximum exposure to such credit guarantees was \$45.4 million and \$53.6 million, respectively, including total guarantees issued by Terex Cranes Germany GmbH, part of the Cranes segment, of \$27.9 million and \$34.7 million, respectively. The terms of these guarantees coincide with the financing arranged by the customer and generally do not exceed five years. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

There can be no assurance that historical credit default experience will be indicative of future results. The Company's ability to recover losses experienced from its guarantees may be affected by economic conditions in effect at the time of loss.

#### Buyback Guarantees

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 September 30, 2014 and December 31, 2013, the Company's maximum exposure pursuant to buyback guarantees was \$27.7 million and \$46.7 million, respectively, including total guarantees issued by entities in the MHPS segment of \$23.3 million and \$35.1 million, respectively. The Company is generally able to mitigate some of the risk of these guarantees because the maturity of the guarantees is staggered, limiting the amount of used equipment entering the marketplace at any one time and through leveraging its access to the used equipment markets provided by the Company's original equipment manufacturer status.

The Company has recorded an aggregate liability within Other current liabilities and Other non-current liabilities in the Condensed Consolidated Balance Sheet of approximately \$3 million and \$4 million as of September 30, 2014 and December 31, 2013, respectively for the estimated fair value of all guarantees provided.

There can be no assurance that the Company's historical experience in used equipment markets will be indicative of future results. The Company's ability to recover losses experienced from its guarantees may be affected by economic conditions in the used equipment markets at the time of loss.

#### NOTE N – STOCKHOLDERS' EQUITY

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income (loss)	\$64.2	\$93.7	\$238.5	\$135.6
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment (CTA), net of (provision for) benefit from taxes of \$9.2, \$1.1, \$11.0 and \$(1.8), respectively	(176.3	) 90.7	(134.6	) (26.4
Derivative hedging adjustment, net of (provision for) benefit from taxes of \$1.7, \$(1.5), \$2.7 and \$(0.9), respectively	(0.3	) 0.6	(2.5	) 3.5
Debt and equity securities adjustment, net of (provision for) benefit from taxes of \$0.0, \$0.0, \$0.0 and \$0.6, respectively	0.1	—	0.1	(1.9
Pension liability adjustment:				
Amortization of actuarial (gain) loss, net of provision for (benefit from) taxes of \$(0.4), \$(0.8), \$(1.4) and \$(2.3), respectively	0.8	1.7	3.0	5.3
Foreign exchange and other effects, net of (provision for) benefit from taxes of \$(1.6), \$1.4, \$(3.0) and \$1.2, respectively	4.9	(3.4	) 4.3	(2.6
Total pension liability adjustment	5.7	(1.7	) 7.3	2.7
Other comprehensive income (loss)	(170.8	) 89.6	(129.7	) (22.1

Edgar Filing: TEREX CORP - Form 10-Q

Comprehensive income (loss)	(106.6 )	183.3	108.8	113.5
Comprehensive loss (income) attributable to noncontrolling interest	—	0.7	0.9	4.0
Comprehensive income (loss) attributable to Terex Corporation	\$(106.6 )	\$184.0	\$109.7	\$117.5

23

---

Changes in Accumulated Other Comprehensive Income

The table below presents changes in AOCI by component for the three months ended September 30, 2014 and 2013. All amounts are net of tax (in millions).

	Three months ended September 30, 2014					Three months ended September 30, 2013				
	CTA	Deriv. Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj.	Total	CTA	Deriv. Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj.	Total
Beginning balance	\$33.8	\$0.5	\$—	\$(109.7)	\$(75.4)	\$(103.0)	\$2.5	\$—	\$(135.3)	\$(235.8)
Other comprehensive income before reclassifications	(176.3)	(0.1)	0.1	4.9	(171.4)	90.7	2.4	—	(3.4)	89.7
Amounts reclassified from AOCI	—	(0.2)	—	0.8	0.6	—	(1.8)	—	1.7	(0.1)
Net other comprehensive Income (Loss)	(176.3)	(0.3)	0.1	5.7	(170.8)	90.7	0.6	—	(1.7)	89.6
Ending balance	\$(142.5)	\$0.2	\$0.1	\$(104.0)	\$(246.2)	\$(12.3)	\$3.1	\$—	\$(137.0)	\$(146.2)

The table below presents changes in AOCI by component for the nine months ended September 30, 2014 and 2013. All amounts are net of tax (in millions).

	Nine months ended September 30, 2014					Nine months ended September 30, 2013				
	CTA	Deriv. Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj.	Total	CTA	Deriv. Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj.	Total
Beginning balance	\$(7.9)	\$2.7	\$—	\$(111.3)	\$(116.5)	\$14.1	\$(0.4)	\$1.9	\$(139.7)	\$(124.1)
Other comprehensive income before reclassifications	(138.6)	0.3	0.1	4.3	(133.9)	(23.8)	4.3	—	(2.6)	(22.1)
Amounts reclassified from AOCI	4.0	(2.8)	—	3.0	4.2	(2.6)	(0.8)	(1.9)	5.3	—
Net Other Comprehensive Income (Loss)	(134.6)	(2.5)	0.1	7.3	(129.7)	(26.4)	3.5	(1.9)	2.7	(22.1)
Ending balance	\$(142.5)	\$0.2	\$0.1	\$(104.0)	\$(246.2)	\$(12.3)	\$3.1	\$—	\$(137.0)	\$(146.2)

Stock-Based Compensation

During the nine months ended September 30, 2014, the Company granted 1.0 million shares of restricted stock to its employees with a weighted average grant date fair value of \$44.51 per share. Approximately 63% of these restricted stock awards vest ratably over a three year period and approximately 37% cliff vest at the end of a three year period. Approximately 11% of the shares granted are based on performance targets containing a market condition. The Company used the Monte Carlo method to determine grant date fair value of \$53.17 per share for the awards with a market condition granted on February 26, 2014. The Monte Carlo method is a statistical simulation technique used to provide the grant date fair value of an award. The following table presents the weighted-average assumptions used in the valuation:

Grant date

Edgar Filing: TEREX CORP - Form 10-Q

	February 26, 2014	
Dividend yields	0.46	%
Expected volatility	56.84	%
Risk free interest rate	0.63	%
Expected life (in years)	3	

## Share Repurchases and Dividends

In December 2013, the Company's Board of Directors authorized the repurchase of up to \$200 million of the Company's outstanding shares of common stock through December 31, 2015. During the nine months ended September 30, 2014 the Company repurchased approximately 1.6 million shares for approximately \$65 million under this program. In total, the Company has purchased approximately 2.4 million shares under this program for approximately \$95 million through September 30, 2014. A portion of the share repurchases was executed prior to September 30, 2014 but cash settled in October. In each of February, May, July and October of 2014, the Company's Board of Directors declared a \$0.05 cash dividend to its shareholders.

## Redeemable Noncontrolling Interest

Noncontrolling interest with redemption features that are not solely within the Company's control ("redeemable noncontrolling interest") are presented separately from Total stockholders' equity in the Condensed Consolidated Balance Sheet at the maximum redemption value. If the maximum redemption value is greater than carrying value, the increase is adjusted directly to additional paid in capital and does not impact net income.

The following is a summary of redeemable noncontrolling interest as of September 30, 2014 (in millions):

Balance at January 1, 2014	\$53.9	
Purchases	(53.7	)
Foreign currency translation	(0.2	)
Balance at September 30, 2014	\$—	

In January 2014, the Company paid \$71.3 million for the remaining outstanding shares of Terex Material Handling & Port Solutions AG ("TMHPS"), of which \$53.7 million was recorded as a reduction of redeemable noncontrolling interest and \$17.6 million was recorded as a reduction in additional paid-in capital for the excess of the purchase price over the carrying value of redeemable noncontrolling interest. The Company now owns 100% of TMHPS.

## NOTE O – CONSOLIDATING FINANCIAL STATEMENTS

During 2009 the Company sold and issued the 4% Convertible Notes and during 2012 sold and issued the 6% Notes and the 6-1/2% Notes (collectively the "Notes") (see Note K – "Long-Term Obligations"). The Notes are jointly and severally guaranteed by the following wholly-owned subsidiaries of the Company (the "Wholly-owned Guarantors"): A.S.V., Inc., CMI Terex Corporation, Fantuzzi Noell USA, Inc., Genie Financial Services, Inc., Genie Holdings, Inc., Genie Industries, Inc., Genie International, Inc., GFS National, Inc., Loegering Mfg. Inc., Powerscreen Holdings USA Inc., Powerscreen International LLC, Powerscreen North America Inc., Powerscreen USA, LLC, Schaeff Incorporated, Schaeff of North America, Inc., Terex Advance Mixer, Inc., Terex Aerials, Inc., Terex Financial Services, Inc., Terex South Dakota, Inc., Terex USA, LLC, Terex Utilities, Inc. and Terex Washington, Inc. Wholly-owned Guarantors are 100% owned by the Company. All of the guarantees are full and unconditional. The guarantees of the Wholly-owned Guarantors are subject to release in limited circumstances only upon the occurrence of certain customary conditions. No subsidiaries of the Company except the Wholly-owned Guarantors have provided a guarantee of the Notes.

The following summarized condensed consolidating financial information for the Company segregates the financial information of Terex Corporation, the Wholly-owned Guarantors and the non-guarantor subsidiaries. The results and financial position of businesses acquired 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. Non-guarantor subsidiaries combine the operations of subsidiaries which have not provided a guarantee of the Notes. Subsidiaries of non-guarantor subsidiaries that are guarantors are reported on the equity basis. Debt and



goodwill allocated to subsidiaries are presented on a “push-down” accounting basis.

TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)  
 THREE MONTHS ENDED SEPTEMBER 30, 2014  
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$0.5	\$ 814.0	\$ 1,214.4	\$(219.1)	\$1,809.8
Cost of goods sold	(0.4)	(675.1)	(996.1)	219.1	(1,452.5)
Gross profit	0.1	138.9	218.3	—	357.3
Selling, general and administrative expenses	0.7	(64.0)	(177.2)	—	(240.5)
Income (loss) from operations	0.8	74.9	41.1	—	116.8
Interest income	33.4	18.5	1.6	(51.2)	2.3
Interest expense	(41.4)	(4.0)	(34.6)	51.2	(28.8)
Loss on early extinguishment of debt	(1.5)	—	(1.1)	—	(2.6)
Income (loss) from subsidiaries	73.3	1.4	0.1	(74.8)	—
Other income (expense) – net	(11.9)	(4.3)	14.9	—	(1.3)
Income (loss) from continuing operations before income taxes	52.7	86.5	22.0	(74.8)	86.4
(Provision for) benefit from income taxes	6.7	(25.3)	(9.1)	—	(27.7)
Income (loss) from continuing operations	59.4	61.2	12.9	(74.8)	58.7
Income (loss) from discontinued operations – net of tax	—	—	—	—	—
Gain (loss) on disposition of discontinued operations – net of tax	4.8	—	0.7	—	5.5
Net income (loss)	64.2	61.2	13.6	(74.8)	64.2
Net loss (income) attributable to noncontrolling interest	—	—	—	—	—
Net income (loss) attributable to Terex Corporation	\$64.2	\$ 61.2	\$ 13.6	\$(74.8)	\$64.2
Comprehensive income (loss), net of tax	\$(106.6)	\$ 60.9	\$(110.5)	\$49.6	\$(106.6)
Comprehensive loss (income) attributable to noncontrolling interest	—	—	—	—	—
Comprehensive income (loss) attributable to Terex Corporation	\$(106.6)	\$ 60.9	\$(110.5)	\$49.6	\$(106.6)

TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)  
 NINE MONTHS ENDED SEPTEMBER 30, 2014  
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$40.4	\$ 2,616.4	\$ 3,655.8	\$(793.1)	\$5,519.5
Cost of goods sold	(37.4)	(2,134.4)	(3,026.3)	793.1	(4,405.0)
Gross profit	3.0	482.0	629.5	—	1,114.5
Selling, general and administrative expenses	(4.2)	(198.0)	(559.6)	—	(761.8)
Income (loss) from operations	(1.2)	284.0	69.9	—	352.7
Interest income	97.2	55.1	3.3	(150.8)	4.8
Interest expense	(124.2)	(12.5)	(105.0)	150.8	(90.9)
Loss on early extinguishment of debt	(1.5)	—	(1.1)	—	(2.6)
Income (loss) from subsidiaries	273.0	5.5	(1.6)	(276.9)	—
Other income (expense) – net	(34.9)	(1.8)	30.5	—	(6.2)
Income (loss) from continuing operations before income taxes	208.4	330.3	(4.0)	(276.9)	257.8
(Provision for) benefit from income taxes	22.7	(99.4)	(2.5)	—	(79.2)
Income (loss) from continuing operations	231.1	230.9	(6.5)	(276.9)	178.6
Income (loss) from discontinued operations – net of tax	0.6	—	0.8	—	1.4
Gain (loss) on disposition of discontinued operations – net of tax	7.3	—	51.2	—	58.5
Net income (loss)	239.0	230.9	45.5	(276.9)	238.5
Net loss attributable to noncontrolling interest—	—	—	0.5	—	0.5
Net income (loss) attributable to Terex Corporation	\$239.0	\$ 230.9	\$ 46.0	\$(276.9)	\$239.0
Comprehensive income (loss), net of tax	\$109.7	\$ 231.3	\$(66.2)	\$(166.0)	\$108.8
Comprehensive loss (income) attributable to noncontrolling interest	—	—	0.9	—	0.9
Comprehensive income (loss) attributable to Terex Corporation	\$109.7	\$ 231.3	\$(65.3)	\$(166.0)	\$109.7

TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)  
 THREE MONTHS ENDED SEPTEMBER 30, 2013  
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$42.5	\$ 783.9	\$ 1,194.1	\$(263.5)	\$1,757.0
Cost of goods sold	(39.3)	(630.5)	(969.3)	263.5	(1,375.6)
Gross profit	3.2	153.4	224.8	—	381.4
Selling, general and administrative expenses	(1.0)	(59.4)	(182.4)	—	(242.8)
Income (loss) from operations	2.2	94.0	42.4	—	138.6
Interest income	67.7	88.6	1.8	(156.6)	1.5
Interest expense	(111.5)	(37.5)	(39.4)	156.6	(31.8)
Loss on early extinguishment of debt	—	—	—	—	—
Income (loss) from subsidiaries	102.2	3.6	0.2	(106.0)	—
Other income (expense) – net	(10.2)	1.2	7.3	—	(1.7)
Income (loss) from continuing operations before income taxes	50.4	149.9	12.3	(106.0)	106.6
(Provision for) benefit from income taxes	34.9	(49.1)	(8.6)	—	(22.8)
Income (loss) from continuing operations	85.3	100.8	3.7	(106.0)	83.8
Income (loss) from discontinued operations – net of tax	9.5	—	0.8	—	10.3
Gain (loss) on disposition of discontinued operations – net of tax	(0.4)	—	—	—	(0.4)
Net income (loss)	94.4	100.8	4.5	(106.0)	93.7
Net loss (income) attributable to noncontrolling interest	—	—	0.7	—	0.7
Net income (loss) attributable to Terex Corporation	\$94.4	\$ 100.8	\$ 5.2	\$(106.0)	\$94.4
Comprehensive income (loss), net of tax	\$184.0	\$ 102.2	\$ 24.2	\$(127.1)	\$183.3
Comprehensive loss (income) attributable to noncontrolling interest	—	—	0.7	—	0.7
Comprehensive income (loss) attributable to Terex Corporation	\$184.0	\$ 102.2	\$ 24.9	\$(127.1)	\$184.0

TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)  
 NINE MONTHS ENDED SEPTEMBER 30, 2013  
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$125.5	\$ 2,395.2	\$ 3,542.4	\$(790.9)	\$5,272.2
Cost of goods sold	(118.5)	(1,935.4)	(2,955.4)	790.9	(4,218.4)
Gross profit	7.0	459.8	587.0	—	1,053.8
Selling, general and administrative expenses	(11.5)	(172.7)	(581.9)	—	(766.1)
Income (loss) from operations	(4.5)	287.1	5.1	—	287.7
Interest income	199.8	242.0	6.7	(443.5)	5.0
Interest expense	(310.8)	(109.8)	(119.5)	443.5	(96.6)
Loss on early extinguishment of debt	—	—	(5.2)	—	(5.2)
Income (loss) from subsidiaries	206.5	5.0	—	(211.5)	—
Other income (expense) – net	(31.5)	5.9	20.0	—	(5.6)
Income (loss) from continuing operations before income taxes	59.5	430.2	(92.9)	(211.5)	185.3
(Provision for) benefit from income taxes	68.6	(132.8)	(0.9)	—	(65.1)
Income (loss) from continuing operations	128.1	297.4	(93.8)	(211.5)	120.2
Income (loss) from discontinued operations – net of tax	11.9	—	0.9	—	12.8
Gain (loss) on disposition of discontinued operations – net of tax	(0.4)	—	3.0	—	2.6
Net income (loss)	139.6	297.4	(89.9)	(211.5)	135.6
Net loss (income) attributable to noncontrolling interest	—	—	4.0	—	4.0
Net income (loss) attributable to Terex Corporation	\$139.6	\$ 297.4	\$ (85.9)	\$(211.5)	\$139.6
Comprehensive income (loss), net of tax	\$117.5	\$ 298.1	\$ (127.7)	\$(174.4)	\$113.5
Comprehensive loss (income) attributable to noncontrolling interest	—	—	4.0	—	4.0
Comprehensive income (loss) attributable to Terex Corporation	\$117.5	\$ 298.1	\$ (123.7)	\$(174.4)	\$117.5

TEREX CORPORATION  
 CONDENSED CONSOLIDATING BALANCE SHEET  
 SEPTEMBER 30, 2014  
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 33.1	\$ 2.2	\$ 309.2	\$—	\$ 344.5
Trade receivables – net	13.9	350.4	831.9	—	1,196.2
Intercompany receivables	90.0	110.7	78.5	(279.2 )	—
Inventories	—	389.2	1,287.6	—	1,676.8
Other current assets	85.1	45.7	189.4	—	320.2
Total current assets	222.1	898.2	2,696.6	(279.2 )	3,537.7
Property, plant and equipment – net	68.6	130.7	540.2	—	739.5
Goodwill	—	170.1	1,014.6	—	1,184.7
Non-current intercompany receivables	1,558.1	2,292.7	42.1	(3,892.9 )	—
Investment in and advances to (from) subsidiaries	4,130.6	197.2	153.5	(4,398.4 )	82.9
Other assets	35.9	224.9	484.1	—	744.9
Total assets	\$6,015.3	\$ 3,913.8	\$ 4,931.1	\$(8,570.5 )	\$6,289.7
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities</b>					
Notes payable and current portion of long-term debt	\$ 122.9	\$ 2.4	\$ 35.1	\$—	\$ 160.4
Trade accounts payable	12.8	220.6	481.9	—	715.3
Intercompany payables	13.1	65.4	200.7	(279.2 )	—
Accruals and other current liabilities	94.4	147.6	650.5	—	892.5
Total current liabilities	243.2	436.0	1,368.2	(279.2 )	1,768.2
Long-term debt, less current portion	1,199.9	9.3	482.3	—	1,691.5
Non-current intercompany payables	2,281.1	41.8	1,570.0	(3,892.9 )	—
Retirement plans and other non-current liabilities	73.4	26.5	481.5	—	581.4
Total stockholders' equity	2,217.7	3,400.2	1,029.1	(4,398.4 )	2,248.6
Total liabilities, redeemable noncontrolling interest and stockholders' equity	\$6,015.3	\$ 3,913.8	\$ 4,931.1	\$(8,570.5 )	\$6,289.7

TEREX CORPORATION  
CONDENSED CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2013  
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 16.3	\$ 3.9	\$ 387.9	\$—	\$408.1
Trade receivables – net	34.9	328.2	813.7	—	1,176.8
Intercompany receivables	52.8	121.8	124.0	(298.6 )	—
Inventories	28.6	392.6	1,192.0	—	1,613.2
Other current assets	90.4	40.7	180.9	—	312.0
Current assets – discontinued operations	21.3	—	108.0	—	129.3
<b>Total current assets</b>	<b>244.3</b>	<b>887.2</b>	<b>2,806.5</b>	<b>(298.6 )</b>	<b>3,639.4</b>
Property, plant and equipment – net	72.5	118.6	598.3	—	789.4
Goodwill	—	170.1	1,075.5	—	1,245.6
Non-current intercompany receivables	1,586.4	2,157.8	42.0	(3,786.2 )	—
Investment in and advances to (from) subsidiaries	3,874.9	191.7	162.3	(4,138.9 )	90.0
Other assets	36.7	178.2	541.8	—	756.7
Non-current assets – discontinued operations	1.2	—	14.4	—	15.6
<b>Total assets</b>	<b>\$5,816.0</b>	<b>\$ 3,703.6</b>	<b>\$ 5,240.8</b>	<b>\$(8,223.7 )</b>	<b>\$6,536.7</b>
<b>Liabilities and Stockholders' Equity</b>					
<b>Current liabilities</b>					
Notes payable and current portion of long-term debt	\$3.7	\$ 0.7	\$ 82.4	\$—	\$86.8
Trade accounts payable	14.0	221.7	453.4	—	689.1
Intercompany payables	46.9	97.2	154.5	(298.6 )	—
Accruals and other current liabilities	68.1	130.9	703.7	—	902.7
Current liabilities – discontinued operations	3.9	—	42.2	—	46.1
<b>Total current liabilities</b>	<b>136.6</b>	<b>450.5</b>	<b>1,436.2</b>	<b>(298.6 )</b>	<b>1,724.7</b>
Long-term debt, less current portion	1,271.0	4.8	614.1	—	1,889.9
Non-current intercompany payables	2,143.2	41.8	1,601.2	(3,786.2 )	—
Retirement plans and other non-current liabilities	75.1	27.1	545.5	—	647.7
Non-current liabilities – discontinued operations	—	—	5.7	—	5.7
Redeemable noncontrolling interest	—	—	53.9	—	53.9
<b>Total stockholders' equity</b>	<b>2,190.1</b>	<b>3,179.4</b>	<b>984.2</b>	<b>(4,138.9 )</b>	<b>2,214.8</b>
<b>Total liabilities, redeemable noncontrolling interest and stockholders' equity</b>	<b>\$5,816.0</b>	<b>\$ 3,703.6</b>	<b>\$ 5,240.8</b>	<b>\$(8,223.7 )</b>	<b>\$6,536.7</b>

TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 NINE MONTHS ENDED SEPTEMBER 30, 2014  
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$(189.3 )	\$ 175.2	\$ 130.7	\$—	\$ 116.6
Cash flows from investing activities					
Capital expenditures	(4.1 )	(21.7 )	(32.8 )	—	(58.6 )
Proceeds from disposition of discontinued operations	31.3	—	130.9	—	162.2
Proceeds from sale of assets	—	2.2	0.8	—	3.0
Intercompany investing activities (1)	212.6	—	—	(212.6 )	—
Other investing activities, net	—	—	(7.4 )	—	(7.4 )
Net cash provided by (used in) investing activities	239.8	(19.5 )	91.5	(212.6 )	99.2
Cash flows from financing activities					
Repayments of debt	(752.0 )	(1.1 )	(766.8 )	—	(1,519.9 )
Proceeds from issuance of debt	794.2	7.3	610.2	—	1,411.7
Purchase of noncontrolling interest	—	—	(73.4 )	—	(73.4 )
Share repurchases	(61.5 )	—	—	—	(61.5 )
Dividends paid	(16.5 )	—	—	—	(16.5 )
Intercompany financing activities (1)	—	(163.6 )	(49.0 )	212.6	—
Other financing activities, net	2.1	—	(4.1 )	—	(2.0 )
Net cash provided by (used in) financing activities	(33.7 )	(157.4 )	(283.1 )	212.6	(261.6 )
Effect of exchange rate changes on cash and cash equivalents	—	—	(17.8 )	—	(17.8 )
Net increase (decrease) in cash and cash equivalents	16.8	(1.7 )	(78.7 )	—	(63.6 )
Cash and cash equivalents at beginning of period	16.3	3.9	387.9	—	408.1
Cash and cash equivalents at end of period	\$33.1	\$ 2.2	\$ 309.2	\$—	\$344.5

(1) Intercompany investing and financing activities include cash pooling activity between Terex Corporation and Wholly-Owned Guarantors.



TEREX CORPORATION  
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 NINE MONTHS ENDED SEPTEMBER 30, 2013  
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ 324.1	\$ (168.5 )	\$ 7.5	\$—	\$ 163.1
Cash flows from investing activities					
Capital expenditures	(6.7 )	(18.0 )	(36.2 )	—	(60.9 )
Proceeds from disposition of discontinued operations	(2.8 )	—	3.5	—	0.7
Proceeds from sale of assets	4.4	34.4	6.4	—	45.2
Intercompany investing activities	(307.8 )	(18.8 )	(0.6 )	327.2	—
Other investing activities, net	—	—	(1.4 )	—	(1.4 )
Net cash provided by (used in) investing activities	(312.9 )	(2.4 )	(28.3 )	327.2	(16.4 )
Cash flows from financing activities					
Repayments of debt	(9.0 )	—	(494.5 )	—	(503.5 )
Proceeds from issuance of debt	9.0	—	284.6	—	293.6
Purchase of noncontrolling interest	—	—	(228.1 )	—	(228.1 )
Distributions to noncontrolling interest	—	—	(18.4 )	—	(18.4 )
Share repurchases	(1.1 )	—	—	—	(1.1 )
Intercompany financing activities	—	174.0	153.2	(327.2 )	—
Other financing activities, net	2.4	—	7.2	—	9.6
Net cash provided by (used in) financing activities	1.3	174.0	(296.0 )	(327.2 )	(447.9 )
Effect of exchange rate changes on cash and cash equivalents	—	—	(6.2 )	—	(6.2 )
Net increase (decrease) in cash and cash equivalents	12.5	3.1	(323.0 )	—	(307.4 )
Cash and cash equivalents at beginning of period	39.6	0.4	638.0	—	678.0
Cash and cash equivalents at end of period	\$ 52.1	\$ 3.5	\$ 315.0	\$—	\$ 370.6

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

BUSINESS DESCRIPTION

Terex is a lifting and material handling solutions company. We are focused on operational improvement and delivering reliable, customer-driven solutions for a wide range of commercial applications, including the construction, infrastructure, quarrying, mining, manufacturing, transportation, energy and utility industries. We operate in five reportable segments: (i) Aerial Work Platforms ("AWP"); (ii) Construction; (iii) Cranes; (iv) Material Handling & Port Solutions ("MHPS"); and (v) Materials Processing ("MP"). Please refer to Note B – "Business Segment Information" in the accompanying Condensed Consolidated Financial Statements for a description of our segments.

Non-GAAP Measures

In this document, we refer to various GAAP (U.S. generally accepted accounting principles) and non-GAAP financial measures. These non-GAAP measures may not be comparable to similarly titled measures disclosed by other companies. We present non-GAAP financial measures in reporting our financial results to provide investors with additional analytical tools which we believe are useful in evaluating our operating results and the ongoing performance of our underlying businesses. We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Non-GAAP measures we use include the translation effect of foreign currency exchange rate changes on net sales, gross profit, Selling, General & Administrative ("SG&A") costs and operating profit excluding the impact of acquisitions.

As changes in foreign currency exchange rates have a non-operating impact on our financial results, we believe excluding the effect of these changes assists in the assessment of our business results between periods. We calculate the translation effect of foreign currency exchange rate changes by translating the current period results at the rates that the comparable prior periods were translated to isolate the foreign exchange component of the fluctuation from the operational component. Similarly, the impact of changes in our results from acquisitions that were not included in comparable prior periods is subtracted from the absolute change in results to allow for better comparability of results between periods.

We calculate a non-GAAP measure of free cash flow. In 2013, we defined this as income from operations plus certain impairments and write downs, depreciation, amortization, proceeds from the sale of assets, plus or minus cash changes in working capital, customer advances and rental/demo equipment and less capital expenditures. We changed this definition for 2014 to be Net cash provided by (used in) operating activities, less Capital expenditures, as we believe this definition more closely aligns with how our investors calculate free cash flow. We believe that the measure of free cash flow provides management and investors further information on cash generation or use.

We discuss forward looking information related to expected earnings per share ("EPS") excluding restructuring charges and other items. This adjusted EPS is a non-GAAP measure that provides guidance to investors about our EPS expectations excluding restructuring and other charges that we do not believe are reflective of our ongoing operations.

Working capital is calculated using the Condensed Consolidated Balance Sheet amounts for Trade receivables (net of allowance) plus Inventories, less Trade accounts payable and Customer Advances. We view excessive working capital as an inefficient use of resources, and seek to minimize the level of investment without adversely impacting the ongoing operations of the business. Trailing three month annualized net sales is calculated using the net sales for the

most recent quarter ended multiplied by four. The ratio calculated by dividing working capital by trailing three months annualized net sales is a non-GAAP measure that we believe measures our resource use efficiency.

Non-GAAP measures we use also include Net Operating Profit After Tax (“NOPAT”) as adjusted, income (loss) before income taxes as adjusted, income (loss) from operations as adjusted, (benefit from) provision for income taxes as adjusted and stockholders’ equity as adjusted, which are used in the calculation of our after tax return on invested capital (“ROIC”) (collectively the “Non-GAAP Measures”), which are discussed in detail below.

## Overview

Overall, our performance in the third quarter of 2014 was in line with our revised expectations that we announced in mid-September. Our AWP segment led the overall Company performance with good operating results. Our Construction segment also showed improved operating results for the quarter. Our MHPS segment had improved performance in its port businesses but softened somewhat in the material handling businesses. Our Cranes segment met our lowered expectations that we communicated in mid-September. Additionally, we experienced some softening in our MP segment.

Our AWP segment had a good third quarter, with improved net sales year-over-year in all major product categories (booms, scissors and telehandlers), and continued strong orders for its products in the North American, European, Asia Pacific and Chinese markets. Lower year-over-year order activity was limited to a difficult Latin American market. Margins were lower than the prior year period primarily due to higher factory and commodity costs, manufacturing start-up costs and the unfavorable effect of changes in the Brazilian currency, partially offset by higher sales volume and favorable price realization. We expected stronger growth going into the second half of the year than what has materialized and as a result, we removed approximately 500 team members from the business in the third quarter. We remain optimistic for this segment and expect that our actions will lead to more normal incremental margins going forward.

Our Construction segment continued on its path to profitability in the third quarter primarily as a result of portfolio rationalization and continued cost vigilance. Net sales in this segment were up year-over-year due to higher demand for our concrete mixer trucks. We are encouraged by these improved results and believe that this segment will continue to deliver positive operating results during the remainder of 2014.

Our Cranes segment weakened in the third quarter. Despite a positive trend in book-to-bill ratios over the first half of 2014, the Cranes order rate dropped significantly in the third quarter. The decline was driven by reduced demand for mobile cranes partially offset by strength in utilities. Additionally, Cranes customers in developing markets struggled to secure financing for orders scheduled for delivery in the second half of 2014. Despite continued market environment challenges, we expect sequential improvement from Cranes in the coming quarter.

Our MHPS segment had a solid third quarter. Net sales increased from the prior year period, particularly in Western Europe and North America for our port businesses but was partially offset by lower net sales in the material handling business. Actions taken in prior periods to reduce our cost structure for this segment improved results. We also continue to take further actions to adjust the cost structure of our MHPS segment and announced plans to close one of our manufacturing facilities and relocate production in an effort to improve the efficiency of our manufacturing footprint. While there is more work to do, we believe this business is on track for improved performance. We continue to expect the segment's operating margin to improve moderately throughout the remainder of the year.

Our MP segment experienced softening in the third quarter. Markets for this business have improved in certain areas but are not improving everywhere. Additionally, margins for the third quarter were impacted by unfavorable product and geographical sales mix, lower factory utilization and increased engineering expenses related to product line expansion.

Our end markets remain difficult to predict but, we continue to be encouraged with our growth in Western Europe, with sales up 31% across our segments compared to the prior year quarter. The North American market was our strongest market and was up 3% overall versus the prior year quarter. The remaining markets, mostly developing markets, declined in the third quarter of 2014, somewhat offsetting the growth in North America and Western Europe.

We entered into a new credit facility in the third quarter, which extended the maturity dates on our term debt and revolving line of credit, increased our borrowing capacity on our revolving line of credit and lowered our interest cost. Our liquidity (cash and availability under our revolving credit line) increased by approximately \$115 million when compared to June 30, 2014. Free cash flow was approximately \$58 million in the nine months ended September 30, 2014 and we now expect to generate free cash flow for the full year 2014 at or near the low end of our previously announced range of between \$200 million and \$250 million.

Capital allocation activities continued as planned. We repurchased \$11 million of the Company's shares this quarter for a cumulative total of \$95 million since the inception of the share buyback program in December 2013. See "Liquidity and Capital Resources" for a detailed description of liquidity and working capital levels, including the primary factors affecting such levels.

Predicting markets has been challenging and in the near term we will be assuming flat markets and only performance improvements that we can control. We now expect earnings per share for the full year 2014 to be at or near the bottom of our previously announced range of \$2.35 to \$2.50, excluding restructuring and other unusual items, on net sales of between \$7.3 billion and \$7.5 billion. Looking forward, we have identified improvement opportunities from cost reduction actions, interest expense declines and tax rate improvements. We think we can accomplish these in the next two years and provide meaningful improvement in our earnings per share even assuming a flat market.

ROIC continues to be a unifying metric we use to measure our performance. ROIC and Non-GAAP Measures assist in showing how effectively we utilize capital invested in our operations. After-tax ROIC is determined by dividing the sum of NOPAT for each of the previous four quarters by the average of the sum of Total Terex Corporation stockholders' equity plus Debt (as defined below) less Cash and cash equivalents for the previous five quarters. NOPAT for each quarter is calculated by multiplying Income (loss) from operations by a figure equal to one minus the effective tax rate of the Company. We believe returns on capital deployed in TFS do not represent our primary operations and, therefore, TFS finance receivable assets and results from operations have been excluded from the Non-GAAP Measures. The effective tax rate is equal to the (Provision for) benefit from income taxes divided by Income (loss) from continuing operations before income taxes for the respective quarter. Total Terex Corporation stockholders' equity is adjusted to include redeemable noncontrolling interest as this item is deemed to be temporary equity and therefore should be included in the denominator of the ROIC ratio. Debt is calculated using amounts for Notes payable and current portion of long-term debt plus Long-term debt, less current portion. We calculate ROIC using the last four quarters' adjusted NOPAT as this represents the most recent 12-month period at any given point of determination. In order for the denominator of the ROIC ratio to properly match the operational period reflected in the numerator, we include the average of five quarters' ending balance sheet amounts so that the denominator includes the average of the opening through ending balances (on a quarterly basis) thereby providing, over the same time period as the numerator, four quarters of average invested capital.

Terex management and Board of Directors use ROIC as one of the primary measures to assess operational performance, including in connection with certain compensation programs. We use ROIC as a unifying metric because we believe it measures how effectively we invest our capital and provides a better measure to compare ourselves to peer companies to assist in assessing how we drive operational improvement. We believe ROIC measures return on the amount of capital invested in our primary businesses, excluding TFS, as opposed to another metric such as return on stockholders' equity that only incorporates book equity, and is thus a more accurate and descriptive measure of our performance. We also believe adding Debt less Cash and cash equivalents to Total stockholders' equity provides a better comparison across similar businesses regarding total capitalization, and ROIC highlights the level of value creation as a percentage of capital invested. As the tables below show, our ROIC at September 30, 2014 was 9.8%.

Amounts described below are reported in millions of U.S. dollars, except for the effective tax rates. Amounts are as of and for the three months ended for the periods referenced in the tables below.

	Sep '14	Jun '14	Mar '14	Dec '13	Sep '13
Provision for (benefit from) income taxes	\$27.7	\$40.0	\$11.5	\$22.3	
Divided by: Income (loss) before income taxes	86.4	128.4	43.0	106.0	
Effective tax rate	32.1	%31.2	%26.7	%21.0	%
Income (loss) from operations as adjusted	\$119.7	\$162.6	\$76.3	\$131.5	
Multiplied by: 1 minus Effective tax rate	67.9	%68.8	%73.3	%79.0	%
Adjusted net operating income (loss) after tax	\$81.3	\$111.9	\$55.9	\$103.9	
Debt (as defined above)	\$1,851.9	\$1,922.5	\$2,055.9	\$1,976.7	\$1,905.9
Less: Cash and cash equivalents	(344.5	) (364.3	) (390.5	) (408.1	) (370.6
Debt less Cash and cash equivalents	1,507.4	1,558.2	1,665.4	1,568.6	1,535.3
	2,010.5	2,138.5	2,012.0	2,092.4	2,002.2

Total Terex Corporation stockholders' equity as adjusted					
Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted	\$3,517.9	\$3,696.7	\$3,677.4	\$3,661.0	\$3,537.5

September 30, 2014 ROIC				9.8	%
NOPAT as adjusted (last 4 quarters)				\$353.0	
Average Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted (5 quarters)				\$3,618.1	

	Three months ended 9/30/14	Three months ended 6/30/14	Three months ended 3/31/14	Three months ended 12/31/13	
Reconciliation of income (loss) from operations:					
Income (loss) from operations as reported	\$ 116.8	\$ 160.9	\$ 75.0	\$ 131.4	
(Income) loss from operations for TFS	2.9	1.7	1.3	0.1	
Income (loss) from operations as adjusted	\$ 119.7	\$ 162.6	\$ 76.3	\$ 131.5	
Reconciliation of Terex Corporation stockholders' equity:	As of 9/30/14	As of 6/30/14	As of 3/31/14	As of 12/31/13	As of 9/30/13
Terex Corporation stockholders' equity as reported	\$ 2,217.7	\$ 2,331.6	\$ 2,183.2	\$ 2,190.1	\$ 2,094.2
TFS Assets	(207.2	)(193.1	)(171.2	)(151.6	)(149.8
Redeemable noncontrolling interest	—	—	—	53.9	57.8
Terex Corporation stockholders' equity as adjusted	\$ 2,010.5	\$ 2,138.5	\$ 2,012.0	\$ 2,092.4	\$ 2,002.2

## RESULTS OF OPERATIONS

Three Months Ended September 30, 2014 Compared with Three Months Ended September 30, 2013

## Consolidated

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013		% Change In Reported Amounts	
	\$ amounts in millions	% of Sales	\$ amounts in millions	% of Sales		
Net sales	\$ 1,809.8	—	\$ 1,757.0	—	3.0	%
Gross profit	\$ 357.3	19.7	\$ 381.4	21.7	(6.3)	)%
SG&A	\$ 240.5	13.3	\$ 242.8	13.8	(0.9)	)%
Income from operations	\$ 116.8	6.5	\$ 138.6	7.9	(15.7)	)%

Net sales for the three months ended September 30, 2014 increased \$52.8 million when compared to the same period in 2013. Our AWP segment had growth in net sales from continued rental channel replenishment. Our Construction segment had growth in net sales from its material handling and concrete mixer product lines. Our MHPS segment also experienced net sales growth primarily from its port solutions businesses. Our MP segment experienced improved demand in the North American market, however, Australian and Indian markets were soft. These improvements were partially offset by lower net sales in our Cranes segment, particularly in the Middle Eastern and Australian markets.

Gross profit for the three months ended September 30, 2014 decreased \$24.1 million when compared to the same period in 2013. We experienced declines in gross profit from all of our segments except for our Construction segment which showed a slight improvement.

SG&A costs for the three months ended September 30, 2014 decreased by \$2.3 million when compared to the same period in 2013. Lower SG&A costs in our MHPS and Construction segments were partially offset by higher SG&A costs in our AWP, Cranes and MP segments.



Income from operations for the three months ended September 30, 2014 decreased \$21.8 million when compared to the same period in 2013. The decrease was primarily due to lower operating performance in our AWP, Cranes, MHPS and MP segments, partially offset by improved performance in our Construction segment.

## Aerial Work Platforms

	Three Months Ended September 30,				% Change In	
	2014	2013	% of Sales	% of Sales	Reported Amounts	
	(\$ amounts in millions)					
Net sales	\$598.7	—	\$533.3	—	12.3	%
Gross profit	\$119.3	19.9	% \$127.6	23.9	% (6.5	)%
SG&A	\$50.9	8.5	% \$46.9	8.8	% 8.5	%
Income from operations	\$68.4	11.4	% \$80.7	15.1	% (15.2	)%

Net sales for the AWP segment for the three months ended September 30, 2014 increased \$65.4 million when compared to the same period in 2013. Net sales improvement was primarily due to continued replacement demand and capital expenditures for growth from the North American rental channels and continued replacement demand in Europe, Asia Pacific and China, partially offset by weaker demand in Latin America.

Gross profit for the three months ended September 30, 2014 decreased \$8.3 million when compared to the same period in 2013. The decrease in gross profit was primarily due to approximately \$9 million of transactional foreign exchange losses in Latin America, higher factory and commodity costs and manufacturing start-up costs, partially offset by approximately \$4 million in improvements from increased net sales and favorable price realization.

SG&A costs for the three months ended September 30, 2014 increased \$4.0 million when compared to the same period in 2013. Higher selling and marketing costs associated with higher net sales increased SG&A spending by approximately \$3 million as compared to the prior year period. Additionally, allocation of corporate costs was approximately \$2 million higher in the current year period.

Income from operations for the three months ended September 30, 2014 decreased \$12.3 million when compared to the same period in 2013. The decrease was due to items noted above, particularly higher transactional foreign exchange losses in the current year period.

## Construction

	Three Months Ended September 30,				% Change In	
	2014	2013	% of Sales	% of Sales	Reported Amounts	
	(\$ amounts in millions)					
Net sales	\$207.3	—	\$188.0	—	10.3	%
Gross profit	\$24.6	11.9	% \$18.8	10.0	% 30.9	%
SG&A	\$23.0	11.1	% \$23.9	12.7	% (3.8	)%
Income (loss) from operations	\$1.6	0.8	% \$(5.1	) (2.7	)%	*

\*Not meaningful as a percentage

Net sales for the Construction segment for the three months ended September 30, 2014 increased by \$19.3 million when compared to the same period in 2013. Net sales increased due to improved demand for our material handling product line, specifically in Western Europe and Russia, as well as higher demand for our concrete mixer trucks.

Gross profit for the three months ended September 30, 2014 increased \$5.8 million when compared to the same period in 2013. Net sales improvement, which combined with increased production utilization, contributed approximately \$4 million to the increase in gross profit in the current year period.

SG&A costs for the three months ended September 30, 2014 decreased \$0.9 million when compared to the same period in 2013.

Income (loss) from operations for the three months ended September 30, 2014 improved \$6.7 million when compared to the same period in 2013. Improvement was primarily due to the impact of increased net sales and increased production utilization.

#### Cranes

	Three Months Ended September 30,				% Change In Reported Amounts	
	2014	2013	% of Sales	% of Sales		
	(\$ amounts in millions)					
Net sales	\$419.7	—	\$453.0	—	(7.4	)%
Gross profit	\$75.5	18.0	% \$82.1	18.1	% (8.0	)%
SG&A	\$53.7	12.8	% \$53.2	11.7	% 0.9	%
Income from operations	\$21.8	5.2	% \$28.9	6.4	% (24.6	)%

Net sales for the Cranes segment for the three months ended September 30, 2014 decreased by \$33.3 million when compared to the same period in 2013. We have experienced declines in demand for mobile cranes in the Middle East and Australia. This was partially offset by improving sales of utility products in North America.

Gross profit for the three months ended September 30, 2014 decreased by \$6.6 million when compared to the same period in 2013. Product sales mix and lower volume had a negative impact on gross profit when compared to the same period in 2013.

SG&A costs for the three months ended September 30, 2014 increased \$0.5 million over the same period in 2013 primarily due to investment in our service business infrastructure.

Income from operations for the three months ended September 30, 2014 decreased \$7.1 million when compared to the same period in 2013, resulting primarily from lower net sales.

#### Material Handling & Port Solutions

	Three Months Ended September 30,				% Change In Reported Amounts	
	2014	2013	% of Sales	% of Sales		
	(\$ amounts in millions)					
Net sales	\$468.2	—	\$460.6	—	1.7	%
Gross profit	\$101.9	21.8	% \$111.1	24.1	% (8.3	)%
SG&A	\$84.3	18.0	% \$92.6	20.1	% (9.0	)%
Income from operations	\$17.6	3.8	% \$18.5	4.0	% (4.9	)%

Net sales for the MHPS segment for the three months ended September 30, 2014 increased \$7.6 million when compared to the same period in 2013. The increase was driven by general improvement in net sales for our port solutions equipment across our businesses, with the largest increase in Western Europe, partially offset by lower net sales in our material handling businesses compared to the prior year period.

Gross profit for the three months ended September 30, 2014 decreased \$9.2 million when compared to the same period in 2013. The decrease was primarily due to restructuring and related charges which were approximately \$12 million higher in the current year period partially offset by approximately \$4 million in lower inventory charges in the current year period.

SG&A costs for the three months ended September 30, 2014 decreased \$8.3 million when compared to the same period in 2013. This decrease was primarily due to approximately \$4 million of lower restructuring and related charges in the current year period. Additionally, there was approximately \$3 million of lower bad debt charges in the current year period.

Income from operations for the three months ended September 30, 2014 decreased \$0.9 million when compared to the same period in 2013. The decrease was primarily due to higher overall restructuring and related charges in the current year period.

#### Materials Processing

	Three Months Ended September 30, 2014		2013		% Change In Reported Amounts	
		% of Sales		% of Sales		
	(\$ amounts in millions)					
Net sales	\$155.6	—	\$147.7	—	5.3	%
Gross profit	\$29.8	19.2	\$37.0	25.1	(19.5)	%
SG&A	\$21.1	13.6	\$18.1	12.3	16.6	%
Income from operations	\$8.7	5.6	\$18.9	12.8	(54.0)	%

Net sales for the MP segment for the three months ended September 30, 2014 increased by \$7.9 million when compared to the same period in 2013. Net sales improvements were primarily in the North American and select European markets, partially offset by lower net sales in Australia and Latin America.

Gross profit for the three months ended September 30, 2014 decreased by \$7.2 million when compared to the same period in 2013. This decrease was primarily due to an unfavorable geographic mix of sales, as well as lower productivity in the current year period.

SG&A costs for the three months ended September 30, 2014 increased by \$3.0 million when compared to the same period in 2013 primarily due to higher selling and marketing costs and investments in engineering activity in the current year period.

Income from operations for the three months ended September 30, 2014 decreased \$10.2 million when compared to the same period in 2013. This was driven primarily by an unfavorable geographic mix of sales and lower productivity as well as higher SG&A costs in the current year period.

#### Corporate / Eliminations

	Three Months Ended September 30, 2014		2013		% Change In Reported Amounts	
		% of Sales		% of Sales		
	(\$ amounts in millions)					
Net sales	\$(39.7)	—	\$(25.6)	—	*	
Loss from operations	\$(1.3)	*	\$(3.3)	*	*	

\*Not meaningful as a percentage

Net sales amounts include elimination of intercompany sales activity among segments.

Interest Expense, Net of Interest Income

During the three months ended September 30, 2014, our interest expense net of interest income was \$26.5 million, or \$3.8 million lower than the same period in the prior year. This reflects reductions in interest rates on our term debt and revolving credit facility.

## Loss on early extinguishment of debt

In connection with the termination of the 2011 Credit Agreement, we recorded charges of \$2.6 million for the accelerated amortization of debt acquisition costs and original issue discount as a loss on early extinguishment of debt for the three months ended September 30, 2014.

## Other Income (Expense) – Net

Other income (expense) – net for the three months ended September 30, 2014 was expense of \$1.3 million, or \$0.4 million lower expense when compared to the same period in the prior year primarily due to losses on asset sales in the prior year period.

## Income Taxes

During the three months ended September 30, 2014, we recognized income tax expense of \$27.7 million on income of \$86.4 million, an effective tax rate of 32.1%, as compared to income tax expense of \$22.8 million on income of \$106.6 million, an effective tax rate of 21.4%, for the three months ended September 30, 2013. The higher effective tax rate for the three months ended September 30, 2014 was primarily due to the reduced benefit from the release of uncertain tax positions partially offset by a more favorable geographic mix of earnings when compared to the three months ended September 30, 2013.

## Income (Loss) from Discontinued Operations

Income (loss) from discontinued operations for the three months ended September 30, 2014 decreased by \$10.3 million when compared to the same period in the prior year as the truck business was sold in May 2014.

## Gain (Loss) on Disposition of Discontinued Operations

The gain on disposition of discontinued operations was \$5.9 million higher in the current year period primarily due to the sale of our truck business.

## Nine Months Ended September 30, 2014 Compared with Nine Months Ended September 30, 2013

## Consolidated

	Nine Months Ended September 30, 2014		2013		% Change In Reported Amounts	
		% of Sales		% of Sales		
	(\$ amounts in millions)					
Net sales	\$5,519.5	—	\$5,272.2	—	4.7	%
Gross profit	\$1,114.5	20.2	\$1,053.8	20.0	5.8	%
SG&A	\$761.8	13.8	\$766.1	14.5	(0.6)	)%
Income from operations	\$352.7	6.4	\$287.7	5.5	22.6	%

Net sales for the nine months ended September 30, 2014 increased \$247.3 million when compared to the same period in 2013. Our AWP segment had significant growth in net sales from continued rental channel replenishment. Our MHPS segment also experienced net sales growth primarily from its port solutions businesses. Net sales in our Construction and MP segments improved slightly in the current year period. However, net sales in our Cranes segment



were lower in the Middle East and Australia, partially offsetting net sales increases in our other segments.

Gross profit for the nine months ended September 30, 2014 increased \$60.7 million when compared to the same period in 2013. We experienced improvements in gross profit from our AWP, Construction and MHPS segments. These improvements were partially offset by weak performance in our Cranes segment and a slight decline in our MP segment.

SG&A costs decreased for the nine months ended September 30, 2014 by \$4.3 million when compared to the same period in 2013. Cost reduction activities taken in prior periods in our Construction and MHPS segments are reflected in current period SG&A costs. Higher SG&A costs in our AWP, Cranes and MP segments partially offset those improvements.

Income from operations increased for the nine months ended September 30, 2014 by \$65.0 million when compared to the same period in 2013. The increase was primarily due to improved operating performance in our AWP, Construction and MHPS segments, partially offset by weaker performance in our Cranes and to a lesser extent MP segments.

#### Aerial Work Platforms

	Nine Months Ended September 30,				% Change In	
	2014		2013		Reported	Amounts
		% of		% of		
		Sales		Sales		
	(\$ amounts in millions)					
Net sales	\$1,901.5	—	\$1,649.0	—	15.3	%
Gross profit	\$416.6	21.9	\$393.1	23.8	6.0	%
SG&A	\$152.5	8.0	\$138.8	8.4	9.9	%
Income from operations	\$264.1	13.9	\$254.3	15.4	3.9	%

Net sales for the AWP segment for the nine months ended September 30, 2014 increased \$252.5 million when compared to the same period in 2013. Net sales improvement was primarily due to continued replacement demand and capital expenditures for growth from the North American rental channels and continued replacement demand in Europe, Asia Pacific and China, partially offset by weaker demand in Latin America.

Gross profit for the nine months ended September 30, 2014 was \$416.6 million, an increase of \$23.5 million when compared to the same period in 2013. Increased net sales, improved price realization, partially offset by the mix of product sales, higher factory and commodity costs and manufacturing start-up costs, contributed approximately \$30 million to the improvement in gross profit. This improvement was partially offset by approximately \$4 million of transactional foreign exchange losses in Latin America in the current year period.

SG&A costs for the nine months ended September 30, 2014 increased \$13.7 million when compared to the same period in 2013. Higher selling and marketing costs associated with higher net sales increased SG&A spending by approximately \$6 million as compared to the prior year period. There was approximately \$2 million higher in engineering costs in the current year period. Additionally, allocation of corporate costs was approximately \$5 million higher in the current year period.

Income from operations for the nine months ended September 30, 2014 increased \$9.8 million when compared to the same period in 2013. The increase was due to items noted above, particularly increased net sales volume, partially offset by higher SG&A costs.

## Construction

	Nine Months Ended September 30,				% Change In Reported Amounts	
	2014		2013			
		% of Sales		% of Sales		
	(\$ amounts in millions)					
Net sales	\$630.2	—	\$626.5	—	0.6	%
Gross profit	\$70.2	11.1 %	\$59.2	9.4 %	18.6	%
SG&A	\$69.6	11.0 %	\$84.0	13.4 %	(17.1)	)%
Income (loss) from operations	\$0.6	0.1 %	\$(24.8)	(4.0)%	*	

\*Not meaningful as a percentage

Net sales in the Construction segment for the nine months ended September 30, 2014 increased by \$3.7 million when compared to the same period in 2013. The majority of the increase was primarily due to higher demand for our concrete mixer trucks and material handling products, partially offset by decreased net sales as a result of divestitures of our roadbuilding business.

Gross profit for the nine months ended September 30, 2014 was \$70.2 million, an increase of \$11.0 million when compared to the same period in 2013. The increase was primarily due to improved factory utilization contributing approximately \$4 million. Additionally, approximately \$3 million of charges taken in the prior year period in connection with the sale of a portion of the roadbuilding business did not recur.

SG&A costs for the nine months ended September 30, 2014 decreased \$14.4 million when compared to the same period in 2013. The impact of divestitures decreased SG&A costs in the current year period by approximately \$6 million. Cost reduction activities taken in prior periods also contributed to approximately \$3 million of lower SG&A costs in the current year period. Additionally, there was approximately \$2 million of lower bad debt charges partially due to recoveries in the current year period. The allocation of corporate costs was approximately \$3 million lower in the current year period.

Income (loss) from operations for the nine months ended September 30, 2014 improved \$25.4 million when compared to the same period in 2013. Improvement was primarily due to the impact of lower SG&A costs, improved factory utilization and lower costs in the current year period as a result of the sale of the divested businesses.

## Cranes

	Nine Months Ended September 30,				% Change In Reported Amounts	
	2014		2013			
		% of Sales		% of Sales		
	(\$ amounts in millions)					
Net sales	\$1,316.8	—	\$1,445.1	—	(8.9)	)%
Gross profit	\$225.4	17.1 %	\$252.8	17.5 %	(10.8)	)%
SG&A	\$174.1	13.2 %	\$168.0	11.6 %	3.6	%
Income from operations	\$51.3	3.9 %	\$84.8	5.9 %	(39.5)	)%

Net sales for the Cranes segment for the nine months ended September 30, 2014 decreased by \$128.3 million when compared to the same period in 2013. We have experienced declines in demand for mobile cranes in North America, the Middle East and Australia. This was partially offset by improving sales for mobile cranes in Western Europe and

tower cranes worldwide.

Gross profit for the nine months ended September 30, 2014 decreased by \$27.4 million when compared to the same period in 2013. In the prior year period, we recorded approximately \$15 million in charges for restructuring and related charges. Product sales mix and lower volume had a negative impact on gross profit when compared to the same period in 2013. Additionally, lower production levels at the end of 2013 have affected profitability from fixed costs having a larger impact on margins in the beginning of the current year period.

43

---

SG&A costs for the nine months ended September 30, 2014 increased \$6.1 million over the same period in 2013. Approximately \$5 million higher engineering costs, primarily related to Tier 4 compliance and new product development, were incurred in the current year period.

Income from operations for the nine months ended September 30, 2014 decreased \$33.5 million when compared to the same period in 2013, resulting primarily from lower net sales and higher SG&A costs.

#### Material Handling & Port Solutions

	Nine Months Ended September 30,				% Change In	
	2014	2013	% of Sales	% of Sales	Reported Amounts	
	(\$ amounts in millions)					
Net sales	\$1,267.8	—	\$1,169.6	—	8.4	%
Gross profit	\$283.7	22.4	% \$228.4	19.5	% 24.2	%
SG&A	\$269.7	21.3	% \$296.2	25.3	% (8.9	)%
Income (loss) from operations	\$14.0	1.1	% \$(67.8	) (5.8	)%	*

\* Not meaningful as a percentage

Net sales for the MHPS segment for the nine months ended September 30, 2014 increased \$98.2 million when compared to the same period in 2013. The increase was driven by improvement in net sales for our port solutions businesses, with the largest increase in Western Europe, partially offset by lower net sales in our material handling businesses compared to the prior year period.

Gross profit for the nine months ended September 30, 2014 increased \$55.3 million when compared to the same period in 2013. Increased net sales and improved price realization contributed approximately \$35 million to the improvement in gross profit. Restructuring and related charges were approximately \$4 million lower in the current year period. Additionally, inventory charges were approximately \$13 million lower in the current year period, contributing to the increase in gross profit.

SG&A costs for the nine months ended September 30, 2014 decreased \$26.5 million when compared to the same period in 2013. This decrease was primarily due to approximately \$23 million lower restructuring and related charges in the current year period.

Income (loss) from operations for the nine months ended September 30, 2014 improved \$81.8 million when compared to the same period in 2013. This improvement was primarily driven by higher net sales and lower restructuring costs and related charges in the current year period.

## Materials Processing

	Nine Months Ended September 30,				% Change In	
	2014	2013	% of Sales	% of Sales	Reported Amounts	
	(\$ amounts in millions)					
Net sales	\$488.7	—	\$478.3	—	2.2	%
Gross profit	\$105.7	21.6	% \$110.7	23.1	% (4.5	)%
SG&A	\$63.3	13.0	% \$55.6	11.6	% 13.8	%
Income from operations	\$42.4	8.7	% \$55.1	11.5	% (23.0	)%

Net sales in the MP segment for the nine months ended September 30, 2014 increased by \$10.4 million when compared to the same period in 2013. Net sales improvements were primarily in the North American market but were partially offset by lower net sales in Australia and Latin America as well as lower parts sales in the current year period.

Gross profit for the nine months ended September 30, 2014 decreased by \$5.0 million when compared to the same period in 2013. This decrease was primarily due to an unfavorable geographic mix of sales, as well as decreased productivity in the current year period.

SG&A costs for the nine months ended September 30, 2014 increased by \$7.7 million when compared to the same period in 2013. This was primarily due to approximately \$3 million higher selling and marketing costs associated with trade show activity in the beginning of the year increased SG&A costs from the prior year period. Additionally, the reversal of an accrual of approximately \$2 million related to a legal case in the prior year period contributed to lower SG&A costs in the current year period.

Income from operations for the nine months ended September 30, 2014 was \$42.4 million, a decrease of \$12.7 million from the comparable period in 2013. The decrease was driven primarily by higher SG&A costs, an unfavorable geographic mix of sales and lower productivity in the current year period.

## Corporate / Eliminations

	Nine Months Ended September 30,				% Change	
	2014	2013	% of Sales	% of Sales	In Reported Amounts	
	(\$ amounts in millions)					
Net sales	\$(85.5 )	—	\$(96.3 )	—	*	
Loss from operations	\$(19.7 )	*	\$(13.9 )	*	*	

\*Not meaningful as a percentage

Net sales amounts include elimination of intercompany sales activity among segments.

Interest Expense, Net of Interest Income

During the nine months ended September 30, 2014, our interest expense net of interest income was \$86.1 million or \$5.5 million lower than the same period in the prior year. This improvement was primarily driven by lower interest rates on our debt.

#### Loss on early extinguishment of debt

In connection with the termination of the 2011 Credit Agreement, we recorded charges of \$2.6 million for the accelerated amortization of debt acquisition costs and original issue discount as a loss on early extinguishment of debt for the nine months ended September 30, 2014.

On May 16, 2013, we repaid \$110.0 million of outstanding U.S. dollar denominated senior term bank debt and €83.5 million of outstanding Euro denominated term bank debt under the 2011 Credit Agreement. A loss of \$5.2 million on early extinguishment of debt was recorded in the nine months ended September 30, 2013, related to acceleration of unamortized debt acquisition costs and original issue discount associated with the term debt.

#### Other Income (Expense) – Net

Other income (expense) – net for the nine months ended September 30, 2014 was expense of \$6.2 million, an increase of \$0.6 million when compared to the same period in the prior year. The higher expense was primarily due to foreign exchange losses in the current year period compared to gains in the prior year period.

#### Income Taxes

During the nine months ended September 30, 2014, we recognized income tax expense of \$79.2 million on income of \$257.8 million, an effective tax rate of 30.7%, as compared to income tax expense of \$65.1 million on income of \$185.3 million, an effective tax rate of 35.1%, for the nine months ended September 30, 2013. The lower effective tax rate for the nine months ended September 30, 2014 was primarily due to the reduced impact of losses not benefited and a more favorable geographic mix of earnings partially offset by reduced benefits from the release of uncertain tax positions when compared to the nine months ended September 30, 2013.

#### Income (Loss) from Discontinued Operations

Income (loss) from discontinued operations for the nine months ended September 30, 2014 decreased by \$11.4 million when compared to the same period in the prior year as the truck business was sold in May 2014.

#### Gain (Loss) on Disposition of Discontinued Operations

Gain (loss) on disposition of discontinued operations increased by \$55.9 million primarily due to the sale of the truck business in the current year period.

### LIQUIDITY AND CAPITAL RESOURCES

We are continuing to focus on generating cash and improving margins. During the third quarter of 2014 we entered into a new credit facility, which extended the maturity dates on our term debt and revolving line of credit, increased borrowing capacity on our revolving line of credit and lowered our interest cost. Please refer to Note K – “Long-Term Obligations” in the accompanying Condensed Consolidated Financial Statements for further information on the new credit facility. Additionally, we repaid approximately \$30.5 million under our revolving credit line with cash generated from operations. As a result, as of September 30, 2014 we increased our liquidity (cash and availability under our revolving credit line) by approximately \$115 million as compared to June 30, 2014.

Our main sources of funding are cash generated from operations, loans from our bank credit facilities and funds raised in capital markets. We had cash and cash equivalents of \$344.5 million at September 30, 2014. The majority of the cash held by our foreign subsidiaries is expected to be maintained locally because we plan to reinvest such cash and



cash equivalents to support our operations and continued growth plans outside the United States through funding of capital expenditures, acquisitions, operating expenses or other similar cash needs of these operations. Such cash could be used in the U.S., if necessary. Cash repatriated to the U.S. could be subject to incremental local and U.S. taxation. Currently, there are no trends, demands or uncertainties as a result of the Company's cash re-investment policy that are reasonably likely to have a material effect on us as a whole or that may be relevant to our financial flexibility.

We believe cash generated from operations together with access to our bank credit facilities and cash on hand, provide adequate liquidity to continue to support internal operating initiatives and meet our operating and debt service requirements. See Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for a detailed description of the risks resulting from our debt and our ability to generate sufficient cash flow to operate our business.

Our ability to generate cash from operations is subject to numerous factors, including the following:

Many of our customers fund their purchases through third-party finance companies that extend credit based on the credit-worthiness of the customers and the expected residual value of our equipment. Changes either in the customers' credit profile or used equipment values may affect the ability of customers to purchase equipment. There can be no assurance that third-party finance companies will continue to extend credit to our customers as they have in the past. As our sales change, the absolute amount of working capital needed to support our business may change. Our suppliers extend payment terms to us primarily based on our overall credit rating. Declines in our credit rating may influence suppliers' willingness to extend terms and in turn increase the cash requirements of our business. Sales of our products are subject to general economic conditions, weather, competition, the translation effect of foreign currency exchange rate changes, and other factors that in many cases are outside our direct control. For example, during periods of economic uncertainty, our customers have delayed purchasing decisions, which reduces cash generated from operations.

We had free cash flow of approximately \$58 million in the nine months ended September 30, 2014. This was primarily due to net income for the period. We now expect to generate free cash flow for the full year 2014 at or near the low end of our previously announced range of between \$200 million and \$250 million.

The following table reconciles Net cash provided by (used in) operating activities to free cash flow (in millions):

	Nine Months Ended 9/30/2014	
Net cash provided by (used in) operating activities	116.6	
Less: Capital expenditures	(58.6	)
Free cash flow	\$58.0	

For certain products, primarily port equipment and process cranes, we negotiate, when possible, advance payments from our customers for products with long lead times to help fund the substantial working capital investment in these products.

Typically, we have invested our cash in a combination of highly rated, liquid money market funds and in short-term bank deposits with large, highly rated banks. Our investment objective is to preserve capital and liquidity while earning a market rate of interest. For several years, we have used a portion of our cash to take advantage of early payment discounts offered by our suppliers where the returns were greater than the amount that would have been earned on such cash if invested in money market funds and short-term bank deposits. We expect to continue this practice in 2014, although we may discontinue it at any time.

Our investment in financial services assets was approximately \$207 million, net at September 30, 2014. We remain focused on expanding financing solutions in key markets like the U.S., Europe and China. We also anticipate using TFS to drive incremental sales by increasing direct customer financing through TFS in certain instances.

During 2014, cash used in inventory was approximately \$165 million as we made investments in businesses showing improved order and inquiry activity. Working capital as percent of trailing three month annualized net sales was 25.9% at September 30, 2014.

The following tables show the calculation of our working capital and trailing three months annualized sales as of September 30, 2014 (in millions):

	Three Months Ended 9/30/2014
Net Sales	\$1,809.8
x	4
Trailing Three Month Annualized Net Sales	\$7,239.2
	As of 9/30/14
Inventories	\$1,676.8
Trade Receivables	1,196.2
Less: Trade Accounts Payable	(715.3 )
Less: Customer Advances	(281.6 )
Total Working Capital	\$1,876.1

Our new credit agreement provides us with a revolving line of credit of up to \$600 million. See Note K – “Long-Term Obligations,” in our Condensed Consolidated Financial Statements for information concerning our credit agreement. We had \$550.0 million available for borrowing under our revolving credit facilities at September 30, 2014. The credit agreement also allows incremental commitments, which may be extended at the option of the lenders and can be in the form of revolving credit commitments, term loan commitments, or a combination of both as long as we satisfy a secured debt financial ratio contained in the credit facilities. We had \$50.0 million of outstanding borrowings under our revolving credit facilities as well as U.S. dollar and Euro denominated term loans totaling \$479.6 million under our credit agreement as of September 30, 2014.

Interest rates charged under the revolving line of credit in our credit agreement are subject to adjustment based on our consolidated leverage ratio. The U.S. dollar term loans bear interest at a rate of London Interbank Offer Rate (“LIBOR”) plus 2.75%, with a floor of 0.75% on LIBOR. The Euro term loans bear interest at a rate of Euro Interbank Offer Rate (“EURIBOR”) plus 3.25%, with a floor of 0.75% on EURIBOR. At September 30, 2014, the weighted average interest rate on these term loans was 3.76%. The weighted average interest rate on our revolving credit amounts at September 30, 2014 was 2.15%.

We manage our interest rate risk by maintaining a balance between fixed and floating rate debt, including the use of interest rate derivatives when appropriate. Over the long term, we believe this mix will produce lower interest cost than a purely fixed rate mix while reducing interest rate risk.

The revolving line of credit under our credit facility matures in August 2019 and our term loans under our credit facility mature in August 2021. Our 4% Convertible Senior Subordinated Notes mature in June 2015, our 6-1/2% Senior Notes mature April 1, 2020 and our 6% Senior Notes mature May 15, 2021. See Note K – “Long-Term Obligations,” in our Condensed Consolidated Financial Statements.

In December 2013, our Board of Directors authorized the repurchase of up to \$200 million of our outstanding shares of common stock through December 31, 2015. During the nine months ended September 30, 2014, we repurchased approximately 1.6 million shares for approximately \$65 million under this program. In total, we have purchased approximately 2.4 million shares under this program for approximately \$95 million through September 30, 2014. In each of March, June and September of 2014, we paid a \$0.05 cash dividend to our shareholders. In October we declared a \$0.05 per share dividend, for an aggregate of \$0.20 per share, for the calendar year of 2014. Future declarations of quarterly dividends are subject to the determination of our Board of Directors.

Our 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 us, and others related to general economic and/or financial market conditions. These include results of operations, projected operating results for future periods and debt to equity leverage. Our ability to access the capital markets is also subject to our timely filing of periodic reports with the Securities and Exchange Commission (“SEC”). In addition, the terms of our bank credit facilities, senior notes and senior subordinated notes contain restrictions on our ability to make further borrowings and to sell substantial portions of our assets.

In January 2014, we paid approximately \$71 million for the remaining outstanding shares of Terex Material Handling & Port Solutions AG (“TMHPS”). We now own 100% of TMHPS.

## Cash Flows

Cash provided by operations for the nine months ended September 30, 2014 totaled \$116.6 million, compared to cash provided by operations of \$163.1 million for the nine months ended September 30, 2013. The change in cash from operations was primarily driven by higher cash used in working capital and other assets and liabilities, partially offset by higher income from continuing operations in the nine months ended September 30, 2014 as compared to the prior year period.

Cash provided by investing activities for the nine months ended September 30, 2014 was \$99.2 million, compared to \$16.4 million cash used in investing activities for the nine months ended September 30, 2013. Proceeds from the sale of the truck business, partially offset by proceeds from the sale of portions of our roadbuilding product lines in the prior year period was the primary driver of the change.

Cash used in financing activities was \$261.6 million for the nine months ended September 30, 2014, compared to cash used in financing activities for the nine months ended September 30, 2013 of \$447.9 million. The decreased cash used in financing was primarily due to lower purchases of noncontrolling interest shares and lower net debt repayments in the current year period, partially offset by share repurchases and dividends paid in the current year period.

## OFF-BALANCE SHEET ARRANGEMENTS

### Guarantees

Our customers, from time to time, fund the acquisition of our equipment through third-party finance companies. In certain instances, we may provide a credit guarantee to the finance company by which we agree to make payments to the finance company should our customer default. Our maximum liability is generally limited to our customer's remaining payments due to the finance company at the time of default. In the event of customer default, we are generally able to recover and dispose of the equipment at a minimum loss, if any, to us.

There can be no assurance that historical credit default experience will be indicative of future results. Our ability to recover losses experienced from our guarantees may be affected by economic conditions in effect at the time of loss.

We issue, from time to time, residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date. We are generally 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.

We guarantee, from time to time, that we will buy equipment from our 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. We are generally able to mitigate the risk of these guarantees by staggering the timing of the buybacks and through leveraging our access to the used equipment markets provided by our original equipment manufacturer status.

See Note M – “Litigation and Contingencies” in the Notes to the Condensed Consolidated Financial Statements for further information regarding our guarantees.

There can be no assurance that our historical experience in used equipment markets will be indicative of future results. Our ability to recover losses from our guarantees may be affected by economic conditions in the used equipment markets at the time of loss.

## CONTINGENCIES AND UNCERTAINTIES

### Foreign Currencies and Interest Rate Risk

Our products are sold in over 100 countries around the world and, accordingly, our revenues 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 we do business are the Euro, Australian Dollar and British Pound. We may, from time to time, hedge specifically identified committed and forecasted cash flows in foreign currencies using forward currency sale or purchase contracts. At September 30, 2014, we had foreign exchange contracts with a notional value of \$349.6 million that were initially designated as hedge contracts.

We manage exposure to interest rates by incurring a mix of indebtedness bearing interest at both floating and fixed rates at inception and maintaining an ongoing balance between floating and fixed rates on this mix of indebtedness using interest rate swaps when necessary.

See “Quantitative and Qualitative Disclosures About Market Risk” below for a discussion of the impact that changes in foreign currency exchange rates and interest rates may have on our financial performance.

#### Other

We are subject to a number of contingencies and uncertainties including, without limitation, product liability claims, workers’ compensation liability, intellectual property litigation, self-insurance obligations, tax examinations, guarantees, class action lawsuits and other matters. See Note M – “Litigation and Contingencies” in the Notes to the Condensed Consolidated Financial Statements for more information concerning contingencies and uncertainties, including our ERISA, securities and stockholder derivative lawsuits. We are insured for product liability, general liability, workers’ compensation, employer’s liability, property damage, intellectual property and other insurable risk required by law or contract with retained liability to us or deductibles. 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 of our costs. However, we do not believe that these contingencies and uncertainties will, individually or in the aggregate, have a material adverse effect on our operations. For contingencies and uncertainties other than income taxes, when it is probable that a loss will be incurred and possible to make reasonable estimates of our 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.

We generate hazardous and non-hazardous wastes in the normal course of our manufacturing operations. As a result, we are subject to a wide range of environmental laws and regulations. All of our employees are required to obey all health, safety and environmental laws and regulations and must observe the proper safety rules and environmental practices in work situations. These laws and regulations govern actions that may have adverse environmental effects, such as discharges to air and water, and require compliance with certain practices when handling and disposing of hazardous and non-hazardous wastes. These laws and regulations would 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. We are committed to complying with these standards and monitoring our workplaces to determine if equipment, machinery and facilities meet specified safety standards. Each of our facilities is subject to an environmental audit at least once every three years to monitor compliance and no incidents have occurred which required us to pay material amounts to comply with such laws and regulations. We are dedicated to seeing that safety and health hazards are adequately addressed through appropriate work practices, training and procedures. For example, we have reduced lost time injuries in the workplace since 2007 and we continue to work toward a world-class level of safety practices in our industry.

#### RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to Note A – “Basis of Presentation” in the accompanying Consolidated Financial Statements for a listing of recent accounting pronouncements.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks that exist as part of our ongoing business operations and we use derivative financial instruments, where appropriate, to manage these risks. As a matter of policy, we do not engage in trading or speculative transactions. For further information on accounting policies related to derivative financial instruments, refer to Note I – “Derivative Financial Instruments” in our Condensed Consolidated Financial Statements.

## Foreign Exchange Risk

We are exposed to fluctuations in foreign currency cash flows related to third-party purchases and sales, intercompany product shipments and intercompany loans. We are also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, we are exposed to volatility in the translation of foreign currency earnings to U.S. Dollars. Primary exposures include the U.S. Dollar when compared to functional currencies of our major markets, which include the Euro, Australian Dollar and British Pound. We assess foreign currency risk based on transactional cash flows, identify naturally offsetting positions and purchase hedging instruments to partially offset anticipated exposures.



At September 30, 2014, we performed a sensitivity analysis on the impact that aggregate changes in the translation effect of foreign currency exchange rate changes would have on our operating income. Based on this sensitivity analysis, we have determined that a change in the value of the U.S. dollar relative to other currencies by 10% to amounts already incorporated in the financial statements for the nine months ended September 30, 2014 would have had an approximately \$6 million impact on the translation effect reported in operating income for the period.

#### Interest Rate Risk

We are exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate, LIBOR and EURIBOR. We manage interest rate risk by incurring a mix of indebtedness bearing interest at both floating and fixed rates at inception and maintain an ongoing balance between floating and fixed rates on this mix of indebtedness using interest rate swaps when necessary. At September 30, 2014, approximately 31% of our debt was floating rate debt and the weighted average interest rate for all debt was 5.75%.

At September 30, 2014, we performed a sensitivity analysis for our derivatives and other financial instruments that have interest rate risk. We calculated the pretax earnings impact on our interest sensitive instruments. Based on this sensitivity analysis, we have determined that an increase of 10% in our average floating interest rates at September 30, 2014 would have increased interest expense by approximately \$2 million for the nine months ended September 30, 2014.

#### Commodities Risk

Principal materials and components that we use in our manufacturing processes include steel, castings, engines, tires, hydraulics, cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. Extreme movements in the cost and availability of these materials and components may affect our financial performance. In the first nine months of 2014, minor, favorable input cost changes in some areas were largely off-set by unfavorable changes in other areas.

In the absence of labor strikes or other unusual circumstances, substantially all materials and components are normally available from multiple suppliers. However, certain of our businesses receive materials and components from a single source supplier, although alternative suppliers of such materials may be generally available. Current and potential suppliers are evaluated regularly on their ability to meet our requirements and standards. We actively manage our material supply sourcing, and employ various methods to limit risk associated with commodity cost fluctuations and availability. The inability of suppliers, especially any single source suppliers for a particular business, to deliver materials and components promptly could result in production delays and increased costs to manufacture our products. We have designed and implemented plans to mitigate the impact of these risks by using alternate suppliers, expanding our supply base globally, leveraging our overall purchasing volumes to obtain favorable quantities and developing a closer working relationship with key suppliers. We are focusing on gaining efficiencies with suppliers based on our global purchasing power and resources.

#### ITEM 4. CONTROLS AND PROCEDURES

##### (a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required financial disclosure. In

connection with the preparation of this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, as of September 30, 2014, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of September 30, 2014.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are involved in certain claims and litigation arising in the ordinary course of business, which are not considered material to our financial operations or cash flow. For information concerning litigation and other contingencies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contingencies and Uncertainties.”

### Item 1A. Risk Factors

There have been no material changes in the quarterly period ended September 30, 2014 in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable

(b) Not applicable

(c) The following table provides information about our purchases during the quarter ended September 30, 2014 of our common stock that is registered by us pursuant to the Exchange Act.

#### Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) (1)
July 1, 2014 - July 31, 2014	—	\$—	2,041,054	\$116,000
August 1, 2014 - August 31, 2014	—	\$—	2,041,054	\$116,000
September 1, 2014 - September 30, 2014	350,000	\$32.12	2,391,054	\$104,760
Total	350,000	\$32.12	2,391,054	\$104,760

(1) In December 2013, our Board of Directors authorized and the Company publicly announced the repurchase of up to \$200 million of the Company’s outstanding common shares through December 31, 2015.

### Item 3. Defaults Upon Senior Securities

Not applicable.

### Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits set forth on the accompanying Exhibit Index have been filed as part of this Form 10-Q.

52

---

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: October 30, 2014

/s/ Kevin P. Bradley  
Kevin P. Bradley  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: October 30, 2014

/s/ Mark I. Clair  
Mark I. Clair  
Vice President, Controller and  
Chief Accounting Officer  
(Principal Accounting Officer)

EXHIBIT INDEX

- 3.1 Restated Certificate of Incorporation of Terex Corporation (incorporated by reference to Exhibit 3.1 of the Form S-1 Registration Statement of Terex Corporation, Registration No. 33-52297).
- 3.2 Certificate of Elimination with respect to the Series B Preferred Stock (incorporated by reference to Exhibit 4.3 of the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
- 3.3 Certificate of Amendment to Certificate of Incorporation of Terex Corporation dated September 5, 1998 (incorporated by reference to Exhibit 3.3 of the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
- 3.4 Certificate of Amendment of the Certificate of Incorporation of Terex Corporation dated July 17, 2007 (incorporated by reference to Exhibit 3.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated July 17, 2007 and filed with the Commission on July 17, 2007).
- 3.5 Amended and Restated Bylaws of Terex Corporation (incorporated by reference to Exhibit 3.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated December 5, 2013 and filed with the Commission on December 10, 2013).
- 4.1 Indenture, dated July 20, 2007, between Terex Corporation and HSBC Bank USA, National Association, as Trustee, relating to senior debt securities (incorporated by reference to Exhibit 4.1 of the Form S-3 Registration Statement of Terex Corporation, Registration No. 333-144796).
- 4.2 Indenture, dated July 20, 2007, between Terex Corporation and HSBC Bank USA, National Association, as Trustee, relating to subordinated debt securities (incorporated by reference to Exhibit 4.2 of the Form S-3 Registration Statement of Terex Corporation, Registration No. 333-144796).
- 4.3 Second Supplemental Indenture, dated June 3, 2009, between Terex Corporation and HSBC Bank USA, National Association relating to 4% Convertible Senior Subordinated Notes Due 2015 (incorporated by reference to Exhibit 4.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated June 3, 2009 and filed with the Commission on June 8, 2009).
- 4.4 Supplemental Indenture, dated as of February 7, 2011, to the Second Supplemental Indenture dated as of June 3, 2009 to the Subordinated Debt Indenture dated as of July 20, 2007, with HSBC Bank USA, National Association as Trustee relating to the 4% Convertible Senior Subordinated Notes due 2015 (incorporated by reference to Exhibit 4.3 of the Form 8-K Current Report, Commission File No. 1-10702, dated February 7, 2011 and filed with the Commission on February 10, 2011).
- 4.5 Third Supplemental Indenture, dated as of March 27, 2012, to Senior Debt Indenture dated as of July 20, 2007, with HSBC Bank USA, National Association as Trustee relating to the 6.50% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 27, 2012 and filed with the Commission on March 30, 2012).
- 4.6 Fourth Supplemental Indenture, dated as of November 26, 2012, to the Senior Debt Indenture dated as of July 20, 2007, with HSBC Bank USA, National Association as Trustee relating to 6% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated November 26, 2012 and filed with the Commission on November 30, 2012).

- 10.1 Terex Corporation Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 of the Form 10-Q for the quarter ended June 30, 2007 of Terex Corporation, Commission File No. 1-10702). \*\*\*
- 10.2 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the Form S-8 Registration Statement of Terex Corporation, Registration No. 333-03983). \*\*\*
- 10.3 Amendment No. 1 to 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.5 of the Form 10-K for the year ended December 31, 1999 of Terex Corporation, Commission File No. 1-10702). \*\*\*
- 10.4 Amendment No. 2 to 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.6 of the Form 10-K for the year ended December 31, 1999 of Terex Corporation, Commission File No. 1-10702). \*\*\*
- 10.5 Terex Corporation Amended and Restated 2000 Incentive Plan (incorporated by reference to Exhibit 10.3 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 14, 2008 and filed with the Commission on October 17, 2008). \*\*\*

Edgar Filing: TEREX CORP - Form 10-Q

- 10.6 Form of Restricted Stock Agreement under the Terex Corporation 2000 Incentive Plan between Terex Corporation and participants of the 2000 Incentive Plan (incorporated by reference to Exhibit 10.4 of the Form 8-K Current Report, Commission File No. 1-10702, dated January 1, 2005 and filed with the Commission on January 5, 2005). \*\*\*
- 10.7 Form of Option Agreement under the Terex Corporation 2000 Incentive Plan between Terex Corporation and participants of the 2000 Incentive Plan (incorporated by reference to Exhibit 10.5 of the Form 8-K Current Report, Commission File No. 1-10702, dated January 1, 2005 and filed with the Commission on January 5, 2005). \*\*\*
- 10.8 Terex Corporation Amended and Restated Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.10 of the Form 10-K for the year ended December 31, 2008 of Terex Corporation, Commission File No. 1-10702). \*\*\*
- 10.9 Terex Corporation Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.11 of the Form 10-Q for the quarter ended June 30, 2004 of Terex Corporation, Commission File No. 1-10702). \*\*\*
- 10.10 Amendment to the Terex Corporation Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 14, 2008 and filed with the Commission on October 17, 2008). \*\*\*
- 10.11 Terex Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 9, 2013 and filed with the Commission on May, 14, 2013). \*\*\*
- 10.12 Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 9, 2013 and filed with the Commission on May, 14, 2013). \*\*\*
- 10.13 Form of Restricted Stock Agreement (time based) under the Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan between Terex Corporation and participants of the 2009 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.17 of the Form 10-K for the year ended December 31, 2011 of Terex Corporation, Commission File No. 1-10702). \*\*\*
- 10.14 Form of Restricted Stock Agreement (performance based) under the Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan between Terex Corporation and participants of the 2009 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 of the Form 10-K for the year ended December 31, 2011 of Terex Corporation, Commission File No. 1-10702). \*\*\*
- 10.15 Credit Agreement dated as of August 13, 2014, among Terex Corporation, certain of its subsidiaries, the Lenders named therein and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 15, 2014 and filed with the Commission August 15, 2014).
- 10.16 Guarantee and Collateral Agreement dated as of August 13, 2014, among Terex Corporation, certain of its subsidiaries, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 15, 2014 and filed with the



Commission August 15, 2014).

- 10.17 Underwriting Agreement, dated November 8, 2012, among Terex Corporation and Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., RBS Securities Inc. and UBS Securities LLC, as representatives for the several underwriters named therein (incorporated by reference to Exhibit 1.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated November 7, 2012 and filed with the Commission November 13, 2012).
- 10.18 Amended and Restated Employment and Compensation Agreement, dated August 9, 2012, between Terex Corporation and Ronald M. DeFeo (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 9, 2012 and filed with the Commission on August 13, 2012). \*\*\*
- 10.19 Life Insurance Agreement, dated as of October 13, 2006, between Terex Corporation and Ronald M. DeFeo (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 13, 2006 and filed with the Commission on October 16, 2006). \*\*\*
- 10.20 Transition and Retirement Agreement between Terex Corporation and Phillip C. Widman, dated October 19, 2012 (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 19, 2012 and filed with the Commission on October 22, 2012). \*\*\*

- 10.21 Form of Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 29, 2011 and filed with the Commission on March 31, 2011). \*\*\*
- 10.22 Form of Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 29, 2011 and filed with the Commission on March 31, 2011). \*\*\*
- 12 Calculation of Ratio of Earnings to Fixed Charges. \*
- 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. \*\*
- 101.INS XBRL Instance Document. \*
- 101.SCH XBRL Taxonomy Extension Schema Document. \*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document. \*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document. \*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document. \*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document. \*

\* Exhibit filed with this document.

\*\* Exhibit furnished with this document.

\*\*\* Denotes a management contract or compensatory plan or arrangement.