TEREX CORP
Form 10-Q
October 23, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

F O R M 10 – Q

(Mark One)

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

For the quarterly period ended September 30, 2015

o	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	34-1531521
(State of Incorporation)	(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES x NO o

Indicate by check mark whether the registrant has submitted electronically 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 x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller Reporting Company o

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

Number of outstanding shares of common stock: 108.5 million as of October 21, 2015.
The Exhibit Index begins on page 63.

INDEX

TEREX CORPORATION AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation generally speaks as of September 30, 2015 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, 2015 (the “Guarantors”) of the Company’s 6% Senior Notes Due 2021 (the “6% Notes”) and its 6-1/2% Senior Notes Due 2020 (the “6-1/2% Notes”). See Note Q – “Consolidating Financial Statements” to the Company’s September 30, 2015 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
CMI Terex Corporation	Oklahoma	73-0519810
Fantuzzi Noell USA, Inc.	Illinois	36-3865231
Genie Holdings, Inc.	Washington	91-1666966
Genie Industries, Inc.	Washington	91-0815489
Genie International, Inc.	Washington	91-1975116
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
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, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995) 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 the negatives thereof and analogous or 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;
- the effect of the announcement and pendency of the merger with Konecranes Plc on our customers, employees, suppliers, vendors, distributors, dealers, retailers, operating results and business generally, and the diversion of management's time and attention;
- our ability to successfully integrate acquired businesses;
- our 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 highly competitive and is affected by our cost structure, pricing, product initiatives and other actions taken by competitors;
- 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, commodity price changes, 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, intellectual property claims, class action lawsuits and other liabilities;
- our ability to comply with an injunction and related obligations imposed by the United States Securities and Exchange Commission ("SEC");
- disruption or breach in our information technology systems; 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.

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$1,641.3	$1,809.8	$4,965.4	$5,519.5
Cost of goods sold	(1,304.7)	(1,452.5)	(3,968.0)	(4,405.0)
Gross profit	336.6	357.3	997.4	1,114.5
Selling, general and administrative expenses	(224.7)	(240.5)	(693.0)	(761.8)
Income (loss) from operations	111.9	116.8	304.4	352.7
Other income (expense)				
Interest income	1.1	2.3	3.1	4.8
Interest expense	(24.7)	(28.8)	(79.9)	(90.9)
Loss on early extinguishment of debt	—	(2.6)	—	(2.6)
Other income (expense) – net	(11.4)	(1.3)	(21.3)	(6.2)
Income (loss) from continuing operations before income taxes	76.9	86.4	206.3	257.8
(Provision for) benefit from income taxes	(30.8)	(27.7)	(75.4)	(79.2)
Income (loss) from continuing operations	46.1	58.7	130.9	178.6
Income (loss) from discontinued operations – net of tax	—	—	—	1.4
Gain (loss) on disposition of discontinued operations – net of tax	(1.2)	5.5	1.5	58.5
Net income (loss)	44.9	64.2	132.4	238.5
Net loss (income) attributable to noncontrolling interest	(1.3)	—	(3.0)	0.5
Net income (loss) attributable to Terex Corporation	$43.6	$64.2	$129.4	$239.0
Amounts attributable to Terex Corporation common stockholders:				
Income (loss) from continuing operations	$44.8	$58.7	$127.9	$179.1
Income (loss) from discontinued operations – net of tax	—	—	—	1.4
Gain (loss) on disposition of discontinued operations – net of tax	(1.2)	5.5	1.5	58.5
Net income (loss) attributable to Terex Corporation	$43.6	$64.2	$129.4	$239.0
Basic Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:				
Income (loss) from continuing operations	$0.41	$0.53	$1.19	$1.62
Income (loss) from discontinued operations – net of tax	—	—	—	0.01
Gain (loss) on disposition of discontinued operations – net of tax	(0.01)	0.05	0.02	0.53
Net income (loss) attributable to Terex Corporation	$0.40	$0.58	$1.21	$2.16
Diluted Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:				
Income (loss) from continuing operations	$0.41	$0.51	$1.17	$1.55
Income (loss) from discontinued operations – net of tax	—	—	—	0.01
Gain (loss) on disposition of discontinued operations – net of tax	(0.01)	0.05	0.01	0.51
Net income (loss) attributable to Terex Corporation	$0.40	$0.56	$1.18	$2.07
Weighted average number of shares outstanding in per share calculation				
Basic	108.5	110.2	107.0	110.4
Diluted	109.2	115.4	109.7	115.7
Comprehensive income (loss)	$(26.6)	$(106.6)	$(58.0)	$108.8

Comprehensive loss (income) attributable to noncontrolling interest	(1.2)	—	(2.9)	0.9
Comprehensive income (loss) attributable to Terex Corporation	$(27.8)	$(106.6)	$(60.9)	$109.7
Dividends declared per common share	$0.06	$0.05	$0.18	$0.15

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

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

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$301.1	$478.2
Trade receivables (net of allowance of $27.9 and $30.5 at September 30, 2015 and December 31, 2014, respectively)	1,183.4	1,086.4
Inventories	1,545.6	1,460.9
Prepaid assets	239.9	248.0
Other current assets	79.2	82.7
Total current assets	3,349.2	3,356.2
Non-current assets		
Property, plant and equipment – net	672.8	690.3
Goodwill	1,054.4	1,131.0
Intangible assets – net	285.9	325.4
Other assets	516.6	425.1
Total assets	$5,878.9	$5,928.0
Liabilities and Stockholders’ Equity		
Current liabilities		
Notes payable and current portion of long-term debt	$83.4	$152.5
Trade accounts payable	740.4	736.1
Accrued compensation and benefits	207.4	204.0
Accrued warranties and product liability	66.9	74.2
Customer advances	158.8	197.4
Other current liabilities	335.5	278.9
Total current liabilities	1,592.4	1,643.1
Non-current liabilities		
Long-term debt, less current portion	1,814.2	1,636.3
Retirement plans	398.8	432.5
Other non-current liabilities	147.8	177.0
Total liabilities	3,953.2	3,888.9
Commitments and contingencies		
Stockholders’ equity		
Common stock, $.01 par value – authorized 300.0 shares; issued 128.8 and 124.6 shares at September 30, 2015 and December 31, 2014, respectively	1.3	1.2
Additional paid-in capital	1,266.1	1,251.5
Retained earnings	2,094.6	1,984.9
Accumulated other comprehensive income (loss)	(620.2)	(429.8)
Less cost of shares of common stock in treasury – 21.1 and 19.2 shares at September 30, 2015 and December 31, 2014, respectively	(851.9)	(801.9)
Total Terex Corporation stockholders’ equity	1,889.9	2,005.9
Noncontrolling interest	35.8	33.2
Total stockholders’ equity	1,925.7	2,039.1
Total liabilities and stockholders’ equity	$5,878.9	$5,928.0

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,	
	2015	2014
Operating Activities		
Net income (loss)	$132.4	$238.5
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	95.7	118.2
(Gain) loss on disposition of discontinued operations	(1.5)	(58.5)
Deferred taxes	(17.4)	(10.7)
Stock-based compensation expense	31.9	36.1
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):		
Trade receivables	(145.1)	(65.9)
Inventories	(139.8)	(164.7)
Trade accounts payable	37.2	51.4
Customer advances	(35.3)	(2.7)
Other assets and liabilities	(50.8)	(62.6)
Other operating activities, net	36.1	37.5
Net cash provided by (used in) operating activities	(56.6)	116.6
Investing Activities		
Capital expenditures	(73.4)	(58.6)
Acquisitions of businesses, net of cash acquired	(71.3)	(7.4)
Proceeds (payments) from disposition of discontinued operations	(0.2)	162.2
Other investing activities, net	0.8	3.0
Net cash provided by (used in) investing activities	(144.1)	99.2
Financing Activities		
Repayments of debt	(1,029.4)	(1,519.9)
Proceeds from issuance of debt	1,153.6	1,411.7
Purchase of noncontrolling interest	—	(73.4)
Share repurchases	(50.4)	(61.5)
Dividends paid	(19.3)	(16.5)
Other financing activities, net	(1.3)	(2.0)
Net cash provided by (used in) financing activities	53.2	(261.6)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(29.6)	(17.8)
Net Increase (Decrease) in Cash and Cash Equivalents	(177.1)	(63.6)
Cash and Cash Equivalents at Beginning of Period	478.2	408.1
Cash and Cash Equivalents at End of Period	$301.1	$344.5

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, 2015
(unaudited)

NOTE A – BUSINESS COMBINATION AGREEMENT AND PLAN OF MERGER

On August 10, 2015, Terex Corporation ("Terex" or the "Company") entered into a Business Combination Agreement and Plan of Merger (the "BCA") with Konecranes Plc, a Finnish public company limited by shares ("Konecranes"), Konecranes, Inc., a Texas corporation and an indirect wholly owned subsidiary of Konecranes, Konecranes Acquisition Company LLC, a Delaware limited liability company and a newly formed, wholly owned subsidiary of Konecranes, Inc. ("Merger Sub"). The combined company that would result from the transaction will be called Konecranes Terex Plc. and will be incorporated in Finland.

Pursuant to the BCA, Terex shareholders will receive 0.8 of a Konecranes share for each existing Terex share ("Exchange Ratio"). Equivalent terms will apply to instruments granted prior to the merger date under Terex's long-term incentive plans. Upon completion of the merger, Terex shareholders would own approximately 60% and Konecranes shareholders would own approximately 40% of the combined company. In the proposed transaction, Merger Sub merges with and into Terex, with Terex surviving as an indirect wholly-owned subsidiary of Konecranes (the “Merger”) and Terex shareholders, option holders and other equity right holders receiving Konecranes shares and options in accordance with the exchange ratios set forth above as merger consideration.

The BCA includes undertakings by Terex and Konecranes that are typical in similar transactions and include, for example, undertakings by both companies to conduct their businesses in the ordinary course prior to the completion of the Merger, to cooperate in making the necessary regulatory filings, undertakings not to initiate, solicit, facilitate or encourage any offers or proposals competing with the transaction, and to inform each other and provide each other with an opportunity to negotiate in matters arising from such offers or proposals.

The BCA may be terminated by Terex or Konecranes under certain circumstances prior to the completion of the Merger, including, for example, a material breach by either party of the terms and conditions of the BCA, the Board of Directors of either party not issuing or amending in an adverse manner its recommendation, non-receipt of regulatory approvals, and certain other circumstances. The parties have further agreed on certain termination fees customary in similar transactions and payable to the other party under certain circumstances, including for example, a failure by either party to obtain the requisite shareholder approval, or a change or withdrawal of the recommendation by the Board of Directors of either party. In the event that the BCA is terminated by either party because the requisite shareholder approval was not obtained, the terminating party will be required to reimburse the other party’s reasonable expenses up to a maximum amount of $20 million. In the event that the BCA is terminated by either party because of a change or withdrawal of the recommendation of the Board of Directors, the terminating party will be required to pay a termination fee of $37 million.

The transaction is subject to approval by both Terex and Konecranes shareholders, regulatory approvals, the listing of the Konecranes shares or American Depositary Shares on the New York Stock Exchange or another U.S. national securities exchange reasonably acceptable to Konecranes and Terex, no change in certain legal and tax assumptions, the absence of any material adverse effect occurring with respect to Konecranes or Terex, and other customary conditions. Terex and Konecranes expect to convene meetings of their shareholders to approve the transaction in early 2016. Closing of the transaction is expected to occur during the first half of 2016. Upon closing of the transaction, the combined company will have a Board of Directors comprising nine members, of which five directors will be nominated by Terex and four directors will be nominated by Konecranes. Konecranes' current Chairman of the Board will become Konecranes Terex's Chairman and the Terex Chief Executive Officer (“CEO”) will become Konecranes Terex's CEO.

We have determined that while Konecranes will be the legal acquirer in the transaction, Terex will be the accounting acquirer and will account for the transaction using the acquisition method of accounting.

Business Combination Related Expenses
The Company has incurred transaction costs directly related to the BCA of $8.6 million and $9.5 million for the three and nine months ended September 30, 2015, respectively, which is recorded in Other income (expense) - net in the Condensed Consolidated Statement of Comprehensive Income (Loss).

NOTE B – BASIS OF PRESENTATION

Basis of Presentation. The accompanying unaudited Condensed Consolidated Financial Statements of Terex Corporation and subsidiaries as of September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014 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, 2014 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, 2014.

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 presentation 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, 2015 are not necessarily indicative of results that may be expected for the year ending December 31, 2015.

Cash and cash equivalents at September 30, 2015 and December 31, 2014 include $18.8 million and $13.5 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.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14, Deferral of the Effective Date, which amends ASU 2014-09. As a result, the effective date will be the first quarter of fiscal year 2018 with early adoption permitted in the first quarter of fiscal year 2017. The adoption will use one of two retrospective application methods. The Company has not yet determined the potential effects on its consolidated financial statements.

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. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The total compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The effective date will be the first quarter of fiscal year 2016. The adoption is not expected to have a material effect on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs,” (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs related to borrowings be presented in the balance sheet as a direct deduction from the carrying amount of the borrowing, consistent with debt discounts. The ASU does not affect the amount or timing of expenses for debt issuance costs. The effective date will be the first quarter of fiscal year 2016 and will be applied retrospectively. The adoption is not expected to have a material effect on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement,” (“ASU 2015-05”) which amends ASC 350-40, “Intangibles-Goodwill and Other-Internal-Use Software”. ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If an arrangement includes a software license, the accounting for the license will be consistent with licenses of other intangible assets. If the arrangement does not include a license, the arrangement will be accounted for as a service contract. The effective date will be the first quarter of fiscal year 2016 and will be adopted prospectively. The adoption is not expected to have a material effect on the Company’s consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, “Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent),” (“ASU 2015-07”). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share or its equivalent. Further, the amendments remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The effective date will be the first quarter of fiscal year 2016, with early adoption permitted. The adoption is not expected to have a material effect on the Company’s consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, “Simplifying the Measurement of Inventory”. The ASU simplifies the subsequent measurement of inventory by using only the lower of cost or net realizable value. The ASU defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The effective date will be the first quarter of fiscal year 2017 with early adoption permitted. The ASU should be applied prospectively. The Company is evaluating the impact adoption of this guidance will have on determination or reporting of its financial results.

In August 2015, the FASB issued ASU 2015-15, “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements,” which amends ASC 835-30, “Interest - Imputation of Interest”. The ASU clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be presented as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are outstanding borrowings on the arrangement. The effective date will be the first quarter of fiscal year 2016 and will be applied retrospectively. The adoption is not expected to have a material effect on the Company’s consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, “Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments.” This ASU requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effective date will be the first quarter of fiscal year 2016. The adoption is not expected to have a material effect on the Company’s consolidated financial statements.

Accrued Warranties. The Company records accruals for potential warranty claims based on its claims 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, 2015	
Balance at beginning of period	$86.5	
Accruals for warranties issued during the period	52.2	
Changes in estimates	(0.9	)
Settlements during the period	(60.1	)
Foreign exchange effect/other	(3.5	)
Balance at end of period	$74.2	

Fair Value Measurements. Assets and liabilities measured at fair value on a recurring basis under the provisions of Accounting Standards Codification ("ASC") 820, "Fair Value Measurement and Disclosure" ("ASC 820") include interest rate swaps and foreign currency forward contracts discussed in Note K – "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 C – 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, services and markets aerial work platform equipment, telehandlers and light towers. 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, residential and commercial buildings, industrial sites and for material handling applications.

On May 30, 2014, the Company sold its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for $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. As a result, the reporting of the truck business has been included in discontinued operations for all periods presented.

The Cranes segment designs, manufactures, services, refurbishes and markets mobile telescopic cranes, tower cranes, lattice boom crawler cranes, lattice boom truck cranes, truck-mounted cranes (boom trucks) and utility equipment, as well as their related components and replacement parts. Customers use these products primarily for infrastructure projects, including mining and energy related projects as well as 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. The segment also provides service and support for industrial cranes and aerial products in North America.

The MHPS segment designs, manufactures, services and markets industrial cranes, including universal 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, rubber tired gantry cranes, rail mounted gantry cranes, ship-to-shore gantry cranes, reach stackers, empty container handlers, full container handlers, general cargo lift trucks, automated stacking cranes, automated guided vehicles and terminal automation technology, including software, as well as their related components and replacement parts. Customers use these products for lifting and material handling at manufacturing, port and rail facilities. The segment operates an extensive global sales and service network.

The MP segment designs, manufactures and markets materials processing equipment, including crushers, washing systems, screens, apron feeders, and biomass and forestry machines, as well as 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,	
	2015	2014	2015	2014
Net Sales				
AWP	$573.8	$598.7	$1,758.1	$1,901.5
Construction	180.1	207.3	517.7	630.2
Cranes	411.7	419.7	1,262.4	1,316.8
MHPS	366.7	468.2	1,055.8	1,267.8
MP	158.9	155.6	472.4	488.7
Corporate and Other / Eliminations	(49.9)	(39.7)	(101.0)	(85.5)
Total	$1,641.3	$1,809.8	$4,965.4	$5,519.5
Income (loss) from Operations				
AWP	$79.4	$68.4	$226.6	$264.1
Construction	2.7	1.6	(1.1)	0.6
Cranes	12.4	21.8	38.6	51.3
MHPS	10.3	17.6	7.3	14.0
MP	13.9	8.7	46.6	42.4
Corporate and Other / Eliminations	(6.8)	(1.3)	(13.6)	(19.7)
Total	$111.9	$116.8	$304.4	$352.7

	September 30, 2015	December 31, 2014
Identifiable Assets		
AWP (1)	$1,835.6	$1,143.5
Construction	1,172.3	1,246.0
Cranes	1,930.8	1,959.7
MHPS	2,558.7	2,744.0
MP	899.4	813.6
Corporate and Other / Eliminations (1)	(2,517.9)	(1,978.8)
Total	$5,878.9	$5,928.0

(1) The change in identifiable assets between December 31, 2014 and September 30, 2015 is primarily due to the transfer of an intercompany note.

NOTE D – INCOME TAXES

During the three months ended September 30, 2015, the Company recognized income tax expense of $30.8 million on income of $76.9 million, an effective tax rate of 40.1% as compared to income tax expense of $27.7 million on income of $86.4 million, an effective tax rate of 32.1%, for three months ended September 30, 2014. The higher effective tax rate for the three months ended September 30, 2015 was primarily due to an increase in the provision for uncertain tax positions compared to a reduction in the uncertain tax positions provision in the three months ended September 30, 2014.

During the nine months ended September 30, 2015, the Company recognized income tax expense of $75.4 million on income of $206.3 million, an effective tax rate of 36.5% as compared to income tax expense of $79.2 million on income of $257.8 million, an effective tax rate of 30.7% for the nine months ended September 30, 2014. The higher effective tax rate for the nine months ended September 30, 2015 was primarily due to increased losses not benefited when compared to the nine months ended September 30, 2014.

NOTE E –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 this divestiture, reporting of the truck business 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,	
	2015	2014	2015	2014
Net sales	$—	$—	$—	$94.8
Income (loss) from discontinued operations before income taxes	$—	$—	$—	$1.7
(Provision for) benefit from income taxes	—	—	—	(0.3)
Income (loss) from discontinued operations – net of tax	$—	$—	$—	$1.4
Gain (loss) on disposition of discontinued operations	$(1.3)	$(0.8)	$1.9	$66.7
(Provision for) benefit from income taxes	0.1	6.3	(0.4)	(8.2)
Gain (loss) on disposition of discontinued operations – net of tax	$(1.2)	$5.5	$1.5	$58.5

During the nine months ended September 30, 2015 and 2014 the Company recorded a gain of $2.8 million and $1.5 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, 2015 the Company recorded a loss of $0.8 million related to the settlement of certain disputes in the asset sale agreement of its truck business. 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.

12

NOTE F – EARNINGS PER SHARE

(in millions, except per share data)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Income (loss) from continuing operations attributable to Terex Corporation common stockholders	$44.8	$58.7	$127.9	$179.1
Income (loss) from discontinued operations–net of tax	—	—	—	1.4
Gain (loss) on disposition of discontinued operations–net of tax	(1.2)	5.5	1.5	58.5
Net income (loss) attributable to Terex Corporation	$43.6	$64.2	$129.4	$239.0
Basic shares:				
Weighted average shares outstanding	108.5	110.2	107.0	110.4
Earnings per share – basic:				
Income (loss) from continuing operations	$0.41	$0.53	$1.19	$1.62
Income (loss) from discontinued operations–net of tax	—	—	—	0.01
Gain (loss) on disposition of discontinued operations–net of tax	(0.01)	0.05	0.02	0.53
Net income (loss) attributable to Terex Corporation	$0.40	$0.58	$1.21	$2.16
Diluted shares:				
Weighted average shares outstanding - basic	108.5	110.2	107.0	110.4
Effect of dilutive securities:				
Stock options, restricted stock awards and convertible notes	0.7	5.2	2.7	5.3
Diluted weighted average shares outstanding	109.2	115.4	109.7	115.7
Earnings per share – diluted:				
Income (loss) from continuing operations	$0.41	$0.51	$1.17	$1.55
Income (loss) from discontinued operations–net of tax	—	—	—	0.01
Gain (loss) on disposition of discontinued operations–net of tax	(0.01)	0.05	0.01	0.51
Net income (loss) attributable to Terex Corporation	$0.40	$0.56	$1.18	$2.07

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, 2015	2014	Nine Months Ended September 30, 2015	2014
Income (loss) from continuing operations	$46.1	$58.7	$130.9	$178.6
Noncontrolling interest (income) loss attributed to continuing operations	(1.3)	—	(3.0)	0.5
Income (loss) from continuing operations attributable to common stockholders	$44.8	$58.7	$127.9	$179.1

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 the three and nine months ended September 30, 2015 and 2014, but were not included in the computation of diluted shares as the effect would be anti-dilutive. Weighted average restricted stock awards of 0.8 million were outstanding during the three and nine months ended September 30, 2015, 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 0.5 million and 0.4 million 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. 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.

In connection with settlement of the 4% Convertible Senior Subordinated Notes due 2015 (the "4% Convertible Notes") the Company issued 3.4 million shares of common stock in June 2015. See Note M – "Long-Term Obligations." Included in the computation of diluted shares for the nine months ended September 30, 2015 were 1.9 million shares that were contingently issuable prior to conversion. The number of shares that were contingently issuable for the three and nine months ended September 30, 2014 was 4.2 million.

NOTE G – FINANCE RECEIVABLES

TFS leases equipment and provides financing to customers for the purchase and use of Terex equipment. In the normal course of business, TFS assesses credit risk, establishes structure and pricing of financing transactions, documents the finance receivable, records and funds the transactions. TFS bills and collects cash from the end customer.

TFS primarily conducts on-book business in the U.S., with limited business in China, the United Kingdom, and Germany. TFS does business with various types of customers consisting of rental houses, end user customers and Terex equipment dealers.

The Company's net finance receivable balances include both sales-type leases and commercial loans. Finance receivables that management intends to hold until maturity are stated at their outstanding unpaid principal balances, net of an allowance for loan losses as well as any deferred fees and costs.

TFS bills customers and accrues interest income monthly on the unpaid principal balance. The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has significant doubts about further collectibility of the contractual payments, even though the loan may be currently performing. A receivable may remain on accrual status if it is in the process of collection and is either guaranteed or secured. Interest received on non-accrual finance receivables is typically applied against principal. Finance receivables are generally restored to accrual status when the obligation is brought current and the borrower has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt. Finance receivables originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value, in the aggregate. Revenue attributable to finance receivables is recognized on the accrual basis using the effective interest method. The Company has a history of enforcing the terms of these separate financing agreements.

Finance receivables, net consisted of the following (in millions):

	September 30, 2015	December 31, 2014
Commercial loans	$312.3	$140.1
Sales-type leases	30.9	24.0
Total finance receivables, gross	343.2	164.1
Allowance for credit losses	(5.6)	(3.0)
Total finance receivables, net	$337.6	$161.1

14

Credit losses are charged against the allowance for credit losses when management ceases active collection efforts. Subsequent recoveries, if any, are credited to earnings. The allowance for credit losses is maintained at a level set by management which represents evaluation of known and inherent risks in the portfolio at the consolidated balance sheet date. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, market-based loss experience, specific customer situations, estimated value of any underlying collateral, current economic conditions, and other relevant factors. This evaluation is inherently subjective, since it requires estimates that may be susceptible to significant change. Although specific and general loss allowances are established in accordance with management's best estimate, actual losses are dependent upon future events and, as such, further additions to or decreases from the level of loss allowances may be necessary.

The following table presents an analysis of the allowance for credit losses:

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Balance, beginning of period	$3.6	$1.3	$4.9	$2.1	$0.7	$2.8
Provision for credit losses	0.8	(0.1)	0.7	—	0.2	0.2
Charge offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Balance, end of period	$4.4	$1.2	$5.6	$2.1	$0.9	$3.0

	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Balance, beginning of period	$1.9	1.1	$3.0	$1.9	$0.4	$2.3
Provision for credit losses	2.5	0.1	2.6	0.2	0.5	0.7
Charge offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Balance, end of period	$4.4	$1.2	$5.6	$2.1	$0.9	$3.0

The Company utilizes a two tier approach to set allowances: (1) identification of impaired finance receivables and establishment of specific loss allowances on such receivables; and (2) establishment of general loss allowances on the remainder of its portfolio. Specific loss allowances are established based on circumstances and factors of specific receivables. The Company regularly reviews the portfolio which allows for early identification of potentially impaired receivables. The process takes into consideration, among other things, delinquency status, type of collateral and other factors specific to the borrower.

General loss allowance levels are determined based upon a combination of factors including, but not limited to, TFS experience, general market loss experience, performance of the portfolio, current economic conditions, and management's judgment. The two primary risk characteristics inherent in the portfolio are (1) the customer's ability to meet contractual payment terms, and (2) the liquidation values of the underlying primary and secondary collaterals. The Company records a general or unallocated loss allowance that is calculated by applying the reserve rate to its portfolio, including the unreserved balance of accounts that have been specifically reserved for. All delinquent accounts are reviewed for potential impairment. A receivable is deemed to be impaired when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The amount of impairment is measured as the difference between the balance outstanding and the underlying collateral value of the equipment being financed, as well as any other collateral. All finance receivables identified as impaired are evaluated individually. The Company does not aggregate impaired finance receivables for evaluation purposes. Generally, the Company does not change the terms and conditions of existing finance receivables.

The following tables present individually impaired finance receivables (in millions):

	September 30, 2015			December 31, 2014		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Recorded investment	$0.5	$2.6	$3.1	$—	$3.3	$3.3
Related allowance	0.5	0.5	1.0	—	0.8	0.8
Average recorded investment	0.2	1.4	1.6	—	1.7	1.7

The average recorded investment for impaired finance receivables was $0.1 million for sales-type leases at September 30, 2014, which was fully reserved. There were no impaired commercial loans at September 30, 2014.

The allowance for credit losses and finance receivables by portfolio, segregated by those amounts that are individually evaluated for impairment and those that are collectively evaluated for impairment, was as follows (in millions):

	September 30, 2015			December 31, 2014		
Allowance for credit losses, ending balance:	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Individually evaluated for impairment	$0.5	$0.5	$1.0	$—	$0.8	$0.8
Collectively evaluated for impairment	3.9	0.7	4.6	1.9	0.3	2.2
Total allowance for credit losses	$4.4	$1.2	$5.6	$1.9	$1.1	$3.0
Finance receivables, ending balance:						
Individually evaluated for impairment	$0.5	2.6	3.1	$—	3.3	3.3
Collectively evaluated for impairment	$311.8	28.3	340.1	$140.1	20.7	160.8
Total finance receivables	$312.3	$30.9	$343.2	$140.1	$24.0	$164.1

Accounts are considered delinquent when the billed periodic payments of the finance receivables exceed 30 days past the due date.

The following table presents analysis of aging of recorded investment in finance receivables (in millions):

	September 30, 2015					
	Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Total Finance Receivables
Commercial loans	$303.0	$0.9	$0.6	$7.8	$9.3	$312.3
Sales-type leases	28.8	—	—	2.1	2.1	30.9
Total finance receivables	$331.8	$0.9	$0.6	$9.9	$11.4	$343.2

	December 31, 2014					
	Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Total Finance Receivables
Commercial loans	$139.5	$0.1	$—	$0.5	$0.6	$140.1
Sales-type leases	20.7	—	—	3.3	3.3	24.0
Total finance receivables	$160.2	$0.1	$—	$3.8	$3.9	$164.1

16

At September 30, 2015 and December 31, 2014, $7.8 million and $0.5 million respectively, of commercial loans were 90 days or more past due. Commercial loans in the amount of $9.3 million and $30.2 million were on non-accrual status as of September 30, 2015 and December 31, 2014, respectively.

At September 30, 2015 and December 31, 2014, $2.1 million and $3.3 million, respectively, of sales-type leases receivable were 90 days or more past due. Sales-type leases in the amount of $2.1 million and $3.3 million were on non-accrual status as of September 30, 2015 and December 31, 2014, respectively.

Credit Quality Information

Credit quality is reviewed on a monthly basis based on customers payment status. In addition to the delinquency status, any information received regarding a customer (such as bankruptcy filings, etc.) will also be considered to determine the credit quality of the customer. Collateral asset values are also monitored regularly to determine the potential loss exposures on any given transaction.

The Company uses the following internal credit quality indicators, based on an internal risk rating system, using certain external credit data, listed from the lowest level of risk to highest level of risk. The internal rating system considers factors affecting specific borrowers’ ability to repay.

Finance receivables by risk rating (in millions):

Rating	September 30, 2015	December 31, 2014
Superior	$10.9	$0.3
Above Average	142.1	29.2
Average	96.8	55.0
Below Average	53.9	54.0
Sub Standard	3.8	3.1
Unrated *	35.7	22.5
Total	$343.2	$164.1

* Customer finance receivables balances less than $1.0 million are not rated.

NOTE H – INVENTORIES

Inventories consist of the following (in millions):

	September 30, 2015	December 31, 2014
Finished equipment	$506.8	$425.7
Replacement parts	184.0	170.5
Work-in-process	471.0	454.2
Raw materials and supplies	383.8	410.5
Inventories	$1,545.6	$1,460.9

Reserves for lower of cost or market value, excess and obsolete inventory were $111.6 million and $116.3 million at September 30, 2015 and December 31, 2014, respectively.

NOTE I – PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2015	December 31, 2014
Property	$97.1	$104.3
Plant	350.5	359.5
Equipment	739.0	699.5
Property, plant and equipment – gross	1,186.6	1,163.3
Less: Accumulated depreciation	(513.8)	(473.0)
Property, plant and equipment – net	$672.8	$690.3

NOTE J – 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, 2014, gross	$138.5	$ 132.8	$217.6	$642.8	$198.1	$1,329.8
Accumulated impairment	(38.6)	(132.8)	(4.2)	—	(23.2)	(198.8)
Balance at December 31, 2014, net	99.9	—	213.4	642.8	174.9	1,131.0
Acquisitions	—	—	—	—	13.2	13.2
Foreign exchange effect and other	(1.1)	—	(12.5)	(71.7)	(4.5)	(89.8)
Balance at September 30, 2015, gross	137.4	132.8	205.1	571.1	206.8	1,253.2
Accumulated impairment	(38.6)	(132.8)	(4.2)	—	(23.2)	(198.8)
Balance at September 30, 2015, net	$98.8	$ —	$200.9	$571.1	$183.6	$1,054.4

Intangible assets, net were comprised of the following as of September 30, 2015 and December 31, 2014 (in millions):

		September 30, 2015			December 31, 2014		
	Weighted Average Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Technology	6	$54.9	$ (40.6)	$ 14.3	$58.8	$ (38.4)	$20.4
Customer Relationships	16	229.6	(83.4)	146.2	251.9	(78.4)	173.5
Land Use Rights	57	17.5	(2.0)	15.5	18.0	(1.8)	16.2
Other	8	48.7	(39.4)	9.3	44.6	(38.2)	6.4
Total definite-lived intangible assets		$350.7	$ (165.4)	$ 185.3	$373.3	$ (156.8)	$216.5
Indefinite-lived intangible assets:							
Tradenames		$100.6			$108.9		
Total indefinite-lived intangible assets		$100.6			$108.9		

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Aggregate Amortization Expense	$6.1	$9.3	$18.4	28.8

18

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

2015	$ 26.0
2016	$ 24.2
2017	$ 19.8
2018	$ 15.3
2019	$ 14.9

NOTE K – 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”) and Commercial Paper rates. 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. The changes in fair value associated with 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 and hedging activity related to foreign currency and interest rate swaps 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, 2015, the Company had $235.9 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, 2016. The fair market value of these contracts at September 30, 2015 was a net gain of $2.8 million. At September 30, 2015, $213.5 million notional amount ($2.7 million of fair value gains) of these forward contracts have been designated as, and are effective as, cash flow hedges of forecasted and specifically identified transactions. During 2015 and 2014, 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. The foreign exchange contracts designated as hedging instruments are categorized under Level 2 of the ASC 820 hierarchy and are recorded at September 30, 2015 and December 31, 2014 as a net asset of $2.8 million and net liability of $0.4 million, respectively. See Note B – “Basis of Presentation,” for an explanation of the ASC 820 hierarchy. The fair values of these foreign exchange forward contracts are derived using quoted forward foreign exchange prices to interpolate values of outstanding trades at the reporting date based on their maturities.

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 and balance sheet exposures. Certain of these contracts have not been designated as hedging instruments. The majority of gains and losses recognized from foreign exchange contracts not designated as hedging instruments were offset by changes in the underlying hedged items, resulting in no material net impact on earnings. 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.

Concurrent with the sale of a majority stake in A.S.V., Inc. to Manitex International, Inc. (“Manitex”), the Company invested in a subordinated convertible promissory note from Manitex, which included an embedded derivative, the conversion feature. At the date of issuance, the embedded derivative was measured at fair value. The derivative is marked-to-market each period with changes in fair value recorded in Other income (expense) - net in the Condensed Consolidated Statement of Comprehensive Income.

The Company enters into certain interest rate swap agreements to offset the variability of cash flows due to changes in the floating rate of borrowings under its Securitization Facility. See Note M – “Long-Term Obligations,” for additional information on the Securitization Facility. The interest rate swaps are designated as cash flow hedges of the changes in the cash flows of interest rate payments on debt associated with changes in floating interest rates. Changes in the fair value of these derivative financial instruments are recognized as gains or losses in Cost of goods sold in the Condensed Consolidated Statement of Comprehensive Income. The Company records these contracts at fair value on a recurring basis. At September 30, 2015, the Company had $180.9 million notional amount of interest rate swap contracts outstanding that were initially designated as hedge contracts and scheduled to mature in September, 2022. The interest rate swap contracts designated as hedging instruments are categorized under Level 2 of the ASC 820 hierarchy and are recorded at September 30, 2015 as a net liability of $0.9 million. The fair value of these contracts are derived using quoted interest rate swap prices at the reporting date based on their maturities.

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, 2015	December 31, 2014
Foreign exchange contracts	Other current assets	$4.2	$10.1
Interest rate swap	Other assets	0.2	—
Total asset derivatives		4.4	10.1
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	(1.4)	(10.5)
Interest rate swap	Other current liabilities	(1.1)	—
Total liability derivatives		(2.5)	(10.5)
Total Derivatives		$1.9	$(0.4)

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, 2015	December 31, 2014
Foreign exchange contracts	Other current assets	$0.5	$2.2
Debt conversion feature	Other assets	0.9	3.0
Total asset derivatives		1.4	5.2
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	(2.6)	(1.0)
Total liability derivatives		(2.6)	(1.0)

Total Derivatives	$(1.2)	$4.2

20

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,	
Cash Flow Derivatives	2015	2014	2015	2014
Foreign exchange contracts	$1.8	$(0.3)	$3.0	$(2.5)
Interest rate swap	(0.3)	—	(0.4)	—
Total	$1.5	$(0.3)	$2.6	$(2.5)

Gain (Loss) Reclassified from AOCI into Income (Effective):	Three Months Ended September 30,		Nine Months Ended September 30,	
Account	2015	2014	2015	2014
Cost of goods sold	$1.7	$0.1	$8.0	$2.2
Other income (expense) – net	0.5	(0.4)	(4.8)	2.1
Total	$2.2	$(0.3)	$3.2	$4.3

Gain (Loss) Recognized in Income on Derivatives (Ineffective):	Three Months Ended September 30,		Nine Months Ended September 30,	
Account	2015	2014	2015	2014
Other income (expense) – net	$(0.2)	$0.5	$4.7	$(2.3)

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:	Three Months Ended September 30,		Nine Months Ended September 30,	
Account	2015	2014	2015	2014
Other income (expense) – net	$(2.8)	$1.6	$(6.0)	$0.2

Counterparties to the Company's currency exchange forward contracts and interest rate swap agreements 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,	
	2015	2014	2015	2014
Balance at beginning of period	$0.4	$0.5	$(0.7)	$2.7
Additional gains (losses) – net	3.5	(0.1)	6.5	0.3
Amounts reclassified to earnings	(2.0)	(0.2)	(3.9)	(2.8)
Balance at end of period	$1.9	$0.2	$1.9	$0.2

Within the unrealized net gains (losses) included in AOCI as of September 30, 2015, it is estimated that $1.7 million of gains are expected to be reclassified into earnings in the next twelve months.

NOTE L – 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 benefit of this move is 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 $15.0 million, result in the reduction of 84 team members at that location and be completed in 2015.

During the fourth quarter of 2014, the Company established a restructuring program in the MHPS segment primarily focused on operations in Germany. The program included the consolidation of several material handling sales and service locations, and realignment of the management structure for port solutions. The program is expected to cost $20.4 million, result in the reduction of 115 team members and is expected to be completed in 2016, except for certain payments mandated by governmental agencies.

During the third quarter of 2015, the Company established a restructuring program in the MP segment to close one of its manufacturing facilities in the U.S., consolidate production with other U.S. sites and exit the hand-fed chipper line of products. By consolidating operations, the Company will optimize use of resources, eliminate areas of duplication and operate more efficiently and effectively. The program is expected to cost $0.9 million, result in the reduction of 43 team members and be completed in 2015.

During the third quarter of 2015, the Company established a restructuring program across multiple operating segments to centralize transaction processing and accounting functions into shared service centers. The program is expected to cost $1.5 million, result in the reduction of 69 team members and be completed in 2016. The segment breakdown of this program cost is as follows: Cranes ($0.9 million), MHPS ($0.5 million), and MP ($0.1 million).

The following table provides information for all restructuring activities by segment of the amount of expense incurred during the nine months ended September 30, 2015, the cumulative amount of expenses incurred since inception of the programs through September 30, 2015 and the total amount expected to be incurred (in millions):

	Amount incurred during the nine months ended September 30, 2015	Cumulative amount incurred through September 30, 2015	Total amount expected to be incurred
Cranes	0.8	0.8	0.9
MHPS	(0.1)	35.4	35.9
MP	1.0	1.0	1.0
Total	$1.7	$37.2	$37.8

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, 2015, the cumulative amount of expenses incurred since inception of the programs and the total amount expected to be incurred (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
	$0.5	$0.1	$1.1	$1.7

Amount incurred in the nine months ended September 30, 2015				
Cumulative amount incurred through September 30, 2015	$32.3	$0.1	$4.8	$37.2
Total amount expected to be incurred	$32.9	$0.1	$4.8	$37.8

The following table provides a roll forward of the restructuring reserve by type of restructuring activity for the nine months ended September 30, 2015 (in millions):

	Employee Termination Costs	Facility Exit Costs	Total
Restructuring reserve at December 31, 2014	$40.1	$—	$40.1
Restructuring charges, net	0.1	0.1	0.2
Cash expenditures	(3.4)	—	(3.4)
Foreign exchange	(3.1)	—	(3.1)
Restructuring reserve at September 30, 2015	$33.7	$0.1	$33.8

NOTE M – 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 29, 2015, the Company entered into an Incremental Assumption Agreement and Amendment No. 1 to the 2014 Credit Agreement which lowered the interest rate on the Company’s €200.0 million Euro denominated term loan from Euro Interbank Offered Rate (“EURIBOR”) plus 3.25% with a 0.75% EURIBOR floor to EURIBOR plus 2.75% with a 0.75% EURIBOR floor.

As of September 30, 2015 and December 31, 2014, the Company had $446.5 million and $467.9 million, respectively, in U.S. dollar and Euro denominated term loans outstanding under the 2014 Credit Agreement. The weighted average interest rate on the term loans at September 30, 2015 and December 31, 2014 was 3.50% and 3.76%, respectively. The Company had $72.3 million in U.S. dollar denominated revolving credit amounts outstanding as of September 30, 2015. The Company had no outstanding U.S. dollar and Euro denominated revolving credit amounts at December 31, 2014. The weighted average interest rate on the revolving credit amounts at September 30, 2015 was 2.68%.

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, 2015 and December 31, 2014, the Company had no letters of credit issued under the 2014 Credit Agreement. 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 that totaled $20.7 million and $30.4 million as of September 30, 2015 and December 31, 2014, 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 $196.8 million and $261.5 million as of September 30, 2015 and December 31, 2014, respectively.

In total, as of September 30, 2015 and December 31, 2014, the Company had letters of credit outstanding of $217.5 million and $291.9 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. The 6-1/2% Notes are redeemable by the Company beginning in April, 2016 at an initial redemption price of 103.25% of principal amount. The 6-1/2% Notes are jointly and severally guaranteed by certain of the Company's domestic subsidiaries (see Note Q – "Consolidating Financial Statements").

On September 8, 2015, the Company, after obtaining the requisite consents, amended the indenture governing the 6-1/2% Notes. The principal changes contained in the amendment are that the Merger will not constitute a "Change of Control" under the indenture, and to permit Konecranes to insert one or more holding companies below or above Konecranes without triggering a "Change of Control" if such holding companies do not affect Terex's ultimate beneficial ownership. Additionally, the reporting covenant under the indenture was amended to permit Konecranes, instead of Terex, following the Merger to make necessary periodic reports. In connection with the receipt and effectiveness of the consents, Terex will owe a total of $3.2 million upon closing of the Merger. (see Note A - "Business Combination Agreement and Plan of Merger").

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 Q – "Consolidating Financial Statements").

On September 8, 2015, the Company, after obtaining the requisite consents, amended the indenture governing the 6% Notes. The principal changes contained in the amendment are that the Merger will not constitute a "Change of Control" under the indenture, and to permit Konecranes to insert one or more holding companies below or above Konecranes without triggering a "Change of Control" if such holding companies do not affect Terex's ultimate beneficial ownership. Additionally, the reporting covenant under the indenture was amended to permit Konecranes, instead of Terex, following the Merger to make necessary periodic reports. In connection with the receipt and effectiveness of the consents, Terex will owe a total of $15.5 million upon closing of the Merger. (see Note A - "Business Combination Agreement and Plan of Merger").

4% Convertible Senior Subordinated Notes

On June 3, 2009, the Company sold and issued $172.5 million aggregate principal amount of 4% Convertible Notes. At issuance, the Company was required to separately account for the liability and equity components of the 4% Convertible Notes in a manner that reflected 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 represented a discount to the debt and was amortized into interest expense using the effective interest method through settlement. 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 $128.8 million at settlement on June 1, 2015. The Company recognized interest expense of $5.7 million on the 4% Convertible Notes for the nine months ended September 30, 2015. Interest expense on the 4% Convertible Notes throughout its term included 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.

On June 1, 2015 the Company paid cash of $131.1 million (including accrued interest of $2.3 million) and issued 3.4 million shares of its $.01 par value common stock to settle the 4% Convertible Notes.

2015 Securitization Facility

On May 28, 2015, the Company, through certain of its subsidiaries, entered into a Loan and Security Agreement (the "Securitization Facility") with lenders party thereto. The borrower under the Securitization Facility is a bankruptcy remote subsidiary of the Company (the "Borrower").

Under the Securitization Facility, the Borrower may, from time to time, request the conduit lender thereunder to make loans to the Borrower. Such loans will be secured by and payable from collateral of the Borrower (primarily equipment loans and leases to Terex customers originated by TFS and transferred to the Borrower). Any such loan may be made by the conduit lender in its sole discretion and if not made by the conduit lender, shall be made by the committed lender under the Securitization Facility. The facility limit for such loans is $350 million. The scheduled termination date for the Securitization Facility is May 28, 2017, but it may be extended by agreement of the parties per the terms of the loan agreement. The Securitization Facility also contains customary representations, warranties and covenants.

On August 10, 2015, the Company entered into an Amendment and Agreement to the Securitization Facility with lenders party thereto. The principal change contained in the amendment is that the Merger will not constitute a change in control for purposes of the Securitization Facility and provided clarity regarding downgrade events after the closing of the Merger.

As of September 30, 2015, the Company had $179.9 million in loans outstanding under the Securitization Facility. The weighted average interest rate on the Securitization Facility at September 30, 2015 was 1.29%. Interest expense on loans outstanding under this facility is recorded to Cost of goods sold in the Condensed Consolidated Statement of Comprehensive Income. The Company is party to certain derivative interest rate swap agreements entered into to hedge its exposure to variable interest rates related to the Securitization Facility. The effective interest rate on the Securitization Facility when combined with the interest rate swap agreements is 2.17%. For further information on the interest rate swap agreements see Note K – "Derivative Financial Instruments."

Commitment Letter

On August 10, 2015, in connection with the Merger, the Company and Konecranes entered into a Commitment Letter (the "Commitment Letter") with Credit Suisse Securities (USA) LLC ("CS Securities") and Credit Suisse AG ("CS" and, together with CS Securities and their respective affiliates, "Credit Suisse") in which Credit Suisse committed to provide the Company and Konecranes with (A) senior secured credit facilities in an aggregate principal amount of up to $1.65 billion, consisting of (i) a senior secured term loan facility in an aggregate principal amount of $900.0 million (such aggregate principal amount to be allocated between a U.S. dollar-denominated term loan facility to be made to the Company and a Euro-denominated term loan facility in an aggregate principal amount of up to €450.0 million to be made to Konecranes or one of its subsidiaries and (ii) two senior secured revolving credit facilities in an aggregate principal amount of up to $750.0 million and (B) a senior unsecured bridge facility in an aggregate principal amount of up to $1.15 billion. As a result of the receipt of the consents noted above, the Company and Konecranes notified Credit Suisse that it terminated the commitments of the lenders in the amount of $1.15 billion with respect to the bridge facility under the commitment letter from Credit Suisse dated August 10, 2015.

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, 2015, as follows (in millions, except for quotes):

	Book Value	Quote	FV
6% Notes	$850.0	$0.97250	$827
6-1/2% Notes	$300.0	$1.01000	$303
2014 Credit Agreement Term Loan (net of discount) – USD	$226.0	$0.99000	$224
2014 Credit Agreement Term Loan (net of discount) – EUR	$220.5	$0.99500	$219

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, including amounts outstanding for the revolving credit line under the 2014 Credit Agreement and the Securitization Facility, approximate 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 N – 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 September 30,						Nine Months Ended September 30,					
	2015			2014			2015			2014		
	U.S. Pension	Non-U.S. Pension	Other	U.S. Pension	Non-U.S. Pension	Other	U.S. Pension	Non-U.S. Pension	Other	U.S. Pension	Non-U.S. Pension	Other
Components of net periodic cost:												
Service cost	$0.3	$ 1.6	$—	$0.2	$ 1.1	$—	$0.9	$ 4.8	$—	$0.6	$ 3.6	$—
Interest cost	1.8	3.2	0.1	1.9	3.5	0.1	5.4	9.6	0.2	5.5	12.6	0.2
Expected return on plan assets	(2.5)	(2.0)	—	(2.3)	(1.0)	—	(7.4)	(5.9)	—	(6.9)	(4.9)	—
Amortization of actuarial loss	1.0	1.8	—	0.7	0.5	—	2.9	5.6	—	2.3	2.1	—
Net periodic cost	$0.6	$ 4.6	$0.1	$0.5	$ 4.1	$0.1	$1.8	$ 14.1	$0.2	$1.5	$ 13.4	$0.2

NOTE O – 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 records 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. The Company believes that the outcome of such matters, individually and in the aggregate, will not have a material adverse effect on its financial statements as a whole. 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.

- On August 21, 2015, a purported Terex stockholder, Bernard Stern, filed a class action complaint challenging the Merger in the Delaware Chancery Court, and on August 26, 2015, a purported Terex stockholder, Joseph Weinstock, filed a class action complaint challenging the Merger in the Delaware Chancery Court. The two complaints name as defendants Terex Corporation, Konecranes Plc, Konecranes, Inc., Konecranes Acquisition Company LLC and the members of the Board of Directors of Terex.

The first three 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 two lawsuits concerning the Merger seek, among other relief, an order enjoining or rescinding the Merger and an award of attorneys' fees and costs on the grounds that the Company's Board of Directors breached their fiduciary duty in connection with entering into the business combination agreement and approving the Merger. The complaints further allege that Terex Corporation, Konecranes Plc, Konecranes, Inc. and Konecranes Acquisition Company LLC aided and abetted the alleged breaches of fiduciary duties by the Company's Board of Directors. It is possible that these complaints will be further amended to make additional claims and/or that additional lawsuits making similar or additional claims relating to the Merger will be brought.

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, ERISA law and Delaware law with respect to these matters. Accordingly, the Company has filed motions to dismiss the ERISA lawsuit and the securities lawsuit. An agreement in principle has been reached to settle the ERISA lawsuit for $2.5 million which will be funded primarily by insurance. The proceeds of the settlement (after deduction of legal fees) will be distributed to putative class participants. 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. The lawsuits pertaining to the Merger are at the very early stages and the Company has no information other than as set forth in the complaints.

Other

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

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, 2015 and December 31, 2014, the Company's maximum exposure to such credit guarantees was $40.0 million and $42.6 million, respectively, including total guarantees issued by Terex Cranes Germany GmbH, part of the Cranes segment, of $21.0 million and $23.4 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, 2015 and

December 31, 2014, the Company's maximum exposure pursuant to buyback guarantees was $14.7 million and $24.3 million, respectively, including total guarantees issued by entities in the MHPS segment of $11.2 million and $20.1 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 as of September 30, 2015 and December 31, 2014, 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 P – 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,	
	2015	2014	2015	2014
Net income (loss)	$44.9	$64.2	$132.4	$238.5
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment (CTA), net of (provision for) benefit from taxes of $1.9, $9.2 and $11.1 and $11.0, respectively	(73.9)	(176.3)	(200.1)	(134.6)
Derivative hedging adjustment, net of (provision for) benefit from taxes of $0.0, $1.7, $0.0 and $2.7, respectively	1.5	(0.3)	2.6	(2.5)
Debt and equity securities adjustment, net of (provision for) benefit from taxes of $0.0, $0.0, $0.1 and $0.0, respectively	(2.6)	0.1	(8.0)	0.1
Pension liability adjustment:				
Amortization of actuarial (gain) loss, net of provision for (benefit from) taxes of $(0.4), $(0.4), $(1.2) and $(1.4), respectively	2.4	0.8	7.3	3.0
Foreign exchange and other effects, net of (provision for) benefit from taxes of $0.0, $(1.6), $(1.3) and $(3.0), respectively	1.1	4.9	7.8	4.3
Total pension liability adjustment	3.5	5.7	15.1	7.3
Other comprehensive income (loss)	(71.5)	(170.8)	(190.4)	(129.7)
Comprehensive income (loss)	(26.6)	(106.6)	(58.0)	108.8
Comprehensive loss (income) attributable to noncontrolling interest	(1.2)	—	(2.9)	0.9
Comprehensive income (loss) attributable to Terex Corporation	$(27.8)	$(106.6)	$(60.9)	$109.7

Changes in Accumulated Other Comprehensive Income

The table below presents changes in AOCI by component for the three and nine months ended September 30, 2015 and 2014. All amounts are net of tax (in millions).

	Three months ended September 30, 2015					Three months ended September 30, 2014				
	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	$(371.7)	$0.4	$(3.8)	$(173.6)	$(548.7)	$33.8	$0.5	$—	$(109.7)	$(75.4)
Other comprehensive income before reclassifications	(73.9)	3.5	(2.6)	1.1	(71.9)	(176.3)	(0.1)	0.1	4.9	(171.4)
Amounts reclassified from AOCI	—	(2.0)	—	2.4	0.4	—	(0.2)	—	0.8	0.6
Net other comprehensive Income (Loss)	(73.9)	1.5	(2.6)	3.5	(71.5)	(176.3)	(0.3)	0.1	5.7	(170.8)
Ending balance	$(445.6)	$1.9	$(6.4)	$(170.1)	$(620.2)	$(142.5)	$0.2	$0.1	$(104.0)	$(246.2)

	Nine months ended September 30, 2015					Nine months ended September 30, 2014				
	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	$(245.5)	$(0.7)	$1.6	$(185.2)	$(429.8)	$(7.9)	$2.7	$—	$(111.3)	$(116.5)
Other comprehensive income before reclassifications	(200.1)	6.5	(8.0)	7.8	(193.8)	(138.6)	0.3	0.1	4.3	(133.9)
Amounts reclassified from AOCI	—	(3.9)	—	7.3	3.4	4.0	(2.8)	—	3.0	4.2
Net Other Comprehensive Income (Loss)	(200.1)	2.6	(8.0)	15.1	(190.4)	(134.6)	(2.5)	0.1	7.3	(129.7)
Ending balance	$(445.6)	$1.9	$(6.4)	$(170.1)	$(620.2)	$(142.5)	$0.2	$0.1	$(104.0)	$(246.2)

Stock-Based Compensation

During the nine months ended September 30, 2015, the Company granted 1.4 million shares of restricted stock to its employees with a weighted average grant date fair value of $26.44 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 and determined over either a two or three year period. The Company used the Monte Carlo method to determine grant date fair value of $28.10 and $25.60 per share, respectively, for the three and two year awards with a market condition granted on March 5, 2015. 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 March 5, 2015	Grant date March 5, 2015
Dividend yields	0.91%	0.91%
Expected volatility	45.48%	37.00%
Risk free interest rate	0.98%	0.58%
Expected life (in years)	3	2

Share Repurchases and Dividends

In February 2015, the Company announced authorization by its Board of Directors for the repurchase of up to $200 million of the Company’s outstanding shares of common stock. During the nine months ended September 30, 2015 the Company repurchased approximately 1.9 million shares for approximately $50 million under this program. In each of the first three quarters of 2015, the Company’s Board of Directors also declared a dividend of $0.06 per share, which was paid to its shareholders.

Redeemable Noncontrolling Interest

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 Q – CONSOLIDATING FINANCIAL STATEMENTS

During 2012, the Company sold and issued the 6% Notes and the 6-1/2% Notes (collectively the “Notes”) (see Note M – “Long-Term Obligations”). The Notes are jointly and severally guaranteed by the following wholly-owned subsidiaries of the Company (the “Wholly-owned Guarantors”): CMI Terex Corporation, Fantuzzi Noell USA, Inc., Genie Holdings, Inc., Genie Industries, Inc., Genie International, Inc., Powerscreen Holdings USA Inc., Powerscreen International LLC, Powerscreen North America Inc., Powerscreen USA, LLC, 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, 2015
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$2.8	$ 768.0	$ 1,104.1	$(233.6)	$1,641.3
Cost of goods sold	(2.4)	(616.2)	(919.7)	233.6	