

TEREX CORP
Form 10-Q
April 27, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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 NO

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 NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Edgar Filing: TEREX CORP - Form 10-Q

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

Number of outstanding shares of common stock: 109.2 million as of April 25, 2016.

The Exhibit Index begins on page 56.

INDEX

TEREX CORPORATION AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation generally speaks as of March 31, 2016 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 March 31, 2016 (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 March 31, 2016 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 (“Konecranes”) and the non-binding proposal from Zoomlion Heavy Industry Science and Technology Co. 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, including the pending merger with Konecranes;
- 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.

	Page No.
<u>PART I FINANCIAL INFORMATION</u>	<u>4</u>
<u>Item 1 Condensed Consolidated Financial Statements</u>	<u>4</u>
TEREX CORPORATION AND SUBSIDIARIES	
<u>Condensed Consolidated Statement of Comprehensive Income (Loss) - Three months ended March 31, 2016 and 2015</u>	<u>4</u>
<u>Condensed Consolidated Balance Sheet - March 31, 2016 and December 31, 2015</u>	<u>5</u>
<u>Condensed Consolidated Statement of Cash Flows - Three months ended March 31, 2016 and 2015</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements - March 31, 2016</u>	<u>7</u>
<u>Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
<u>Item 4 Controls and Procedures</u>	<u>51</u>
<u>PART II OTHER INFORMATION</u>	<u>52</u>
<u>Item 1 Legal Proceedings</u>	<u>52</u>
<u>Item 1A Risk Factors</u>	<u>52</u>
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>54</u>
<u>Item 3 Defaults Upon Senior Securities</u>	<u>54</u>
<u>Item 4 Mine Safety Disclosures</u>	<u>54</u>
<u>Item 5 Other Information</u>	<u>54</u>
<u>Item 6 Exhibits</u>	<u>54</u>
<u>SIGNATURES</u>	<u>55</u>
<u>EXHIBIT INDEX</u>	<u>56</u>

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TEREX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in millions, except per share data)

	Three Months Ended March 31,	
	2016	2015
Net sales	\$1,426.9	\$1,495.6
Cost of goods sold	(1,203.4)	(1,219.0)
Gross profit	223.5	276.6
Selling, general and administrative expenses	(265.2)	(232.4)
Income (loss) from operations	(41.7)	44.2
Other income (expense)		
Interest income	1.3	1.0
Interest expense	(25.2)	(29.5)
Other income (expense) – net	(3.8)	(5.6)
Income (loss) from continuing operations before income taxes	(69.4)	10.1
(Provision for) benefit from income taxes	(5.0)	(11.6)
Income (loss) from continuing operations	(74.4)	(1.5)
Gain (loss) on disposition of discontinued operations – net of tax	3.4	3.1
Net income (loss)	(71.0)	1.6
Net loss (income) attributable to noncontrolling interest	0.2	(0.6)
Net income (loss) attributable to Terex Corporation	\$(70.8)	\$1.0
Amounts attributable to Terex Corporation common stockholders:		
Income (loss) from continuing operations	\$(74.2)	\$(2.1)
Gain (loss) on disposition of discontinued operations – net of tax	3.4	3.1
Net income (loss) attributable to Terex Corporation	\$(70.8)	\$1.0
Basic Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:		
Income (loss) from continuing operations	\$(0.68)	\$(0.02)
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.03
Net income (loss) attributable to Terex Corporation	\$(0.65)	\$0.01
Diluted Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:		
Income (loss) from continuing operations	\$(0.68)	\$(0.02)
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.03
Net income (loss) attributable to Terex Corporation	\$(0.65)	\$0.01
Weighted average number of shares outstanding in per share calculation		
Basic	108.8	106.3
Diluted	108.8	106.3
Comprehensive income (loss)	\$(12.6)	\$(198.2)
Comprehensive loss (income) attributable to noncontrolling interest	0.1	(0.6)
Comprehensive income (loss) attributable to Terex Corporation	\$(12.5)	\$(198.8)
Dividends declared per common share	\$0.07	\$0.06

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)

	March 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 323.6	\$ 466.5
Trade receivables (net of allowance of \$24.9 and \$29.6 at March 31, 2016 and December 31, 2015, respectively)	1,018.6	939.2
Inventories	1,554.3	1,445.7
Prepaid assets	256.9	221.4
Other current assets	6.8	67.4
Total current assets	3,160.2	3,140.2
Non-current assets		
Property, plant and equipment – net	689.1	675.8
Goodwill	1,062.6	1,023.2
Intangible assets – net	255.3	249.5
Other assets	570.3	527.3
Total assets	\$5,737.5	\$ 5,616.0
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	\$ 162.0	\$ 80.2
Trade accounts payable	751.9	737.7
Accrued compensation and benefits	217.5	188.2
Accrued warranties and product liability	73.0	68.3
Customer advances	162.5	142.7
Other current liabilities	267.7	241.5
Total current liabilities	1,634.6	1,458.6
Non-current liabilities		
Long-term debt, less current portion	1,668.9	1,729.9
Retirement plans	387.5	375.7
Other non-current liabilities	157.3	139.8
Total liabilities	3,848.3	3,704.0
Commitments and contingencies		
Stockholders' equity		
Common stock, \$.01 par value – authorized 300.0 shares; issued 129.5 and 128.8 shares at March 31, 2016 and December 31, 2015, respectively	1.3	1.3
Additional paid-in capital	1,269.9	1,273.3
Retained earnings	2,026.1	2,104.6
Accumulated other comprehensive income (loss)	(591.2)	(649.6)
Less cost of shares of common stock in treasury – 21.0 and 21.1 shares at March 31, 2016 and December 31, 2015, respectively	(851.0)	(852.2)
Total Terex Corporation stockholders' equity	1,855.1	1,877.4
Noncontrolling interest	34.1	34.6
Total stockholders' equity	1,889.2	1,912.0
Total liabilities and stockholders' equity	\$5,737.5	\$ 5,616.0

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

5

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

	Three Months Ended March 31,	
	2016	2015
Operating Activities		
Net income (loss)	\$(71.0)	\$1.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	29.9	32.9
Deferred taxes	(4.5)	(1.8)
Stock-based compensation expense	8.7	10.5
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):		
Trade receivables	(57.7)	(101.4)
Inventories	(93.3)	(132.7)
Trade accounts payable	4.2	49.8
Customer advances	16.6	36.6
Other assets and liabilities	40.4	(19.9)
Other operating activities, net	(2.5)	13.7
Net cash provided by (used in) operating activities	(129.2)	(110.7)
Investing Activities		
Capital expenditures	(22.2)	(26.2)
Acquisitions, net of cash acquired	(3.2)	(22.1)
Other investing activities, net	(0.5)	(2.0)
Net cash provided by (used in) investing activities	(25.9)	(50.3)
Financing Activities		
Repayments of debt	(166.1)	(126.3)
Proceeds from issuance of debt	177.0	237.4
Share repurchases	—	(40.2)
Dividends paid	(7.6)	(6.4)
Other financing activities, net	(0.6)	—
Net cash provided by (used in) financing activities	2.7	64.5
Effect of Exchange Rate Changes on Cash and Cash Equivalents	9.5	(30.4)
Net Increase (Decrease) in Cash and Cash Equivalents	(142.9)	(126.9)
Cash and Cash Equivalents at Beginning of Period	466.5	478.2
Cash and Cash Equivalents at End of Period	\$323.6	\$351.3

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

TEREX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016
(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 ("Konecranes Terex") and will be incorporated in Finland.

Pursuant to the BCA, Terex shareholders will receive 0.8 of a Konecranes Terex American Depositary Share, or ADS, for each existing Terex share ("Exchange Ratio"). Each ADS will represent one Konecranes Terex ordinary share. 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 Terex ADSs 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 Terex ADSs 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 mid-2016. Closing of the transaction is expected to occur in the latter part of the third quarter or fourth quarter of 2016, which is slightly later than originally planned due to some delays related to regulatory filings. 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. The proposed merger transaction with Konecranes does not change the Company's assertion that the unremitted earnings of its foreign subsidiaries are indefinitely reinvested.

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 \$7.3 million for the three months ended March 31, 2016, 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 March 31, 2016 and for the three months ended March 31, 2016 and 2015 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 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, 2015 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, 2015.

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 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 months ended March 31, 2016 are not necessarily indicative of results that may be expected for the year ending December 31, 2016.

Cash and cash equivalents at March 31, 2016 and December 31, 2015 include \$27.2 million and \$27.8 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.

Reclassifications. In conjunction with the adoption of new accounting standards, certain debt issuance costs for the three months ended March 31, 2015 as well as certain amounts as of December 31, 2015, have been reclassified to conform to the current year’s presentation.

Effective January 1, 2016, the Company reorganized the reportable segments to align with its new management reporting structure and business activities which resulted in the material handling business in its Construction segment being reassigned to its Materials Processing (“MP”) segment, certain non-operations related assets in the U.K. being reassigned from its Construction segment to Corporate and Other category, and parts of services North America business in its Cranes segment being reassigned into its Aerial Work Platforms (“AWP”) and Material Handling & Port Solutions (“MHPS”) segments. Historical results have been reclassified to give effect to these changes. See Note C - “Business Segment Information” and Note J - “Goodwill and Intangible Assets” for further information.

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. Adoption will use one of two retrospective application methods. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements and footnote disclosures.

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 Company adopted ASU 2015-03 as of January 1, 2016 on a retrospective basis, by recasting all prior periods shown to reflect the effect of adoption, the effect of which is not material.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," ("ASU 2015-11"). ASU 2015-11 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. ASU 2015-11 should be applied prospectively. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes," ("ASU 2015-17"). The amendments in ASU 2015-17 eliminate the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet and instead require all deferred tax assets and liabilities to be classified as noncurrent. The Company adopted ASU 2015-17 as of January 1, 2016 on a prospective basis, which resulted in the reclassification of the Company's current deferred tax assets and current deferred tax liabilities to non-current deferred tax assets or non-current deferred tax liabilities on its condensed consolidated balance sheet. No prior periods were retrospectively adjusted. The adoption did not have a material effect on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," ("ASU 2016-01"). The amendments in ASU 2016-01, among other things, require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income requires public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost. The effective date will be the first quarter of fiscal year 2018. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms greater than twelve months and disclose key information about leasing arrangements. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, "Derivatives and Hedging (Topic 815)," ("ASU 2016-05"). ASU 2016-05 provides guidance clarifying that novation of a derivative contract (i.e. a change in counterparty) in a hedge accounting relationship does not, in and of itself, require dedesignation of that hedge accounting relationship. The effective date will be the first quarter of fiscal year 2017, with early adoption permitted. Adoption is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, "Derivatives and Hedging (Topic 815)," ("ASU 2016-06"). ASU 2016-06 simplifies the embedded derivative analysis for debt instruments containing contingent call or put options by clarifying that an exercise contingency does not need to be evaluated to determine whether it relates to interest rates and credit risk in an embedded derivative analysis. The effective date will be the first quarter of fiscal year 2017, with early adoption permitted. Adoption is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, "Investments-Equity Method and Joint Ventures (Topic 323)," ("ASU 2016-07"). ASU 2016-07 eliminates the retroactive adjustments to an investment qualifying for the equity method of

accounting as a result of an increase in the level of ownership interest or degree of influence by the investor. The effective date will be the first quarter of fiscal year 2017. Adoption is not expected to have a material effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606) Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," ("ASU 2016-08"). ASU 2016-08 further clarifies principal and agent relationships within ASU 2014-09. Similar to ASU 2014-09, 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 Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation-Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting," ("ASU 2016-09"). ASU 2016-09 is intended to simplify several aspects of accounting for share-based payment awards. The effective date will be the first quarter of fiscal year 2017, with early adoption permitted. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing,” (“ASU 2016-10”). The amendments in ASU 2016-10 are expected to reduce the cost and complexity of applying the guidance on identifying promised goods or services in contracts with customers and to improve the operability and understandability of licensing implementation guidance related to the entity's intellectual property. Similar to ASU 2014-09, 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 Company is evaluating the impact that adoption of this new standard will have on its 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):

	Three Months Ended March 31, 2016
Balance at beginning of period	\$ 74.2
Accruals for warranties issued during the period	25.7
Changes in estimates	(2.0)
Settlements during the period	(19.5)
Foreign exchange effect/other	1.7
Balance at end of period	\$ 80.1

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) AWP; (ii) Cranes; (iii) MHPS; (iv) MP; and (v) Construction.

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 Cranes segment designs, manufactures, services, refurbishes and markets mobile telescopic cranes, tower cranes, lattice boom crawler cranes, lattice boom truck cranes, utility equipment and truck-mounted cranes (boom trucks), as well as their related components and replacement parts. Customers use these products primarily for construction, repair and maintenance of commercial buildings, manufacturing facilities, construction and maintenance of utility and telecommunication lines, tree trimming and certain construction and foundation drilling applications and a wide range of infrastructure projects.

The 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 MP segment designs, manufactures and markets materials processing equipment, including crushers, washing systems, screens, apron feeders, material handlers, wood processing, biomass and recycling equipment, and their related components and replacement parts. 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 and for material handling applications.

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, and industrial sites.

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.

Subsequent to December 31, 2015, the Company reorganized the reportable segments to align with its new management reporting structure and business activities which resulted in the material handling business in its Construction segment being reassigned to its MP segment, certain non-operations related assets in the U.K. being reassigned from its Construction segment to Corporate and Other category, and parts of services North America business in its Cranes segment being reassigned into its AWP and MHPS segments. Historical results have been reclassified to give effect to these changes.

Business segment information is presented below (in millions):

	Three Months Ended	
	March 31,	
	2016	2015
Net Sales		
AWP	\$520.7	\$517.5
Cranes	307.3	353.3
MHPS	317.7	344.3
MP	177.3	181.1
Construction	142.5	122.2
Corporate and Other / Eliminations	(38.6)	(22.8)
Total	\$1,426.9	\$1,495.6
Income (loss) from Operations		
AWP	\$38.1	\$44.6
Cranes	(16.6)	2.4
MHPS	(61.8)	(4.4)
MP	10.1	9.3
Construction	1.3	(3.6)
Corporate and Other / Eliminations	(12.8)	(4.1)
Total	\$(41.7)	\$44.2
	March 31, December 31,	
	2016	2015
Identifiable Assets		
AWP	\$1,841.0	\$ 1,701.2
Cranes	1,879.1	1,836.9
MHPS	2,508.1	2,475.9
MP	1,024.6	1,031.1
Construction	555.5	534.6
Corporate and Other / Eliminations	(2,070.8)	(1,963.7)
Total	\$5,737.5	\$ 5,616.0

NOTE D – INCOME TAXES

During the three months ended March 31, 2016, the Company recognized income tax expense of \$5.0 million on a loss of \$69.4 million, an effective tax rate of (7.2)% as compared to income tax expense of \$11.6 million on income of \$10.1 million, an effective tax rate of 114.9%, for the three months ended March 31, 2015. The lower effective tax rate for the three months ended March 31, 2016 was primarily due to a decrease in losses not benefited as a percentage of income (loss) before income taxes.

NOTE E –DISCONTINUED OPERATIONS

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 March 31, 2016 2015	
Gain (loss) on disposition of discontinued operations	\$4.5	\$3.6
(Provision for) benefit from income taxes	(1.1)	(0.5)
Gain (loss) on disposition of discontinued operations – net of tax	\$3.4	\$3.1

During the three months ended March 31, 2016 and 2015 the Company recorded gains of \$3.0 million and \$2.8 million, respectively, net of tax, 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 months ended March 31, 2016 the Company recorded a gain of \$0.5 million, net of tax, related to the sale of its truck business.

NOTE F – EARNINGS PER SHARE

(in millions, except per share data)	Three Months Ended March 31, 2016 2015	
Income (loss) from continuing operations attributable to Terex Corporation common stockholders	\$(74.2)	\$(2.1)
Income (loss) from discontinued operations–net of tax	—	—
Gain (loss) on disposition of discontinued operations–net of tax	3.4	3.1
Net income (loss) attributable to Terex Corporation	\$(70.8)	\$1.0
Basic shares:		
Weighted average shares outstanding	108.8	106.3
Earnings (loss) per share – basic:		
Income (loss) from continuing operations	\$(0.68)	\$(0.02)
Income (loss) from discontinued operations–net of tax	—	—
Gain (loss) on disposition of discontinued operations–net of tax	0.03	0.03
Net income (loss) attributable to Terex Corporation	\$(0.65)	\$0.01
Diluted shares:		
Weighted average shares outstanding - basic	108.8	106.3
Effect of dilutive securities:		
Stock options, restricted stock awards and convertible notes	—	—
Diluted weighted average shares outstanding	108.8	106.3
Earnings (loss) per share – diluted:		

Edgar Filing: TEREX CORP - Form 10-Q

Income (loss) from continuing operations	\$ (0.68)	\$ (0.02)
Income (loss) from discontinued operations—net of tax	—	—
Gain (loss) on disposition of discontinued operations—net of tax	0.03	0.03
Net income (loss) attributable to Terex Corporation	\$ (0.65)	\$ 0.01

13

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 March 31,	
	2016	2015
Income (loss) from continuing operations	\$(74.4)	\$(1.5)
Net loss (income) attributable to noncontrolling interest	0.2	(0.6)
Income (loss) from continuing operations attributable to common stockholders	\$(74.2)	\$(2.1)

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 months ended March 31, 2016 and 2015, but were not included in the computation of diluted shares as the effect would be anti-dilutive. Weighted average restricted stock awards of 2.5 million and 2.4 million were outstanding during the three months ended March 31, 2016 and 2015, 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." The number of shares that were contingently issuable for the 4% Convertible Notes during the three months ended March 31, 2015 was 3.1 million, but was not included in the computation of diluted shares because the effect would have been anti-dilutive.

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):

	March 31, December 31,	
	2016	2015
Commercial loans	\$ 335.9	\$ 331.4
Sales-type leases	22.6	21.9
Total finance receivables, gross	358.5	353.3
Allowance for credit losses	(7.5)	(7.3)
Total finance receivables, net	\$ 351.0	\$ 346.0

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 March 31, 2016			Three Months Ended March 31, 2015		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Balance, beginning of period	\$6.5	\$ 0.8	\$7.3	\$1.9	\$ 1.1	\$3.0
Provision for credit losses	(0.1)	0.3	0.2	0.7	0.1	0.8
Charge offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Balance, end of period	\$6.4	\$ 1.1	\$7.5	\$2.6	\$ 1.2	\$3.8

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):

	March 31, 2016			December 31, 2015		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Recorded investment	\$1.3	\$ 2.1	\$3.4	\$1.9	\$ 1.8	\$3.7
Related allowance	1.3	0.5	1.8	1.9	0.5	2.4
Average recorded investment	1.6	1.9	3.5	1.0	2.5	3.5

The average recorded investment for impaired finance receivables was \$1.5 million for sales-type leases at March 31, 2015, which was fully reserved. There were no impaired commercial loans at March 31, 2015.

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):

	March 31, 2016			December 31, 2015		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Allowance for credit losses, ending balance:						
Individually evaluated for impairment	\$1.3	\$ 0.5	\$1.8	\$1.9	\$ 0.5	\$2.4
Collectively evaluated for impairment	5.1	0.6	5.7	4.6	0.3	4.9
Total allowance for credit losses	\$6.4	\$ 1.1	\$7.5	\$6.5	\$ 0.8	\$7.3
Finance receivables, ending balance:						
Individually evaluated for impairment	\$1.3	\$ 2.1	\$3.4	\$1.9	\$ 1.8	\$3.7
Collectively evaluated for impairment	334.6	20.5	355.1	329.5	20.1	349.6
Total finance receivables	\$335.9	\$ 22.6	\$358.5	\$331.4	\$ 21.9	\$353.3

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):

March 31, 2016						
	31-60	61-90	Greater	Total	Total	
Current	days	days	than 90	past	Finance	
	past	past	days	due	Receivables	
	due	due	past	due		
	due	due	due			
Commercial loans	\$333.9	\$ 1.4	\$ 0.5	\$ 0.1	\$ 2.0	\$ 335.9
Sales-type leases	22.3	0.3	—	—	0.3	22.6
Total finance receivables	\$356.2	\$ 1.7	\$ 0.5	\$ 0.1	\$ 2.3	\$ 358.5

December 31, 2015						
	31-60	61-90	Greater	Total	Total	
Current	days	days	than 90	past	Finance	
	past	past	days	due	Receivables	
	due	due	past	due		
	due	due	due			
Commercial loans	\$329.6	\$ 0.8	\$ —	\$ 1.0	\$ 1.8	\$ 331.4
Sales-type leases	20.2	0.5	—	1.2	1.7	21.9
Total finance receivables	\$349.8	\$ 1.3	\$ —	\$ 2.2	\$ 3.5	\$ 353.3

At March 31, 2016 and December 31, 2015, \$0.1 million and \$1.0 million respectively, of commercial loans were 90 days or more past due. Commercial loans in the amount of \$8.4 million and \$4.8 million were on non-accrual status as of March 31, 2016 and December 31, 2015, respectively.

At March 31, 2016 there were no sales-type lease receivables which were 90 days or more past due. At December 31, 2015 there were \$1.2 million of sales-type lease receivables which were 90 days or more past due. Sales-type leases in the amount of \$1.9 million and \$1.3 million were on non-accrual status as of March 31, 2016 and December 31, 2015, 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	March 31, 2016	December 31, 2015
Superior	\$24.8	\$ 21.5

Above Average	170.5	159.4
Average	121.8	117.9
Below Average	29.7	44.2
Sub Standard	11.7	10.3
Total	\$358.5	\$ 353.3

NOTE H – INVENTORIES

Inventories consist of the following (in millions):

	March 31, December 31,	
	2016	2015
Finished equipment	\$ 542.4	\$ 455.2
Replacement parts	199.4	184.8
Work-in-process	445.3	431.2
Raw materials and supplies	367.2	374.5
Inventories	\$ 1,554.3	\$ 1,445.7

Reserves for lower of cost or market value, excess and obsolete inventory were \$125.8 million and \$109.1 million at March 31, 2016 and December 31, 2015, respectively.

NOTE I – PROPERTY, PLANT AND EQUIPMENT

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

	March 31, December 31,	
	2016	2015
Property	\$ 98.8	\$ 95.0
Plant	366.4	356.3
Equipment	756.0	736.7
Property, plant and equipment – gross	1,221.2	1,188.0
Less: Accumulated depreciation	(532.1)	(512.2)
Property, plant and equipment – net	\$ 689.1	\$ 675.8

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	Cranes	MHPS	MP	Construction	Total
Balance at December 31, 2015, gross	\$ 137.7	\$ 183.1	\$ 577.1	\$ 204.3	\$ 132.8	\$ 1,235.0
Accumulated impairment	(38.6)	(4.2)	(13.0)	(23.2)	(132.8)	(211.8)
Balance at December 31, 2015, net (1)	99.1	178.9	564.1	181.1	—	1,023.2
Foreign exchange effect and other	0.3	6.1	34.5	(1.5)	—	39.4
Balance at March 31, 2016, gross	138.0	189.2	611.6	202.8	132.8	1,274.4
Accumulated impairment	(38.6)	(4.2)	(13.0)	(23.2)	(132.8)	(211.8)
Balance at March 31, 2016, net	\$ 99.4	\$ 185.0	\$ 598.6	\$ 179.6	\$ —	\$ 1,062.6

(1) Includes a \$17.9 million reclassification of goodwill from Cranes to MHPS, and a \$0.9 million reclassification of goodwill from Cranes to AWP as a result of segment realignments. See Note C - Business Segment Information.

Intangible assets, net were comprised of the following as of March 31, 2016 and December 31, 2015 (in millions):

	Weighted Average Life (in years)	March 31, 2016			December 31, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Technology	5	\$56.2	\$ (44.6)	\$ 11.6	\$53.6	\$ (41.0)	\$ 12.6
Customer Relationships	16	237.3	(92.8)	144.5	224.5	(85.1)	139.4
Land Use Rights	56	17.5	(2.3)	15.2	17.2	(2.1)	15.1
Other	7	46.6	(39.9)	6.7	48.1	(39.5)	8.6
Total definite-lived intangible assets		\$357.6	\$ (179.6)	\$ 178.0	\$343.4	\$ (167.7)	\$ 175.7
Indefinite-lived intangible assets:							
Tradenames		\$77.3			\$73.8		
Total indefinite-lived intangible assets		\$77.3			\$73.8		

	Three Months Ended March 31, 2016	2015
(in millions) Aggregate Amortization Expense	\$5.8	\$6.3

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

2016	\$22.5
2017	\$18.8
2018	\$14.5
2019	\$14.0
2020	\$13.4

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. 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 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. 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 March 31, 2016, the Company had \$231.1 million notional amount of currency exchange forward contracts outstanding that were initially designated as hedge contracts, most of which mature on or before March 31, 2017. The fair market value of these contracts at March 31, 2016 was a net loss of \$0.5 million. At March 31, 2016, \$214.3 million notional amount (\$0.8 million of fair value loss) of these forward contracts have been designated as, and are effective as, cash flow hedges of forecasted and specifically identified transactions. During 2016 and 2015, 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 March 31, 2016 and December 31, 2015 as a net liability of \$0.5 million and net asset of \$2.8 million, respectively. See Note B – "Basis of Presentation," for an explanation of the ASC 820 hierarchy. 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 March 31, 2016, the Company had \$126.4 million notional amount of interest rate swap contracts outstanding that were initially designated as hedge contracts and scheduled to mature in November, 2022. Because we have reached an understanding to repay all outstanding amounts borrowed under the Securitization Facility in 2016, we also intend to terminate the outstanding interest rate swap contracts in 2016. The interest rate swap contracts designated as hedging instruments are categorized under Level 2 of the ASC 820 hierarchy and are recorded at March 31, 2016 and December 31, 2015 as a net liability of \$0.9 million and as a net asset of \$0.2 million, respectively. The fair value of these contracts is 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	March 31, December 31,	
		2016	2015
Foreign exchange contracts	Other current assets	\$ 4.6	\$ 4.0
Interest rate swap	Other assets	—	0.9
Total asset derivatives		4.6	4.9
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	(5.1)	(1.2)
Interest rate swap	Other current liabilities	(0.9)	(0.7)
Total liability derivatives		(6.0)	(1.9)
Total Derivatives		\$ (1.4)	\$ 3.0

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	March 31, December 31,	
		2016	2015
Foreign exchange contracts	Other current assets	\$ 0.3	\$ 0.5
Debt conversion feature	Other assets	0.9	1.1
Total asset derivatives		1.2	1.6
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	(2.4)	(0.3)
Total liability derivatives		(2.4)	(0.3)
Total Derivatives		\$ (1.2)	\$ 1.3

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

Gain (Loss) Recognized in AOCI on Derivatives:	Three Months Ended	
	March 31, 2016	March 31, 2015
Cash Flow Derivatives		
Foreign exchange contracts	\$(3.1)	\$0.3
Interest rate swap	(0.5)	—
Total	\$(3.6)	\$0.3
Gain (Loss) Reclassified from AOCI into Income (Effective):		
Account		
Cost of goods sold	\$1.1	\$2.4
Other income (expense) – net	—	(6.4)
Total	\$1.1	\$(4.0)
Gain (Loss) Recognized in Income on Derivatives (Ineffective):		
Account		
Cost of goods sold	\$0.3	\$—
Other income (expense) – net	\$0.1	\$6.9
Total	\$0.4	\$6.9

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):

	Three Months	
Gain (Loss) Recognized in Income on Derivatives not designated as hedges:	Ended	
Account	March 31,	
	2016	2015
Other income (expense) – net	\$(2.5)	\$(2.1)

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	
	March 31,	
	2016	2015
Balance at beginning of period	\$2.3	\$(0.7)
Additional gains (losses) – net	(2.4)	(2.8)
Amounts reclassified to earnings	(1.2)	3.1
Balance at end of period	\$(1.3)	\$(0.4)

Within the unrealized net gains (losses) included in AOCI as of March 31, 2016, it is estimated that \$1.3 million of losses 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.

Restructuring

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 cost \$0.9 million, resulted in the reduction of 38 team members and was 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 cost \$0.9 million, resulted in the reduction of 69 team members and was completed in 2016. The segment breakdown of this program cost is as follows: Cranes (\$0.8 million) and MP (\$0.1 million).

During the first quarter of 2016, the Company established a restructuring program in the MHPS segment to streamline sales and service by closing small branch locations and transferring the activity at those branches to larger existing facilities. The program is expected to cost \$2.8 million, result in the reduction of 37 team members and is expected to be completed in 2016.

The following table provides information for all restructuring activities by segment of the amount of expense incurred during the three months ended March 31, 2016, the cumulative amount of expenses incurred since inception of the programs through March 31, 2016 and the total amount expected to be incurred (in millions):

	Amount incurred during the three months ended March 31, 2016	Cumulative amount incurred through March 31, 2016	Total amount expected to be incurred
Cranes—		0.8	0.8
MHPS	2.8	2.8	2.8
MP —		1.0	1.0
Total	\$ 2.8	\$ 4.6	\$ 4.6

The following table provides information by type of restructuring activity with respect to the amount of expense incurred during the three months ended March 31, 2016, 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
Amount incurred in the three months ended March 31, 2016	\$ 2.8	\$ —	\$ —	\$ 2.8
Cumulative amount incurred through March 31, 2016	\$ 4.0	\$ 0.1	\$ 0.5	\$ 4.6
Total amount expected to be incurred	\$ 4.0	\$ 0.1	\$ 0.5	\$ 4.6

The following table provides a roll forward of the restructuring reserve by type of restructuring activity for the three months ended March 31, 2016 (in millions):

	Employee Termination Costs	Facility Exit Costs	Total
Restructuring reserve at December 31, 2015	\$ 26.4	\$ 0.1	\$ 26.5
Restructuring charges, net	2.8	—	2.8
Cash expenditures	(3.1)	—	(3.1)
Foreign exchange	1.2	—	1.2
Restructuring reserve at March 31, 2016	\$ 27.3	\$ 0.1	\$ 27.4

Other

During the first quarter of 2016, the Company recorded approximately \$22 million and \$38 million as a component of Cost of goods sold and Selling, general and administrative expenses (“SG&A”), respectively, for severance charges for structural cost reduction actions across all segments and corporate functions. Approximately \$19 million of the charges to Cost of goods sold and \$28 million of the charges to SG&A, respectively, were recognized in our MHPS segment, primarily in Germany, to align cost structures with the current business environment. These actions are expected to be completed in 2016.

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.

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 contains customary default provisions and 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.

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 March 31, 2016 and December 31, 2015, the Company had \$448.5 million and \$439.2 million, respectively, in U.S. dollar and Euro denominated term loans outstanding under its 2014 Credit Agreement. The weighted average interest rate on the term loans at March 31, 2016 and December 31, 2015 was 3.50%. The Company had \$82.0 million in U.S. dollar denominated revolving credit amounts outstanding as of March 31, 2016. The Company had no outstanding U.S. dollar and Euro denominated revolving credit amounts at December 31, 2015. The weighted average interest rate on the revolving credit amounts at March 31, 2016 was 3.24%.

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 March 31, 2016 and December 31, 2015, 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 \$38.3 million and \$21.2 million as of March 31, 2016 and December 31, 2015, 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 \$178.3 million and \$189.7 million as of March 31, 2016 and December 31, 2015, respectively.

In total, as of March 31, 2016 and December 31, 2015, the Company had letters of credit outstanding of \$216.6 million and \$210.9 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 \$3.5 million on the 4% Convertible Notes for the three months ended March 31, 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 \$0.01 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 lenders 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.

At March 31, 2016 and December 31, 2015, the Company had \$128.3 million and \$206.5 million in loans outstanding under the Securitization Facility, respectively. The weighted average interest rate on the Securitization Facility at March 31, 2016 and December 31, 2015 was 1.73% and 1.46%. 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 was 2.44% and 2.13% at March 31, 2016 and December 31, 2015, respectively. For further information on the interest rate swap agreements see Note K – “Derivative Financial Instruments.”

During the first three months of 2016, we elected to prepay approximately \$81 million of loans outstanding under this facility. We have reached an understanding to repay the remaining loan balance and terminate this facility in 2016 as the facility was not providing the Company with the flexibility needed for its portfolio of assets.

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 financing. This financing will be provided by a number of financial institutions and will include 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 €500.0 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 \$700.0 million. In connection with the Commitment Letter, the Company incurred fees of \$4.4 million on the unused commitment for the three months ended March 31, 2016 which are included with transaction costs directly related to the BCA and are recorded in Other income (expense) - net in the Condensed Consolidated Statement of Comprehensive Income (Loss).

Fair Value of Debt

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 March 31, 2016, as follows (in millions, except for quotes):

	Book Value	Quote	FV
6% Notes	\$850.0	\$0.97500	\$829
6-1/2% Notes	\$300.0	\$0.97500	\$293
2014 Credit Agreement Term Loan (net of discount) – USD	\$225.0	\$0.98000	\$221
2014 Credit Agreement Term Loan (net of discount) – EUR	\$223.5	\$0.99250	\$222

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					
	March 31,			2015		
	2016		Other	2015		Other
	U.S. Pension	Non-U.S. Pension		U.S. Pension	Non-U.S. Pension	
Components of net periodic cost:						
Service cost	\$0.3	\$ 1.5	\$ —	\$0.3	\$ 1.6	\$ —
Interest cost	1.8	3.1	0.1	1.8	3.2	0.1
Expected return on plan assets	(2.1)	(1.7)	—	(2.5)	(2.0)	—
Amortization of actuarial loss	1.0	1.4	—	1.0	1.9	—
Net periodic cost	\$1.0	\$ 4.3	\$ 0.1	\$0.6	\$ 4.7	\$ 0.1

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.

Securities and Stockholder Derivative Lawsuits

The Company has received complaints seeking certification of class action lawsuits as follows:

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 complaints name as defendants Terex Corporation, Konecranes Plc, Konecranes, Inc., Konecranes Acquisition Company LLC and the members of the Board of Directors of Terex. On March 22, 2016, the plaintiff in the Stern action filed a notice of voluntary dismissal without prejudice of his action, which was approved by the Court.

The first two 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 stockholder derivative complaint, that there were breaches of fiduciary duties. 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 lawsuit concerning the Merger seeks, 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 complaint further alleges 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 this complaint 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, including a refiling of the lawsuit that was voluntarily dismissed.

The Company believes that the allegations in the suits are without merit, and Terex, its directors and the named executives will continue to vigorously defend against them. The Company believes that it has acted, and continues to act, in compliance with federal securities laws and Delaware law with respect to these matters. Accordingly, the Company has filed motions to dismiss the securities lawsuit. 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 lawsuit pertaining to the Merger is at a very early stage and by agreement with the plaintiff, the time for defendants to respond has not come due.

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 or the finance company is generally able to recover and dispose of the equipment at a minimum loss, if any, to the Company.

As of March 31, 2016 and December 31, 2015, the Company's maximum exposure to such credit guarantees was \$41.7 million and \$39.8 million, respectively, including total guarantees issued by a German subsidiary, part of the Cranes segment, of \$19.2 million and \$19.0 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 March 31, 2016 and December 31, 2015, the Company's maximum exposure pursuant to buyback guarantees was \$7.1 million and \$6.9 million, respectively, including total guarantees issued by entities in the MHPS segment of \$6.8 million and \$6.6 million, respectively. The Company is generally able to mitigate some of the risk of these guarantees because 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 \$4 million and \$3 million as of March 31, 2016 and December 31, 2015, respectively, for 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 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 March 31, 2016 2015	
Net income (loss)	\$ (71.0)	\$ 1.6
Other comprehensive income (loss), net of tax:		
Cumulative translation adjustment (CTA), net of (provision for) benefit from taxes of \$0.3 and \$6.8, respectively	61.9	(211.6)
Derivative hedging adjustment, net of (provision for) benefit from taxes of \$0.3 and \$0.2, respectively	(3.6)	0.3
Debt and equity securities adjustment, net of (provision for) benefit from taxes of \$0.0 and \$0.0, respectively	(0.4)	(3.1)
Pension liability adjustment:		
Amortization of actuarial (gain) loss, net of provision for (benefit from) taxes of \$(0.5) and \$(0.4), respectively	1.9	2.5
Foreign exchange and other effects, net of (provision for) benefit from taxes of \$1.2 and \$(2.4), respectively	(1.4)	12.1
Total pension liability adjustment	0.5	14.6
Other comprehensive income (loss)	58.4	(199.8)
Comprehensive income (loss)	(12.6)	(198.2)
Comprehensive loss (income) attributable to noncontrolling interest	0.1	(0.6)
Comprehensive income (loss) attributable to Terex Corporation	\$(12.5)	\$(198.8)

Changes in Accumulated Other Comprehensive Income

The table below presents changes in AOCI by component for the three months ended March 31, 2016 and 2015. All amounts are net of tax (in millions).

	Three months ended March 31, 2016					Three months ended March 31, 2015				
	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	\$(492.7)	\$ 2.3	\$ (6.3)	\$(152.9)	\$(649.6)	\$(245.5)	\$ (0.7)	\$ 1.6	\$(185.2)	\$(429.8)
Other comprehensive income before reclassifications	61.9	(2.4)	(0.4)	(1.4)	57.7	(211.6)	(2.8)	(3.1)	12.1	(205.4)
Amounts reclassified from AOCI	—	(1.2)	—	1.9	0.7	—	3.1	—	2.5	5.6
Net other comprehensive Income (Loss)	61.9	(3.6)	(0.4)	0.5	58.4	(211.6)	0.3	(3.1)	14.6	(199.8)
Ending balance	\$(430.8)	\$ (1.3)	\$ (6.7)	\$(152.4)	\$(591.2)	\$(457.1)	\$ (0.4)	\$ (1.5)	\$(170.6)	\$(629.6)

Stock-Based Compensation

During the three months ended March 31, 2016, the Company granted 2.0 million shares of restricted stock to its employees with a weighted average grant date fair value of \$23.88 per share. Approximately 80% of these restricted stock awards vest ratably over a three year period and approximately 20% cliff vest at the end of a three year period. Approximately 13% of the shares granted are based on performance targets containing a market condition and determined over a three year period. The Company used the Monte Carlo method to determine grant date fair value of \$29.24 per share for the awards with a market condition granted on March 3, 2016. 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 3, 2016
Dividend yields	1.22 %
Expected volatility	45.59 %
Risk free interest rate	0.97 %
Expected life (in years)	3

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 three months ended March 31, 2016 the Company did not repurchase any shares under this program. In the first quarter of 2016, the Company's Board of Directors declared a dividend of 0.07 per share, which was paid to its shareholders.

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 MARCH 31, 2016
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$ 0.7	\$ 684.7	\$ 965.2	\$ (223.7)	\$ 1,426.9
Cost of goods sold	(0.5)	(591.4)	(832.7)	221.2	(1,203.4)
Gross profit	0.2	93.3	132.5	(2.5)	223.5
Selling, general and administrative expenses	1.2	(72.9)	(196.0)	2.5	(265.2)
Income (loss) from operations	1.4	20.4	(63.5)	—	(41.7)
Interest income	24.2	17.2	0.8	(40.9)	1.3
Interest expense	(36.7)	(2.1)	(27.3)	40.9	(25.2)
Income (loss) from subsidiaries	(44.5)	7.8	(2.5)	39.2	—
Other income (expense) – net	(21.5)	9.5	8.2	—	(3.8)
Income (loss) from continuing operations before income taxes	(77.1)	52.8	(84.3)	39.2	(69.4)
(Provision for) benefit from income taxes	5.8	(8.2)	(2.6)	—	(5.0)
Income (loss) from continuing operations	(71.3)	44.6	(86.9)	39.2	(74.4)
Gain (loss) on disposition of discontinued operations – net of tax	0.5	—	2.9	—	3.4
Net income (loss)	(70.8)	44.6	(84.0)	39.2	(71.0)
Net loss (income) attributable to noncontrolling interest	—	—	0.2	—	0.2
Net income (loss) attributable to Terex Corporation	\$ (70.8)	\$ 44.6	\$ (83.8)	\$ 39.2	\$ (70.8)
Comprehensive income (loss), net of tax	\$ (12.6)	\$ 44.9	\$ (30.2)	\$ (14.7)	\$ (12.6)
Comprehensive loss (income) attributable to noncontrolling interest	—	—	0.1	—	0.1
Comprehensive income (loss) attributable to Terex Corporation	\$ (12.6)	\$ 44.9	\$ (30.1)	\$ (14.7)	\$ (12.5)

TEREX CORPORATION
 CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
 THREE MONTHS ENDED MARCH 31, 2015
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$ 0.8	\$ 732.7	\$ 979.7	\$ (217.6)	\$ 1,495.6
Cost of goods sold	(0.2)	(625.0)	(811.4)	217.6	(1,219.0)
Gross profit	0.6	107.7	168.3	—	276.6
Selling, general and administrative expenses	12.1	(71.4)	(173.1)	—	(232.4)
Income (loss) from operations	12.7	36.3	(4.8)	—	44.2
Interest income	27.1	17.0	1.0	(44.1)	1.0
Interest expense	(40.9)	(1.0)	(31.7)	44.1	(29.5)
Income (loss) from subsidiaries	11.5	(1.1)	(0.4)	(10.0)	—
Other income (expense) – net	(15.2)	(8.6)	18.2	—	(5.6)
Income (loss) from continuing operations before income taxes	(4.8)	42.6	(17.7)	(10.0)	10.1
(Provision for) benefit from income taxes	5.8	(8.7)	(8.7)	—	(11.6)
Income (loss) from continuing operations	1.0	33.9	(26.4)	(10.0)	(1.5)
Gain (loss) on disposition of discontinued operations – net of tax	—	—	3.1	—	3.1
Net income (loss)	1.0	33.9	(23.3)	(10.0)	1.6
Net loss (income) attributable to noncontrolling interest	—	—	(0.6)	—	(0.6)
Net income (loss) attributable to Terex Corporation	\$ 1.0	\$ 33.9	\$ (23.9)	\$ (10.0)	\$ 1.0
Comprehensive income (loss), net of tax	\$ (198.8)	\$ 33.7	\$ (161.0)	\$ 127.9	\$ (198.2)
Comprehensive loss (income) attributable to noncontrolling interest	—	—	(0.6)	—	(0.6)
Comprehensive income (loss) attributable to Terex Corporation	\$ (198.8)	\$ 33.7	\$ (161.6)	\$ 127.9	\$ (198.8)

TEREX CORPORATION
 CONDENSED CONSOLIDATING BALANCE SHEET
 MARCH 31, 2016
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	\$ 0.5	\$ 3.4	\$ 319.7	\$ —	\$ 323.6
Trade receivables – net	8.7	286.7	723.2	—	1,018.6
Intercompany receivables	73.1	80.3	56.5	(209.9)	—
Inventories	0.1	465.7	1,088.5	—	1,554.3
Prepaid assets	67.2	54.2	135.5	—	256.9
Other current assets	6.0	—	0.8	—	6.8
Total current assets	155.6	890.3	2,324.2	(209.9)	3,160.2
Property, plant and equipment – net	55.7	148.9	484.5	—	689.1
Goodwill	—	181.8	880.8	—	1,062.6
Non-current intercompany receivables	1,412.4	2,556.5	6.3	(3,975.2)	—
Investment in and advances to (from) subsidiaries	4,102.0	210.0	191.2	(4,393.5)	109.7
Other assets	66.1	235.7	414.1	—	715.9
Total assets	\$ 5,791.8	\$ 4,223.2	\$ 4,301.1	\$ (8,578.6)	\$ 5,737.5
Liabilities and Stockholders' Equity					
Current liabilities					
Notes payable and current portion of long-term debt	\$ —	\$ 0.7	\$ 161.3	\$ —	\$ 162.0
Trade accounts payable	30.1	250.3	471.5	—	751.9
Intercompany payables	5.7	53.1	151.1	(209.9)	—
Accruals and other current liabilities	73.9	116.2	530.6	—	720.7
Total current liabilities	109.7	420.3	1,314.5	(209.9)	1,634.6
Long-term debt, less current portion	1,220.7	1.0	447.2	—	1,668.9
Non-current intercompany payables	2,555.7	22.3	1,397.2	(3,975.2)	—
Retirement plans and other non-current liabilities	50.6	34.7	459.5	—	544.8
Total stockholders' equity	1,855.1	3,744.9	682.7	(4,393.5)	1,889.2
Total liabilities and stockholders' equity	\$ 5,791.8	\$ 4,223.2	\$ 4,301.1	\$ (8,578.6)	\$ 5,737.5

TEREX CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	\$ 91.6	\$ 3.1	\$ 371.8	\$ —	\$ 466.5
Trade receivables – net	5.2	254.9	679.1	—	939.2
Intercompany receivables	96.6	70.0	42.3	(208.9)	—
Inventories	—	431.2	1,014.5	—	1,445.7
Prepaid assets	55.4	33.5	132.5	—	221.4
Other current assets	55.7	0.1	11.6	—	67.4
Total current assets	304.5	792.8	2,251.8	(208.9)	3,140.2
Property, plant and equipment – net	57.9	146.6	471.3	—	675.8
Goodwill	—	180.1	843.1	—	1,023.2
Non-current intercompany receivables	1,354.0	2,629.9	0.9	(3,984.8)	—
Investment in and advances to (from) subsidiaries	3,975.6	203.9	187.9	(4,263.6)	103.8
Other assets	29.3	115.1	528.6	—	673.0
Total assets	\$ 5,721.3	\$ 4,068.4	\$ 4,283.6	\$ (8,457.3)	\$ 5,616.0
Liabilities and Stockholders' Equity					
Current liabilities					
Notes payable and current portion of long-term debt	\$ —	\$ 0.7	\$ 79.5	\$ —	\$ 80.2
Trade accounts payable	21.4	230.8	485.5	—	737.7
Intercompany payables	3.1	63.8	142.0	(208.9)	—
Accruals and other current liabilities	60.2	122.1	458.4	—	640.7
Total current liabilities	84.7	417.4	1,165.4	(208.9)	1,458.6
Long-term debt, less current portion	1,138.0	1.2	590.7	—	1,729.9
Non-current intercompany payables	2,563.2	22.3	1,399.3	(3,984.8)	—
Retirement plans and other non-current liabilities	58.0	35.4	422.1	—	515.5
Total stockholders' equity	1,877.4	3,592.1	706.1	(4,263.6)	1,912.0
Total liabilities and stockholders' equity	\$ 5,721.3	\$ 4,068.4	\$ 4,283.6	\$ (8,457.3)	\$ 5,616.0

TEREX CORPORATION
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
 THREE MONTHS ENDED MARCH 31, 2016
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (27.5)	\$ (93.8)	\$ (4.2)	\$ (3.7)	\$ (129.2)
Cash flows from investing activities					
Capital expenditures	(0.3)	(12.8)	(9.1)	—	(22.2)
Acquisitions, net of cash acquired	—	—	(3.2)	—	(3.2)
Intercompany investing activities (1)	(137.7)	—	(20.8)	158.5	—
Other investing activities, net	—	1.9	14.6	(17.0)	(0.5)
Net cash provided by (used in) investing activities	(138.0)	(10.9)	(18.5)	141.5	(25.9)
Cash flows from financing activities					
Repayments of debt	(57.5)	(0.3)	(108.3)	—	(166.1)
Proceeds from issuance of debt	139.5	—	37.5	—	177.0
Dividends paid	(7.6)	—	—	—	(7.6)
Intercompany financing activities (1)	—	105.3	32.5	(137.8)	—
Other financing activities, net	—	—	(0.6)	—	(0.6)
Net cash provided by (used in) financing activities	74.4	105.0	(38.9)	(137.8)	2.7
Effect of exchange rate changes on cash and cash equivalents	—	—	9.5	—	9.5
Net increase (decrease) in cash and cash equivalents	(91.1)	0.3	(52.1)	—	(142.9)
Cash and cash equivalents at beginning of period	91.6	3.1	371.8	—	466.5
Cash and cash equivalents at end of period	\$ 0.5	\$ 3.4	\$ 319.7	\$ —	\$ 323.6

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

TEREX CORPORATION
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
 THREE MONTHS ENDED MARCH 31, 2015
 (in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (307.5)	\$ 143.6	\$ 53.2	\$ —	\$ (110.7)
Cash flows from investing activities					
Capital expenditures	(0.2)	(12.7)	(13.3)	—	(26.2)
Acquisitions, net of cash acquired	—	(21.1)	(1.0)	—	(22.1)
Intercompany investing activities (1)	161.1	—	—	(161.1)	—
Other investing activities, net	(3.5)	—	1.5	—	(2.0)
Net cash provided by (used in) investing activities	157.4	(33.8)	(12.8)	(161.1)	(50.3)
Cash flows from financing activities					
Repayments of debt	(114.8)	(5.5)	(6.0)	—	(126.3)
Proceeds from issuance of debt	225.8	—	11.6	—	237.4
Share repurchases	(40.2)	—	—	—	(40.2)
Dividends paid	(6.4)	—	—	—	(6.4)
Intercompany financing activities (1)	—	(103.9)	(57.2)	161.1	—
Other financing activities, net	0.6	—	(0.6)	—	—
Net cash provided by (used in) financing activities	65.0	(109.4)	(52.2)	161.1	64.5
Effect of exchange rate changes on cash and cash equivalents	—	—	(30.4)	—	(30.4)
Net increase (decrease) in cash and cash equivalents	(85.1)	0.4	(42.2)	—	(126.9)
Cash and cash equivalents at beginning of period	99.0	1.9	377.3	—	478.2
Cash and cash equivalents at end of period	\$ 13.9	\$ 2.3	\$ 335.1	\$ —	\$ 351.3

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

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

BUSINESS DESCRIPTION

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

Subsequent to December 31, 2015, we reorganized our reportable segments to align with our new management reporting structure and business activities which resulted in the material handling business in our Construction segment being reassigned to our MP segment, certain non-operations related assets in the U.K. being reassigned from its Construction segment to Corporate and Other category, and parts of services North America business in our Cranes segment being reassigned into our AWP and MHPS segments. Historical results have been reclassified to give effect to these changes.

Non-GAAP Measures

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

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

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

We calculate a non-GAAP measure of free cash flow. We define free cash flow as Net cash provided by (used in) operating activities, plus (minus) increases (decreases) in Terex Financial Services ("TFS") assets, plus (minus) decreases (increases) in cash balances held for settlement on securitized assets, less Capital expenditures. The definition reflects our entry into a securitization facility in the second quarter of 2015. We believe that the measure of free cash flow provides management and investors further information on cash generation or use in our primary operations.

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

Working capital is calculated using the Condensed Consolidated Balance Sheet amounts for Trade receivables (net of allowance) plus Inventories, less Trade accounts payable and Customer advances. We view excessive working capital as an inefficient use of resources, and seek to minimize the level of investment without adversely impacting the ongoing operations of the business. Trailing three month annualized net sales is calculated using the net sales for the most recent quarter ended multiplied by four. The ratio calculated by dividing working capital by trailing three months annualized net sales is a non-GAAP measure that we believe measures our resource use efficiency.

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

Overview

The overall market dynamic for large capital equipment remains challenging, and we do not see market conditions improving in the near future. Our results for the first quarter of 2016 were operationally in-line with our expectations for most of our businesses. However, our overall results for the first quarter were negatively impacted by margin declines in our Cranes and MHPS segments mostly due to sales volume reductions as well as severance and restructuring charges. In addition, all segments, with the exception of MP, incurred charges associated with increasing inventory and warranty reserves. We have been reviewing all aspects of our cost structure and we are executing on plans that will remove approximately \$60 million of our costs. This is necessary for the market environment we are in and will help us become more globally cost competitive. As a result of these actions, we incurred approximately \$62 million of severance and restructuring charges across all segments, the majority of which was in our MHPS segment. See Note L - “Restructuring and Other Charges” in our Condensed Consolidated Financial Statements for more information on these actions.

Our AWP segment had a solid start to the year with particularly strong sales in Europe, as a result of replacement demand, and in the Asia Pacific region, excluding China. Improving sales in these geographies were partially offset by lower sales in China and South America. The North American market declined slightly and we believe AWP backlog reflects the continued cautious approach to capital expenditures by some of our larger North American customers. Margins in our AWP segment remained strong but were slightly lower primarily as a result of unfavorable pricing and declines in our refurbishment services business, which were partially offset by productivity and material cost savings.

Our Cranes segment’s net sales and profitability for the first quarter declined year over year as the global crane market remains challenging, with various crane markets at different points in their respective cycles. The North American market remained weak, as declines in oil, gas and commodity prices particularly impacted the sale of mobile cranes. We were encouraged by stabilization of the Western European market, with some product categories experiencing moderate growth. However, this was not enough to offset the impact of lower volume and unfavorable product mix as well as a slowing market for our utilities products. The decline in backlog in this segment is primarily due to the slowdown in North America. Looking forward, we are developing more extensive cost reduction plans.

Our MHPS segment’s net sales and profitability for the first quarter declined year over year as our Material Handling business faced an uneven market for its products with slight improvements in Western Europe more than offset by declines in North America and other markets. Our Port Solutions business was impacted by decreases in port automation sales in Western Europe. In addition, operating results were significantly impacted by large severance and restructuring charges taken during the quarter to implement structural cost-savings, which we believe will improve profitability in future periods, as well as by unfavorable foreign currency exchange rates, product mix and pricing impacts. The decline in backlog in this segment is primarily due to the non-recurrence of large port automation orders and slowing investments by our customers in port equipment generally as global container volumes level off.

Our MP segment had a good start to the year, which was generally in-line with our expectations. Net sales declined slightly on an absolute basis but increased slightly on a currency neutral basis. Profitability improved slightly over the prior year period and we believe our investment in expanding the environmental equipment and washing systems businesses is paying off. Growth in these new product categories offset weaker demand in some of our historically commodity-driven products.

Our Construction segment performed better than expected and had a small operating profit in the first quarter of 2016. Net sales in this segment increased over the prior year period primarily as a result of continued strong demand for our concrete mixer trucks, as well as increased sales of our site dumper product in the UK. The improvement in operating performance was driven by the sales volume increases noted above which helped to improve manufacturing efficiency.

Geographically, while sales in the North American market remain relatively strong, we continue to be impacted by lower oil and gas related activity. Sales grew slightly in Western Europe on a currency neutral basis and were up approximately 8% after adjusting for currency rate changes. The other markets were mixed, with Latin America and Asia/Oceania showing some growth and Eastern Europe, Middle East and Africa declining.

Consistent with our expectations, we used cash in the first quarter of the year as the businesses ramp up for their customers' busier season in our second and third quarters. We continue to expect to generate between \$200 million and \$250 million in free cash flow for the full year 2016. Capital allocation activities continued as planned. Our Board of Directors declared and the Company paid a dividend of \$0.07 in the first quarter of 2016. However, additional declarations of quarterly dividends and the establishment of future record and payment dates are subject to the determination of our Board of Directors. We believe our liquidity continues to be sufficient to meet our business plans. See "Liquidity and Capital Resources" for a detailed description of liquidity and working capital levels, including the primary factors affecting such levels.

Our overall outlook has not changed and we continue to expect 2016 earnings per share to be between \$1.30 and \$1.60 (excluding restructuring and unusual items) and net sales to be approximately 10% lower than 2015.

ROIC

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

Terex management and Board of Directors use ROIC as one of the primary measures to assess operational performance, including in connection with certain compensation programs. We use ROIC as a metric because we believe it measures how effectively we invest our capital and provides a better measure to compare ourselves to peer companies to assist in assessing how we drive operational improvement. We believe ROIC measures return on the amount of capital invested in our primary businesses, excluding TFS, as opposed to another metric such as return on stockholders' equity that only incorporates book equity, and is thus a more accurate and descriptive measure of our performance. We also believe adding Debt less Cash and cash equivalents to Total stockholders' equity provides a better comparison across similar businesses regarding total capitalization, and ROIC highlights the level of value creation as a percentage of capital invested. As the tables below show, our ROIC at March 31, 2016 was 5.4%.

Edgar Filing: TEREX CORP - Form 10-Q

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

	Mar '16	Dec '15	Sep '15	Jun '15	Mar '15
Provision for (benefit from) income taxes	\$5.0	\$5.6	\$30.8	\$33.0	
Divided by: Income (loss) before income taxes	(69.4)	20.3	76.9	119.3	
Effective tax rate	(7.2)	%27.6	%40.1	%27.7	%
Income (loss) from operations as adjusted	\$(43.4)	\$53.1	\$109.4	\$147.2	
Multiplied by: 1 minus Effective tax rate	107.2	%72.4	%59.9	%72.3	%
Adjusted net operating income (loss) after tax	\$(46.5)	\$38.4	\$65.5	\$106.4	
Debt (as defined above)	\$1,830.9	\$1,810.1	\$1,875.5	\$1,883.5	\$1,849.2
Less: Cash and cash equivalents	(323.6)	(466.5)	(301.1)	(332.7)	(351.3)
Debt less Cash and cash equivalents	1,507.3	1,343.6	1,574.4	1,550.8	1,497.9
Total Terex Corporation stockholders' equity as adjusted	1,501.0	1,528.0	1,549.7	1,630.8	1,543.3
Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted	\$3,008.3	\$2,871.6	\$3,124.1	\$3,181.6	\$3,041.2

March 31, 2016 ROIC	5.4	%
NOPAT as adjusted (last 4 quarters)	\$163.8	
Average Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted (5 quarters)	\$3,045.4	

	Three months ended 3/31/16	Three months ended 12/31/15	Three months ended 9/30/15	Three months ended 6/30/15
Reconciliation of income (loss) from operations:				
Income (loss) from operations as reported	\$(41.7)	\$50.8	\$111.9	\$148.3
(Income) loss from operations for TFS	(1.7)	2.3	(2.5)	(1.1)
Income (loss) from operations as adjusted	\$(43.4)	\$53.1	\$109.4	\$147.2

	As of 3/31/16	As of 12/31/15	As of 9/30/15	As of 6/30/15	As of 3/31/15
Reconciliation of Terex Corporation stockholders' equity:					
Terex Corporation stockholders' equity as reported	\$1,855.1	\$1,877.4	\$1,889.9	\$1,915.0	\$1,747.8
TFS Assets	(354.1)	(349.4)	(340.2)	(284.2)	(204.5)
Terex Corporation stockholders' equity as adjusted	\$1,501.0	\$1,528.0	\$1,549.7	\$1,630.8	\$1,543.3

Business Combination and Plan of Merger

See Note A – “Business Combination Agreement and Plan of Merger” in the Notes to the Consolidated Financial Statements for further information regarding the proposed merger with Konecranes Plc (“Konecranes”).

Proposal from Zoomlion Heavy Industry Science and Technology Co.

On March 23, 2016, we received a revised non-binding proposal from Zoomlion Heavy Industry Science and Technology Co. (“Zoomlion”) to acquire all outstanding shares of Terex for \$31.00 per share in cash. The proposal is conditioned on, among other things, receipt of U.S. and Chinese regulatory approval and Zoomlion shareholder approval.

The Board of Directors, in consultation with its legal and financial advisors, has determined to pursue negotiations of definitive terms with Zoomlion to ascertain whether it can obtain a binding proposal from Zoomlion which provides for a high degree of closing certainty. There can be no assurance that a satisfactory proposal can be achieved.

The Board of Directors has not changed its recommendation in support of the proposed combination with Konecranes pursuant to the Business Combination Agreement and Plan of Merger (“BCA”). Until such time as the BCA is terminated, we are prohibited from entering into an agreement with Zoomlion. Without agreement from Konecranes, we may not terminate the BCA unless and until Terex shareholders vote upon, and fail to approve, the Konecranes transaction, or we are otherwise entitled to terminate under our agreement with Konecranes.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2016 Compared with Three Months Ended March 31, 2015

Consolidated

	Three Months Ended March 31,		% of Sales	% of Sales	% Change In Reported Amounts
	2016	2015			
	(\$ amounts in millions)				
Net sales	\$1,426.9	—	\$1,495.6	—	(4.6)%
Gross profit	\$223.5	15.7%	\$276.6	18.5%	(19.2)%
SG&A	\$265.2	18.6%	\$232.4	15.5%	14.1%
Income (loss) from operations	\$(41.7)	(2.9)%	\$44.2	3.0%	(194.3)%

Net sales for the three months ended March 31, 2016 decreased \$68.7 million when compared to the same period in 2015. The decline in net sales was driven by lower net sales in Cranes and MHPS. Changes in foreign exchange rates negatively impacted consolidated net sales by approximately 3% or \$48 million. These declines were partially offset by net sales improvements in our Construction and AWP segments.

Gross profit for the three months ended March 31, 2016 decreased \$53.1 million when compared to the same period in 2015. The decrease was primarily due to declines in gross profit in our Cranes and MHPS segments, mostly due to sales volume reductions and approximately \$20 million in severance and restructuring charges in these two segments. We also recognized approximately \$19 million in charges associated with increasing inventory and warranty reserves, across each of our segments except for MP. Changes in foreign exchange rates negatively impacted gross profit in all segments, except Cranes. These decreases were partially offset by improved volume-related gross profit in our Construction segment.

SG&A costs for the three months ended March 31, 2016 increased by \$32.8 million when compared to the same period in 2015. We recognized approximately \$40 million of severance and restructuring charges in the first quarter of 2016, the majority of which was in our MHPS segment. The increase was partially offset by approximately \$9 million of positive impact of changes in foreign currency exchange rates.

Loss from operations for the three months ended March 31, 2016 was \$41.7 million compared to income from operations of \$44.2 million in the same period in 2015. The decrease was primarily due to lower operating performance in our MHPS and Cranes segments, for the reasons noted above.

Aerial Work Platforms

	Three Months Ended March			
	31,			
	2016	2015		%
			% of	Change
			Sales	In
				Reported
				Amounts
	(\$ amounts in millions)			
Net sales	\$520.7	\$517.5	—	0.6 %
Income from operations	\$38.1	\$44.6	7.3% 8.6%	(14.6)%

Net sales for the AWP segment for the three months ended March 31, 2016 increased \$3.2 million when compared to the same period in 2015. Net product sales volumes increased approximately \$26 million on strong sales in Europe due to replacement demand. Partially offsetting the impact from higher volumes was approximately \$10 million due to the negative impact of foreign exchange rate changes, approximately \$5 million due to pricing driven by customer mix and trade-in overallowances, and approximately \$7 million due to declines in refurbishment service activity.

Income from operations for the three months ended March 31, 2016 decreased \$6.5 million when compared to the same period in 2015. The decrease was primarily due to the impact of foreign exchange rate changes. Negative impacts from unfavorable pricing, declines in refurbishment services, severance expense, increased inventory reserves, were offset by manufacturing cost improvements and product sales volume increases.

Cranes

	Three Months Ended March			
	31,			
	2016	2015		%
			% of	Change
			Sales	In
				Reported
				Amounts
	(\$ amounts in millions)			
Net sales	\$307.3	\$353.3	—	(13.0)%
Income (loss) from operations	\$(16.6)	\$2.4	(5.4)% 0.7%	*

*Not meaningful as a percentage

Net sales for the Cranes segment for the three months ended March 31, 2016 decreased by \$46.0 million when compared to the same period in 2015. Net sales decreased approximately \$36 million due to lower sales volume driven by lower demand for mobile cranes in North America, largely due to declines in oil, gas and commodity prices. Additionally, shipments of high tonnage cranes to Asia in 2015 were not repeated in 2016. Net sales also decreased approximately \$8 million due to the negative impact of foreign exchange rate changes.

Loss from operations for the three months ended March 31, 2016 was \$16.6 million compared to income from operations of \$2.4 million for the same period in 2015. The decrease in operating performance was driven by the sales volume decline noted above, as well as charges for warranties, increased inventory reserves and severance.

Material Handling & Port Solutions

	Three Months Ended March 31,		% Change In Reported Amounts
	2016	2015	
	% of Sales	% of Sales	
	(\$ amounts in millions)		
Net sales	\$317.7 —	\$344.3 —	(7.7)%
Loss from operations	\$(61.8) (19.5)%	\$(4.4) (1.3)%	*

*Not meaningful as a percentage

Net sales for the MHPS segment for the three months ended March 31, 2016 decreased \$26.6 million when compared to the same period in 2015. Net sales decreased approximately \$15 million due to the negative impact of foreign exchange rate changes. Decreases in port automation sales in Western Europe contributed to the decline in net sales, but were partially offset by incremental sales of ship-to-shore cranes in Asia.

Loss from operations for the three months ended March 31, 2016 increased \$57.4 million when compared to the same period in 2015. The decrease in operating results was driven by approximately \$49 million of severance and restructuring charges for structural cost-reduction actions taken primarily in Germany and approximately \$7 million of unfavorable volume, mix and pricing impacts.

Materials Processing

	Three Months Ended March 31,		% Change In Reported Amounts
	2016	2015	
	% of Sales	% of Sales	
	(\$ amounts in millions)		
Net sales	\$177.3 —	\$181.1 —	(2.1)%
Income from operations	\$10.1 5.7%	\$9.3 5.1%	8.6 %

Net sales for the MP segment for the three months ended March 31, 2016 decreased by \$3.8 million when compared to the same period in 2015. The decrease was due to approximately \$8 million negative impact of foreign exchange rate changes, as sales were up on a currency neutral basis. Net sales from acquired businesses and increased sales in India were generally offset by lower net sales volumes due to continued softness in mining-related markets.

Income from operations for the three months ended March 31, 2016 increased \$0.8 million when compared to the same period in 2015, primarily from lower operating expenses.

Construction

	Three Months Ended March 31,		% Change In Reported Amounts
	2016	2015	
	% of Sales	% of Sales	
	(\$ amounts in millions)		
Net sales	\$142.5 —	\$122.2 —	16.6 %
Income (loss) from operations	\$1.3 0.9%	\$(3.6) (2.9)%	136.1 %

Net sales for the Construction segment for the three months ended March 31, 2016 increased \$20.3 million when compared to the same period in 2015. Net sales increased primarily from improved sales of concrete mixer trucks in the U.S. and site dumpers in the U.K. Partially offsetting these increases was approximately \$6 million of unfavorable foreign currency exchange rate changes.

Income from operations for the three months ended March 31, 2016 was \$1.3 million compared to a loss from operations of \$3.6 million for the same period in 2015. The improved operating performance was driven primarily by the sales volume increases discussed above and improved manufacturing efficiency.

Corporate / Eliminations

	Three Months Ended March 31,		% Change In Reported Amounts
	2016	2015	
	% of Sales	% of Sales	
	(\$ amounts in millions)		
Net sales	\$(38.6) —	\$(22.8) —	*
Loss from operations	\$(12.8) *	\$(4.1) *	*

*Not meaningful as a percentage

Net sales amounts include elimination of intercompany sales activity among segments. Loss from operations for the three months ended March 31, 2016 increased \$8.7 million when compared to the same period in 2015, primarily due to severance and pre-merger integration expenses.

Interest Expense, Net of Interest Income

During the three months ended March 31, 2016, our interest expense net of interest income was \$23.9 million, or \$4.6 million lower than the same period in the prior year. The reduction resulted primarily from the settlement of the 4% Convertible Notes on June 1, 2015.

Other Income (Expense) – Net

Other income (expense) – net for the three months ended March 31, 2016 was expense of \$3.8 million, or \$1.8 million lower expense when compared to the same period in the prior year. The decrease is primarily due to foreign currency exchange gains, partially offset by merger related costs and lower earnings from equity method investments recorded in the current year period.

Income Taxes

During the three months ended March 31, 2016, we recognized income tax expense of \$5.0 million on a loss of \$69.4 million, an effective tax rate of (7.2)%, as compared to income tax expense of \$11.6 million on income of \$10.1 million, an effective tax rate of 114.9%, for the three months ended March 31, 2015. The lower effective tax rate for the three months ended March 31, 2016 was primarily due to a decrease in losses not benefited as a percentage of income (loss) before income taxes.

Gain (Loss) on Disposition of Discontinued Operations

During the three months ended March 31, 2016, we recognized a gain on disposition of discontinued operations of \$3.4 million related to the sale of our Atlas heavy construction equipment and knuckle-boom cranes businesses, due to contractual earnout payments, and from our truck business. During the three months ended March 31, 2015 we recognized a gain on disposition of discontinued operations of \$3.1 million, primarily related to the sale of our Atlas heavy construction equipment and knuckle-boom cranes businesses due to contractual earnout payments.

LIQUIDITY AND CAPITAL RESOURCES

We continue to focus on generating cash and improving margins. Consistent with our expectations, we used cash in the three months ended March 31, 2016, as our businesses ramped up for their customers' busier season in our second and third quarters. As a result, liquidity (cash and availability under our revolving credit line) decreased by approximately \$225 million as compared to December 31, 2015. We had negative free cash flow of approximately \$146 million in the three months ended March 31, 2016. This was primarily due to cash used in working capital and a net loss for the period. We continue to expect to generate between \$200 million and \$250 million in free cash flow for the full year 2016.

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

	Three Months Ended 3/31/2016
Net cash provided by (used in) operating activities	\$ (129.2)
Plus: Increase (Decrease) in TFS assets	4.7
Less: (Increase) Decrease in cash for securitization settlement	0.5
Less: Capital expenditures	(22.2)
Free cash flow	\$ (146.2)

Generating cash from operations depends primarily on the Company's ability to earn net income through the sales of its products and to manage its investment in working capital. During the first quarter of 2016, we sold, without recourse, accounts receivable approximating 7% of our first quarter revenue to provide additional liquidity.

Our main sources of funding are cash generated from operations, loans from our bank credit facilities and funds raised in capital markets. We had cash and cash equivalents of \$323.6 million at March 31, 2016. The majority of the cash held by our foreign subsidiaries is expected to be maintained locally because we plan to reinvest such cash and cash equivalents to support our operations and continued growth plans outside the United States through funding of capital expenditures, acquisitions, operating expenses or other similar cash needs of these operations. Such cash could be used in the U.S., if necessary. Cash repatriated to the U.S. could be subject to incremental local and U.S. taxation. Currently, there are no trends, demands or uncertainties as a result of the Company's cash re-investment policy that are reasonably likely to have a material effect on us as a whole or that may be relevant to our financial flexibility.

We believe cash generated from operations together with access to our bank credit facilities and cash on hand, provide adequate liquidity to continue to support internal operating initiatives and meet our operating and debt service requirements. See Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for a detailed description of the risks resulting from our debt and our ability to generate sufficient cash flow to operate our business.

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

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

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

Typically, we have invested our cash in a combination of highly rated, liquid money market funds and in short-term bank deposits with large, highly rated banks. Our investment objective is to preserve capital and liquidity while earning a market rate of interest.

During the first three months of 2016, cash used in inventory was approximately \$93 million as production ramped up for expected future deliveries. Working capital as a percent of trailing three month annualized net sales was 29.1% at March 31, 2016.

The following tables show the calculation of our working capital and trailing three months annualized sales as of March 31, 2016 (in millions):

	Three Months Ended 3/31/2016
Net Sales	\$ 1,426.9
x	4
Trailing Three Month Annualized Net Sales	\$ 5,707.6

	As of 3/31/16
Inventories	\$1,554.3
Trade Receivables	1,018.6
Less: Trade Accounts Payable	(751.9)
Less: Customer Advances	(162.5)
Total Working Capital	\$1,658.5

Our credit agreement provides us with a revolving line of credit of up to \$600 million. See Note M – “Long-Term Obligations,” in our Condensed Consolidated Financial Statements for information concerning our credit agreement. We had \$518.0 million available for borrowing under our revolving credit facilities at March 31, 2016. The credit agreement also allows incremental commitments, which may be extended at the option of the lenders and can be in the form of revolving credit commitments, term loan commitments, or a combination of both as long as we satisfy a

secured debt financial ratio contained in the credit facilities. We had \$82.0 million of outstanding borrowings under our revolving credit facilities as well as U.S. dollar and Euro denominated term loans totaling \$448.5 million as of March 31, 2016.

Interest rates charged under the revolving line of credit in our credit agreement are subject to adjustment based on our consolidated leverage ratio. The U.S. dollar term loans bear interest at a rate of London Interbank Offer Rate (“LIBOR”) plus 2.75%, with a floor of 0.75% on LIBOR. The Euro term loans bear interest at a rate of Euro Interbank Offer Rate (“EURIBOR”) plus 2.75%, with a floor of 0.75% on EURIBOR. At March 31, 2016, the weighted average interest rate on these term loans was 3.50%. The weighted average interest rate on our revolving credit amounts at March 31, 2016 was 3.24%.

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

The revolving line of credit under our credit facility matures in August 2019 and our term loans under our credit facility mature in August 2021. Our 6-1/2% Senior Notes mature April 1, 2020 and our 6% Senior Notes mature May 15, 2021. Upon completion of the Merger, the debt under our credit facility and both senior notes could potentially accelerate to dates earlier than the above dates. As a result, on August 10, 2015, we 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 us and Konecranes with financing. This financing will be provided by a number of financial institutions and will include 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 €500.0 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 \$700 million. In connection with the Commitment Letter, we incurred fees of \$4.4 million on the unused commitment for the three months ended March 31, 2016.

Our investment in financial services assets was approximately \$354 million, net at March 31, 2016. We remain focused on expanding financing solutions in key markets like the U.S. and Europe. We also anticipate using TFS to drive incremental sales by increasing direct customer financing through TFS in certain instances.

On May 28, 2015, we entered into a securitization facility with capacity up to \$350 million secured by equipment loans and leases to our customers originated by TFS. As of March 31, 2016, the Company had \$128.3 million in loans outstanding under this facility. During the first three months of 2016, we elected to prepay approximately \$81 million of loans outstanding under this facility. We have reached an understanding to repay the remaining loan balance and terminate this facility in 2016 as the facility was not providing us with the flexibility needed for our portfolio of assets. See Note M – "Long-Term Obligations," in our Condensed Consolidated Financial Statements for information concerning this securitization facility.

We announced in February 2015 that our Board of Directors authorized the repurchase of up to \$200 million of our outstanding shares of common stock. During the three months ended March 31, 2016 we did not repurchase any shares under this program. In the first quarter of 2016, our Board of Directors declared a dividend of \$0.07 per share, which was paid to our shareholders. It is our intention to pay four quarterly dividends of \$0.07 per share, for an aggregate of \$0.28 per share, for the calendar year of 2016. However, additional declarations of quarterly dividends and the establishment of future record and payment dates are subject to the determination of our Board of Directors.

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

Cash Flows

Cash used in operations for the three months ended March 31, 2016 totaled \$129.2 million, compared to cash used in operations of \$110.7 million for the three months ended March 31, 2015. The change in cash from operations was

primarily driven by the current year net loss partially offset by lower cash used in working capital in the three months ended March 31, 2016 when compared to the prior year period.

Cash used in investing activities for the three months ended March 31, 2016 was \$25.9 million, compared to \$50.3 million cash used in investing activities for the three months ended March 31, 2015. The decrease of cash used in investing activities was primarily due to lower cash used for acquisitions and lower capital expenditures in the three months ended March 31, 2016 when compared to the prior year period.

Cash provided by financing activities was \$2.7 million for the three months ended March 31, 2016, compared to cash provided by financing activities for the three months ended March 31, 2015 of \$64.5 million. The change in cash from financing was primarily due to decreased net borrowings in the current year period partially offset by share repurchases in the prior year period that did not recur in the current year period.

OFF-BALANCE SHEET ARRANGEMENTS

Guarantees

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

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

We issue, from time to time, residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date. We are generally able to mitigate the risk associated with these guarantees because the maturity of the guarantees is staggered, which limits the amount of used equipment entering the marketplace at any one time.

We guarantee, from time to time, that we will buy equipment from our customers in the future at a stated price if certain conditions are met by the customer. Such guarantees are referred to as buyback guarantees. These conditions generally pertain to the functionality and state of repair of the machine. We are generally able to mitigate the risk of these guarantees by staggering the timing of the buybacks and through leveraging our access to the used equipment markets provided by our original equipment manufacturer status.

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

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

CONTINGENCIES AND UNCERTAINTIES

Foreign Currencies and Interest Rate Risk

Our products are sold in over 100 countries around the world and, accordingly, our revenues are generated in foreign currencies, while the costs associated with those revenues are only partly incurred in the same currencies. The major foreign currencies, among others, in which we do business are the Euro, Australian Dollar and British Pound. We may, from time to time, hedge specifically identified committed and forecasted cash flows in foreign currencies using forward currency sale or purchase contracts. At March 31, 2016, we had foreign exchange contracts with a notional value of \$231.1 million that were initially designated as hedge contracts.

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

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

Other

We are subject to a number of contingencies and uncertainties including, without limitation, product liability claims, workers' compensation liability, intellectual property litigation, self-insurance obligations, tax examinations, guarantees, class action lawsuits and other matters. See Note O – "Litigation and Contingencies" in the Notes to the Condensed Consolidated Financial Statements for more information concerning contingencies and uncertainties, including our securities, stockholder derivative and merger lawsuits. We are insured for product liability, general liability, workers' compensation, employer's liability, property damage, intellectual property and other insurable risk required by law or contract with retained liability to us or deductibles. Many of the exposures are unasserted or proceedings are at a preliminary stage, and it is not presently possible to estimate the amount or timing of any of our costs. However, we do not believe that these contingencies and uncertainties will, individually or in the aggregate, have a material adverse effect on our operations. For contingencies and uncertainties other than income taxes, when it is probable that a loss will be incurred and possible to make reasonable estimates of our liability with respect to such matters, a provision is recorded for the amount of such estimate or for the minimum amount of a range of estimates when it is not possible to estimate the amount within the range that is most likely to occur.

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Exchange Risk

We are exposed to fluctuations in foreign currency cash flows related to third-party purchases and sales, intercompany product shipments and other intercompany transactions. We are also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, we are exposed to volatility in the translation of foreign currency earnings to U.S. Dollars. Primary exposures include the

U.S. Dollar when compared to functional currencies of our major markets, which include the Euro, Australian Dollar and British Pound. We assess foreign currency risk based on transactional cash flows, identify naturally offsetting positions and purchase hedging instruments to partially offset anticipated exposures.

At March 31, 2016, we performed a sensitivity analysis on the impact that aggregate changes in the translation effect of foreign currency exchange rate changes would have on our operating income. Based on this sensitivity analysis, we have determined that a change in the value of the U.S. dollar relative to other currencies by 10% to amounts already incorporated in the financial statements for the three months ended March 31, 2016 would have had an approximately \$6 million impact on the translation effect reported in operating income for the period.

Interest Rate Risk

We are exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate, Commercial Paper rate, LIBOR and EURIBOR. We manage interest rate risk by incurring a mix of indebtedness bearing interest at both floating and fixed rates at inception and maintain an ongoing balance between floating and fixed rates on this mix of indebtedness using interest rate swaps when necessary. At March 31, 2016, approximately 30% of our debt was floating rate debt and the weighted average interest rate for all debt was 5.08%.

At March 31, 2016, we performed a sensitivity analysis for our derivatives and other financial instruments that have interest rate risk. We calculated the pretax earnings impact on our interest sensitive instruments. Based on this sensitivity analysis, we have determined that an increase of 10% in our average floating interest rates at March 31, 2016 would have increased interest expense by \$0.5 million for the three months ended March 31, 2016.

Commodities Risk

Principal materials and components that we use in our manufacturing processes include steel, castings, engines, tires, hydraulics, cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. Extreme movements in the cost and availability of these materials and components may affect our financial performance. In the first three months of 2016, minor, unfavorable input cost changes in some areas were more than off-set by favorable changes in steel prices and other areas.

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

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required financial disclosure. In connection with the preparation of this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, as of March 31, 2016, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2016.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in the quarterly period ended March 31, 2016 in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, other than updates to the risk factors as set forth below:

The merger is subject to conditions, including certain conditions that may not be satisfied or completed on a timely basis, if at all. Whether or not the merger is completed, the announcement and pendency of (i) the merger and (ii) the non-binding proposal from Zoomlion Heavy Industry Science and Technology Co. (“Zoomlion”) could impact or cause disruptions in our businesses, which could have an adverse effect on our businesses and operating results.

The completion of the merger is subject to a number of conditions, including, among other things, the approval by our stockholders of the merger proposal, the approval by Konecranes shareholders of all of the proposals relating to the merger and the receipt of antitrust and other regulatory approvals in the United States, the European Union, China and certain other jurisdictions, which make the completion and timing of the completion of the merger uncertain. Also, either Terex or Konecranes may terminate the business combination agreement if the merger has not been completed by August 10, 2016 (subject to certain extension rights).

Whether or not the merger is completed, the announcement and pendency of (i) the merger and (ii) the non-binding proposal from Zoomlion could cause disruptions in or otherwise negatively impact our businesses and operating results, including among others:

- Our employees may experience uncertainty about their future roles with the combined company, which might adversely affect our ability to retain and hire key personnel and other employees;
- the attention of our management may be directed toward completion of the merger and transaction-related considerations and may be diverted from the day-to-day operations and pursuit of other opportunities that could have been beneficial to our businesses;
- customers, distributors, vendors or suppliers may seek to modify or terminate their business relationships with us, or delay or defer decisions concerning Terex;
- we have incurred and will continue to incur significant transaction costs in connection with the merger; and
- we may be required to pay, in certain circumstances, a termination fee of up to \$37 million to Konecranes.

These disruptions and expenses could be exacerbated by a delay in the completion of the merger or termination of the business combination agreement and could have a material adverse effect on our businesses, operating results or prospects if the merger is not completed.

A class action lawsuit has been filed and additional lawsuits may be filed against Terex relating to the merger. An adverse ruling in any such lawsuit may prevent the merger from being consummated.

In August 2015, a class action complaint challenging the merger was filed in the Delaware Chancery Court.

The complaint names as defendants Terex, Konecranes, Konecranes, Inc., Konecranes Acquisition LLC (“Merger Sub”) and the members of the board of directors of Terex. The complaint seeks, among other relief, an order enjoining or rescinding the merger and an award of attorneys’ fees and costs on the grounds that the Terex board of directors breached their fiduciary duty in connection with entering into the business combination agreement and approving the merger. The complaint further alleges that Terex, Konecranes, Konecranes, Inc. and Merger Sub aided and abetted the alleged breaches of fiduciary duties by the Terex board of directors. It is possible that the complaint 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.

We believe that the allegations in the suit are without merit, and Terex and its directors will vigorously defend against them. One of the conditions to completion of the merger is the absence of any order being in effect that prohibits consummation of the merger. Accordingly, if the plaintiff or any future plaintiff is successful in obtaining an order enjoining consummation of the merger, then such order may prevent the merger from being completed, or from being completed within the expected time frame.

Additionally, we may be subject to litigation if the merger is not completed, or in connection with any enforcement proceeding commenced by one of the parties to the business combination agreement against the other(s) to perform its obligations under the business combination agreement.

Terex and Konecranes will fail to realize a portion of, and may fail to realize all of, the anticipated benefits of the merger.

Upon signing of the business combination agreement, Konecranes and Terex announced expected after-tax annual cost savings and operational synergies of approximately \$119 million, which included €32/\$35 million post-tax income benefit from financial and tax synergies. It is anticipated that substantially all of the financial and tax synergies will be eliminated as a result of certain regulations promulgated and proposed by the Internal Revenue Service (the "IRS") and U.S. Treasury Department on April 4, 2016 (the "April 4 Regulations"). In particular, temporary regulations promulgated under certain sections of the Internal Revenue Code (the "Code") including Section 7874 (the "Cross-Border Regulations") preclude the migration of the combined company to a country other than Finland in a transaction related to the merger and impose negative U.S. federal income tax consequences on certain transactions, such as the merger. As a result, the combined company expects to be subject to additional material annual net tax costs from the imposition of Finnish tax rules on Terex and U.S. withholding tax rules after the merger, which additional tax costs may be difficult to mitigate in full so long as Konecranes Terex remains domiciled in Finland. The April 4 Regulations also included proposed regulations issued under Section 385 of the Code (the "385 Proposed Regulations") that govern the U.S. federal income tax treatment of intercompany indebtedness and generally apply to all corporate taxpayers without regard to whether a transaction such as the merger has occurred. If the 385 Proposed Regulations are finalized in their current form, they would prevent the combined company from achieving the €32/\$35 million financial and tax benefits referred to above, which would be in addition to the previously mentioned additional tax costs imposed as a result of Konecranes Terex being domiciled in Finland. While Terex is still considering the potential effects of these developments, the April 4 Regulations will materially impact the ability of the combined company to realize the anticipated benefits of the merger and may cause the merger to result in annual incremental net tax cost for the combined company.

In addition, the anticipated benefits of the merger may be further limited (or even eliminated) by a change in law or regulatory environment, including tax laws and regulations. For example, laws may be enacted that would cause the combined company to be taxed as a domestic corporation for U.S. federal income tax purposes following the consummation of the merger.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities and competitive responses. The difficulties of combining the operations of the companies include, among others:

- difficulties in achieving anticipated cost savings, synergies (including sourcing synergies), business opportunities and growth prospects from the combination;
- difficulties in the integration of operations and systems;
- potential expense due to loss of tax attributes, gain recognition, and changes to consolidated group filing statuses due to the merger transaction and subsequent tax costs related to potential reduced ability to use tax attributes and costs of making cash available to the Finnish parent company;

- material unanticipated tax costs resulting from the April 4 Regulations;
- conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;
- difficulties in the assimilation of employees;
- challenges in retaining key personnel;
- higher than anticipated transaction costs; and
- higher interest rates on debt resulting in increased interest expense.

Many of these factors will be outside of the control of Terex or Konecranes and any one of these factors could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition and results of operations of the combined company. In addition, even if the operations of the businesses of Terex and Konecranes are integrated successfully, the full benefits of the transaction may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. These benefits may not be achieved within the anticipated time frame, or at all. Additional unanticipated costs may be incurred in the integration of the businesses of Terex and Konecranes. All of these factors could cause a decline in the earnings per share of the combined company, decrease or delay the expected accretive effect of the transaction and negatively impact the price of the Konecranes ordinary shares and the ADSs. As a result, we cannot assure you that the combination of Terex and Konecranes will result in the realization of the benefits anticipated from the transaction.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

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

SIGNATURES

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

TEREX CORPORATION
(Registrant)

Date: April 27, 2016 /s/ Kevin P. Bradley
Kevin P. Bradley
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: April 27, 2016 /s/ Mark I. Clair
Mark I. Clair
Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)

EXHIBIT INDEX

- 2.1 Business Combination Agreement and Plan of Merger among Terex Corporation, Konecranes Plc, Konecranes, Inc. and Konecranes Acquisition Company LLC (incorporated by reference to Exhibit 2.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 10, 2015 and filed with the Commission on August 13, 2015).
- 3.1 Restated Certificate of Incorporation of Terex Corporation (incorporated by reference to Exhibit 3.1 of the Form S-1 Registration Statement of Terex Corporation, Registration No. 33-52297).
- 3.2 Certificate of Elimination with respect to the Series B Preferred Stock (incorporated by reference to Exhibit 4.3 of the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
- 3.3 Certificate of Amendment to Certificate of Incorporation of Terex Corporation dated September 5, 1998 (incorporated by reference to Exhibit 3.3 of the Form 10-K for the year ended December 31, 1998 of Terex Corporation, Commission File No. 1-10702).
- 3.4 Certificate of Amendment of the Certificate of Incorporation of Terex Corporation dated July 17, 2007 (incorporated by reference to Exhibit 3.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated July 17, 2007 and filed with the Commission on July 17, 2007).
- 3.5 Amended and Restated Bylaws of Terex Corporation (incorporated by reference to Exhibit 3.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 15, 2015 and filed with the Commission on October 19, 2015).
- 4.1 Indenture, dated July 20, 2007, between Terex Corporation and HSBC Bank USA, National Association, as Trustee, relating to senior debt securities (incorporated by reference to Exhibit 4.1 of the Form S-3 Registration Statement of Terex Corporation, Registration No. 333-144796).
- 4.2 Indenture, dated July 20, 2007, between Terex Corporation and HSBC Bank USA, National Association, as Trustee, relating to subordinated debt securities (incorporated by reference to Exhibit 4.2 of the Form S-3 Registration Statement of Terex Corporation, Registration No. 333-144796).
- 4.3 Third Supplemental Indenture, dated as of March 27, 2012, to Senior Debt Indenture dated as of July 20, 2007, with HSBC Bank USA, National Association as Trustee relating to the 6.50% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 27, 2012 and filed with the Commission on March 30, 2012).
- 4.4 Fourth Supplemental Indenture, dated as of November 26, 2012, to the Senior Debt Indenture dated as of July 20, 2007, with HSBC Bank USA, National Association as Trustee relating to 6% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated November 26, 2012 and filed with the Commission on November 30, 2012).
- 4.5 Supplemental Indenture to the Third Supplemental Indenture dated as of March 27, 2012 to Senior Debt Indenture dated as of July 20, 2007, with HSBC Bank USA, National Association as Trustee relating to the 6.50% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated September 8, 2015 and filed with the Commission on September 14, 2015).
- 4.6

Edgar Filing: TEREX CORP - Form 10-Q

Supplemental Indenture to the Fourth Supplemental Indenture, dated as of November 26, 2012, to the Senior Debt Indenture dated as of July 20, 2007, with HSBC Bank USA, National Association as Trustee relating to 6% Senior Notes due 2021 (incorporated by reference to Exhibit 4.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated September 8, 2015 and filed with the Commission on September 14, 2015).

10.1 Terex Corporation Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 of the Form 10-Q for the quarter ended June 30, 2007 of Terex Corporation, Commission File No. 1-10702). ***

10.2 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the Form S-8 Registration Statement of Terex Corporation, Registration No. 333-03983). ***

10.3 Amendment No. 1 to 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.5 of the Form 10-K for the year ended December 31, 1999 of Terex Corporation, Commission File No. 1-10702). ***

10.4 Amendment No. 2 to 1996 Terex Corporation Long Term Incentive Plan (incorporated by reference to Exhibit 10.6 of the Form 10-K for the year ended December 31, 1999 of Terex Corporation, Commission File No. 1-10702). ***

- 10.5 Terex Corporation Amended and Restated 2000 Incentive Plan (incorporated by reference to Exhibit 10.3 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 14, 2008 and filed with the Commission on October 17, 2008). ***
- 10.6 Form of Restricted Stock Agreement under the Terex Corporation 2000 Incentive Plan between Terex Corporation and participants of the 2000 Incentive Plan (incorporated by reference to Exhibit 10.4 of the Form 8-K Current Report, Commission File No. 1-10702, dated January 1, 2005 and filed with the Commission on January 5, 2005). ***
- 10.7 Form of Option Agreement under the Terex Corporation 2000 Incentive Plan between Terex Corporation and participants of the 2000 Incentive Plan (incorporated by reference to Exhibit 10.5 of the Form 8-K Current Report, Commission File No. 1-10702, dated January 1, 2005 and filed with the Commission on January 5, 2005). ***
- 10.8 Terex Corporation Amended and Restated Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.10 of the Form 10-K for the year ended December 31, 2008 of Terex Corporation, Commission File No. 1-10702). ***
- 10.9 Terex Corporation Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.11 of the Form 10-Q for the quarter ended June 30, 2004 of Terex Corporation, Commission File No. 1-10702). ***
- 10.10 Amendment to the Terex Corporation Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 14, 2008 and filed with the Commission on October 17, 2008). ***
- 10.11 Terex Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 9, 2013 and filed with the Commission on May, 14, 2013). ***
- 10.12 Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 9, 2013 and filed with the Commission on May, 14, 2013). ***
- 10.13 Form of Restricted Stock Agreement (time based) under the Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan between Terex Corporation and participants of the 2009 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.17 of the Form 10-K for the year ended December 31, 2011 of Terex Corporation, Commission File No. 1-10702). ***
- 10.14 Form of Restricted Stock Agreement (performance based) under the Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan between Terex Corporation and participants of the 2009 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.18 of the Form 10-K for the year ended December 31, 2011 of Terex Corporation, Commission File No. 1-10702). ***
- 10.15 Credit Agreement dated as of August 13, 2014, among Terex Corporation, certain of its subsidiaries, the Lenders named therein and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 15, 2014 and filed with the Commission August 15, 2014).

10.16 Guarantee and Collateral Agreement dated as of August 13, 2014, among Terex Corporation, certain of its subsidiaries, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 15, 2014 and filed with the Commission August 15, 2014).

10.17 Incremental Assumption Agreement and Amendment No. 1, dated as of May 29, 2015, to the Credit Agreement dated as of August 13, 2014, among Terex Corporation, certain of its subsidiaries, the Lenders named therein and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 28, 2015 and filed with the Commission June 2, 2015).

10.18 Loan and Security Agreement, dated as of May 28 2015, among TFS Funding I, LLC, Terex Financial Services, Inc., Institutional Secured Funding (Jersey) Limited, Credit Suisse AG (Cayman Islands Branch) and Credit Suisse AG (New York Branch) (incorporated by reference to Exhibit 10.18 of the Form 10-Q for the quarter ended June 30, 2015 of Terex Corporation, Commission File 1-10702). ^

10.19 Amendment and Agreement dated as of August 10, 2015 relating to the Loan and Security Agreement, dated as of May 28 2015, among TFS Funding I, LLC, Terex Financial Services, Inc., Institutional Secured Funding (Jersey) Limited, Credit Suisse AG (Cayman Islands Branch) and Credit Suisse AG (New York Branch). *

Edgar Filing: TEREX CORP - Form 10-Q

- 10.20 Commitment Letter dated August 10, 2015, among Terex Corporation, Konecranes Plc, Credit Suisse Securities (USA) LLC and Credit Suisse AG (incorporated by reference to Exhibit 10.19 of the Form 10-Q for the quarter ended September 30, 2015 of Terex Corporation, Commission File No. 1-10702).
- 10.21 Amended and Restated Employment and Compensation Agreement, dated August 9, 2012, between Terex Corporation and Ronald M. DeFeo (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 9, 2012 and filed with the Commission on August 13, 2012). ***
- 10.22 Life Insurance Agreement, dated as of October 13, 2006, between Terex Corporation and Ronald M. DeFeo (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 13, 2006 and filed with the Commission on October 16, 2006). ***
- 10.23 Transition and Retirement Agreement between Terex Corporation and Phillip C. Widman, dated October 19, 2012 (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 19, 2012 and filed with the Commission on October 22, 2012). ***
- 10.24 Form of Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 29, 2011 and filed with the Commission on March 31, 2011). ***
- 10.25 Form of Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 29, 2011 and filed with the Commission on March 31, 2011). ***
- 10.26 Employment Letter from Terex Corporation signed by John Garrison on October 15, 2015 (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 15, 2015 and filed with the Commission on October 19, 2015).***
- 10.27 Consulting Agreement between Terex Corporation and Ronald M. DeFeo, dated December 11, 2015 (incorporated by reference to Exhibit 10.1 of Form 8-K Current Report, Commission File No. 1-10702, dated December 11, 2015 and filed with the Commission on December 14, 2015). ***
- 12 Calculation of Ratio of Earnings to Fixed Charges. *
- 31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). *
- 31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). *
- 32 Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002. **
- 101.INS XBRL Instance Document. *
- 101.SCHXBRL Taxonomy Extension Schema Document. *
- 101.CALXBRL Taxonomy Extension Calculation Linkbase Document. *

101.DEF XBRL Taxonomy Extension Definition Linkbase Document. *

101.LABXBRL Taxonomy Extension Label Linkbase Document. *

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document. *

* Exhibit filed with this document.

** Exhibit furnished with this document.

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

^ Portions of this exhibit have been omitted pursuant to a Confidential Treatment Order dated October 7, 2015 issued by the Commission. The omitted portions have been separately filed with the Commission.