



# THE **TEREX** WAY

THE VALUES AND BELIEFS THAT GUIDE  
OUR ACTIONS AND BEHAVIORS.

## **INTEGRITY**

Integrity reflects honesty, ethics, transparency and accountability. We are committed to maintaining high ethical standards in all of our business dealings.

## **RESPECT**

Respect incorporates concern for safety, health, teamwork, diversity, inclusion and performance. We treat all our team members, customers and suppliers with respect and dignity.

## **IMPROVEMENT**

Improvement encompasses quality, problem-solving systems, a continuous improvement culture and collaboration. We continuously search for new and better ways of doing things, focusing on continuous improvement and the elimination of waste.

## **SERVANT LEADERSHIP**

Servant leadership requires service to others, humility, authenticity and leading by example. We work to serve the needs of our customers, investors and team members.

## **COURAGE**

Courage entails willingness to take risks, responsibility, action and empowerment. We have the courage to make a difference even when it is difficult.

## **CITIZENSHIP**

Citizenship means social responsibility and environmental stewardship. We comply with all laws and we respect all peoples' values and cultures and are good global, national and local citizens.

## DEAR FELLOW SHAREHOLDERS:

I am privileged and honored to serve as president and chief executive officer of Terex in these dynamic and challenging times. During my first several months here, I have met personally with the leaders of our company, visited many of our production facilities around the globe and talked firsthand with numerous customers – listening, observing and learning. My initial research has convinced me Terex has a strong, values-based corporate culture – solidly rooted in the Terex Way – which provides a real competitive advantage and strong foundation to build on for the future. We clearly manufacture outstanding products that help improve people’s lives around the world; and have dedicated team members working hard every day to improve our performance for the benefit of our customers and investors.

While I recognize these positives, I also recognize there are meaningful opportunities to improve and grow our business. We operate in an intensely competitive business environment which requires us to relentlessly focus on meeting our commitments to our customers, shareholders and team members. As we move forward, we will focus on leveraging our Executing to Win philosophy to improve Terex’s business strategies, operational excellence and talent-development systems. Specifically, we will:

- develop and implement business strategies that focus on achieving organic growth through innovative product and service developments that provide our customers and distribution partners with compelling competitive advantages;

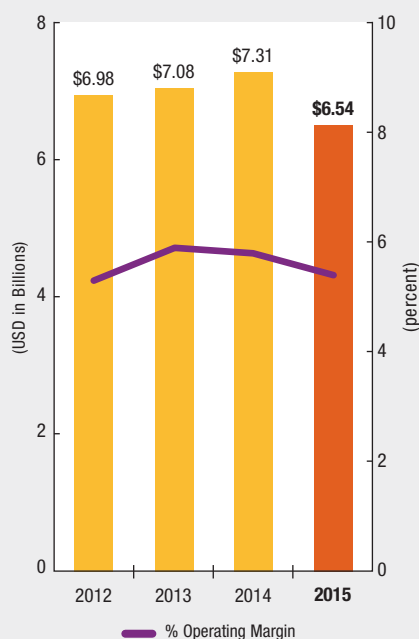


**John L. Garrison**  
President and Chief Executive Officer

**Terex has a strong, values-based corporate culture – solidly rooted in the Terex Way – which provides a real competitive advantage and strong foundation to build on for the future.**

As we move forward, we will focus on leveraging our Executing to Win philosophy to improve Terex's business strategies, operational excellence and talent-development systems.

#### NET SALES AND OPERATING MARGIN



- strive passionately to drive continuous improvement in all of our business operations, with a goal of execution excellence in everything we do; and
- strengthen our talent-development systems to ensure we have the talent needed to win in the global marketplace.

The competitive environment for global industrial companies like ours was challenging in 2015 and will remain so in 2016. Low oil and gas prices, currency volatility, slowing growth in China and the slowing growth in global GNP each had an impact on demand across all of our business segments. In such an environment, we must focus on the things we can control – new product and service development, operational efficiency, matching our size to market realities and keeping our existing commitments. Over the past several months there has also been a significant amount of work on the Konecranes-Terex “merger of equals.” The merger teams have made good progress in coordinating with the appropriate regulatory authorities to achieve the required

approvals and in developing the detailed integration planning we will need to hit the ground running should the merger be approved by shareholders.

On behalf of our Leadership Team and Board of Directors, I thank you for the opportunity to work and deliver greater value for you, our shareholders.

We are committed to meeting or exceeding your expectations.

Sincerely,



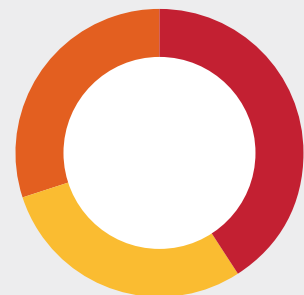
John L. Garrison  
President and Chief Executive Officer  
March 2016

### NET SALES BY SEGMENT 2015



- Aerial Work Platforms **33%**
- Cranes **25%**
- Material Handling & Port Solutions **22%**
- Materials Processing **10%**
- Construction **10%**

### NET SALES BY GEOGRAPHY 2015



- USA / Canada **41%**
- Western Europe **29%**
- Rest of the World **30%**

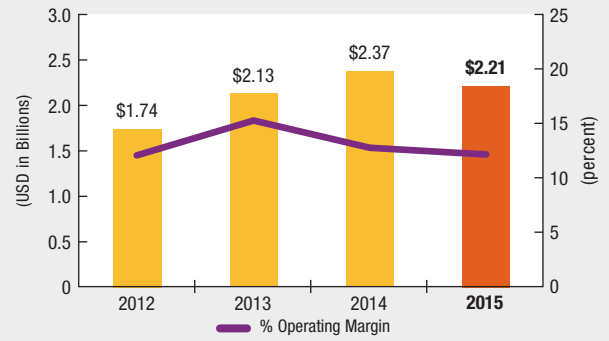
# TEREX CORPORATION

## BUSINESS SEGMENTS AT-A-GLANCE

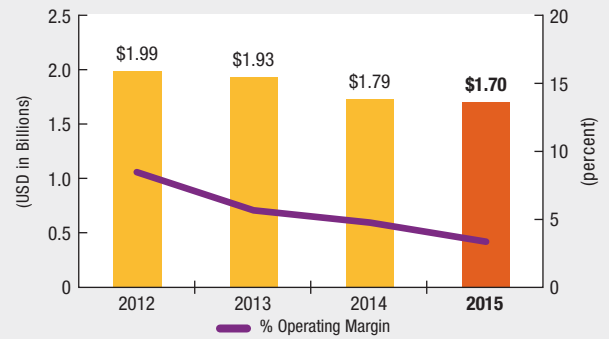
AERIAL WORK PLATFORMS



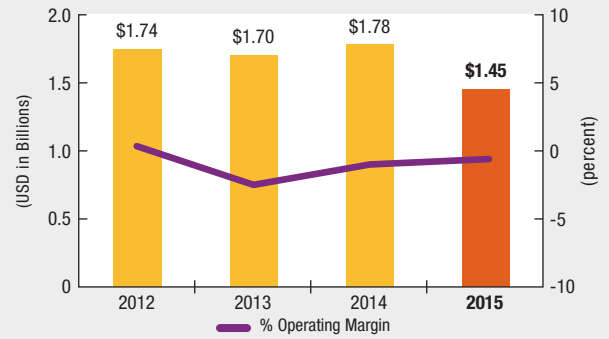
### NET SALES AND OPERATING MARGIN



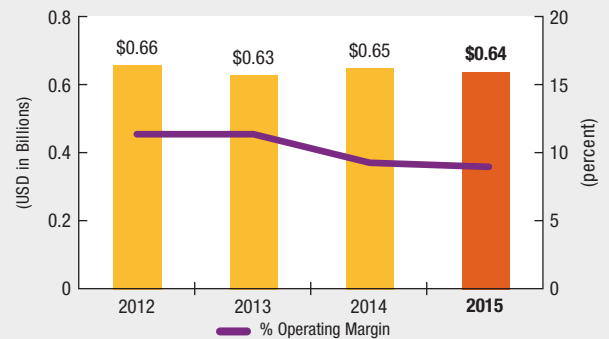
CRANES



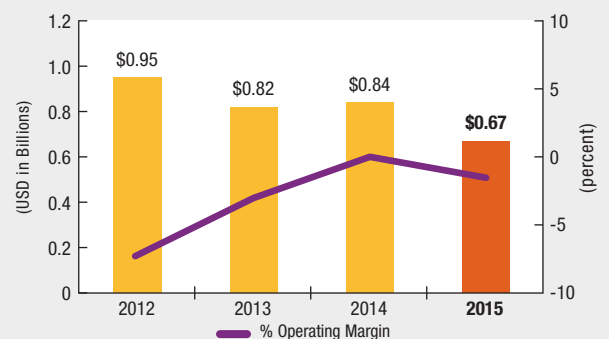
MATERIAL HANDLING & PORT SOLUTIONS



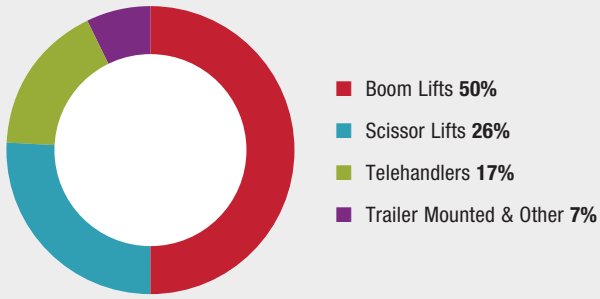
MATERIALS PROCESSING



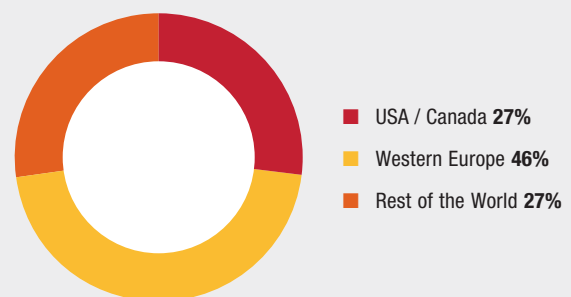
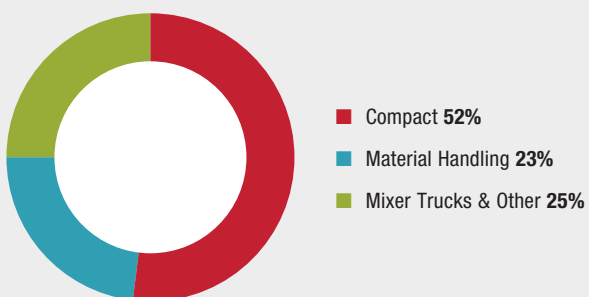
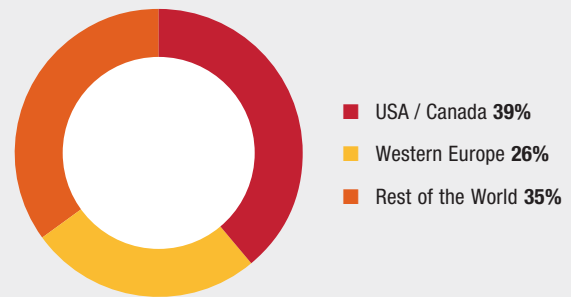
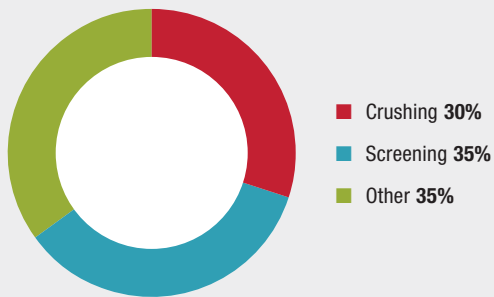
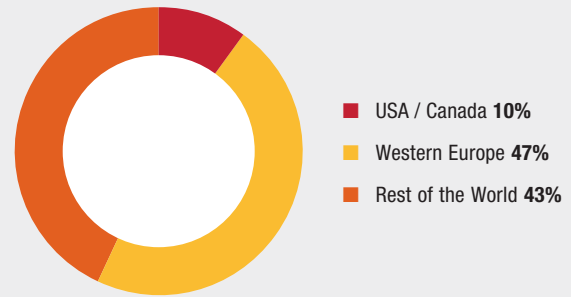
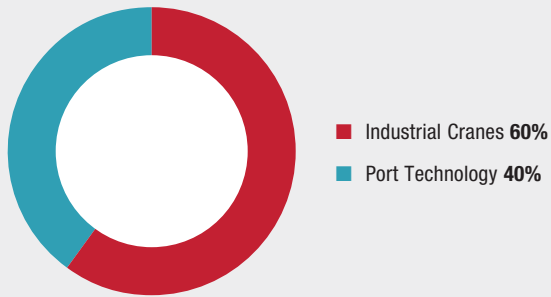
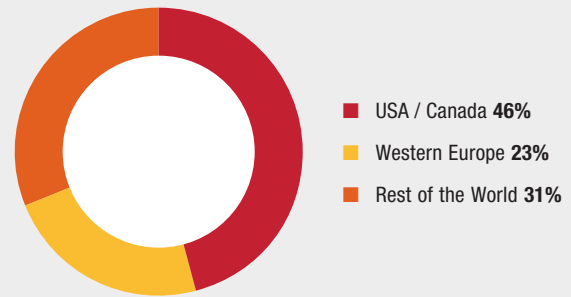
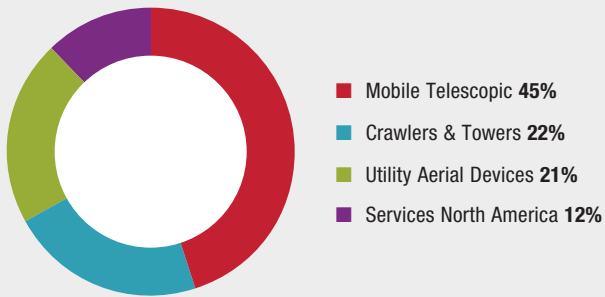
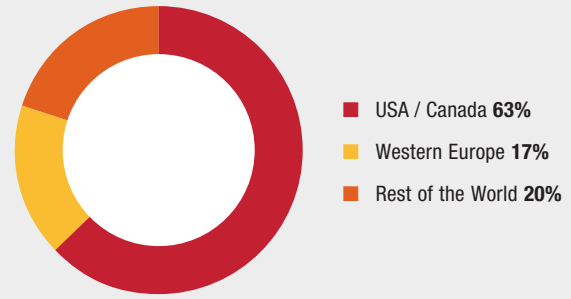
CONSTRUCTION



## NET SALES BY PRODUCT



## NET SALES BY GEOGRAPHY



## BOARD OF DIRECTORS

### DAVID A. SACHS

Partner, Ares Management, LP  
Chairman of the Board, Terex Corporation

### G. CHRIS ANDERSEN

Partner, G.C. Andersen Partners, LLC

### PAULA H. J. CHOLMONDELEY

Private Consultant – Strategic Planning

### DONALD DEFOSSET

Chairman, President and CEO (retired),  
Walter Industries, Inc.

### JOHN L. GARRISON

President and Chief Executive Officer

### THOMAS J. HANSEN

Vice Chairman (retired) of Illinois Tool Works, Inc.

### DR. RAIMUND KLINKNER

Managing Partner, IMX Institute for Manufacturing  
Excellence GmbH

### OREN G. SHAFFER

Vice Chairman and Chief Financial Officer (retired),  
Qwest Communications International, Inc.

### DAVID C. WANG

Vice President of International Relations (retired) of  
The Boeing Company

### SCOTT W. WINE

Chairman and Chief Executive Officer of  
Polaris Industries, Inc.

## CORPORATE LEADERSHIP

### JOHN L. GARRISON

President and Chief Executive Officer

### KEVIN BRADLEY

Senior Vice President and Chief Financial Officer

### ERIC I COHEN

Senior Vice President, General Counsel and Secretary

### KEVIN A. BARR

Senior Vice President, Human Resources

### BRIAN J. HENRY

Senior Vice President, Finance and  
Business Development

### GEORGE ELLIS

Senior Vice President, Operations Planning  
and President, Terex Construction

### MATT FEARON

President, Terex Aerial Work Platforms

### STEVE FILIPOV

President, Terex Material Handling & Port Solutions

### KIERAN HEGARTY

President, Terex Materials Processing

### KEN LOUSBERG

President, Terex Cranes

### MARK CLAIR

Vice President, Controller and Chief Accounting Officer

### STACEY BABSON-SMITH

Vice President, Chief Ethics and Compliance Officer

### RAMON OLIU

Vice President, Chief Risk Officer

### THOMAS GELSTON

Vice President, Investor Relations

## CORPORATE INFORMATION

### TEREX CORPORATION

200 Nyala Farm Road  
Westport, CT 06880, USA  
Telephone: +1 203-222-7170  
Fax: +1 203-222-7976  
Website: [www.terex.com](http://www.terex.com)



UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

FOR ANNUAL AND TRANSITIONAL REPORTS PURSUANT TO  
SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the Fiscal Year Ended **December 31, 2015**

or

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

Commission file number 1-10702

**TEREX CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of Incorporation)

**34-1531521**

(IRS Employer Identification No.)

**200 Nyala Farm Road, Westport, Connecticut**

(Address of principal executive offices)

**06880**

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

**COMMON STOCK, \$.01 PAR VALUE**

(Title of Class)

**NEW YORK STOCK EXCHANGE**

(Name of Exchange on which Registered)

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act.

YES  NO

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, 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. (Check one):

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

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

YES  NO

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant was approximately \$2,426 million based on the last sale price on June 30, 2015.

**THE NUMBER OF SHARES OF THE REGISTRANT'S COMMON STOCK OUTSTANDING WAS 108.6 MILLION AS OF February 18, 2016.**

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to the 2016 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

As used in this Annual Report on Form 10-K, unless otherwise indicated, Terex Corporation, together with its consolidated subsidiaries, is hereinafter referred to as “Terex,” the “Registrant,” “us,” “we,” “our” or the “Company.” This Annual Report generally speaks as of December 31, 2015, unless specifically noted otherwise.

### Forward-Looking Information

Certain information in this Annual Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) regarding future events or our future financial performance that involve certain contingencies and uncertainties, including those discussed below in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Contingencies and Uncertainties.” In addition, when included in this Annual 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”) 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 Annual 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 Annual 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.

## TEREX CORPORATION AND SUBSIDIARIES

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For the Year Ended December 31, 2015

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## **PART I**

### **ITEM 1. BUSINESS**

#### **GENERAL**

Terex is a lifting and material handling solutions company. We are focused on improving our operations 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; (ii) Cranes; (iii) Material Handling & Port Solutions; (iv) Materials Processing; and (v) Construction.

Our Company was incorporated in Delaware in October 1986 as Terex U.S.A., Inc. We have changed significantly since that time, achieving \$6.5 billion of net sales in 2015. Much of our growth has been accomplished through acquisitions, and as part of managing our portfolio of companies, we regularly consider the divestiture of non-core businesses and products. We also continue to focus on becoming an industry leading operating company.

As we have expanded our operations, our business has become increasingly international in scope, with our products manufactured in North and South America, Europe, Australia and Asia and sold worldwide. We continue to focus on expanding our business globally, with a continued emphasis on developing markets such as China, India, Latin America, Africa and the Middle East.

For financial information about our industry and geographic segments, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note C – “Business Segment Information” in the Notes to the Consolidated Financial Statements.

#### **AERIAL WORK PLATFORMS**

Our Aerial Work Platforms (“AWP”) segment designs, manufactures, services and markets aerial work platform equipment, telehandlers and light towers. Products include portable material lifts, portable aerial work platforms, trailer-mounted articulating booms, self-propelled articulating and telescopic booms, scissor lifts, telehandlers and trailer-mounted light towers as well as their related components and replacement parts. 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. We market aerial work platform products principally under the Terex® and Genie® brand names.

AWP has the following significant manufacturing operations:

- Aerial work platform equipment is manufactured in Redmond and Moses Lake, Washington, Rock Hill, South Carolina, Umbertide, Italy, Coventry, England and Changzhou, China;
- Telehandlers are manufactured in Oklahoma City, Oklahoma and Umbertide, Italy; and
- Trailer-mounted light towers are manufactured in Rock Hill, South Carolina.

We have a parts and logistics center located in North Bend, Washington for our aerial work platform equipment. Additionally, a portion of our aerial work platform parts business is conducted at a shared Terex facility in Southaven, Mississippi. Our European and Asian Pacific parts and logistics operations are conducted through out-sourced facilities.

#### **CRANES**

Our 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, energy related projects, construction and maintenance of utility and telecommunication lines, tree trimming and certain construction and foundation drilling applications and a wide range of infrastructure projects. We market our Cranes products principally under the Terex® brand name.

Cranes has the following significant manufacturing operations:

- Rough terrain cranes are manufactured in Crespellano, Italy and Waverly, Iowa;
- All-terrain cranes are manufactured in Montceau-les-Mines, France, Zweibrücken and Bierbach-Homburg, Germany;
- Truck cranes are manufactured in Waverly, Iowa;
- Truck-mounted cranes are manufactured in Waverly, Iowa;
- Tower cranes are manufactured in Fontanafredda, Italy;
- Lattice boom crawler cranes are manufactured in Oklahoma City, Oklahoma, Jinan, China, Zweibrücken and Bierbach-Homburg, Germany;
- Pick and carry cranes are manufactured in Brisbane, Australia;
- Lattice boom truck cranes are manufactured in Zweibrücken and Bierbach-Homburg, Germany;
- Steel assemblies for cranes are manufactured in Bierbach-Homburg, Germany and Pecs, Hungary; and
- Utility products are manufactured in Watertown and Huron, South Dakota, Fort Wayne, Indiana, Waukesha, Wisconsin, Betim, Brazil and Jinan, China.

We have a minority interest in a Chinese company which manufactures truck cranes and truck-mounted cranes in China.

We also provide service and support for industrial cranes and aerial products in North America and refurbish aerial products in facilities located in Waco, Texas and Stockton, California.

### **MATERIAL HANDLING & PORT SOLUTIONS**

Our Material Handling & Port Solutions (“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. Our MHPS segment also operates an extensive global sales and service network. We market our MHPS products under the Terex® and Demag® brand names and the Terex® name in conjunction with the Gottwald® brand name.

MHPS has the following significant manufacturing operations:

- Universal cranes are manufactured in Banbury, UK, Milan, Italy, Solon, Ohio, Cotia, Brazil, Boksburg, South Africa, Chakan, India and Shanghai, China;
- Process cranes are manufactured in Slany, Czech Republic, Banbury, UK, Solon, Ohio, Boksburg, South Africa, Chakan, India, Shanghai, China and Cotia, Brazil;
- Rope and chain hoists are manufactured in Wetter an der Ruhr, Germany, Shanghai, China, Milan, Italy and Cotia, Brazil;
- Electric motors are manufactured in Uslar, Germany;
- Light crane systems are manufactured in Shanghai, China, Cotia, Brazil, Chakan, India and Wetter an der Ruhr, Germany;
- Mobile harbor cranes are manufactured in Düsseldorf, Germany and Xiamen, China;
- Automated stacking cranes and automated guided vehicles are manufactured in Düsseldorf, Germany;
- Rubber tired gantry cranes, rail mounted gantry cranes, ship-to-shore gantry cranes, reach stackers, empty container handlers and other material handling equipment are manufactured in Xiamen, China;
- Reach stackers are manufactured in Montceau-les-Mines, France;
- Straddle and sprinter carriers are manufactured in Würzburg, Germany; and
- Empty container handlers, full container handlers and general cargo lift trucks are manufactured in Lentigione, Italy.

We offer a range of services for cranes and lifting equipment, port management software and logistics solutions, and operate a global network of service stations.

We have a 50% interest in a Singapore-based company that manufactures industrial cranes in eight locations around the world.

## **MATERIALS PROCESSING**

Our Materials Processing (“MP”) segment designs, manufactures and markets materials processing equipment, including crushers, washing systems, screens, apron feeders, wood processing, biomass and recycling machines 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. We market our MP products principally under the Terex<sup>®</sup> Powerscreen<sup>®</sup> and CBI<sup>®</sup> brand names and the Terex<sup>®</sup> name in conjunction with certain historic brand names.

MP has the following significant manufacturing operations:

- Mobile crushers, mobile screens and washing systems are manufactured in Omagh and Dungannon, Northern Ireland;
- Mobile crushers, mobile screens, base crushers, base screens and washing systems are manufactured in Hosur, India, primarily for the Indian market;
- Base crushers and base screens are manufactured in Subang Jaya, Malaysia and Oklahoma City, Oklahoma;
- Screening equipment is manufactured in Durand, Michigan;
- Base crushers are manufactured in Coalville, England; and
- Wood processing, biomass and recycling equipment systems are manufactured in Newton, New Hampshire, Haid bei, Austria and Dungannon, Northern Ireland.

We have a North American distribution center in Louisville, Kentucky and service centers in Australia, Thailand, Turkey and Malaysia.

We have a 50% interest in a Chinese company that manufactures mobile crushers and mobile screens primarily for the Chinese market.

## **CONSTRUCTION**

Our Construction segment designs, manufactures and markets two primary categories of construction equipment and their related components and replacement parts:

- Compact construction equipment, including loader backhoes, mini and midi excavators, wheeled excavators, site dumpers, compaction rollers and wheel loaders; and
- Specialty equipment, including material handlers, concrete mixer trucks and concrete pavers.

Customers use these products in construction and infrastructure projects, in building roads, bridges, residential and commercial buildings, industrial sites and for material handling applications. We market our Construction products principally under the Terex<sup>®</sup> brand name, and for certain products, the Terex<sup>®</sup> name in conjunction with certain historic brand names.

Construction has the following significant manufacturing operations:

### Compact Construction Equipment

- Site dumpers, compaction rollers and loader backhoes, as well as certain products for our AWP segment, are manufactured in Coventry, England;
- A range of wheel loaders, wheeled excavators and mini, mobile, and midi excavators are manufactured in Crailsheim, Germany; and
- Loader backhoes are manufactured in Greater Noida, Uttar Pradesh, India for markets in India and neighboring countries.

### Specialty Equipment

- Material handlers are manufactured in Bad Schönborn, Germany;
- Concrete pavers are manufactured in Canton, South Dakota; and
- Front and rear discharge concrete mixer trucks are manufactured in Fort Wayne, Indiana.

Construction’s Americas distribution center is in Southaven, Mississippi and serves as a machine and parts center for Construction and other Terex operations.

We have a minority interest in a company that manufactures skid steers and compact track loaders in the United States.

## **BUSINESS COMBINATION AND PLAN OF MERGER**

On August 10, 2015, we entered into a Business Combination Agreement and Plan of Merger (the "BCA") with Konecranes Plc, a Finnish public company limited by shares ("Konecranes"). The combined company that would result from the transaction will be called Konecranes Terex Plc and will be incorporated in Finland.

In the proposed transaction, a wholly-owned subsidiary of Konecranes would be merged with and into Terex and our shareholders would receive 0.8 of a Konecranes share for each existing Terex share (the "Merger"). Upon completion of the Merger, our shareholders would own approximately 60% and Konecranes shareholders would own approximately 40% of the combined company. The BCA includes undertakings by us and Konecranes that are typical in similar transactions, including undertakings by both companies to conduct their businesses in the ordinary course prior to the completion of the Merger.

The BCA may be terminated by us or Konecranes under certain circumstances prior to the completion of the Merger, including, for example, because of a material breach by either party of the terms and conditions of the BCA. The parties have further agreed on certain termination fees customary in similar transactions and payable to the other party under certain circumstances.

The transaction is subject to approval by both Terex and Konecranes shareholders, regulatory approvals, and the listing of the Konecranes shares or American Depositary Shares (the "ADSs") on the New York Stock Exchange or another U.S. national securities exchange. Terex and Konecranes expect to convene meetings of their shareholders to approve the transaction in the first half of 2016. Closing of the transaction is expected to occur during the first half of 2016.

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.

## **OTHER**

We may assist customers in their rental, leasing and acquisition of our products through Terex Financial Services ("TFS"). TFS uses its equipment financing experience to provide financing solutions to our customers who purchase our equipment. TFS provides financing support primarily: (i) in the United States and on a limited basis in China, originating, underwriting, documenting, funding and servicing financing transactions directly with end-user customers, distributors and rental companies; and (ii) by facilitating loans and leases between our customers and third party financial institutions. Most of the transactions are fixed and floating rate loans. However, TFS also provides sales-type leases, operating leases and rentals. TFS, in the normal course of business, also sells loans and leases to financial institutions with which it has established relationships.

The on-book financing activities of TFS have primarily been limited to the United States and China. Additionally, in those countries in which TFS engages in on-book financing, TFS continually evaluates the level to which it utilizes third party funding versus direct customer financing to meet its business objectives.

TFS continually monitors used equipment values of Terex equipment in the secondary market sales channels for all of our equipment categories. This provides a basis for TFS to project future values of equipment for the underwriting of leases or loans. These re-marketing channels are also used if equipment is returned at end of lease, or is repossessed in case of a customer default. TFS uses the resale channel which maximizes proceeds and/or mitigates risk for Terex and our funding partners.

## **DISCONTINUED OPERATIONS**

On May 30, 2014, the Company sold its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for approximately \$160 million. The truck business manufactured and sold off-highway rigid and articulated haul trucks. Included in the transaction was the manufacturing facility in Motherwell, Scotland. As a result, the reporting of the truck business has been included in discontinued operations for all periods presented. See Note E – "Discontinued Operations" in the Notes to our Consolidated Financial Statements for more information on our discontinued operations.

## **BUSINESS STRATEGY**

### General

We operate a diverse portfolio of specialized machinery businesses that serve numerous end-use applications in several geographic markets. Our diverse portfolio reduces impact of any one application or market on business results while our focus on machinery-related businesses brings common operational characteristics that enable business efficiency.

Over the past several years, we changed our business portfolio to better balance business drivers and strengthen the capabilities of our Company. We moved from a predominantly mining and construction equipment company to a more diverse portfolio that serves numerous end markets. Today, we are a lifting and material handling solutions company. Construction markets are still important to our success, along with several other economic drivers. These include global industrial activity, global trade, U.S. electricity demand and infrastructure maintenance. Service to the large installed base of our equipment now operating around the world is an important opportunity that can favorably impact future results.

A key objective in developing our portfolio of businesses is market leadership. We may initially secure smaller positions, but our goal in developing businesses is to be a top three competitor in applications and geographies that we serve. This goal shapes acquisition, divestiture, and operating strategies in our Company. At the end of 2015, approximately 75% of our revenue was generated in areas where we are a top three competitor in the market served.

Operationally, we focus on three primary objectives:

1. Customer Responsiveness
2. Operational Efficiency
3. Global Growth

We must excel in each of these areas in order to be a more effective and more profitable company long term, and strong performance in all three areas is central to daily management of our Company.

Our Customer Responsiveness goal is to exceed the performance of competitors in providing equipment that goes to work and stays at work, backed by world-class parts and service support. Each of our businesses measures customer satisfaction and develops roadmaps used to drive improvement in customer satisfaction.

Our Operational Efficiency goal is to achieve the highest return on invested capital in our peer group. This implies an efficient factory footprint, efficient supply and delivery chains, and a lean mindset that helps eliminate waste throughout our processes for production, delivery, and service to the customer. It is our goal to provide the best value and have ability to compete on price when necessary. Competition in all of our businesses is intense and we must position ourselves to compete more effectively during all phases of future business cycles.

Global Growth is also critical to our future success. A few of our businesses are focused in specific geographies, but most operate in global industries that require global presence. Collaboration across businesses, sharing of assets, and unified approaches to market development are all critical to efficient pursuit of global opportunities for growth. Efficient sharing of underlying resources enables our businesses to focus on things customers value most and to better position our company to participate as developed markets recover and as developing markets continue to evolve and grow.

We remain committed to becoming a stronger and more effective company tomorrow than we are today. To succeed, we must focus on what makes our individual businesses strong while also working across businesses to harness the strength of the Company as a whole. Strategy plays an important role but, in the end, our success will be defined and driven by our people. People matter in our company, and it is the way that people work, both individually and collectively, that makes the difference between success and failure. Because of this, we work very hard on the composition of our team, on the values and culture of our company, and on the principles that guide our thinking each and every day. These principles are reflected in our purpose, mission, and vision, in a set of cultural characteristics that we call the Terex Way, and in the processes and practices that define the Terex Business System.



## Purpose, Mission, Vision

Our purpose is to improve the lives of people around the world. Our mission is to provide solutions to our machinery and industrial product customers that yield superior productivity and return on investment.

Our vision focuses on the Company's core constituencies of customers, stakeholders and team members:

- Customers: We aim to be the most customer responsive company in the industry as determined by our customers.
- Stakeholders: We aim to be the most profitable company in the industry as measured by return on invested capital.
- Team Members: We aim to be the best place to work in the industry as determined by our team members.

## The Terex Way

We operate our business based on our value system, "The Terex Way." The Terex Way shapes the culture of our Company and reflects our collective commitment to what it means to be a part of Terex. The Terex Way is based on six key values:

- Integrity: Integrity reflects honesty, ethics, transparency and accountability. We are committed to maintaining high ethical standards in all of our business dealings and we never sacrifice our integrity for profit.
- Respect: Respect incorporates concern for safety, health, teamwork, diversity, inclusion and performance. We treat all our team members, customers and suppliers with respect and dignity.
- Improvement: Improvement encompasses quality, problem-solving systems, a continuous improvement culture and collaboration. We continuously search for new and better ways of doing things, focusing on continuous improvement and the elimination of waste.
- Servant Leadership: Servant leadership requires service to others, humility, authenticity and leading by example. We work to serve the needs of our customers, investors and team members.
- Courage: Courage entails willingness to take risks, responsibility, action and empowerment. We have the courage to make a difference even when it is difficult.
- Citizenship: Citizenship means social responsibility and environmental stewardship. We comply with all laws, respect all people's values and cultures, and are good global, national and local citizens.

## The Terex Business System

Our operational principles are based on the "Terex Business System," or "TBS." TBS is the framework around which we build our capabilities as an industry leading operating company to achieve our long-term goals. Founded on lean concepts, TBS is a set of guiding principles and business processes that collectively define how we do what we do. TBS is our playbook to deliver our customer, team member and financial goals. It aligns the Company globally with repeatable, teachable processes that harness the full potential of our team members, with each business segment implementing and adapting TBS to fit its manufacturing processes. TBS is not business strategy; it supports business strategy. We believe TBS provides us with a competitive advantage using customer-centric tools that continually enhance responsiveness and eliminate waste.

## **PRODUCTS**

### **AERIAL WORK PLATFORMS**

**AERIAL WORK PLATFORMS.** Aerial work platform equipment safely positions workers and materials easily and quickly to elevated work areas to enhance productivity. These products have developed as alternatives to scaffolding and ladders. We offer a variety of aerial lifts that are categorized into six product families: portable material lifts; portable aerial work platforms; trailer-mounted articulating booms; self-propelled articulating and self-propelled telescopic booms; and scissor lifts.

- Portable material lifts are used primarily indoors in the construction, industrial and theatrical markets.
- Portable aerial work platforms are used primarily indoors in a variety of markets to perform overhead maintenance.
- Trailer-mounted articulating booms are used both indoors and outdoors. They provide versatile reach, and have the ability to be towed between job sites.
- Self-propelled articulating booms are primarily used in construction and industrial applications, both indoors and outdoors. They feature lifting versatility with up, out and over position capabilities to access difficult to reach overhead areas.
- Self-propelled telescopic booms are used outdoors in commercial and industrial construction, as well as highway and bridge maintenance projects.
- Scissor lifts are used in outdoor and indoor applications in a variety of construction, industrial and commercial settings.

**TELEHANDLERS.** Telehandlers move and place materials on residential and commercial construction sites and are used in the energy and infrastructure industries.

**LIGHT TOWERS.** Trailer-mounted light towers are used primarily to light work areas for construction, entertainment, emergency assistance and security during nighttime or low light applications.

## **CRANES**

We offer a wide variety of cranes, including mobile telescopic cranes, tower cranes, lattice boom crawler cranes, lattice boom truck cranes and boom trucks.

**MOBILE TELESCOPIC CRANES.** Mobile telescopic cranes are used primarily for industrial applications, in commercial and public works construction, and in maintenance applications to lift equipment or material. We offer a complete line of mobile telescopic cranes, including rough terrain cranes, truck cranes, all terrain cranes and pick and carry cranes.

- Rough terrain cranes move materials and equipment on rugged or uneven terrain and are often located on a single construction or work site for long periods. Rough terrain cranes cannot be driven on highways and accordingly must be transported by truck to the work site.
- Truck cranes have two cabs and can travel rapidly from job site to job site at highway speeds. Truck cranes are often used for multiple local jobs, primarily in urban or suburban areas.
- All-terrain cranes were developed in Europe as a cross between rough terrain and truck cranes, and are designed to travel across both rough terrain and highways.
- Pick and carry cranes are designed for a wide variety of applications, including use at mine sites, large fabrication yards, building and construction sites and in machinery maintenance and installation. They combine high road speed with all terrain capability.

**LATTICE BOOM CRAWLER AND LATTICE BOOM TRUCK CRANES.** Lattice boom crawler and lattice boom truck cranes are designed to lift material on rough terrain. The boom is made of tubular steel sections, which, together with the base unit, are transported to and erected at a construction site. Applications include infrastructure building, wind turbine erection, construction of nuclear power and petrochemical plants and heavy lifting within oil refineries and the construction industry.

**TOWER CRANES.** Tower cranes are often used in urban areas where space is constrained and in long-term or very high building sites. Tower cranes lift construction material and place the material at the point where it is being used. We produce the following types of tower cranes:

- Self-erecting tower cranes unfold from sections and can be trailer mounted; certain larger models have a telescopic tower and folding jib. These cranes can be assembled on site in a few hours. Applications include residential and small commercial construction.
- Hammerhead tower cranes have a tower and a horizontal jib assembled from sections. The tower extends above the jib to which suspension cables supporting the jib are attached. These cranes are assembled on-site in one to three days depending on height, and can increase in height with the project.
- Flat top tower cranes have a tower and a horizontal jib assembled from sections. There is no A-frame above the jib, which is self-supporting and consists of reinforced jib sections. These cranes are assembled on-site in one to two days, and can increase in height with the project.
- Luffing jib tower cranes have a tower and an angled jib assembled from sections. There is one A-frame above the jib to which suspension cables supporting the jib are attached. Unlike other tower cranes, there is no trolley to control linear movement of the load, which is accomplished by changing the jib angle. These cranes are assembled on-site in two to three days, and can increase in height with the project.

**TRUCK-MOUNTED CRANES (BOOM TRUCKS).** We manufacture telescopic boom cranes and articulated hydraulic cranes for mounting on a commercial truck chassis. Truck-mounted cranes are used primarily in the construction and maintenance industries to lift equipment or materials to various heights. Boom trucks are generally lighter and have less lifting capacity than truck cranes, and are used for many of the same applications when lower lifting capacities are sufficient. An advantage of a boom truck is that the equipment or material to be lifted by the crane can be transported by the truck, which can travel at highway speeds. Applications include delivery of building materials and the installation of commercial air conditioners and other roof-mounted equipment.

UTILITY EQUIPMENT. Our utility products include digger derricks, auger drills, insulated and non-insulated aerial devices and cable placers. These products are used by electric utilities, tree care companies, telecommunications and cable companies, and the related construction industries, as well as by government organizations.

- Digger derricks are used to dig holes, hoist and set utility poles, as well as lift transformers and other materials at job sites. Auger drills are used to dig holes for utility poles or construction foundations requiring larger diameter holes in difficult soil conditions.
- Insulated aerial devices are used to elevate workers and material to work areas at the top of utility poles, energized transmission lines and for trimming trees near energized electrical lines, as well as for miscellaneous purposes such as sign maintenance. Non-insulated aeriels are used in applications where energized electrical lines are not a hazard.
- Cable placers are used to install fiber optic, copper and strand telephone and cable lines.

SERVICES. We offer a range of services for aerial work platform, construction, industrial crane and utility equipment consisting of inspections, preventative maintenance, general repairs, reconditioning, refurbishment, modernization and spare parts, as well as consultancy and training services. Our services are provided on our own products and on third-party products and related equipment.

### **MATERIAL HANDLING & PORT SOLUTIONS**

MATERIAL HANDLING. We manufacture universal cranes, process cranes and components, such as rope hoists, chain hoists, light crane systems, travel units and electric motors.

- Universal cranes are configured individually from standardized modules for industrial infrastructure applications.
- Process cranes are also made from largely standardized modules and are integrated individually into the customer's specific production processes.
- Rope hoists and chain hoists are used to facilitate the movement of materials in a factory. They can either be integrated as components in universal and process cranes or used as lifting devices in non-crane applications.
- Light crane systems can be described as railway systems on ceilings that use hoists to move and lift materials in factories.
- Wheel blocks, electric motors, gearboxes, converters and travel units are components that can be included in tailored solutions for drive applications that aid in the movement of materials in a factory. These components can also be used separately in non-crane applications.
- Crane sets comprise component packages for customers who are constructing their own girders in a factory.

PORT SOLUTIONS. We manufacture mobile harbor cranes, ship-to-shore gantry cranes, rubber tired and rail mounted gantry cranes, straddle carriers, sprinter carriers, reach stackers, empty container handlers, full container handlers, general cargo lift trucks, automated stacking cranes, automated guided vehicles and software solutions for logistic terminals.

- Mobile harbor cranes are used for material handling at ports, including general cargo handling, shipping containers and bulk materials such as coal, iron ore and grain. Mobile harbor cranes can travel around the port as needed and have the ability to move large loads. Mobile harbor cranes can be fitted with a variety of attachments for handling different types of cargo and can also be mounted on a portal or pontoons.
- Ship-to-shore gantry cranes are used to load and unload container vessels at ports.
- Rubber tired and rail mounted gantry cranes are used for space intensive shipping container stacking at port and railway facilities. These products have both horizontal and vertical lifting capabilities and can stack up to six containers on top of each other.
- Straddle carriers pick up and carry shipping containers from or to a quay-side crane while straddling their load. Straddle carriers have the capability to stack up to four shipping containers on top of each other. Straddle carriers are used in port and railway facilities to move shipping containers and to load and unload shipping containers from on-highway trucks. Straddle carriers have both horizontal and vertical lifting capabilities.
- Sprinter carriers operate in a similar manner to straddle carriers, but at higher speeds in horizontal transport and can stack only one container on top of another container.
- Reach stackers are used to pick up and stack shipping containers at port and railway facilities. At the end of each reach stacker's boom is a spreader that enables it to attach to shipping containers of varying lengths and weights and to rotate the container.
- Empty container handlers, full container handlers and general cargo lift trucks are small to medium-sized highly mobile trucks for use with a variety of container handling applications at port and railway facilities and provide general cargo lifting capabilities.
- Automated stacking cranes are able to stack and manage shipping container storage either automatically, semi-automatically or manually. They also form the link between quayside and landside equipment such as ship-to-shore cranes, transport vehicles and trucks.
- Automated guided vehicles can carry containers of varying size. The vehicles are controlled and supplied with data and orders by our proprietary designed software. Automated guided vehicles find their routes via transponders, which are powerful radio frequency identification chips that are embedded into the pavement of the terminal. In large container terminals involving container transport, storage and transloading, automated guided vehicles work hand-in-hand with automated stacking cranes.

## **MATERIALS PROCESSING**

Materials processing equipment is used in processing aggregate materials for building applications and is also used in the quarrying, mining, demolition, recycling, landscaping and biomass production industries. Our materials processing equipment includes crushers, screens and feeders, washing systems as well as wood and biomass chippers.

We manufacture a range of jaw, impactor (both horizontal and vertical shaft) and cone crushers, as well as base crushers for integration within mobile, modular and static plants.

- Jaw crushers are used for crushing larger rock, primarily at the quarry face or on recycling duties. Applications include hard rock, sand and gravel and recycled materials. Cone crushers are used in secondary and tertiary applications to reduce a number of materials, including quarry rock and riverbed gravel.
- Horizontal shaft impactors are primary and secondary crushers. They are typically applied to reduce soft to medium hard materials, as well as recycled materials. Vertical shaft impactors are secondary and tertiary crushers that reduce material utilizing various rotor configurations and are highly adaptable to any application.

Our screening and feeder equipment includes:

- Heavy duty inclined and horizontal screens and feeders, which are used in low to high tonnage applications and are available as either stationary or heavy-duty mobile equipment. Screens are used in all phases of plant design from handling quarried material to fine screening. Dry screening is used to process materials such as sand, gravel, quarry rock, coal, ore, construction and demolition waste, soil, compost and wood chips.
- Feeders are used to unload materials from hoppers and bulk material storage at controlled rates. They are available for applications ranging from primary feed hoppers to fine material bin unloading. Our range includes apron feeders, grizzly feeders and pan feeders.

Washing system products include a completely mobile, single chassis washing plant incorporating separation, washing, dewatering and stockpiling. We manufacture mobile and stationary screening rinsers, bucket-wheel dewaterers, scrubbing devices for aggregate, a mobile cyclone for maximum retention of sand particles, silt extraction systems, stockpiling conveyors and a sand screw system as an alternative to bucket-wheel dewaterers. We also manufacture washing screens, which are used to separate, wash, scrub, dewater and stockpile sand and gravel.

Wood processing biomass and recycling equipment includes grinders, chippers, compost turners, shredders, and de-barker systems. This equipment is used in, among other things, the pulp and paper, wood energy, and green waste/construction and demolition recycling industries.

## CONSTRUCTION

**COMPACT CONSTRUCTION EQUIPMENT.** We manufacture a wide variety of compact construction equipment used primarily in the construction and rental industries. Products include loader backhoes, compaction rollers, excavators, site dumpers, and wheel loaders.

- Loader backhoes incorporate a front-end loader and rear excavator arm. They are used for loading, excavating and lifting in many construction and agricultural related applications.
- Our compaction rollers range from pedestrian single drum to ride-on tandem drum rollers.
- Excavators in the compact equipment category include mini, wheeled and midi excavators used in the general construction, landscaping and rental businesses.
- Wheel loaders are used for loading and unloading materials. Applications include residential and non-residential construction, waste management and general construction.
- Site dumpers are used to move materials from one location to another, and are primarily used for construction applications.

**SPECIALTY EQUIPMENT.** We manufacture material handlers, concrete mixer trucks and concrete pavers.

- Material handlers are designed for handling logs, scrap, recycling and other bulky materials with clamshell, magnet or grapple attachments.
- Concrete mixer trucks are machines with a large revolving drum in which cement is mixed with other materials to make concrete. We offer models with custom chassis as well as rear discharge models mounted on commercial chassis, both with configurations from three to seven axles.
- Our concrete pavers are used to finish bridges, concrete streets, highways and airport surfaces.

## PRODUCT CATEGORY SALES

The following table lists our main product categories and their percentage of our total sales:

<u>PRODUCT CATEGORY</u>	<u>PERCENTAGE OF SALES</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Aerial Work Products	27%	26%	24%
Mobile & Tower Cranes	17	18	21
Materials Processing Equipment	10	7	9
Port Equipment	10	11	9
Material Handling	8	10	10
Services	7	7	7
Telehandlers & Light Construction Equipment	6	6	5
Compact Construction Equipment	5	7	7
Utility Equipment	5	4	5
Specialty Equipment	5	4	3
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## **BACKLOG**

Our backlog as of December 31, 2015 and 2014 was as follows:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in millions)</b>	
AWP	\$ 567.5	\$ 698.4
Cranes	431.9	538.5
MHPS	538.7	574.8
MP	54.3	51.4
Construction	145.9	137.9
Total	<u>\$ 1,738.3</u>	<u>\$ 2,001.0</u>

We define backlog as firm orders that are expected to be filled within one year, although there can be no assurance that all such backlog orders will be filled within that time. Our backlog orders represent primarily new equipment orders. Parts orders are generally filled on an as-ordered basis.

Our management views backlog as one of many indicators of the performance of our business. Because many variables can cause changes in backlog, and these changes may or may not be of any significance, we consequently view backlog as an important, but not necessarily determinative, indicator of future results. High backlog can indicate a high level of future sales; however, when backlogs are high, this may also reflect a high level of production delays, which may result in future order cancellations from disappointed customers. Low backlog may indicate less future sales; however, they may also reflect a rapid ability to fill orders that is appreciated by our customers.

Our overall backlog amounts at December 31, 2015 decreased \$262.7 million from our backlog amounts at December 31, 2014, primarily due to lower orders in AWP and Cranes. The translation effect of foreign exchange rates negatively impacted backlog year-over-year by approximately 8%.

AWP segment backlog at December 31, 2015 decreased approximately 19% from our backlog amounts at December 31, 2014. This decrease from the prior year was primarily due to lower fleet orders from large North American rental customers and to a lesser extent, the impact of the strong U.S. Dollar.

The backlog at our Cranes segment decreased approximately 20% from December 31, 2014. This decrease over the prior year was driven mostly by lower orders of rough terrain cranes, boom trucks and utilities products, partially offset by tower cranes. Foreign exchange negatively impacted 2015 backlog by approximately 6% when compared to 2014.

Our MHPS segment backlog decreased approximately 6% from December 31, 2014. This decrease was primarily due to the translation effect of foreign exchange rates, with backlog up slightly on a currency neutral basis.

Our MP segment backlog at December 31, 2015 increased approximately 6% from December 31, 2014. This increase over the prior year was primarily due to an acquisition which expanded the MP business segment and increased the order intake levels in 2015.

Construction segment backlog at December 31, 2015 increased approximately 6% from December 31, 2014. This increase over the prior year was primarily due to an increase in orders for Concrete Mixer Trucks in the United States; partially offset by timing differences in order patterns for Material Handlers in Germany.

## **DISTRIBUTION**

We distribute our products through a global network of dealers, rental companies, major accounts and direct sales to customers.

### **AERIAL WORK PLATFORMS**

Our aerial work platform, telehandler and light tower products are distributed principally through a global network of rental companies, independent distributors and, to a lesser extent, strategic accounts. We employ sales representatives who service these channel partners from offices located throughout the world.

## **CRANES**

We market our crane products globally, optimizing assorted channel marketing systems including a distribution network and a direct sales force. We have direct sales, primarily to specialized crane rental companies, in certain crane markets such as Australia, the United Kingdom, Germany, Spain, Belgium, Italy, France, Scandinavia and China to offer comprehensive service and support to customers. Distribution via a distributor network is often utilized in other geographic areas, including the United States and Canada where we also sell directly to key accounts.

We sell utility equipment to the utility and municipal markets through a direct sales effort in certain territories and through a network of independent distributors in North America. Outside of North America, independent distributors sell our utility equipment directly to customers.

## **MATERIAL HANDLING & PORT SOLUTIONS**

Our port equipment products are sold both directly to customers and through independent distributors to port and terminal operators and are serviced either by our service organization or independent service providers. Our material handling products are also sold directly or indirectly, via independent distributors, to our end market customers.

## **MATERIALS PROCESSING**

We distribute our products through a global network of independent distributors, rental companies, major accounts and direct sales to customers.

## **CONSTRUCTION**

We distribute compact construction equipment primarily through a network of independent and rental distributors throughout the world. We distribute loader backhoes and compaction rollers manufactured in India through a network of approximately 50 distributors located in India, Nepal and neighboring countries.

We distribute material handlers primarily through a network of independent distributors throughout the world. Our distributors are predominantly independent businesses, which generally serve the construction, mining, forestry and/or scrap industries. Although these distributors may carry products from a variety of manufacturers, they generally carry only one manufacturer's "brand" of each particular type of product. We sell concrete pavers to end user customers directly.

We sell concrete mixer trucks primarily directly to customers and through independent distributors in certain regions of the United States and Canada.

## **RESEARCH, DEVELOPMENT AND ENGINEERING**

We maintain engineering staff primarily at our manufacturing locations to conduct research, development and engineering for site-specific products. Our businesses also assess global trends to understand future needs of our customers and help us decide which technologies to implement in future development projects. In addition, our engineering center in India supports our engineering teams worldwide through new product design, existing product design improvement and development of products for local markets. Continually monitoring our materials, manufacturing and engineering costs is essential to identify possible savings, then leverage those savings to improve our competitiveness and our customers' return on investment. Our research, development and engineering expenses are primarily incurred to develop (i) additional applications and extensions of our existing product lines to meet customer needs and take advantage of growth opportunities and (ii) customer responsive enhancements and continuous cost improvements of existing products.

Our engineering focus mirrors the business priorities of delivering customer responsive solutions, growing in developing markets, complying with evolving regulatory standards in our global markets and applying our lean manufacturing principles by standardizing products, rationalizing components and strategically aligning with select global suppliers. Our engineering teams in China and India represent our commitment to engineering products for developing markets. They take equipment technology from the developed markets and translate it to appropriate technology for developing markets using the experience and cultural understanding of engineering teams native to those markets.

Product change driven by regulations requiring Tier 4 emissions compliance in most of our diesel engine powered machinery has been an important part of our engineering priorities over the last several years and will continue to play a role in product development programs through 2017 as we work to finalize the engine-horsepower dependent phase-in of Tier 4 regulations across our various diesel-engine equipped products. We have also focused on producing more cost-effective product solutions across various segments.

Costs decreased in 2015 as compared to 2014 due to the completion of much of our Tier 4 conversion work, fewer project bids and the positive effects of changes in foreign exchange rates. Costs incurred to develop new products and improve existing products remained relatively flat in 2014 as compared to 2013. Research, development and engineering costs were \$119.1 million, \$135.5 million and \$131.5 million in 2015, 2014 and 2013, respectively. We will continue our commitment to appropriate levels of research, development and engineering spending, commensurate with our level of vertical integration, in order to meet our customer needs, uphold competitive functionality of our products and maintain regulatory compliance in all the markets that we serve.

## **MATERIALS**

Information regarding principal materials, components and commodities and any risks associated with these items are included in Item 7A. – “Quantitative and Qualitative Disclosures about Market Risk – Commodities Risk.”

## **COMPETITION**

We face a competitive global manufacturing market for all of our products. We compete with other manufacturers based on many factors, particularly price, performance and product reliability. We generally operate under a best value strategy, where we attempt to offer our customers products that are designed to improve customers’ return on invested capital. However, in some instances, customers may prefer the pricing, performance or reliability aspects of a competitor’s product despite our product pricing or performance. We do not have a single competitor across all business segments. The following table shows the primary competitors for our products in the following categories:

<b><u>BUSINESS SEGMENT</u></b>	<b><u>PRODUCTS</u></b>	<b><u>PRIMARY COMPETITORS</u></b>
Aerial Work Platforms	Portable Material Lifts and Portable Aerial Work Platforms	Oshkosh (JLG), Vestil, Sumner and Wesco
	Boom Lifts	Oshkosh (JLG), Haulotte, Linamar (Skyjack), Xtreme/Tanfield (Snorkel) and Aichi
	Scissor Lifts	Oshkosh (JLG), Linamar (Skyjack), Haulotte, Manitou and Xtreme/Tanfield (Snorkel)
	Telehandlers	Oshkosh (JLG, Skytrak, Caterpillar and Lull brands), JCB, CNH, Merlo and Manitou (Gehl)
	Trailer-mounted Light Towers	Allmand Bros., Generac, Wacker Neuson and Doosan
Cranes	Mobile Telescopic Cranes	Liebherr, Manitowoc (Grove), Tadano-Faun, Sumitomo (Link-Belt), XCMG, Kato, Zoomlion and Sany
	Tower Cranes	Liebherr, Manitowoc (Potain), Comansa, Jaso, Zoomlion, XCMG and Wolfkran
	Lattice Boom Crawler Cranes	Manitowoc, Sumitomo (Link-Belt), Liebherr, Hitachi, Kobelco, XCMG, Zoomlion, Fushun and Sany
	Lattice Boom Truck Cranes	Liebherr
	Truck-Mounted Cranes	Manitowoc (National Crane), Altec and Manitex
	Utility Equipment	Altec and Time Manufacturing
Material Handling & Port Solutions	Industrial Cranes	Konecranes, Columbus McKinnon, ABUS, Kito, GH and OMIS
	Mobile Harbor Cranes and Automated Port Technology	Liebherr, Konecranes, Cargotec (Kalmar), Zhenhua Port Machinery (ZMPC) and Künz
	Reach Stackers	Cargotec (Kalmar), Hyster, Konecranes (SMV), Taylor, Dalian, CVS Ferrari, Liebherr and Sany



<b><u>BUSINESS SEGMENT</u></b>	<b><u>PRODUCTS</u></b>	<b><u>PRIMARY COMPETITORS</u></b>
	Straddle and Sprinter Carriers	Cargotec (Kalmar), CVS Ferrari, Konecranes and Liebherr
	Rubber Tired and Rail Mounted Gantry Cranes	Zhenhua Port Machinery (ZMPC), Liebherr, Konecranes, Cargotec (Kalmar), Doosan, Hyundai, Mitsui Engineering & Shipbuilding and Künz
	Ship-to-Shore Gantry Cranes	Zhenhua Port Machinery (ZMPC), Liebherr, Konecranes, Cargotec (Kalmar), Samsung, Doosan, Hyundai and Mitsui Engineering & Shipbuilding
	Empty Container Handlers, Full Container Handlers and General Cargo Lift Trucks	Cargotec (Kalmar), Hyster, Linde, CVS Ferrari, Konecranes (SMV), Svetruck and Sany
Materials Processing	Crushing Equipment	Metso, Astec Industries, Sandvik, McCloskey, Komatsu and Kleemann
	Screening Equipment	Metso, Astec Industries, McCloskey, Kleeman and Sandvik
	Washing systems	McLanahan, Astec Industries and CDE Global
	Wood processing biomass and recycling	Vermeer, Bandit, Astec Industries, Doppstadt, Komptech and Hammell
Construction	Material Handlers	Liebherr, Sennebogen, Linkbelt, Exodus and Caterpillar
	Wheel Loaders	Caterpillar, Volvo, Kubota, Kawasaki, John Deere, Komatsu, Hitachi, CNH, Liebherr and Doosan
	Loader Backhoes	Caterpillar, CNH, JCB, John Deere, and Mahindra
	Mini Excavators	Doosan (Bobcat), Yanmar, Volvo, Takeuchi, IHI, CNH, Caterpillar, John Deere, Neuson and Kubota
	Midi Excavators	Komatsu, Hitachi, Volvo and Yanmar
	Wheeled Excavators	Wacker Neuson and Doosan (Bobcat)
	Site Dumpers	Thwaites, Wacker Neuson, JCB and AUSA
	Compaction Rollers	Bomag, Hamm, JCB and Ammann
	Concrete Pavers	Gomaco, Wirtgen, Power Curbers and Guntert & Zimmerman
	Concrete Mixer Trucks	Oshkosh, Kimble and Continental Manufacturing

## **MAJOR CUSTOMERS**

None of our customers individually accounted for more than 10% of our consolidated net sales in 2015. In 2015, our largest customer accounted for less than 5% of our consolidated net sales and our top ten customers in the aggregate accounted for less than 18% of our consolidated net sales.

## **EMPLOYEES**

As of December 31, 2015, we had approximately 20,400 employees; including approximately 6,500 employees in the U.S. Approximately four percent of our employees in the U.S. are represented by labor unions. Outside of the U.S., we enter into employment contracts and collective agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction. We generally consider our relations with our employees to be good.

## **PATENTS, LICENSES AND TRADEMARKS**

We use proprietary materials such as patents, trademarks, trade secrets and trade names in our operations and take actions to protect these rights.

We use several significant trademarks and trade names, most notably the Terex<sup>®</sup>, Genie<sup>®</sup>, Demag<sup>®</sup> and Powerscreen<sup>®</sup> trademarks. The other trademarks and trade names that we use include registered trademarks of Terex Corporation or its subsidiaries. The Demag<sup>®</sup> trademark is a registered trademark of Mannesmann Demag Krauss-Maffei GmbH which is licensed to certain Terex subsidiaries for certain products. In the fourth quarter of 2015, in connection with our annual impairment test over our indefinite-lived trademarks, we recognized a non-cash impairment charge of approximately \$23 million in our MHPS segment. This charge is recorded in Goodwill and intangible asset impairments in the accompanying Consolidated Statement of Income.

We have many patents that we use in connection with our operations, and most of our products contain some proprietary technology. Many of these patents and related proprietary technology are important to the production of particular products; however, overall, our patents, taken together, are not material to our business or our overall financial results.

Currently, we are engaged in various legal proceedings with respect to intellectual property rights. While the outcome of these matters cannot be predicted with certainty, we believe the outcome of such matters will not have a material adverse effect, individually or in the aggregate, on our business or operating performance. For more detail, see “Item 3 – Legal Proceedings.”

## **SAFETY AND ENVIRONMENTAL CONSIDERATIONS**

As part of The Terex Way, we are committed to providing a safe and healthy environment for our team members, and strive to provide quality products that are safe to use and operate in an environmentally conscious and respectful manner.

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 applicable health, safety and environmental laws and regulations and must observe 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 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 manufacturing facilities is subject to an environmental audit at least once every five 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.

We are dedicated to product safety when designing and manufacturing our equipment. Our equipment is designed to meet all applicable laws, regulations and industry standards for use in their markets. We continually incorporate safety improvements in our products. We maintain an internal product safety team that is dedicated to improving safety and investigating and resolving any product safety issues that arise.

The use and operation of our equipment in an environmentally conscious manner is a priority for us. We are aware of global discussions regarding climate change and the impact of greenhouse gas emissions on global warming. We are increasing our production of products that have lower greenhouse gas emissions in response to both regulatory initiatives and anticipated market demand trends. For example, starting in 2010, one of our most significant design priorities was to include Tier 4 emission compliant diesel engines in our machinery. This continued to be a priority in 2015 and will continue to play a role in our product development programs through 2017 as we move through the engine-horsepower dependent phase-in of Tier 4 regulations across our diesel-engine equipped products. We manufacture a utility truck that uses plug-in electric hybrid technology to save fuel, reduce emissions and reduce noise in residential areas. Similarly, our MHPS segment offers hybrid drive diesel-hydraulic and diesel-electric systems on certain of its port equipment products.

Increasing laws and regulations dealing with the environmental aspects of the products we manufacture can result in significant expenditures in designing and manufacturing new forms of equipment that satisfy such new laws and regulations. Compliance with laws and regulations regarding safety and the environment has required, and will continue to require, us to make expenditures. We currently do not expect these expenditures to have a material adverse effect on our business or results of operations.

## **FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS, GEOGRAPHIC AREAS AND EXPORT SALES**

Information regarding foreign and domestic operations, export sales and segment information is included in Note C – “Business Segment Information” in the Notes to the Consolidated Financial Statements.

## **SEASONAL FACTORS**

Over the past several years, our business has become less seasonal as we have grown and diversified our product offerings and expanded the geographic reach of our products. As we enter 2016, we expect the overall economic environment will affect our sales more than historical seasonal trends.

## **WORKING CAPITAL**

Our businesses are working capital intensive and require funding to purchase production and replacement parts inventories, capital expenditures to repair, replace and upgrade existing facilities, as well as finance receivables from customers and dealers. We have debt service requirements, including semi-annual interest payments on our outstanding notes and quarterly interest payments on our bank credit facility. We believe cash generated from operations, together with availability under our bank credit facility and cash on hand, provide us with adequate liquidity to meet our operating and debt service requirements. See Item 1A “Risk Factors” for a detailed description of the risks resulting from our debt and our ability to generate sufficient cash flow to operate our business. We will continue to pursue cash generation opportunities, including reducing costs and working capital, reviewing alternatives for under-utilized assets, and selectively investing in our businesses to promote growth opportunities.

## **AVAILABLE INFORMATION**

We maintain a website at [www.terex.com](http://www.terex.com). We make available on our website under “About Terex” – “Investor Relations” – “SEC Filings,” free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such material with the SEC. References to our website in this report are provided as a convenience, and the information on our website is not, and shall not be deemed to be a part of this report or incorporated into any other filings we make with the SEC. The public may read and copy any materials the Company has filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. In addition, we make available on our website under “About Terex” – “Investor Relations” – “Corporate Governance,” free of charge, our Audit Committee Charter, Compensation Committee Charter, Governance and Nominating Committee Charter, Corporate Governance Guidelines and Code of Ethics and Conduct. In addition, the foregoing information is available in print, without charge, to any stockholder who requests these materials from us.

## ITEM 1A. RISK FACTORS

You should carefully consider the following risks, together with the cautionary statement under the caption “Forward-Looking Information” above and the other information included in this report. The risks described below are not the only ones we face. Additional risks that are currently unknown to us or that we currently consider immaterial may also impair our business or adversely affect our financial condition or results of operations. If any of the following risks actually occurs, our business, financial condition or results of operation could be adversely affected.

### RISKS RELATED TO THE KONECRANES TRANSACTION

**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 the merger could impact or cause disruptions in our businesses, which could have an adverse effect on our businesses and operating results before the merger, and the combined company after the merger.**

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 the merger 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 or the business, operating results or prospects of the combined company if the merger is completed.

**Two class action lawsuits have 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, two class action complaints challenging the merger were filed in the Delaware Chancery Court.

The two complaints name as defendants Terex, Konecranes, Konecranes, Inc., Konecranes Acquisition LLC (“Merger Sub”) and the members of the board of directors of Terex. The complaints seek, 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 complaints further allege 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 these complaints will be further amended to make additional claims and/or that additional lawsuits making similar or additional claims relating to the merger will be brought.

We believe that the allegations in the suits 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 any of these plaintiffs 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 may fail to realize all of the anticipated benefits of the merger, or those benefits may take longer to realize than expected.**

The ability of Terex and Konecranes to realize the anticipated benefits of the transaction will depend, to a large extent, on the combined company's ability to integrate the two businesses. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, Terex and Konecranes will be required to devote significant management attention and resources to integrating their business practices and operations. The integration process may disrupt the businesses and, if implemented ineffectively, could restrict realization of expected benefits. In addition, the realization of anticipated benefits of the merger may be limited by a change in law or regulatory environment, including tax laws and regulations. On November 19, 2015, the Internal Revenue Service (the "IRS") and Treasury Department announced that they intend to adopt additional regulations regarding transactions involving acquired U.S. corporations. While Terex and Konecranes are still considering potential effects of this announcement, the regulations described therein would materially impact the ability of the combined company to realize certain anticipated financial and tax benefits 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 and other potential material negative tax synergies if the combined company remains domiciled in Finland for an extended period of time;
- 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 and integration 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 operations of the businesses of Terex and Konecranes are integrated successfully, full benefits of the transaction may not be realized, including 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 earnings per share of the combined company, decrease or delay the expected accretive effect of the transaction and negatively impact the price of the combined company's ordinary shares/ADSs. As a result, we cannot assure you that the combination of Terex and Konecranes will result in the realization of benefits anticipated from the transaction.

## **RISKS RELATED TO OUR BUSINESS**

### **Our business is affected by the cyclical nature of markets we serve.**

Demand for our products tends to be cyclical and is affected by the general strength of the economies in which we sell our products, prevailing interest rates, residential and non-residential construction spending, capital expenditure allocations of our customers and other factors. The global economy has continued to experience uneven recovery and financial uncertainty continues to exist, including as it relates to oil and gas prices. We cannot provide any assurance the global economic weakness of the recent past will not recur. There continues to be concern about several important European economies. Further, certain countries in Asia and Latin America have experienced slower growth rates and the Australian market has experienced declines. If the global economy weakens, it may cause customers to continue to forego or postpone new purchases in favor of reducing their existing fleets or refurbishing or repairing existing machinery.

Our sales depend in part upon our customers' replacement or repair cycles, which is impacted in part by historical purchase levels. It is anticipated there will be reduced replacement demand in certain of our businesses, such as AWP, resulting from very low industry purchases in 2009 and 2010. In addition, if our customers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, accounts receivable owed to us. If the global economic weakness of the past several years continues or becomes more severe, or if any economic recovery progresses more slowly than our market expectations, then there could be an adverse effect on our net sales, financial condition, profitability and/or cash flow and could result in the need for us to record impairments.

### **We may face limitations on our ability to integrate acquired businesses.**

From time to time, we engage in strategic transactions involving risks, including the possible failure to successfully integrate and realize the expected benefits of such transactions. We have consummated many acquisitions in the past and anticipate making additional acquisitions in the future. Our ability to realize the anticipated benefits of these transactions, including the expected combination benefits, will depend, largely on our ability to integrate acquired businesses.

The risks associated with our past or future acquisitions include:

- the business culture of the acquired business may not match well with our culture;
- technological and product synergies, economies of scale and cost reductions may not occur as expected;
- we may acquire or assume unexpected liabilities;
- faulty assumptions may be made regarding the integration process;
- unforeseen difficulties may arise in integrating operations and systems;
- we may fail to retain, motivate and integrate key management and other employees of the acquired business;
- higher than expected finance costs may arise due to unforeseen changes in tax, trade, environmental, labor, safety, payroll or pension policies in any jurisdiction in which the acquired business conducts its operations; and
- we may experience problems in retaining customers.

The successful integration of any previously acquired or newly acquired business also requires us to implement effective internal control processes in these acquired businesses. While we believe we have successfully integrated acquisitions to date, we cannot ensure previously acquired or newly acquired companies will operate profitably, the intended beneficial effect from these acquisitions will be realized and that we will not encounter difficulties in implementing effective internal control processes in these acquired businesses, particularly when the acquired business operates in foreign jurisdictions and/or was privately owned. See the risk factor entitled "We must comply with an injunction and related obligations imposed by the SEC" for additional consequences if we were to commit a violation of reporting and internal control provisions of federal securities laws. Further, we may need to consolidate or restructure our acquired or existing facilities, which may require expenditures related to reductions in workforce and other charges resulting from these consolidations or restructuring activities, such as the write-down of inventory and lease termination costs. Any of the foregoing could adversely affect our business and results of operations.

Many of these factors will be outside of the combined company's control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy. If we fail to implement our acquisition strategy, including successfully integrating acquired businesses, this could have an adverse effect on our business, financial condition and results of operations.

**We have a significant amount of debt outstanding and must comply with restrictive covenants in our debt agreements.**

Our total debt at December 31, 2015 was \$1,831.2 million. Our credit agreement and other debt agreements contain financial and restrictive covenants that may limit our ability to, among other things, borrow additional funds or take advantage of business opportunities. While we are currently in compliance with the financial covenants, increases in our debt or decreases in our earnings could cause us to fail to comply with these financial covenants. Failing to comply with such covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all our indebtedness or otherwise have a material adverse effect on our financial position, results of operation and debt service capability.

Our level of debt and the financial and restrictive covenants contained in our credit agreement could have important consequences on our financial position and results of operations, including increasing our vulnerability to increases in interest rates because debt under our credit agreement bears interest at variable rates.

**We may be unable to generate sufficient cash flow to service our debt obligations.**

Servicing our debt requires a significant amount of cash. Our ability to generate sufficient cash depends on numerous factors beyond our control and our business may not generate sufficient cash flow from operating activities. Our ability to make payments on, and refinance, our debt and fund planned capital expenditures will depend on our ability to generate cash in the future. To some extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Lower sales, or uncollectible receivables, generally will reduce our cash flow.

We cannot assure our business will generate sufficient cash flow from operations, or future borrowings will be available to us under our credit facility or otherwise, in an amount sufficient to fund our liquidity needs.

If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations.

**Our access to capital markets and borrowing capacity could be limited in certain circumstances.**

Our access to capital markets to raise funds through the sale of equity or debt securities is subject to various factors, including general economic and/or financial market conditions. Significant changes in market liquidity conditions could impact access to funding and associated funding costs, which could reduce our earnings and cash flows. If our consolidated cash flow coverage ratio is less than 2.0 to 1.0, we are subject to significant restrictions on the amount of indebtedness we can incur. Although our cash flow coverage ratio was greater than 2.0 to 1.0 at the end of 2015, there can be no assurance this will continue to occur.

Our access to debt financing at competitive risk-based interest rates is partly a function of our credit ratings. A downgrade to our credit ratings could increase our interest rates, could limit our access to public debt markets, could limit the institutions willing to provide us credit facilities, and could make any future credit facilities or credit facility amendments more costly and/or difficult to obtain.

Although we believe the banks participating in our credit facility have adequate capital and resources, we can provide no assurance that all of these banks will continue to operate as a going concern in the future. If any of the banks in our lending group were to fail or be unwilling to renew our credit facility at or prior to its expiration, it is possible that the borrowing capacity under our current or any future credit facility would be reduced. If the availability under our credit facility was reduced significantly, we could be required to obtain capital from alternate sources to finance our capital needs. Our options for addressing such capital constraints would include, but not be limited to (i) obtaining commitments from the remaining banks in the lending group or from new banks to fund increased amounts under the terms of our credit facility, or (ii) accessing the public capital markets. If it becomes necessary to access additional capital, it is possible that any such alternatives in the current market could be on terms less favorable than under our existing credit facility terms, which could have a negative impact on our consolidated financial position, results of operations or cash flows.

**Our business is sensitive to government spending.**

Many of our customers depend substantially on government funding of highway construction, maintenance and other infrastructure projects. In addition, we sell products to governments and government agencies in the U.S. and other nations. Policies of governments attempting to address local deficit or structural economic issues could have a material impact on our customers and markets. Any decrease or delay in government funding of highway construction and maintenance, other infrastructure projects and overall government spending could cause our revenues and profits to decrease.

**We operate in a highly competitive industry.**

Our industry is highly competitive. To compete successfully, our products must excel in terms of quality, reliability, productivity, price, features, ease of use, safety and comfort, and we must provide excellent customer service. The greater financial resources of certain of our competitors may put us at a competitive disadvantage. Low-cost competition from China and other developing markets could also result in decreased demand for our products. If competition in our industry intensifies or if our current competitors lower their prices for competing products, we may lose sales or be required to lower the prices we charge for our products. If we are unable to provide continued technological improvements in our equipment that meet our customers' expectations, or the industry's expectations, the demand for our equipment could be substantially adversely affected. Our ability to match new product offerings to diverse global customers' anticipated preferences for different types and sizes of equipment and various equipment features and functionality, at affordable prices, is critical to our success. This requires a thorough understanding of our existing and potential customers on a global basis, particularly in developing markets, including Brazil, China and India. Failure to compete effectively with our competitors could result in lower revenues from our products and services, lower gross margins or cause us to lose market share.

**We rely on key management.**

We rely on the management and leadership skills of our senior management team, particularly those of the Chief Executive Officer. The loss of the services of key employees or senior officers, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect the quality and profitability of our business operations.

**Some of our customers rely on financing with third parties to purchase our products.**

We rely on sales of our products to generate cash from operations. Significant portions of our sales are financed by third party finance companies on behalf of our customers. The availability of financing by third parties is affected by general economic conditions, the credit worthiness of our customers and the estimated residual value of our equipment. Deterioration in the credit quality of our customers or the estimated residual value of our equipment could negatively impact the ability of our customers to obtain the resources they need to purchase our equipment. Given the current economic conditions, there can be no assurance that third party finance companies will continue to extend credit to our customers.

Due to the ongoing uncertainty in certain global economies, some of our customers have been unable to obtain the credit they need to buy our equipment. As a result, some of our customers may need to cancel existing orders. Given the lack of liquidity, our customers may be compelled to sell their equipment at less than fair value to raise cash, which could have a negative impact on residual values of our equipment. These economic conditions could have a material adverse effect on demand for our products and on our financial condition and operating results.

**We provide financing and credit support for some of our customers.**

We assist customers in their rental, leasing and acquisition of our products through TFS. We provide financing for some of our customers, primarily in the U.S., to acquire and use our equipment through loans, sales-type leases, and operating leases. TFS enters into these financing agreements with the intent either to hold the financing until maturity or to sell the financing to a third party within a short time period. Until such financing obligations are satisfied through either customer payments or a third party sale, we retain the risks associated with such customer financing. Our results could be adversely affected if such customers default on their contractual obligations to us, if the residual values of such equipment on these transactions decline below the original estimated values or we are unable to sell the financing receivable to a third party.



As described above, our customers, from time to time, may fund the acquisition of our equipment through third-party finance companies. In certain instances, we may provide credit guarantees, residual value guarantees or buyback guarantees. With these guarantees, we must assess the probability of losses or non-performance in ways similar to the evaluation of accounts receivable, including consideration of a customer's payment history, leverage, availability of third party financing, political and currency exchange risks, and other factors. Many of these factors, including the assessment of a customer's ability to pay, are influenced by economic and market factors that cannot be predicted with certainty. In circumstances where we believe it is probable that a specific customer will have difficulty meeting its financial obligations, a specific reserve is recorded to recognize a liability for a guarantee we expect to pay, taking into account any amounts that we would anticipate realizing if we are forced to repossess the equipment that supports the customer's financial obligations to us. During periods of economic weakness, the collateral underlying our guarantees of indebtedness of customers or receivables can decline sharply, thereby increasing our exposure to losses. In the future, we may incur losses in excess of our recorded reserves if the financial condition of our customers were to deteriorate further or the full amount of any anticipated proceeds from the sale of the collateral supporting our customers' financial obligations is not realized. To date, losses related to guarantees have been negligible; however, there can be no assurance that our historical experience with respect to guarantees will be indicative of future results.

#### **We may experience losses in excess of our recorded reserves for trade receivables.**

As of December 31, 2015, we had trade receivables of \$939.2 million. We evaluate the collectability of open accounts, finance receivables and note receivables based on a combination of factors and establish reserves based on our estimates of probable losses. In circumstances where we believe it is probable that a specific customer will have difficulty meeting its financial obligations, a specific reserve is recorded to reduce the net recognized receivable to the amount we expect to recover. We also establish additional reserves based upon our perception of the quality of the current receivables, the current financial position of our customers and past collections experience. Continued economic uncertainty could result in additional requirements for specific reserves, which could have a negative impact on our consolidated financial position.

#### **Impairment in the carrying value of goodwill and other indefinite-lived intangible assets could negatively affect our operating results.**

We have a substantial amount of goodwill and purchased intangible assets on our balance sheet as a result of acquisitions we have completed. Carrying value of goodwill represents fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. Carrying value of indefinite-lived intangible assets represents fair value of trademarks and trade names as of the acquisition date. We evaluate these assets for impairment at least annually, or more frequently if potential interim indicators exist that could result in impairment. In testing for impairment, if we believe, as a result of a qualitative assessment, that it is more likely than not that fair value of a reporting unit is less than its carrying amount, a quantitative two-step goodwill impairment test is required. In a two-step goodwill impairment test, if carrying value of a reporting unit exceeds its current fair value as determined based on the discounted future cash flows of the reporting unit and market comparable sales and earnings multiples, the goodwill or intangible asset is considered impaired and is reduced to fair value via a non-cash charge to earnings. Events and conditions that could result in impairment include a prolonged period of global economic weakness and tight credit markets, further decline in economic conditions or a slow, weak economic recovery, as well as sustained declines in the price of our common stock, adverse changes in interest rates, or other factors leading to reductions in the long-term sales or profitability that we expect. Determination of fair value of a reporting unit includes developing estimates which are highly subjective and incorporate calculations that are sensitive to minor changes in underlying assumptions. Management's assumptions change as more information becomes available. In 2015, we recorded approximately \$35 million of impairment charges in our MHPS segment's results for write downs of goodwill and indefinite-lived intangible assets. For more information, see Note L – "Goodwill and Intangible Assets, Net" in the Notes to the Consolidated Financial Statements. Changes in these assumptions could result in additional impairment charges in the future, which could have a significant adverse impact on our reported earnings.

#### **We are dependent upon third-party suppliers, making us vulnerable to supply shortages and price increases.**

We obtain materials and manufactured components from third-party suppliers. 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 are generally available. Delays in our suppliers' abilities, especially any sole suppliers for a particular business, to provide us with necessary materials and components may delay production at a number of our manufacturing locations, or may require us to seek alternative supply sources. Delays in obtaining supplies may result from a number of factors affecting our suppliers, including capacity constraints, labor disputes, suppliers' impaired financial condition, suppliers' allocations to other purchasers, weather emergencies or acts of war or terrorism. Any delay in receiving supplies could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, results of operations and financial condition.

Principal materials and components used in our various 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 of these materials and components may affect our financial performance. If we are not able to recover increased raw material or component costs from our customers, our margins could be adversely affected.

In addition, we purchase material and services from our suppliers on terms extended based on our overall credit rating. Deterioration in our credit rating may impact suppliers' willingness to extend terms and in turn increase the cash requirements of our business.

**We are subject to currency fluctuations.**

Our products are sold in over 100 countries around the world. The reporting currency for our consolidated financial statements is the U.S. dollar. Certain of our assets, liabilities, expenses, revenues and earnings are denominated in other countries' currencies, including the euro, British pound sterling and Australian dollar. Those assets, liabilities, expenses, revenues and earnings are translated into U.S. dollars at the applicable exchange rates to prepare our consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items as reflected in our consolidated financial statements, even if their value remains unchanged in their original currency. Due to the continued volatility of foreign currency exchange rates to the U.S. dollar, fluctuations in currency exchange rates may have an impact on the accuracy of our financial guidance. Such fluctuations in foreign currency rates relative to the U.S. dollar may cause our actual results to differ materially from those anticipated in our guidance and have a material adverse effect on our business or results of operations.

We may buy protecting or offsetting positions (known as "hedges") in certain currencies to reduce the risk of an adverse currency exchange movement. We have not engaged in any speculative hedging activities. Although we partially hedge our revenues and costs, currency fluctuations may impact our financial performance in the future.

**We are exposed to political, economic and other risks that arise from operating a multinational business.**

Our operations are subject to a number of potential risks. Such risks principally include:

- trade protection measures and currency exchange controls;
- labor unrest;
- global and regional economic conditions;
- political instability;
- terrorist activities and the U.S. and international response thereto;
- restrictions on the transfer of funds into or out of a country;
- export duties and quotas;
- domestic and foreign customs and tariffs;
- current and changing regulatory environments;
- difficulties protecting our intellectual property;
- transportation delays and interruptions;
- costs and difficulties in integrating, staffing and managing international operations, especially in developing markets such as China, India, Brazil, Russia and the Middle East;
- difficulty in obtaining distribution support; and
- current and changing tax laws.

In addition, many of the nations in which we operate have developing legal and economic systems adding greater uncertainty to our operations in those countries than would be expected in North America and Western Europe. These factors may have an adverse effect on our international operations in the future.

We must comply with all applicable laws, including the Foreign Corrupt Practices Act (“FCPA”) and other laws that prohibit engaging in corruption for the purpose of obtaining or retaining business. These anti-corruption laws prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. Our global activities and distribution model are subject to risk of corruption by our employees and in addition, our sales agents, distributors, dealers and other third parties that transact Terex business particularly because these parties are generally not subject to our control. We have an internal policy that expressly prohibits engaging in any commercial bribery and public corruption, including facilitation payments. We conduct corruption risk assessments, we have implemented training programs for our employees with respect to the Company’s prohibition against public corruption and commercial bribery, and we perform reputational due diligence on certain third parties that transact Terex business. In addition, we conduct transaction testing to assess compliance with our internal anti-corruption policy and procedures. However, we cannot assure you that our policies, procedures and programs always will protect us from reckless or criminal acts committed by our employees or third parties that transact Terex business. We have a zero tolerance policy for violations of anti-corruption laws and our anti-corruption policy. In the event we believe or have reason to believe our employees, agents, representatives, dealers or distributors or other third parties that transact Terex business have or may have violated applicable anti-corruption laws, including the FCPA, we investigate or have outside counsel investigate relevant facts and circumstances. Although we have a compliance program in place designed to reduce the likelihood of potential violations of such laws, any violations of the FCPA or other anti-corruption laws could result in significant fines, criminal sanctions against us or our employees, prohibitions on the conduct of our business including our business with the U.S. government, an adverse effect on our reputation, business and results of operations and financial condition and a violation of our injunction or cease and desist order with the SEC. See Risk Factor entitled, “We must comply with an injunction and related obligations resulting from the settlement of an SEC investigation.”

We continue to focus on operational improvement in developing markets such as China, India, Brazil and the Middle East. These efforts will require us to hire, train and retain qualified personnel in countries where language, cultural or regulatory barriers may exist. Any significant difficulties in continuing to improve or expand our operations in developing markets may divert management’s attention from our existing operations and require a greater level of resources than we plan to commit.

Expansion into developing markets may require modification of products to meet local requirements or preferences. Modification to the design of our products to meet local requirements and preferences may take longer or be more costly than we anticipate and could have a material adverse effect on our ability to achieve international sales growth.

**A material disruption to one of our significant manufacturing plants could adversely affect our ability to generate revenue.**

We produce most of our machines and aftermarket parts for each product type at one manufacturing facility. If operations at a significant facility were disrupted as a result of equipment failures, natural disasters, work stoppages, power outages or other reasons, our business, financial conditions and results of operations could be adversely affected. Interruptions in production could increase costs and delay delivery of units in production. Production capacity limits could cause us to reduce or delay sales efforts until production capacity is available.

**We may be adversely impacted by work stoppages and other labor matters.**

As of December 31, 2015, we employed approximately 20,400 people worldwide. While we have no reason to believe that we will be impacted by work stoppages or other labor matters, we cannot assure that future issues with our team members or labor unions will be resolved favorably or that we will not encounter future strikes, further unionization efforts or other types of conflicts with labor unions or our team members. Any of these factors may have an adverse effect on us or may limit our flexibility in dealing with our workforce.

**Compliance with environmental regulations could be costly and require us to make significant expenditures.**

We generate hazardous and nonhazardous wastes in the normal course of our manufacturing operations. As a result, we are subject to a wide range of environmental laws and regulations. These laws and regulations govern actions that may have adverse environmental effects and require compliance with certain practices when handling and disposing of hazardous and nonhazardous wastes. Some environmental laws impose strict, retroactive and joint and several liability for the remediation of the release of hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Failure to comply with environmental laws could expose us to substantial fines or penalties and to civil and criminal liability. These liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws and regulations could have a material adverse effect on our business or results of operations. No such incidents have occurred which required us to pay material amounts to comply with such laws and regulations.

In addition, increasing laws and regulations dealing with environmental aspects of the products we manufacture can result in significant expenditures in designing and manufacturing new forms of equipment that satisfy such new laws and regulations. In particular, climate change is receiving increasing attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. While additional regulation of emissions in the future appears likely, it is too early to predict how new regulations would ultimately affect our business, operations or financial results, although government policies limiting greenhouse gas emissions of our products will likely require increased compliance expenditures on our part.

We are also continuing the transition to Tier 4 power systems. While plans are in place to comply with the phase-in of Tier 4 regulations, we are dependent on our engine suppliers to continue to timely deliver. A failure to timely receive appropriate engines from our suppliers could result in our being placed in uncompetitive positions or without finished product when needed. Compliance with environmental laws and regulations has required, and will continue to require, us to make expenditures, however we do not expect these expenditures to have a material adverse effect on our business or results of operations.

**We face litigation and product liability claims, class action lawsuits and other liabilities.**

In our lines of business, numerous suits have been filed alleging damages for accidents that have occurred during use or operation of our products. We are self-insured, up to certain limits, for these product liability exposures, as well as for certain exposures related to general, workers' compensation and automobile liability. We obtain insurance coverage for catastrophic losses as well as those risks where insurance is required by law or contract. We do not believe that the outcome of such matters will have a material adverse effect on our consolidated financial position; however, any significant liabilities not covered by insurance could have an adverse effect on our financial condition.

We are the subject of a securities class action lawsuit and a stockholder derivative lawsuit. These lawsuits generally cover the time period from February 2008 to February 2009 and allege, among other things, that certain of our SEC filings and other public statements contained false and misleading statements which resulted in damages to the plaintiffs and the members of the purported class when they purchased our securities and that there were breaches of fiduciary duties. We believe that the allegations in the suits are without merit, and Terex, its directors and the named executives will vigorously defend against them. We believe that we have acted, and continue to act, in compliance with federal securities laws with respect to these matters. However, the outcome of the lawsuits cannot be predicted and, if determined adversely, could ultimately result in us incurring significant liabilities.

**We must comply with an injunction and related obligations imposed by the SEC.**

We and our directors, officers and employees are required to comply at all times with the terms of a settlement with the SEC that includes an injunction barring us from committing or aiding and abetting any future violations of the anti-fraud, books and records, reporting and internal control provisions of the federal securities laws and related SEC rules. In addition, regarding a separate and unrelated SEC matter, we consented to the entry of an administrative cease and desist order prohibiting future violations of certain provisions of the federal securities laws. As a result, if we commit or aid or abet any future violations of the anti-fraud, books and records, reporting and internal control provisions of the federal securities laws and related SEC rules, we are likely to suffer severe penalties, financial and otherwise, that could have a material negative impact on our business and results of operations.

**We may be adversely affected by disruption in, or breach in security of, our information technology systems.**

We rely on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers and other business partners), and to manage or support a variety of critical business processes and activities. These systems may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. A failure of or breach in information technology security could expose us and our customers, distributors and suppliers to risks of misuse of information or systems, the compromise of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions. In addition, such breaches in security could result in litigation, regulatory action and potential liability, as well as the costs and operational consequences of implementing further data protection measures, each of which could have a material adverse effect on our business or results of operations.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

## ITEM 2. PROPERTIES

As of December 31, 2015, our principal manufacturing, warehouse, service and office facilities comprised a total of approximately 14 million square feet of space worldwide. The following table outlines the principal manufacturing, warehouse, service and office facilities owned or leased (as indicated below) by the Company and its subsidiaries:

<u>BUSINESS UNIT</u>	<u>FACILITY LOCATION</u>	<u>BUSINESS UNIT</u>	<u>FACILITY LOCATION</u>
Terex (Corporate Offices)	Westport, Connecticut <sup>(1)</sup>	MHPS	Solon, Ohio
	Schaffhausen, Switzerland		Salzburg, Austria
AWP	Oklahoma City, Oklahoma		Cotia, Brazil
	Rock Hill, South Carolina		Shanghai, China <sup>(1)</sup>
	Moses Lake, Washington <sup>(1)</sup>		Xiamen, China
	North Bend, Washington <sup>(1)</sup>		Slany, Czech Republic
	Redmond, Washington <sup>(1)</sup>		Banbury, England <sup>(1)</sup>
	Darra, Australia <sup>(1)</sup>		Düsseldorf, Germany
	Changzhou, China		Uslar, Germany
	Umbertide, Italy		Wetter an der Ruhr, Germany
Cranes	Waverly, Iowa		Würzburg, Germany
	Watertown, South Dakota <sup>(1)</sup>		Chakan, India <sup>(1)</sup>
	Huron, South Dakota		Lentigione, Italy
	Brisbane, Australia <sup>(1)</sup>		Milan, Italy <sup>(1)</sup>
	Betim, Brazil <sup>(1)</sup>		Boksburg, South Africa
	Jinan, China		Dietlikon, Switzerland
	Long Crendon, England	MP	Louisville, Kentucky
	Montceau-les-Mines, France		Durand, Michigan
	Bierbach-Homburg, Germany <sup>(1)</sup>		Coalville, England
	Zweibrücken-Dinglerstrasse, Germany		Hosur, India
	Zweibrücken-Wallerscheid, Germany <sup>(1)</sup>		Subang Jaya, Malaysia <sup>(1)</sup>
	Pecs, Hungary <sup>(1)</sup>		Omagh, Northern Ireland <sup>(1)</sup>
	Crespellano, Italy		Dungannon, Northern Ireland <sup>(1)</sup>
	Fontanafredda, Italy		Newton, New Hampshire
	Waukesha, Wisconsin <sup>(1)</sup>		Ballymoney, Northern Ireland
			Haid bei, Austria <sup>(1)</sup>
		Construction	Fort Wayne, Indiana
			Southaven, Mississippi <sup>(1)</sup>
			Canton, South Dakota
			Coventry, England <sup>(1)</sup>
			Bad Schönborn, Germany
			Crailsheim, Germany
			Greater Noida, Uttar Pradesh, India <sup>(1)</sup>
			Gerabronn, Germany <sup>(1)</sup>
			Oklahoma City, Oklahoma

<sup>(1)</sup> These facilities are either leased or subleased.

We also have numerous owned or leased locations for new machine and parts sales and distribution and rebuilding of components located worldwide.

We believe the properties listed above are suitable and adequate for our use. We have determined that certain of our other properties exceed our requirements. Such properties may be sold, leased or utilized in another manner and have been excluded from the above list.

### ITEM 3. LEGAL PROCEEDINGS

#### General

We are 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. We are 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 to us or deductibles. We believe the outcome of such matters, individually and in aggregate, will not have a material adverse effect on our consolidated financial position. However, the outcomes of lawsuits cannot be predicted and, if determined adversely, could ultimately result in us incurring significant liabilities which could have a material adverse effect on our results of operations.

For information concerning other contingencies and uncertainties, including our securities, stockholder derivative, merger and Employee Retirement Income Security Act of 1974 lawsuits, see Note S – "Litigation and Contingencies" in the Notes to the Consolidated Financial Statements.

### ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Our common stock, par value \$.01 per share ("Common Stock") is listed on the NYSE under the symbol "TEX." The high and low quarterly stock prices for our Common Stock on the NYSE Composite Tape (for the last two completed years) are as follows:

	<u>2015</u>				<u>2014</u>			
	<u>Fourth</u>	<u>Third</u>	<u>Second</u>	<u>First</u>	<u>Fourth</u>	<u>Third</u>	<u>Second</u>	<u>First</u>
High	\$ 22.76	\$ 27.11	\$ 29.32	\$ 28.53	\$ 32.54	\$ 42.53	\$ 44.72	\$ 45.46
Low	\$ 17.29	\$ 16.54	\$ 22.25	\$ 22.01	\$ 25.40	\$ 31.52	\$ 37.99	\$ 37.02

We declared and paid a \$0.06 per share dividend during each quarter of 2015 and \$0.05 during each quarter of 2014. Certain of our debt agreements contain restrictions as to the payment of cash dividends to stockholders. In addition, Delaware law limits payment of dividends. We declared a dividend of \$0.07 per share in the first quarter of 2016, which will be paid in March 2016. However, any additional payments of cash dividends will depend upon our financial condition, capital requirements and earnings, as well as other factors that the Board of Directors may deem relevant.

As of February 18, 2016, there were 810 stockholders of record of our Common Stock.

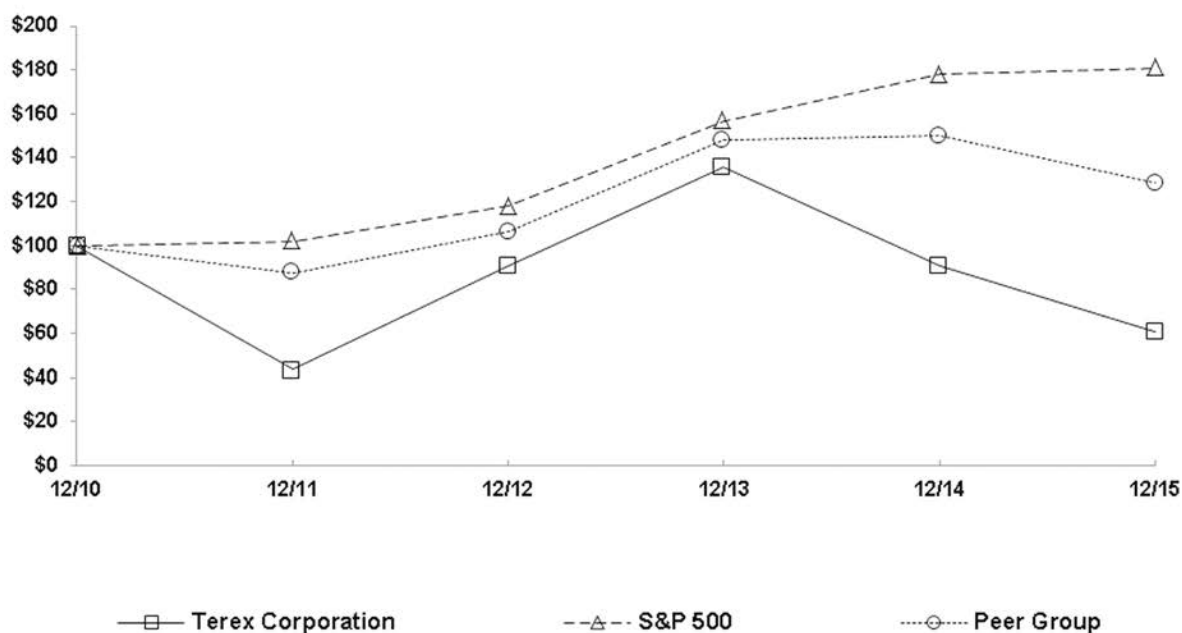
#### **Performance Graph**

The following stock performance graph is intended to show our stock performance compared with that of comparable companies. The stock performance graph shows the change in market value of \$100 invested in our Common Stock, the Standard & Poor's 500 Stock Index, and our Peer Group (as defined below) for the period commencing December 31, 2010 through December 31, 2015. The cumulative total stockholder return assumes dividends are reinvested. The stockholder return shown on the graph below is not indicative of future performance. The companies in the Peer Group are weighted by market capitalization. Our peer group is aligned with the peer group that is used by our Compensation Committee in benchmarking our executive officer's compensation.

The Peer Group consists of the following companies that are in our same industry, of comparable revenue size to us and/or other manufacturing companies: AGCO Corporation, Cameron International Corporation, Carlisle Companies Inc., Crane Company, Cummins Inc., Dover Corporation, Flowserve Corporation, FMC Technologies, Inc., Hubbell Inc., Illinois Tool Works Inc., Ingersoll-Rand Plc, Joy Global Inc., Lennox International Inc., The Manitowoc Company, Inc., Meritor Inc., Navistar International Corporation, Oshkosh Corporation, Paccar Inc., Parker-Hannifin Corporation, Pentair Ltd., Rockwell Automation, Inc., Roper Technologies Inc., SPX Corporation, Textron Inc., Timken Company and Trinity Industries Inc.

## COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Terex Corporation, the S&P 500 Index, and a Peer Group



\*\$100 invested on 12/31/10 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.

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	12/10	12/11	12/12	12/13	12/14	12/15
Terex Corporation	100.00	43.52	90.56	135.46	90.44	50.57
S&P 500	100.00	102.11	118.45	156.82	178.29	180.75
Peer Group	100.00	87.31	106.27	148.22	149.89	128.40

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(b) Not applicable.

(c) The following table provides information about purchases during the quarter ended December 31, 2015 of our common stock that is registered by us pursuant to the Exchange Act.

Period	Issuer Purchases of Equity Securities			(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) <sup>(1)</sup>
	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	
October 1, 2015 – October 31, 2015	12,800 (2)	\$18.41	—	\$150,000
November 1, 2015 – November 30, 2015	—	\$—	—	\$150,000
December 1, 2015 – December 31, 2015	6,412 (2)	\$19.78	—	\$150,000
Total	<u>19,212</u>	<u>\$18.87</u>	<u>—</u>	<u>\$150,000</u>

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

(2) In October and December 2015 the Company purchased shares of common stock to satisfy requirements under its deferred compensation obligations to employees.



## ITEM 6. SELECTED FINANCIAL DATA

### FIVE-YEAR SELECTED FINANCIAL DATA

The following table summarizes our selected financial data and should be read in conjunction with the more detailed Consolidated Financial Statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations.

(in millions, except per share amounts and employees)

	<u>AS OF OR FOR THE YEAR ENDED DECEMBER 31,</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>SUMMARY OF OPERATIONS</b>					
Net sales	\$ 6,543.1	\$ 7,308.9	\$ 7,084.0	\$ 6,982.2	\$ 6,158.0
Income (loss) from operations	355.2	423.1	419.1	366.8	59.9
Income (loss) from continuing operations	145.6	259.5	203.9	74.8	20.2
Income (loss) from discontinued operations – net of tax	—	1.4	14.4	28.4	19.7
Gain (loss) on disposition of discontinued operations – net of tax	3.4	58.6	2.6	0.4	0.8
Net income (loss) attributable to common stockholders	145.9	319.0	226.0	105.8	45.2
Per Common and Common Equivalent Share:					
Basic attributable to common stockholders					
Income (loss) from continuing operations	\$ 1.33	\$ 2.36	\$ 1.88	\$ 0.70	\$ 0.22
Income (loss) from discontinued operations – net of tax	—	0.01	0.13	0.26	0.18
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.54	0.02	—	0.01
Net income (loss) attributable to common stockholders	1.36	2.91	2.03	0.96	0.41
Diluted attributable to common stockholders					
Income (loss) from continuing operations	\$ 1.30	\$ 2.27	\$ 1.79	\$ 0.68	\$ 0.22
Income (loss) from discontinued operations – net of tax	—	0.01	0.12	0.25	0.18
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.51	0.02	—	0.01
Net income (loss) attributable to common stockholders	1.33	2.79	1.93	0.93	0.41
<b>CURRENT ASSETS AND LIABILITIES</b>					
Current assets	\$ 3,144.2	\$ 3,356.2	\$ 3,639.4	\$ 3,797.4	\$ 4,053.2
Current liabilities	1,458.6	1,643.1	1,724.7	1,708.8	1,890.9
<b>PROPERTY, PLANT AND EQUIPMENT</b>					
Net property, plant and equipment	\$ 675.8	\$ 690.3	\$ 789.4	\$ 806.8	\$ 829.7
Capital expenditures	(103.8)	(80.0)	(79.5)	(81.2)	(77.9)
Depreciation	98.4	110.4	104.4	99.7	88.5
<b>TOTAL ASSETS</b>	<b>\$ 5,637.1</b>	<b>\$ 5,928.0</b>	<b>\$ 6,536.7</b>	<b>\$ 6,746.2</b>	<b>\$ 7,063.4</b>
<b>CAPITALIZATION</b>					
Long-term debt and notes payable (includes capital leases)	\$ 1,831.2	\$ 1,788.8	\$ 1,976.7	\$ 2,098.7	\$ 2,300.4
Total Terex Corporation Stockholders' Equity	1,877.4	2,005.9	2,190.1	2,007.7	1,910.3
Dividends per share of Common Stock	0.24	0.20	0.05	—	—
Shares of Common Stock outstanding at year end	107.7	105.4	109.9	109.9	108.8
<b>EMPLOYEES</b>	<b>20,400</b>	<b>20,400</b>	<b>20,500</b>	<b>20,900</b>	<b>22,100</b>

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Notes to the Consolidated Financial Statements for a discussion of "Discontinued Operations," "Dispositions," "Goodwill," "Long-Term Obligations" and "Stockholders' Equity."

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### BUSINESS DESCRIPTION

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

#### Non-GAAP Measures

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

Non-GAAP measures we use include 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 rates the comparable prior periods were translated to isolate the foreign exchange component of 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”) finance receivable assets, plus (minus) decreases (increases) in cash balances held for settlement on securitized assets, less Capital expenditures. We believe 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 expected EPS excluding restructuring or other charges that we do not believe are reflective of our ongoing earnings.

Working capital is calculated using the 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 multiplied by four. The ratio, which is 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

Our operating environment throughout 2015 was more challenging than we anticipated, with softening end market demand accelerating in the fourth quarter of 2015. The negative impact was broad-based, with order activity in the second half of the year below expectations in most of our business segments and product categories. Despite the challenging marketplace environment, we were able to exceed our free cash flow target in 2015, generating approximately \$290 million in free cash flow.

Our AWP segment experienced reduced sales in 2015 which negatively impacted profitability. Improved manufacturing efficiencies and lower material costs were more than offset by lower net sales and pricing pressure we continue to see in the marketplace. We are planning for reduced net sales in North America in 2016, partially offset by a stronger European marketplace.

Our Cranes segment's net sales and profitability for 2015 declined year over year as the global crane market remains challenging. Our Utilities business had increased sales and profitability year over year, although it did experience some softening in the second half of 2015. We expect continued softness for cranes products in North America and Australia in 2016, although we do anticipate stability in our tower cranes and all terrain cranes businesses.

Our MHPS segment performance was stronger in the second half of 2015 than in the first half, but overall was below our expectations entering 2015. The negative impact of foreign exchange rates and the decrease in port automation sales were the primary drivers of the decline in net sales. We were encouraged by improved mobile harbor cranes sales and our material handling sales were essentially flat when adjusting for foreign exchange rates. We expect 2016 to be relatively stable as compared to 2015.

Our MP segment had solid performance in a difficult operating environment. Our core crushing and screening businesses were down, with North America and parts of Europe the primary bright spots. However, we have been investing in expanding our environmental equipment and washing systems businesses and our investment in these new product categories has helped offset some of the weakness in the commodity driven markets. We expect this segment to continue to have strong profitability in 2016.

Our Construction segment had a difficult fourth quarter which accounted for most of its operating loss in 2015. Net sales in this segment declined year-over-year due to the divestiture of our majority interest in the compact track loader business and negative impact of foreign exchange rates, partially offset by higher demand for our site dumpers and concrete mixer trucks. Pressure on operating results continues to come from the German and Indian compact construction businesses. Strength in our North American concrete truck business and dumper business is expected to be more than offset by weakness in our German and Indian compact construction businesses throughout 2016. We continue to explore alternative ways to create value from this segment for our shareholders.

Geographically, while sales in the North American market remain relatively strong, we have been impacted by lower oil and gas related activity. European markets are mixed with sales down slightly on a currency neutral basis. Most of the other markets are experiencing year over year declines, particularly Brazil and Australia, although sales in Asia Pacific were up on a currency neutral basis.

We continued to work to improve our capital structure in 2015. We settled our 4% Convertible Senior Subordinated Notes in the year without incurring additional borrowings under our revolving credit facility and we re-priced our European term loan with lower interest rates. Our efforts to improve our working capital investment also helped generate approximately \$290 million in free cash flow in 2015, above our expectations.

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.

Looking ahead to 2016, we see softer demand for some of our products. Lower requirements for fleet replacement for the Company's AWP product in North America is developing as previously communicated. The downturn in the oil and gas sector is also hurting product demand, particularly for Cranes. This, together with ongoing macro-economic weakness in many of our end markets, is expected to have a negative impact on our operating earnings in 2016. We are in process of developing and implementing plans to reduce our general and administrative expenses, which began in January 2016 and will continue throughout the year. We are also evaluating our facilities footprint, as well as underperforming businesses, and will make required adjustments so that we are globally cost-competitive and our businesses perform above our cost of capital throughout the business cycle. We will continue to invest in research, development and engineering to ensure we have competitive products and services that provide a superior return for our customers. The Company expects 2016 earnings per share to be between \$1.30 and \$1.60, excluding restructuring and other unusual items, on net sales that are approximately 10% lower than 2015.

ROIC continues to be a metric we use to measure our performance. ROIC and the Non-GAAP Measures assist in showing how effectively we utilize capital invested in our operations. After-tax ROIC is determined by dividing the sum of NOPAT for each of the previous four quarters by the average of the sum of Total Terex Corporation stockholders' equity plus Debt (as defined below) less Cash and cash equivalents for the previous five quarters. NOPAT for each quarter is calculated by multiplying Income (loss) from operations by a figure equal to one minus the effective tax rate of the Company. We believe returns on capital deployed in TFS do not represent our primary operations and, therefore, TFS finance receivable assets and results from operations have been excluded from the Non-GAAP Measures. The effective tax rate is equal to the (Provision for) benefit from income taxes divided by Income (loss) from continuing operations before income taxes for the respective quarter. Debt is calculated using the 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 the 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 December 31, 2015 was 6.6%.

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.

	Dec '15	Sep '15	Jun '15	Mar '15	Dec '14
Provision for (benefit from) income taxes	\$ 5.6	\$ 30.8	\$ 33.0	\$ 11.6	
Divided by: Income (loss) before income taxes	20.3	76.9	119.3	10.1	
Effective tax rate	27.6%	40.1%	27.7%	114.9 %	
Income (loss) from operations as adjusted	\$ 53.1	\$ 109.4	\$ 147.2	\$ 46.5	
Multiplied by: 1 minus Effective tax rate	72.4%	59.9%	72.3%	(14.9)%	
Adjusted net operating income (loss) after tax	\$ 38.4	\$ 65.5	\$ 106.4	\$ (6.9)	
Debt (as defined above)	\$ 1,831.2	\$ 1,897.6	\$ 1,906.6	\$ 1,872.9	\$ 1,788.8
Less: Cash and cash equivalents	(466.5)	(301.1)	(332.7)	(351.3)	(478.2)
Debt less Cash and cash equivalents	\$ 1,364.7	\$ 1,596.5	\$ 1,573.9	\$ 1,521.6	\$ 1,310.6
Total Terex Corporation stockholders' equity as adjusted	\$ 1,528.0	\$ 1,549.7	\$ 1,630.8	\$ 1,543.3	\$ 1,843.2
Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted	\$ 2,892.7	\$ 3,146.2	\$ 3,204.7	\$ 3,064.9	\$ 3,153.8

December 31, 2015 ROIC	6.6%
NOPAT as adjusted (last 4 quarters)	\$ 203.4
Average Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted (5 quarters)	\$ 3,092.5

	Three months ended 12/31/15	Three months ended 9/30/15	Three months ended 06/30/15	Three months ended 03/31/15
Reconciliation of income (loss) from operations:				
Income (loss) from operations as reported	\$ 50.8	\$ 111.9	\$ 148.3	\$ 44.2
(Income) loss from operations for TFS	2.3	(2.5)	(1.1)	2.3
Income (loss) from operations as adjusted	\$ 53.1	\$ 109.4	\$ 147.2	\$ 46.5

	As of 12/31/15	As of 9/30/15	As of 06/30/15	As of 03/31/15	As of 12/31/14
Reconciliation of Terex Corporation stockholders' equity:					
Terex Corporation stockholders' equity as reported	\$ 1,877.4	\$ 1,889.9	\$ 1,915.0	\$ 1,747.8	\$ 2,005.9
TFS Assets	(349.4)	(340.2)	(284.2)	(204.5)	(162.7)
Terex Corporation stockholders' equity as adjusted	\$ 1,528.0	\$ 1,549.7	\$ 1,630.8	\$ 1,543.3	\$ 1,843.2

## Business Combination and Plan of Merger

See Item 1, *Business*, and 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.

### Proposal from Zoomlion Heavy Industry Science and Technology Co.

We have received an unsolicited, non-binding acquisition proposal from Zoomlion Heavy Industry Science and Technology Co. (“Zoomlion”) to acquire all of the outstanding shares of Terex for \$30.00 per share in cash. The proposal is conditioned on, among other things, receipt of U.S. and Chinese regulatory approval and Zoomlion shareholder approval.

We have entered into a confidentiality agreement with Zoomlion and are in discussions with Zoomlion regarding the proposal. Consistent with its fiduciary duties, the Terex Board of Directors, in consultation with its legal and financial advisors, is carefully reviewing the Zoomlion proposal to determine the course of action that it believes is in the best interests of Terex shareholders.

## **RESULTS OF OPERATIONS**

### **2015 COMPARED WITH 2014**

#### **Terex Consolidated**

	2015		2014		% Change In Reported Amounts
		% of Sales		% of Sales	
	<i>(\$ amounts in millions)</i>				
Net sales	\$ 6,543.1	—	\$ 7,308.9	—	(10.5)%
Gross profit	\$ 1,308.5	20.0%	\$ 1,453.5	19.9%	(10.0)%
SG&A	\$ 918.6	14.0%	\$ 1,030.4	14.1%	(10.9)%
Goodwill and intangible asset impairment	\$ 34.7	0.5%	\$ —	—%	*
Income from operations	\$ 355.2	5.4%	\$ 423.1	5.8%	(16.0)%

\* Not meaningful as a percentage

Net sales for the year ended December 31, 2015 decreased \$765.8 million when compared to 2014. The decline in net sales was driven by lower net sales across all segments, with the largest declines coming from MHPS, AWP and Construction. Changes in foreign exchange rates negatively impacted consolidated net sales by approximately 8% or \$573 million. Net sales decreased by approximately \$110 million due to the disposition of businesses in our MHPS and Construction segments. The declines were partially offset by improvements in certain product lines or regions in all of our segments.

Gross profit for the year ended December 31, 2015 decreased \$145.0 million when compared to 2014. The decrease was primarily due to declines in all segments except MP, which delivered improved margins. Changes in foreign exchange rates negatively impacted gross profit in all segments, and sales volumes were down in all segments except for Cranes. These decreases were partially offset by reduced material and manufacturing costs.

SG&A costs for the year ended December 31, 2015 decreased \$111.8 million when compared to 2014. The majority of the decrease in SG&A costs was due to the positive impact of changes in foreign exchange rates, particularly in our MHPS segment.

Due to deteriorating market conditions in our MHPS segment, we recorded a non-cash impairment charge of \$11.3 million to write down the value of goodwill and a non-cash intangible asset impairment charge of \$23.4 million to write down tradenames, both of which were recorded in the operating results of our MHPS segment in the year ended December 31, 2015.

Income from operations decreased by \$67.9 million for the year ended December 31, 2015 when compared to 2014. The decrease was primarily due to lower operating performance in the AWP and Cranes segments.

## Aerial Work Platforms

	2015		2014		% Change In Reported Amounts
		% of Sales		% of Sales	
	(\$ amounts in millions)				
Net sales	\$ 2,213.4	—	\$ 2,369.7	—	(6.6)%
Income from operations	\$ 269.3	12.2%	\$ 302.8	12.8%	(11.1)%

Net sales for the AWP segment for the year ended December 31, 2015 decreased \$156.3 million when compared to 2014. Net sales decreased approximately \$82 million due to the negative impact of foreign exchange rate changes. North American net sales decreased due to lower pricing and softening demand for telehandlers and booms, which are impacted by the uncertainty surrounding oil and gas markets. Sales in Latin America were lower due to the continuing impact of economic uncertainties in Brazil as well as softer pricing. These decreases were partially offset by increased net sales in Europe due to robust replacement demand and increased product adoption in China.

Income from operations for the year ended December 31, 2015 decreased \$33.5 million when compared to 2014. The decrease was due to declines in net sales noted above, as well as unfavorable pricing, and negative impact from foreign exchange rate changes. These decreases were partially offset by lower material costs and reduced manufacturing costs associated with decreased indirect labor.

## Cranes

	2015		2014		% Change In Reported Amounts
		% of Sales		% of Sales	
	(\$ amounts in millions)				
Net sales	\$ 1,699.7	—	\$ 1,791.1	—	(5.1)%
Income from operations	\$ 57.5	3.4%	\$ 85.9	4.8%	(33.1)%

Net sales for the Cranes segment for the year ended December 31, 2015 decreased by \$91.4 million when compared to 2014. Net sales decreased approximately \$172 million due to the negative impact of foreign exchange rate changes. Lower demand for mobile cranes in North America and Australia, largely due to declines in oil, gas and commodity prices, also contributed to the decrease in net sales. This was partially offset by higher cranes product sales in Europe and Asia and the contribution from an acquired business of approximately \$73 million.

Income from operations for the year ended December 31, 2015 decreased \$28.4 million when compared to 2014, resulting primarily from approximately \$17 million of foreign exchange rate changes and approximately \$14 million of lower factory utilization.

## Material Handling & Port Solutions

	2015		2014		% Change In Reported Amounts
		% of Sales		% of Sales	
	(\$ amounts in millions)				
Net sales	\$ 1,445.8	—	\$ 1,783.4	—	(18.9)%
Loss from operations	\$ (8.6)	(0.6)%	\$ (17.2)	(1.0)%	(50.0)%

Net sales for the MHPS segment for the year ended December 31, 2015 decreased by \$337.6 million when compared to 2014. Net sales decreased approximately \$215 million due to the negative impact of foreign exchange rate changes. Decreases in port automation sales in Western Europe, and the divestiture of our Australia Material Handling business in 2014 also contributed to the decline in net sales. These decreases were partially offset by incremental sales of mobile harbor cranes as well as increased sales from our materials handling business in the United States.

Loss from operations for the year ended December 31, 2015 improved by \$8.6 million when compared to 2014. The 2014 results included approximately \$42 million of restructuring charges and approximately \$33 million of loss from the sale of an entity, which did not repeat in 2015. The loss from operations in 2015 was driven by approximately \$11 million and \$23 million of goodwill and tradename impairment charges, respectively, and decline in sales volume, including continued challenges in Brazil and the decrease in port automation sales.

See Note L – “Goodwill and Intangible assets” in the accompanying Consolidated Financial Statements for more information about the goodwill and tradename impairment charges recognized in 2015.

### Materials Processing

	2015		2014		% Change In Reported Amounts
		% of Sales		% of Sales	
	(\$ amounts in millions)				
Net sales	\$ 636.5	—	\$ 653.1	—	(2.5)%
Income from operations	\$ 57.1	9.0%	\$ 60.6	9.3%	(5.8)%

Net sales for the MP segment decreased by \$16.6 million for the year ended December 31, 2015 when compared to 2014. The decrease was primarily due to approximately \$44 million negative impact of foreign exchange rate changes. Sales volumes declined by approximately \$24 million, including continued softness in mining-related markets. The decrease was partially offset by an increase of \$51 million from acquired businesses, and increased sales in India.

Income from operations for the year ended December 31, 2015 decreased \$3.5 million when compared to 2014. The decrease was driven primarily by approximately \$9 million negative impact of foreign exchange rate changes, approximately \$6 million impact from lower sales volume, partially offset by approximately \$11 million of manufacturing cost savings.

### Construction

	2015		2014		% Change In Reported Amounts
		% of Sales		% of Sales	
	(\$ amounts in millions)				
Net sales	\$ 673.6	—	\$ 836.6	—	(19.5)%
Income (loss) from operations	\$ (10.2)	(1.5)%	\$ 1.2	0.1%	*

\* Not meaningful as a percentage

Net sales for the Construction segment decreased by \$163.0 million for the year ended December 31, 2015 when compared to 2014. Net sales decreased by approximately \$220 million due to the disposition of our majority interest in the compact track loader business in the fourth quarter of 2014, unfavorable foreign currency exchange rate changes, and reduced compact construction sales in Germany and India. Partially offsetting these decreases were increased site dumper sales in the U.K. and increased concrete mixer truck sales in the U.S.

Loss from operations for the year ended December 31, 2015 was \$10.2 million, compared to income from operations of \$1.2 million for the year ended December 31, 2014, resulting primarily from lower net sales, which drove a reduction of approximately \$15 million from lower volume, the business divestiture noted above, partially offset by favorable pricing and sales mix.



## Corporate/Eliminations

	2015		2014		% Change In Reported Amounts
		% of Sales		% of Sales	
	<i>(\$ amounts in millions)</i>				
Net sales	\$ (125.9)	—	\$ (125.0)	—	*
Loss from operations	\$ (9.9)	*	\$ (10.2)	*	*

\* Not meaningful as a percentage

The net sales amounts include the elimination of intercompany sales activity among segments.

### Interest Expense, Net of Interest Income

During the year ended December 31, 2015, our interest expense net of interest income was \$100.3 million, or \$12.2 million lower than the prior year. The reduction resulted from the settlement of the 4% Convertible Notes on June 1, 2015 and lower effective interest rates in the current year.

### Loss on Early Extinguishment of Debt

During the year ended December 31, 2015, we recorded \$0.1 million in costs related to an amendment made to our 2014 Credit Agreement to reduce the variable interest spread on our Euro denominated term loan by 50 basis points. We recorded a loss of \$2.6 million on early extinguishment of debt in the year ended December 31, 2014 related to the termination of our 2011 Credit Agreement.

### Other Income (Expense) — Net

Other income (expense) — net for the year ended December 31, 2015 was expense of \$22.9 million, an increase of \$19.5 million when compared to expense of \$3.4 million in the prior year. This was driven primarily by approximately \$14 million of merger related costs and approximately \$8 million in increased foreign exchange losses in the current year period compared to the prior year period.

### Income Taxes

During the year ended December 31, 2015, we recognized income tax expense of \$81.0 million on income of \$226.6 million, an effective tax rate of 35.7%, as compared to an income tax expense of \$37.7 million on income of \$297.2 million, an effective tax rate of 12.7%, for the year ended December 31, 2014. The higher effective tax rate for the year ended December 31, 2015 was primarily due to tax benefits derived from divestitures in the year ended December 31, 2014, and increased losses not benefited in 2015 that do not produce tax benefits, partially offset by a favorable geographic mix of earnings in 2015.

### Income (Loss) from Discontinued Operations

Income from discontinued operations for the year ended December 31, 2015 decreased by approximately \$1 million when compared to the prior year as the truck business was sold in May 2014.

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

Gain (loss) on disposition of discontinued operations decreased by approximately \$55 million primarily due to the sale of the truck business in the year ended December 31, 2014.

## 2014 COMPARED WITH 2013

### Terex Consolidated

	2014		2013		% Change In Reported Amounts
	\$	% of Sales	\$	% of Sales	
	<i>(\$ amounts in millions)</i>				
Net sales	\$ 7,308.9	—	\$ 7,084.0	—	3.2%
Gross profit	\$ 1,453.5	19.9%	\$ 1,439.5	20.3%	1.0%
SG&A	\$ 1,030.4	14.1%	\$ 1,020.4	14.4%	1.0%
Income from operations	\$ 423.1	5.8%	\$ 419.1	5.9%	1.0%

Net sales for the year ended December 31, 2014 increased \$224.9 million when compared to 2013. Our AWP segment had significant growth in net sales from continued rental channel replenishment. Our MHPS segment also experienced net sales growth primarily from its port solutions businesses. Net sales in our MP and Construction segments improved slightly in the current year. However, net sales in our Cranes segment were lower in the Middle East and Australia, partially offsetting net sales increases in our other segments.

Gross profit for the year ended December 31, 2014 increased \$14.0 million when compared to 2013. Our MHPS and Construction segments' gross profit improved from the prior year, partially offset by decreased gross profit in the other three segments.

SG&A costs for the year ended December 31, 2014 increased by \$10.0 million when compared to 2013. Cost reduction activities taken in prior periods in our MHPS and Construction segments are reflected in current year SG&A costs. Higher SG&A costs in our AWP and MP segments more than offset those improvements.

Income from operations increased by \$4.0 million for the year ended December 31, 2014 when compared to 2013. The increase was primarily due to improvement in our MHPS and Construction segments, partially offset by weaker performance in our AWP, Cranes and MP segments.

### Aerial Work Platforms

	2014		2013		% Change In Reported Amounts
	\$	% of Sales	\$	% of Sales	
	<i>(\$ amounts in millions)</i>				
Net sales	\$ 2,369.7	—	\$ 2,131.0	—	11.2 %
Income from operations	\$ 302.8	12.8%	\$ 325.8	15.3%	(7.1)%

Net sales for the AWP segment for the year ended December 31, 2014 increased \$238.7 million when compared to 2013. Net sales improvement was primarily due to continued replacement demand and capital expenditures for growth from the North American rental channels, continued replacement demand in Europe and Asia Pacific, and growing demand in China, partially offset by weaker demand in Latin America.

Income from operations for the year ended December 31, 2014 decreased \$23.0 million when compared to 2013. The decrease was primarily due to higher factory and manufacturing start-up costs of approximately \$33 million, higher commodity costs of approximately \$17 million, approximately \$7 million of increased selling and marketing costs associated with higher net sales, and approximately \$8 million increased allocation of corporate costs, partially offset by margins associated with higher sales volume.

## Cranes

	2014		2013		% Change In Reported Amounts
		% of Sales		% of Sales	
(\$ amounts in millions)					
Net sales	\$ 1,791.1	—	\$ 1,925.5	—	(7.0)%
Income from operations	\$ 85.9	4.8%	\$ 110.5	5.7%	(22.3)%

Net sales for the Cranes segment for the year ended December 31, 2014 decreased by \$134.4 million when compared to 2013. This decrease was due to decline in demand for mobile cranes in North America, the Middle East and Australia. These declines were partially offset by improving sales for mobile cranes in Western Europe and tower cranes worldwide, as well as utility products in North America.

Income from operations for the year ended December 31, 2014 decreased \$24.6 million when compared to 2013, resulting primarily from lower net sales, which drove a reduction of approximately \$34 million in gross profit due to unfavorable product mix and lower volume, partially offset by approximately \$10 million in lower restructuring and related charges. Income from operations was also impacted by approximately \$4 million of higher engineering costs, primarily related to Tier 4 compliance and new product development.

## Material Handling & Port Solutions

	2014		2013		% Change In Reported Amounts
		% of Sales		% of Sales	
(\$ amounts in millions)					
Net sales	\$ 1,783.4	—	\$ 1,698.5	—	5.0%
Loss from operations	\$ (17.2)	(1.0)%	\$ (41.8)	(2.5)%	*

\* Not meaningful as a percentage

Net sales for the MHPS segment for the year ended December 31, 2014 increased by \$84.9 million when compared to 2013. The increase was driven by improvement in net sales for our port solutions businesses, with the largest increase in Western Europe related to port automation technology, partially offset by lower net sales in our material handling businesses compared to the prior year.

Loss from operations for the year ended December 31, 2014 improved by \$24.6 million when compared to 2013. This improvement was primarily driven by increased gross profit on increased net sales and favorable product mix, contributing approximately \$34 million and by approximately \$10 million of improvement related to prior year cost reduction activities. Additionally, restructuring and related charges and inventory charges were each approximately \$6 million lower, respectively. This was partially offset by approximately \$33 million related to a loss on sale of an entity.

## Materials Processing

	2014		2013		% Change In Reported Amounts
		% of Sales		% of Sales	
(\$ amounts in millions)					
Net sales	\$ 653.1	—	\$ 628.2	—	4.0 %
Income from operations	\$ 60.6	9.3%	\$ 71.8	11.4%	(15.6)%

Net sales in the MP segment increased by \$24.9 million for the year ended December 31, 2014 when compared to 2013. Net sales improvements were primarily in the North American market but were partially offset by lower net sales in Australia and Latin America, as well as lower parts sales in the current year. Increased demand for washing systems and biomass chippers contributed to the increase.

Income from operations for the year ended December 31, 2014 decreased \$11.2 million when compared to 2013. The decrease was driven primarily by unfavorable geographic mix of sales and decreased productivity, approximately \$3 million of higher trade show expenses, approximately \$2 million of higher engineering costs related to new product development, partially offset by approximately \$2 million related to the reversal of a litigation accrual.

As of October 1, 2014, we performed our annual goodwill impairment test for the MP segment, which resulted in the fair market value of the MP reporting unit exceeding its carrying value by 24%. While no evidence of impairment was indicated, due to geopolitical uncertainty and short-term volatility in worldwide commodities markets, we reviewed the MP reporting unit at December 31, 2014 to determine if the results of the October 1 test would be significantly different. We did not find evidence of impairment at December 31, 2014, but we will continue to monitor the performance of the MP reporting unit and update the test as circumstances warrant. If the MP reporting unit is unable to achieve its projected cash flows, the outcome of any prospective tests may result in recording goodwill impairment charges in future periods. The amount of goodwill in the MP segment was \$174.9 million as of December 31, 2014.

### Construction

	2014		2013		% Change In Reported Amounts
		% of Sales		% of Sales	
<i>(\$ amounts in millions)</i>					
Net sales	\$ 836.6	—	\$ 820.0	—	2.0 %
Income (loss) from operations	\$ 1.2	0.1%	\$ (24.8)	(3.0)%	*

\* Not meaningful as a percentage

Net sales for the Construction segment increased by \$16.6 million for the year ended December 31, 2014 when compared to 2013. The majority of the increase was primarily due to higher demand for our concrete mixer trucks in the U.S. and material handling products primarily in Europe, partially offset by decreased net sales as a result of divestitures of our roadbuilding business.

Income (loss) from operations for the year ended December 31, 2014 improved \$26.0 million when compared to 2013. Improvement was primarily due to the increase in net sales, improved factory utilization, and cost reductions driven by approximately \$7 million from divestitures, approximately \$3 million of selling and administrative cost reduction activities, approximately \$3 million lower allocation of corporate costs, and approximately \$2 million of reduced bad debt charges due to recoveries.

### Corporate/Eliminations

	2014		2013		% Change In Reported Amounts
		% of Sales		% of Sales	
<i>(\$ amounts in millions)</i>					
Net sales	\$ (125.0)	—	\$ (119.2)	—	*
Loss from operations	\$ (10.2)	*	\$ (22.4)	*	*

\* Not meaningful as a percentage

The net sales amounts include the elimination of intercompany sales activity among segments. Lower loss from operations in the current year was partially due to a gain from a divested business of approximately \$17 million.

### Interest Expense, Net of Interest Income

During the year ended December 31, 2014, our interest expense net of interest income was \$112.5 million, or \$6.9 million lower than the prior year. This improvement was primarily driven by lower interest rates on our debt.

### Loss on Early Extinguishment of Debt

We recorded a loss of \$2.6 million on early extinguishment of debt during the year ended December 31, 2014 related to the termination of our 2011 Credit Agreement. A loss of \$5.2 million on early extinguishment of debt was recorded in the year ended December 31, 2013 related to repayment of a portion of our term debt.

## **Other Income (Expense) — Net**

Other income (expense) — net for the year ended December 31, 2014 was expense of \$3.4 million, a decrease of \$8.7 million when compared to income of \$5.3 million in the prior year. This was driven primarily by foreign exchange losses in the current year period compared to gains in the prior year period.

## **Income Taxes**

During the year ended December 31, 2014, we recognized income tax expense of \$37.7 million on income of \$297.2 million, an effective tax rate of 12.7%, as compared to income tax expense of \$87.4 million on income of \$291.3 million, an effective tax rate of 30.0%, for the year ended December 31, 2013. The lower effective tax rate for the year ended December 31, 2014 was primarily due to tax benefits derived from divestitures and a more favorable geographic mix of earnings. These items were partially offset by the recording of valuation allowances and reduced benefits from the release of uncertain tax positions when compared to the prior year.

## **Income (Loss) from Discontinued Operations**

Income from discontinued operations for the year ended December 31, 2014 decreased by approximately \$13.0 million when compared to the prior year as the truck business was sold in May 2014.

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

Gain (loss) on disposition of discontinued operations increased by approximately \$56 million primarily due to the sale of the truck business in the year ended December 31, 2014.

## **CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Changes in estimates and assumptions used by management could have significant impact on our financial results. Actual results could differ from those estimates.

We believe that the following are among our most significant accounting policies which are important in determining the reporting of transactions and events and which utilize estimates about the effect of matters that are inherently uncertain and therefore are based on management judgment. Please refer to Note B – “Basis of Presentation” in the accompanying Consolidated Financial Statements for a complete listing of our accounting policies.

**Inventories** – In valuing inventory, we are required to make assumptions regarding level of reserves required to value potentially obsolete or over-valued items at the lower of cost or market. These assumptions require us to analyze the aging of and forecasted demand for our inventory, forecast future products sales prices, pricing trends and margins, and to make judgments and estimates regarding obsolete or excess inventory. Future product sales prices, pricing trends and margins are based on the best available information at that time including actual orders received, negotiations with our customers for future orders, including their plans for expenditures, and market trends for similar products. Our judgments and estimates for excess or obsolete inventory are based on analysis of actual and forecasted usage. Valuation of used equipment taken in trade from customers requires us to use the best information available to determine the value of the equipment to potential customers. This value is subject to change based on numerous conditions. Inventory reserves are established taking into account age, frequency of use, or sale, and in the case of repair parts, the installed base of machines. While calculations are made involving these factors, significant management judgment regarding expectations for future events is involved. Future events that could significantly influence our judgment and related estimates include general economic conditions in markets where our products are sold, new equipment price fluctuations, actions of our competitors, including introduction of new products and technological advances, as well as new products and design changes we introduce. We make adjustments to our inventory reserve based on the identification of specific situations and increase our inventory reserves accordingly. As further changes in future economic or industry conditions occur, we will revise estimates that were used to calculate its inventory reserves.

If actual conditions are less favorable than those we have projected, we will increase our reserves for lower of cost or market (“LCM”), excess and obsolete inventory accordingly. Any increase in our reserves will adversely impact our results of operations. Establishment of a reserve for LCM, excess and obsolete inventory establishes a new cost basis in the inventory. Such reserves are not reduced until the product is sold.

**Accounts Receivable** – We are required to judge our ability to collect accounts receivable from our customers. Valuation of receivables includes evaluating customer payment histories, customer leverage, availability of third-party financing, political and exchange risks and other factors. Many of these factors, including assessment of a customer’s ability to pay, are influenced by economic and market factors that cannot be predicted with certainty. Given current economic conditions, there can be no assurance our historical accounts receivable collection experience will be indicative of future results.

**Guarantees** – As of December 31, 2015, we have issued guarantees to financial institutions related to customer financing of equipment purchases by our customers. We must assess the probability of losses or non-performance in ways similar to the evaluation of accounts receivable, including consideration of a customer’s payment history, leverage, availability of third party financing, political and exchange risks, and other factors. Many of these factors, including the assessment of a customer’s ability to pay, are influenced by economic and market factors that cannot be predicted with certainty.

Our customers, from time to time, may fund 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 the customer default. Our maximum liability is limited to the remaining payments due to the finance company at the time of default. In the event of customer default, we have generally been able to recover and dispose of the equipment at a minimum loss, if any, to us. There can be no assurance that our 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 time of loss.

We issue residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee a piece of equipment will have a minimum fair market value at a future point in time. We are generally able to mitigate 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 because maturity of guarantees is staggered, limiting the amount of used equipment entering the marketplace at any one time and through leveraging our access to the used equipment markets provided by our original equipment manufacturer status.

We record a liability for the estimated fair value of guarantees issued pursuant to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 460, “Guarantees” (“ASC 460”). We recognize a loss under a guarantee when our obligation to make payment under the guarantee is probable and the amount of the loss can be estimated. A loss would be recognized if our payment obligation under the guarantee exceeds the value we could expect to recover to offset such payment, primarily through the sale of the equipment underlying the guarantee.

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

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

**Revenue Recognition** – Revenue and related costs are generally recorded when products are shipped and invoiced to either independently owned and operated dealers or to end-customers.

Revenue generated in the United States is recognized when title and risk of loss pass from us to our customers, which generally occurs upon shipment depending upon the shipping terms negotiated. We also have a policy requiring that certain criteria be met in order to recognize revenue, including satisfaction of the following requirements:

- a) Persuasive evidence that an arrangement exists;
- b) The price to the buyer is fixed or determinable;
- c) Collectability is reasonably assured; and
- d) We have no significant obligations for future performance.

In the United States, we have the ability to enter into a security agreement and receive a security interest in the product by filing an appropriate Uniform Commercial Code (“UCC”) financing statement. However, a significant portion of our revenue is generated outside of the United States. In many countries outside of the United States, as a matter of statutory law, a seller retains title to a product until payment is made. The laws do not provide for a seller’s retention of a security interest in goods in the same manner as established in the UCC. In these countries, we retain title to goods delivered to a customer until the customer makes payment so that we can recover the goods in the event of customer default on payment. In these circumstances, where we only retain title to secure our recovery in the event of customer default, we also have a policy, which requires meeting certain criteria in order to recognize revenue, including satisfaction of the following requirements:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable;
- d) Collectability is reasonably assured;
- e) We have no significant obligations for future performance; and
- f) We are not entitled to direct the disposition of the goods, cannot rescind the transaction, cannot prohibit the customer from moving, selling, or otherwise using the goods in the ordinary course of business and have no other rights of holding title that rest with a titleholder of property that is subject to a lien under the UCC.

In circumstances where the sales transaction requires acceptance by the customer for items such as testing on site, installation, trial period or performance criteria, revenue is not recognized unless the following criteria have been met:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable;
- d) Collectability is reasonably assured; and
- e) The customer has given their acceptance, the time period for acceptance has elapsed or we have otherwise objectively demonstrated that the criteria specified in the acceptance provisions have been satisfied.

In addition to performance commitments, we analyze factors such as the reason for the purchase to determine if revenue should be recognized. This analysis is done before the product is shipped and includes the evaluation of factors that may affect the conclusion related to the revenue recognition criteria as follows:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable; and
- d) Collectability is reasonably assured.

Revenue from sales-type leases is recognized at the inception of the lease. Income from operating leases is recognized ratably over the term of the lease. We routinely sell equipment subject to operating leases and the related lease payments. If we do not retain a substantial risk of ownership in the equipment, the transaction is recorded as a sale. If we do retain a substantial risk of ownership, the transaction is recorded as a borrowing, the operating lease payments are recognized as revenue over the term of the lease and the debt is amortized over a similar period.

We, from time to time, issue buyback guarantees in conjunction with certain sales agreements. These primarily relate to trade value agreements (“TVAs”) in which a customer may trade in equipment in the future at a stated price/credit if the customer meets certain conditions. The trade-in price/credit is determined at the time of the original sale of equipment. In conjunction with the trade-in, these conditions include a requirement to purchase new equipment at fair market value at the time of trade-in, which fair value is required to be of equal or greater value than the original equipment cost. Other conditions also include the general functionality and state of repair of the machine. We have concluded that any credit provided to customers under a TVA/buyback guarantee, which is expected to be equal to or less than the fair value of the equipment returned on the trade-in date, is a guarantee to be accounted for in accordance with ASC 460.

The original sale of equipment, accompanied by a buyback guarantee, is a multiple element transaction wherein we offer our customer the right, after some period of time, for a limited period of time, to exchange purchased equipment for a fixed price trade-in credit toward another of our products. The fixed price trade-in credit is accounted for under the guidance provided by ASC 460. Pursuant to this right, we have agreed to make a payment (in the form of a trade-in credit) to the customer contingent upon the customer exercising its right to trade in the original purchased equipment. Under the guidance of ASC 460, we record the fixed price trade-in credit at its fair value. Accordingly, as noted above, we have accounted for the trade-in credit as a separate deliverable in a multiple element arrangement.

When a sales transaction includes multiple deliverables, such as sales of multiple products or sales of products and services that are delivered over multiple reporting periods, the multiple deliverables are evaluated to determine the units of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. The selling price of a unit of accounting is determined using a selling price hierarchy. Vendor-specific objective evidence (“VSOE”) is established based upon the price charged for products and services that are sold separately in standalone transactions. If VSOE cannot be established, third-party evidence (“TPE”) is evaluated based on competitor prices for similar deliverables when sold separately. If neither VSOE or TPE is available, management’s best estimate of selling price is established based upon the price at which we would sell the product on a standalone basis taking into consideration factors including, but not limited to, internal costs, gross margin objectives, pricing practices and market conditions. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

***Goodwill and Indefinite-Lived Intangible Assets*** – Goodwill, representing the difference between total purchase price and fair value of assets (tangible and intangible) and liabilities at the date of acquisition, is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. We selected October 1 as the date for our required annual impairment test.

Goodwill is tested for impairment at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which discrete financial information with similar economic characteristics is available and operating results are regularly reviewed by our management. AWP, Cranes, MP and Construction operating segments plus the Material Handling (“MH”) business and Port Solutions (“PS”) business of MHPS, comprise the six reporting units for goodwill impairment testing purposes.

We may elect to perform a qualitative analysis for our reporting units to determine whether it is more likely than not the fair value of the reporting unit is greater than its carrying value. If the qualitative analysis indicates that it is more likely than not the fair value of a reporting unit is less than its carrying amount or if we elect not to perform a qualitative analysis, we perform a quantitative analysis to determine whether a goodwill impairment exists.

The quantitative goodwill impairment analysis is a two-step process. The first step used to identify potential impairment involves comparing each reporting unit’s estimated fair value to its carrying value, including goodwill. We use an income approach derived from a discounted cash flow model to estimate fair value of our reporting units. The aggregate fair value of our reporting units is compared to our market capitalization on the valuation date to assess its reasonableness. Initial recognition of goodwill, as well as the annual review of carrying value of goodwill, requires that we develop estimates of future business performance. These estimates are used to derive expected cash flow and include assumptions regarding future sales levels and the level of working capital needed to support a given business. We rely on data developed by business segment management as well as macroeconomic data in making these calculations. The discounted cash flow model also includes a determination of our weighted average cost of capital. Cost of capital is based on assumptions about interest rates as well as a risk-adjusted rate of return required by our equity investors. Changes in these estimates can impact present value of expected cash flow used in determining fair value of acquired intangible assets as well as overall expected value of a given business.

The second step of the process involves calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. Implied fair value of goodwill is determined by measuring the excess of estimated fair value of the reporting unit over estimated fair values of individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If implied fair value of goodwill exceeds carrying value of goodwill assigned to the reporting unit, there is no impairment. If carrying value of goodwill assigned to a reporting unit exceeds implied fair value of goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed carrying value of goodwill assigned to a reporting unit and subsequent reversal of goodwill impairment losses is not permitted.



There were no indicators of goodwill impairment in the tests performed as of October 1, 2014 and 2013. As a result of our annual impairment test in the fourth quarter of 2015, we recorded a non-cash charge of \$11.3 million in our MHPS segment, to reflect impairment of goodwill in our PS reporting unit. See Note L – “Goodwill and Intangible Assets, Net” in the Notes to the Consolidated Financial Statements.

In order to evaluate the sensitivity of any quantitative fair value calculations on the goodwill impairment test, we applied a hypothetical 10% decrease to the fair values of any reporting unit calculated. This hypothetical 10% decrease would still result in excess fair value over carrying value for the reporting units tested, other than PS, as of October 1, 2015.

The Company has indefinite-lived intangible assets, consisting of tradenames. These indefinite-lived intangible assets are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. To test indefinite-lived intangible assets, we develop an estimate of fair value using a discounted cash flow model. Assumptions critical to the process include forecasted financial information, discount rates and royalty rates, using the best information available at the time of the test. We assessed our indefinite-lived tradenames during the fourth quarter of 2015 due to the deterioration in market conditions of our MHPS segment and continued deterioration in the revenue outlook for this segment. As a result of this analysis, we recorded a non-cash impairment charge of approximately \$23 million in the fourth quarter of 2015 in our MHPS segment.

Further adjustments may be necessary in the future if conditions differ substantially from the assumptions utilized.

***Impairment of Long-Lived Assets*** – Our policy is to assess the realizability of our long-lived assets, including definite-lived intangible assets, and to evaluate such assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if fair value based on the estimated future undiscounted cash flows are less than the asset’s carrying value. Future cash flow projections include assumptions regarding future sales levels and the level of working capital needed to support each business. We use data developed by business segment management as well as macroeconomic data in making these calculations. There are no assurances that future cash flow assumptions will be achieved. The amount of any impairment then recognized would be calculated as the difference between the estimated fair value and the carrying value of the asset.

***Accrued Warranties*** – We record accruals for unasserted warranty claims based on our claim experience. Warranty costs are accrued at the time revenue is recognized. However, adjustments to the initial warranty accrual are recorded if actual claim experience indicates that adjustments are necessary. These warranty costs are based upon management’s assessment of past claims and current experience. However, actual claims could be higher or lower than amounts estimated, as the amount and value of warranty claims are subject to variation as a result of many factors that cannot be predicted with certainty, including the performance of new products, models and technology, changes in weather conditions for product operation, different uses for products and other similar factors.

***Accrued Product Liability*** – We record accruals for product liability claims when deemed probable and estimable based on facts and circumstances and our prior claim experience. Accruals for product liability claims are valued based upon our prior claims experience, including consideration of the jurisdiction, circumstances of the accident, type of loss or injury, identity of plaintiff, other potential responsible parties, analysis of outside legal counsel, analysis of internal product liability counsel and the experience of our product safety team. Actual product liability costs could be different due to a number of variables such as the decisions of juries or judges.

***Defined Benefit Plans*** – Pension benefits represent financial obligations that will be ultimately settled in the future with employees who meet eligibility requirements. As of December 31, 2015, we maintained one qualified defined benefit pension plan and one nonqualified plan covering certain U.S. employees. Benefits covering salaried employees are based primarily on years of service and employees’ qualifying compensation during final years of employment. Benefits covering bargaining unit employees are based primarily on years of service and a flat dollar amount per year of service. Participation in the qualified plan is frozen and participants are only credited with post-freeze service for purposes of determining vesting and retirement eligibility. It is our policy, generally, to fund the qualified U.S. plan based on requirements of the Employee Retirement Income Security Act of 1974. See Note Q – “Retirement Plans and Other Benefits” in the Notes to the Consolidated Financial Statements. The nonqualified plan provides retirement benefits to certain senior executives of the Company and is unfunded. Generally, the nonqualified plan provides a benefit based on average total compensation earned over a participant’s final five years of employment and years of service reduced by benefits earned under any Company retirement program, excluding salary deferrals and matching contributions. In addition, benefits are reduced by Social Security Primary Insurance Amounts attributable to Company contributions. Participation in the nonqualified plan is frozen; however, eligible participants are credited with post-freeze service for purposes of determining vesting and the amount of benefits.

We maintain defined benefit plans in France, Germany, India, Switzerland and the United Kingdom (“U.K.”) for some of our subsidiaries. The plans in France, Germany and India are unfunded plans. The plan in the U.K. is frozen. For our operations in Austria and Italy there are mandatory termination indemnity plans providing a benefit payable upon termination of employment in substantially all cases of termination. We record this obligation based on the mandated requirements. The measure of the current obligation is not dependent on the employees’ future service and therefore is measured at current value.

Plan assets consist primarily of common stocks, bonds and short-term cash equivalent funds. For the U.S. plan, approximately 31% of the assets are in equity securities and 69% are in fixed income securities. For non-U.S. funded plans, approximately 25% of the assets are in equity securities, 69% are in fixed income securities and 6% are in real estate investment securities. These allocations are reviewed periodically and updated to meet the long-term goals of the plans.

Determination of defined benefit pension and post-retirement plan obligations and their associated expenses requires use of actuarial valuations to estimate the benefits employees earn while working, as well as the present value of those benefits. We use the services of independent actuaries to assist with these calculations. Inherent in these valuations are economic assumptions, including expected returns on plan assets, discount rates at which liabilities may be settled, rates of increase of health care costs, rates of future compensation increases as well as employee demographic assumptions such as retirement patterns, mortality and turnover. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower turnover rates, or longer or shorter life spans of participants. During 2014, the Society of Actuaries released a new mortality table, which is believed to better reflect mortality improvements and is to be used in calculating defined benefit pension obligations. The Company adopted these new tables for its U.S. pension plans for use in determining its projected benefit obligations. Actual results that differ from the actuarial assumptions used are recorded as unrecognized gains and losses. Unrecognized gains and losses that exceed 10% of the greater of the plan’s projected benefit obligations or the market-related value of assets are amortized to earnings over the shorter of the estimated future service period of the plan participants or the period until any anticipated final plan settlements. The assumptions used in the actuarial models are evaluated periodically and are updated to reflect experience. We believe the assumptions used in the actuarial calculations are reasonable and are within accepted practices in each of the respective geographic locations in which we operate.

Expected long-term rates of return on pension plan assets were 7.50% for the U.S. plan, 6.00% for the U.K. plan and 2.50% for the Swiss plan at December 31, 2015. Our strategy with regard to the investments in the pension plans is to earn a rate of return sufficient to match or exceed the long-term growth of pension liabilities. The expected rate of return of plan assets represents an estimate of long-term returns on the investment portfolio. These rates are determined annually by management based on a weighted average of current and historical market trends, historical portfolio performance and the portfolio mix of investments. The expected long-term rate of return on plan assets at December 31 is used to measure the earnings effects for the subsequent year. The difference between the expected return and the actual return on plan assets affects the calculated value of plan assets and, ultimately, future pension expense (income).

The discount rates for pension plan liabilities were 4.20% for U.S. plan and 0.70% to 14.02% with a weighted average of 2.70% for non-U.S. plans at December 31, 2015. The discount rate enables us to estimate the present value of expected future cash flows on the measurement date. The rate used reflects a rate of return on high-quality fixed income investments that match the duration of expected benefit payments at the December 31 measurement date. The discount rate at December 31 is used to measure the year-end benefit obligations and the earnings effects on the subsequent year. Typically, a higher discount rate decreases the present value of benefit obligations.

Our U.S. pension plan is frozen so there is no expected rate of compensation increase, however, our SERP has an expected rate of compensation increase of 3.75%. The expected rates of compensation increase for our non-U.S. pension plans were 1.00% to 10.00% with a weighted average of 1.59% at December 31, 2015. These estimated annual compensation increases are determined by management every year and are based on historical trends and market indices.

We have recorded the underfunded status on our balance sheet as a liability and the unrecognized prior service costs and actuarial gains (losses) as an adjustment to Stockholders’ equity on the Consolidated Balance Sheet. The net decrease in the liability and funded status of \$57.3 million was due to the positive effect of changes in foreign exchange rates and changes in assumptions from the previous year, primarily increases in the discount rates.

Actual results in any given year will often differ from actuarial assumptions because of demographic, economic and other factors. Market value of plan assets can change significantly in a relatively short period of time. Additionally, the measurement of plan benefit obligations is sensitive to changes in interest rates. As a result, if the equity market declines and/or interest rates decrease, the plans’ estimated benefit obligations could increase, causing an increase in liabilities and a reduction in Stockholders’ Equity.

We expect any future obligations under our plans that are not currently funded will be funded from future cash flows from operations. If our contributions are insufficient to adequately fund the plans to cover our future obligations, or if the performance of assets in our plans does not meet expectations, or if our assumptions are modified, contributions could be higher than expected, which would reduce cash available for our business. Changes in U.S. or foreign laws governing these plans could require additional contributions. In addition, changes in generally accepted accounting principles in the U.S. could require recording additional liabilities and costs related to these plans.

Assumptions used in computing our net pension expense and projected benefit obligation have a significant effect on the amounts reported. A 25 basis point change in each assumption below would have the following effects upon net pension expense and projected benefit obligation, respectively, as of and for the year ended December 31, 2015:

	Increase		Decrease	
	Discount Rate	Expected long-term rate of return	Discount Rate	Expected long-term rate of return
<i>(\$ amounts in millions)</i>				
U. S. Plan:				
Net pension expense	\$ (0.2)	\$ (0.3)	\$ 0.2	\$ 0.3
Projected benefit obligation	\$ (5.2)	\$ —	\$ 5.4	\$ —
Non-U.S. Plans:				
Net pension expense	\$ 0.1	\$ (0.4)	\$ (0.2)	\$ 0.4
Projected benefit obligation	\$ (18.5)	\$ —	\$ 19.5	\$ —

**Income Taxes** – We estimate income taxes based on enacted tax laws in the various jurisdictions where we conduct business. We recognize deferred income tax assets and liabilities, which represent future tax benefits or obligations of our legal entities. These deferred income tax balances arise from temporary differences due to divergent treatment of certain items for accounting and income tax purposes.

We evaluate our deferred tax assets each period to ensure that estimated future taxable income will be sufficient in character, amount and timing to result in the use of our deferred tax assets. “Character” refers to the type (ordinary income versus capital gain) as well as the source (foreign vs. domestic) of the income we generate. “Timing” refers to the period in which future income is expected to be generated. Timing is important because, in certain jurisdictions, net operating losses (“NOLs”) and other tax attributes expire if not used within an established statutory time frame. Based on these evaluations, we have determined that it is more likely than not that expected future earnings will be sufficient to use most of our deferred tax assets.

We do not provide for income taxes or tax benefits on the differences between financial reporting basis and tax basis of our non-U.S. subsidiaries where such differences are reinvested and, in our opinion, will continue to be indefinitely reinvested. If earnings of foreign subsidiaries are not considered indefinitely reinvested, deferred U.S. income taxes, foreign income taxes, and foreign withholding taxes may have to be provided. We do not record deferred income taxes on the temporary difference between the book and tax basis in domestic subsidiaries where permissible. At this time, determination of the unrecognized deferred tax liabilities for temporary differences related to the investment in subsidiaries is not practicable.

Judgments and estimates are required to determine tax expense and deferred tax valuation allowances and in assessing uncertain tax positions. Tax returns are subject to audit and local taxing authorities could challenge tax-filing positions we take. Our practice is to file income tax returns that conform to the requirements of each jurisdiction and to record provisions for tax liabilities, including interest and penalties, in accordance with ASC 740, “Income Taxes.” As our business has grown in geographic scope, size and complexity, so has our potential exposure to uncertain tax positions. Given the subjective nature of applicable tax laws, the results of an audit of some of our tax returns could have a significant impact on our financial statements.

## RECENT ACCOUNTING PRONOUNCEMENTS

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

## LIQUIDITY AND CAPITAL RESOURCES

We continue to focus on generating cash and improving margins. We generated \$212.9 million in cash from operating activities and exceeded our expectations for free cash flow with approximately \$290 million generated for the year ended December 31, 2015. This was primarily due to improved working capital efficiency and net income for the year. Our liquidity (cash and availability under our revolving credit line) decreased from December 31, 2014 to December 31, 2015 by approximately \$12 million. The decrease was mostly the result of higher capital spending and targeted acquisitions in our Cranes and MP segments. Please refer to Note O – “Long-Term Obligations” in the accompanying Consolidated Financial Statements for further information on the new securitization facility.

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

	Year Ended 12/31/2015
Net cash provided by (used in) operating activities	212.9
Plus: Increase (decrease) in TFS assets	186.7
Less: Increase in cash for securitization settlement	(6.2)
Less: Capital expenditures	(103.8)
Free cash flow	<u>\$ 289.6</u>

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. In the fourth quarter of 2015, we entered into two uncommitted facilities to sell certain trade accounts receivable to third party financial institutions. During the fourth quarter of 2015, we sold, without recourse, accounts receivable approximating 5% of our fourth 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 \$466.5 million at December 31, 2015. 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 our internal operating initiatives and meet our operating and debt service requirements. See Item 1A “Risk Factors” 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 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 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.

Our investment in financial services assets was approximately \$349 million, net at December 31, 2015. 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.

During 2015, our cash used in inventory was approximately \$91 million, which was driven mostly by our AWP segment, as sales in the second half of the year did not reach the level expected. Working capital as a percent of trailing three month annualized net sales was 23.8% at December 31, 2015.

The following tables show the calculation of our working capital and trailing three months annualized sales as of December 31, 2015 (in millions):

	<b>Three months ended 12/31/15</b>
Net Sales	\$ 1,577.7
	x 4
Trailing Three Month Annualized Net Sales	<u>\$ 6,310.8</u>

	<b>As of 12/31/15</b>
Inventories	\$ 1,445.7
Trade Receivables	939.2
Less: Trade Accounts Payable	(737.7)
Less: Customer advances	(142.7)
Total Working Capital	<u>\$ 1,504.5</u>

Our credit agreement provides us with a revolving line of credit of up to \$600 million. See Note O - “Long-Term Obligations,” in our Consolidated Financial Statements for information concerning our credit agreement. We had \$600 million available for borrowing under our revolving credit facilities at December 31, 2015. 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 no outstanding borrowings under our revolving credit facilities at December 31, 2015 and 2014, respectively. Borrowings under our U.S. dollar and Euro denominated term loans were \$439.2 million as of December 31, 2015.

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 December 31, 2015, the weighted average interest rate on these term loans was 3.50%.

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 have potentially accelerated to earlier 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 for (A) senior secured credit facilities in an aggregate principal amount of up to \$1.65 billion, consisting of (i) a senior secured term loan facility in an aggregate principal amount of \$900.0 million (such aggregate principal amount to be allocated between a U.S. dollar-denominated term loan facility to be made to the Company and a Euro-denominated term loan facility in an aggregate principal amount of up to €450.0 million to be made to Konecranes or one of its subsidiaries) and (ii) two senior secured revolving credit facilities in an aggregate principal amount of up to \$750.0 million and (B) a senior unsecured bridge facility in an aggregate principal amount of up to \$1.15 billion. As a result of the receipt of the consents noted in Note O - "Long-Term Obligations," in our Condensed Consolidated Financial Statements, we and Konecranes notified Credit Suisse that we terminated the commitments of the lenders in the amount of \$1.15 billion with respect to the bridge facility under the commitment letter from Credit Suisse dated August 10, 2015. In connection with the Commitment Letter, we began to incur fees on the unused commitment in January 2016.

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 December 31, 2015, the Company had \$206.5 million in loans outstanding under this facility. See Note O - "Long-Term Obligations," in our Consolidated Financial Statements for information concerning this securitization facility.

On June 1, 2015 we paid cash of \$131.1 million (including accrued interest of \$2.3 million) and issued approximately 3.4 million shares of \$.01 par value common stock to settle the 4% Convertible Notes. See Note O - "Long-Term Obligations," in our Consolidated Financial Statements for information concerning the 4% Convertible Notes.

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 2015, we repurchased approximately 1.9 million shares for approximately \$50 million. In each quarter of 2015, we paid a \$0.06 cash dividend to our shareholders. Our Board of Directors declared a dividend of \$0.07 per share in the first quarter of 2016, which will be paid in March 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 provided by operations for the year ended December 31, 2015 totaled \$212.9 million, compared to cash provided by operations of \$410.7 million for the year ended December 31, 2014. The change in cash from operations was primarily driven by lower net income in the current year.

Cash used in investing activities for the year ended December 31, 2015 was \$172.7 million, compared to \$95.0 million cash provided by investing activities for the year ended December 31, 2014. The increase of cash used in investing activities was primarily due to proceeds received in the prior year related to sale of our truck business, as well as higher cash used for acquisitions and capital expenditures in 2015 compared to 2014.

Cash used in financing activities was \$14.4 million for the year ended December 31, 2015, compared to cash used in financing activities for the year ended December 31, 2014 of \$396.7 million. The reduction in cash used in financing activities in 2015 compared to 2014 was primarily due to increased net borrowings, reduced share repurchases and purchases of noncontrolling interest shares in 2014 that did not recur in 2015.

## Contractual Obligations

The following table sets out our specified contractual obligations at December 31, 2015 (in millions):

	<u>Payments due by period</u>				
	<u>Total</u>	<u>&lt; 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>≥ 5 years</u>
Long-term debt obligations	\$ 2,286.3	\$ 166.9	\$ 284.0	\$ 527.4	\$ 1,308.0
Capital lease obligations	5.1	1.1	2.0	1.2	0.8
Operating lease obligations	222.7	61.0	81.9	37.3	42.5
Purchase obligations (1)	541.9	533.2	8.3	0.4	—
<b>Total</b>	<b>\$ 3,056.0</b>	<b>\$ 762.2</b>	<b>\$ 376.2</b>	<b>\$ 566.3</b>	<b>\$ 1,351.3</b>

(1) Purchase obligations include non-cancellable and cancellable commitments. In many cases, cancellable commitments contain penalty provisions for cancellation.

Long-term debt obligations include expected interest expense. Interest expense is calculated using fixed interest rates for indebtedness that has fixed rates and the implied forward rates as of December 31, 2015 for indebtedness that has floating interest rates.

As of December 31, 2015, our liability for uncertain income tax positions was \$51.2 million. With respect to our tax audits worldwide, it is reasonably possible that we will make payments in 2016 of up to \$25.8 million. Payments may be made in part to mitigate the accrual of interest in connection with income tax audit assessments that may be issued and that we would contest, or may in part be made to settle the matter with the tax authorities. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with the remaining liabilities, we are unable to make a reasonable estimate of the amount and period in which these remaining liabilities might be paid.

Additionally, at December 31, 2015, we had outstanding letters of credit that totaled \$210.9 million and had issued \$39.8 million in credit guarantees of customer financing to purchase equipment and \$6.9 million in buyback guarantees.

We maintain defined benefit pension plans for some of our operations in the United States and Europe. It is our policy to fund the retirement plans at the minimum level required by applicable regulations. In 2015, we made cash contributions and payments to the retirement plans of \$18.9 million, and we estimate that our retirement plan contributions will be approximately \$19 million in 2016. Changes in market conditions, changes in our funding levels or actions by governmental agencies may result in accelerated funding requirements in future periods.

## **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 the 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 a customer default, we are generally able to recover and dispose of the equipment at a minimum loss, if any, to us.

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 maturity of 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 functionality and state of repair of the machine. We are generally able to mitigate risk of these guarantees by staggering the timing of the buybacks and through leveraging our access to used equipment markets provided by our original equipment manufacturer status.

See Note S—"Litigation and Contingencies" in the Notes to the Consolidated Financial Statements for further information regarding our guarantees.

There can be no assurance 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 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 costs associated with those revenues are only partly incurred in the same currencies. 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 December 31, 2015, we had foreign exchange contracts with a notional value of \$237.3 million that were initially designated as hedge contracts. Fair market value of these arrangements, which represents the cost to settle these contracts, was a net gain of \$2.8 million at December 31, 2015. See Risk Factor entitled, “We are subject to currency fluctuations,” for further information on our foreign exchange risk.

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 S – “Litigation and Contingencies” in the Notes to the Consolidated Financial Statements for more information concerning contingencies and uncertainties, including our ERISA, securities and stockholder derivative lawsuits. We are insured for product liability, general liability, workers’ compensation, employer’s liability, property damage, intellectual property and other insurable risk required by law or contract with retained liability to us or deductibles. Many of the exposures are unasserted or proceedings are at a preliminary stage, and it is not presently possible to estimate the amount or timing of any of our costs. However, we do not believe 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.

See Item 1. Business – Safety and Environmental Considerations for additional discussion of safety and environmental items.



## **ITEM 7A. 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 M – “Derivative Financial Instruments” in our 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 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. See Risk Factor entitled, “We are subject to currency fluctuations,” for further information on our foreign exchange risk.

At December 31, 2015, 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 year ended December 31, 2015 would have had an approximately \$10 million impact on the translation effect of foreign currency exchange rate changes already included in our reported 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 December 31, 2015, approximately 25% of our debt was floating rate debt and the weighted average interest rate for all debt was 5.04%.

At December 31, 2015, we performed a sensitivity analysis for our derivatives and other financial instruments that have interest rate risk. We calculated the pretax earnings effect 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 December 31, 2015 would have increased interest expense by approximately \$2 million for the year ended December 31, 2015.

### **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 2015, minor, unfavorable input cost changes in some areas were more than off-set by favorable changes in steel prices and other commodities.

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of our independent registered public accounting firm and our Consolidated Financial Statements and Financial Statement Schedule are filed pursuant to this Item 8 and are included later in this report. See Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1.

### Unaudited Quarterly Financial Data

Certain amounts reported below have been changed from those previously reported on Forms 10-Q to reflect the impact of discontinued operations for all periods. Summarized quarterly financial data for 2015 and 2014 are as follows (in millions, except per share amounts):

	<u>2015</u>				<u>2014</u>			
	<u>Fourth</u>	<u>Third</u>	<u>Second</u>	<u>First</u>	<u>Fourth</u>	<u>Third</u>	<u>Second</u>	<u>First</u>
Net sales	\$ 1,577.7	\$ 1,641.3	\$ 1,828.5	\$ 1,495.6	\$ 1,789.4	\$ 1,809.8	\$ 2,055.1	\$ 1,654.6
Gross profit	311.1	336.6	384.2	276.6	339.0	357.3	423.8	333.4
Net income (loss) from continuing operations attributable to common stockholders (1)	14.6	44.8	85.2	(2.1)	79.9	58.7	87.8	32.6
Income (loss) from discontinued operations – net of tax	—	—	—	—	—	—	0.5	0.9
Gain (loss) on disposition of discontinued operations – net of tax	1.9	(1.2)	(0.4)	3.1	0.1	5.5	51.5	1.5
Net income (loss) attributable to Terex Corporation	16.5	43.6	84.8	1.0	80.0	64.2	139.8	35.0
Per share:								
Basic								
Net income (loss) from continuing operations attributable to common stockholders	\$ 0.13	\$ 0.41	\$ 0.80	\$ (0.02)	\$ 0.74	\$ 0.53	\$ 0.80	\$ 0.30
Income (loss) from discontinued operations – net of tax	—	—	—	—	—	—	—	0.01
Gain (loss) on disposition of discontinued operations – net of tax	0.02	(0.01)	—	0.03	—	0.05	0.47	0.01
Net income (loss) attributable to Terex Corporation	0.15	0.40	0.80	0.01	0.74	0.58	1.27	0.32
Diluted								
Net income (loss) from continuing operations attributable to common stockholders	\$ 0.13	\$ 0.41	\$ 0.78	\$ (0.02)	\$ 0.71	\$ 0.51	\$ 0.76	\$ 0.28
Income (loss) from discontinued operations – net of tax	—	—	—	—	—	—	—	0.01
Gain (loss) on disposition of discontinued operations – net of tax	0.02	(0.01)	—	0.03	—	0.05	0.45	0.01
Net income (loss) attributable to Terex Corporation	0.15	0.40	0.78	0.01	0.71	0.56	1.21	0.30

(1) The fourth quarter 2015 results include correcting adjustments of \$4.2 million of expense related to prior periods which was identified and recorded in this quarter, primarily related to a tax valuation allowance and excess freight reimbursement accruals. The Company believes these adjustments are immaterial to current and prior periods.

The accompanying unaudited quarterly financial data have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information and with Item 302 of Regulation S-K. In our opinion, all adjustments considered necessary for a fair statement have been made and were of a normal recurring nature.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in 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 Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, as of December 31, 2015, 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 December 31, 2015.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has conducted an assessment, including testing, of the effectiveness of our internal control over financial reporting as of December 31, 2015. In making its assessment of internal control over financial reporting, management used the criteria in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company’s management has concluded that, as of December 31, 2015, the Company’s internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our quarter ended December 31, 2015, 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.

**ITEM 9B. OTHER INFORMATION**

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 is incorporated by reference to the definitive Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference to the definitive Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

##### Equity Compensation Plan Information

The following table summarizes information about the Company's equity compensation plans as of December 31, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	141,223 (1)	\$47.50	3,509,952
Equity compensation plans not approved by stockholders	—	—	—
Total	141,223		3,509,952

(1) This does not include 3,092,943 of restricted stock awards, which are also not included in the calculation of the weighted average exercise price of outstanding options, warrants and rights in column (b) of this table.

The other information required by Item 12 is incorporated by reference to the definitive Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated by reference to the definitive Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference to the definitive Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) (1) and (2) Financial Statements and Financial Statement Schedules.**

See “Index to Consolidated Financial Statements and Financial Statement Schedule” on Page F-1.

**(3) Exhibits**

See “Exhibit Index” on Page E-1.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By: /s/ John L. Garrison, Jr. February 22, 2016  
John L. Garrison, Jr.  
President, Chief Executive  
Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ John L. Garrison, Jr</u> John L. Garrison, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	February 22, 2016
<u>/s/ Kevin P. Bradley</u> Kevin P. Bradley	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 22, 2016
<u>/s/ Mark I. Clair</u> Mark I. Clair	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 22, 2016
<u>/s/ G. Chris Andersen</u> G. Chris Andersen	Director	February 22, 2016
<u>/s/ Paula H. J. Cholmondeley</u> Paula H. J. Cholmondeley	Director	February 22, 2016
<u>/s/ Don DeFosset</u> Don DeFosset	Director	February 22, 2016
<u>/s/ Thomas J. Hansen</u> Thomas J. Hansen	Director	February 22, 2016
<u>/s/ Raimund Klinkner</u> Raimund Klinkner	Director	February 22, 2016
<u>/s/ David A. Sachs</u> David A. Sachs	Non-Executive Chairman and Director	February 22, 2016
<u>/s/ Oren G. Shaffer</u> Oren G. Shaffer	Director	February 22, 2016
<u>/s/ David C. Wang</u> David C. Wang	Director	February 22, 2016
<u>/s/ Scott W. Wine</u> Scott W. Wine	Director	February 22, 2016

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## 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 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. \*\*\*
- 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. \*\*\*
- 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 No. 1-10702). ^
- 10.19 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).
- 10.20 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). \*\*\*

- 10.21 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). \*\*\*
- 10.22 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). \*\*\*
- 10.23 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). \*\*\*
- 10.24 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). \*\*\*
- 10.25 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). \*\*\*
- 10.26 Consulting Agreement between Terex Corporation and Ronald M. DeFeo, dated December 11, 2015 (incorporated by reference to Exhibit 10.1 of the 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. \*
- 21.1 Subsidiaries of Terex Corporation.\*
- 23.1 Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP, Stamford, Connecticut.\*
- 24.1 Power of Attorney.\*
- 31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). \*
- 31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). \*
- 32 Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes –Oxley Act of 2002. \*\*
- 101.INS XBRL Instance Document. \*
- 101.SCH XBRL Taxonomy Extension Schema Document. \*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document. \*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document. \*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document. \*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document. \*
- \* Exhibit filed with this document.
- \*\* Exhibit furnished with this document.
- \*\*\* Denotes a management contract or compensatory plan or arrangement.
- ^ 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.

**TEREX CORPORATION AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE**

**TEREX CORPORATION**  
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014  
AND FOR EACH OF THE THREE YEARS  
IN THE PERIOD ENDED December 31, 2015

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<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Statement of Income</u>	<u>F-3</u>
<u>Consolidated Statement of Comprehensive Income</u>	<u>F-4</u>
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 <u>Schedule II – Valuation and Qualifying Accounts and Reserves</u>	 <u>F-60</u>

All other schedules for which provision is made in the applicable regulations of the Securities and Exchange Commission are not required under the related instructions, or are not applicable, and therefore have been omitted.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
and Stockholders of Terex Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Terex Corporation and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP

Stamford, Connecticut  
February 22, 2016

**TEREX CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
*(in millions, except per share data)*

	<i>Year Ended December 31,</i>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net sales	\$ 6,543.1	\$ 7,308.9	\$ 7,084.0
Cost of goods sold	(5,234.6)	(5,855.4)	(5,644.5)
Gross profit	1,308.5	1,453.5	1,439.5
Selling, general and administrative expenses	(918.6)	(1,030.4)	(1,020.4)
Goodwill and intangible asset impairment	(34.7)	—	—
Income (loss) from operations	355.2	423.1	419.1
Other income (expense)			
Interest income	4.3	6.6	6.7
Interest expense	(104.6)	(119.1)	(126.1)
Loss on early extinguishment of debt	(0.1)	(2.6)	(5.2)
Amortization of debt issuance costs	(5.3)	(7.4)	(8.5)
Other income (expense) – net	(22.9)	(3.4)	5.3
Income (loss) from continuing operations before income taxes	226.6	297.2	291.3
(Provision for) benefit from income taxes	(81.0)	(37.7)	(87.4)
Income (loss) from continuing operations	145.6	259.5	203.9
Income (loss) from discontinued operations – net of tax	—	1.4	14.4
Gain (loss) on disposition of discontinued operations – net of tax	3.4	58.6	2.6
Net income (loss)	149.0	319.5	220.9
Net loss (income) attributable to noncontrolling interest	(3.1)	(0.5)	5.1
Net income (loss) attributable to Terex Corporation	<u>\$ 145.9</u>	<u>\$ 319.0</u>	<u>\$ 226.0</u>
Amounts attributable to Terex Corporation common stockholders:			
Income (loss) from continuing operations	\$ 142.5	\$ 259.0	\$ 209.0
Income (loss) from discontinued operations – net of tax	—	1.4	14.4
Gain (loss) on disposition of discontinued operations – net of tax	3.4	58.6	2.6
Net income (loss) attributable to Terex Corporation	<u>\$ 145.9</u>	<u>\$ 319.0</u>	<u>\$ 226.0</u>
Basic Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:			
Income (loss) from continuing operations	\$ 1.33	\$ 2.36	\$ 1.88
Income (loss) from discontinued operations – net of tax	—	0.01	0.13
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.54	0.02
Net income (loss) attributable to Terex Corporation	<u>\$ 1.36</u>	<u>\$ 2.91</u>	<u>\$ 2.03</u>
Diluted Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:			
Income (loss) from continuing operations	\$ 1.30	\$ 2.27	\$ 1.79
Income (loss) from discontinued operations – net of tax	—	0.01	0.12
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.51	0.02
Net income (loss) attributable to Terex Corporation	<u>\$ 1.33</u>	<u>\$ 2.79</u>	<u>\$ 1.93</u>
Weighted average number of shares outstanding in per share calculation			
Basic	<u>107.4</u>	<u>109.7</u>	<u>111.1</u>
Diluted	<u>109.6</u>	<u>114.2</u>	<u>117.0</u>

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

**TEREX CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*(in millions)*

	Year Ended December 31,		
	2015	2014	2013
Net income (loss)	\$ 149.0	\$ 319.5	\$ 220.9
Other comprehensive income (loss), net of tax:			
Cumulative translation adjustment, net of (provision for) benefit from taxes of \$11.7, \$0.9 and \$(9.5), respectively	(247.3)	(237.7)	(21.6)
Derivative hedging adjustment, net of (provision for) benefit from taxes of \$(0.4), \$1.2 and \$(0.8), respectively	3.0	(3.4)	3.1
Debt and equity securities adjustment, net of (provision for) benefit from taxes of \$0.1, \$0.0 and \$0.6, respectively	(7.9)	1.6	(1.9)
Pension liability adjustment:			
Net gain (loss), net of (provision for) benefit from taxes of \$2.6, \$11.4 and \$(13.7), respectively	11.7	(94.0)	24.6
Amortization of actuarial (gain) loss, net of provision for (benefit from) taxes of \$(1.6), \$(1.2) and \$(3.1), respectively	9.6	4.9	6.5
Foreign exchange and other effects, net of (provision for) benefit from taxes of \$(1.9), \$(1.2) and \$0.9, respectively	11.0	15.2	(2.7)
Total pension liability adjustment	32.3	(73.9)	28.4
Other comprehensive income (loss)	(219.9)	(313.4)	8.0
Comprehensive income (loss)	(70.9)	6.1	228.9
Comprehensive loss (income) attributable to noncontrolling interest	(3.0)	(0.4)	4.7
Comprehensive income (loss) attributable to Terex Corporation	\$ (73.9)	\$ 5.7	\$ 233.6

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

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

*December 31,*

2015                      2014

Assets	<i>December 31,</i>	
	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 466.5	\$ 478.2
Trade receivables (net of allowance of \$29.6 and \$30.5 at December 31, 2015 and 2014, respectively)	939.2	1,086.4
Inventories	1,445.7	1,460.9
Prepaid assets	225.4	248.0
Other current assets	67.4	82.7
<b>Total current assets</b>	<u>3,144.2</u>	<u>3,356.2</u>
<b>Non-current assets</b>		
Property, plant and equipment – net	675.8	690.3
Goodwill	1,023.2	1,131.0
Intangible assets – net	249.5	325.4
Other assets	544.4	425.1
<b>Total assets</b>	<u>\$ 5,637.1</u>	<u>\$ 5,928.0</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Notes payable and current portion of long-term debt	\$ 80.2	\$ 152.5
Trade accounts payable	737.7	736.1
Accrued compensation and benefits	188.2	204.0
Accrued warranties and product liability	68.3	74.2
Customer advances	142.7	197.4
Other current liabilities	241.5	278.9
<b>Total current liabilities</b>	<u>1,458.6</u>	<u>1,643.1</u>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	1,751.0	1,636.3
Retirement plans	375.7	432.5
Other non-current liabilities	139.8	177.0
<b>Total liabilities</b>	<u>3,725.1</u>	<u>3,888.9</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Common stock, \$.01 par value – authorized 300.0 shares; issued 128.8 and 124.6 shares at December 31, 2015 and 2014, respectively	1.3	1.2
Additional paid-in capital	1,273.3	1,251.5
Retained earnings	2,104.6	1,984.9
Accumulated other comprehensive (loss) income	(649.6)	(429.8)
Less cost of shares of common stock in treasury – 21.1 and 19.2 shares at December 31, 2015 and 2014, respectively	(852.2)	(801.9)
<b>Total Terex Corporation stockholders' equity</b>	<u>1,877.4</u>	<u>2,005.9</u>
Noncontrolling interest	34.6	33.2
<b>Total stockholders' equity</b>	<u>1,912.0</u>	<u>2,039.1</u>
<b>Total liabilities, noncontrolling interest and stockholders' equity</b>	<u>\$ 5,637.1</u>	<u>\$ 5,928.0</u>

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

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

*(in millions)*

	Outstanding Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury	Non- controlling Interest	Total
Balance at December 31, 2012	109.9	\$ 1.2	\$ 1,260.7	\$ 1,467.7	\$ (124.1)	\$ (597.8)	\$ 23.6	\$ 2,031.3
Net Income (Loss)	—	—	—	226.0	—	—	(5.1)	220.9
Other Comprehensive Income (Loss) – net of tax:	—	—	—	—	7.6	—	0.4	8.0
Issuance of Common Stock	0.8	—	17.9	—	—	—	—	17.9
Compensation under Stock-based Plans – net	0.1	—	22.1	—	—	1.3	—	23.4
Acquisition	—	—	—	—	—	—	7.8	7.8
Dividends	—	—	0.1	(5.6)	—	—	—	(5.5)
Divestiture	—	—	—	—	—	—	(2.0)	(2.0)
Purchase of noncontrolling interest	—	—	(54.0)	—	—	—	—	(54.0)
Convertible Debt	—	—	0.7	—	—	—	—	0.7
Acquisition of Treasury Stock	(0.9)	—	—	—	—	(33.7)	—	(33.7)
Balance at December 31, 2013	109.9	1.2	1,247.5	1,688.1	(116.5)	(630.2)	24.7	2,214.8
Net Income (Loss)	—	—	—	319.0	—	—	0.5	319.5
Other Comprehensive Income (Loss) – net of tax:	—	—	—	—	(313.3)	—	(0.1)	(313.4)
Issuance of Common Stock	0.9	—	21.7	—	—	—	—	21.7
Compensation under Stock-based Plans – net	—	—	8.8	—	—	1.2	—	10.0
Acquisition	—	—	—	—	—	—	8.1	8.1
Dividends	—	—	0.4	(22.2)	—	—	—	(21.8)
Purchase of noncontrolling interest	—	—	(26.9)	—	—	—	—	(26.9)
Acquisition of Treasury Stock	(5.4)	—	—	—	—	(172.9)	—	(172.9)
Balance at December 31, 2014	105.4	1.2	1,251.5	1,984.9	(429.8)	(801.9)	33.2	2,039.1
Net Income (Loss)	—	—	—	145.9	—	—	3.1	149.0
Other Comprehensive Income (Loss) – net of tax:	—	—	—	—	(219.8)	—	(0.1)	(219.9)
Issuance of Common Stock	4.3	0.1	25.8	—	—	—	—	25.9
Compensation under Stock-based Plans – net	—	—	(4.5)	—	—	2.3	—	(2.2)
Dividends	—	—	0.4	(26.2)	—	—	(0.3)	(26.1)
Purchase of noncontrolling interest	—	—	0.1	—	—	—	(1.3)	(1.2)
Acquisition of Treasury Stock	(2.0)	—	—	—	—	(52.6)	—	(52.6)
Balance at December 31, 2015	107.7	\$ 1.3	\$ 1,273.3	\$ 2,104.6	\$ (649.6)	\$ (852.2)	\$ 34.6	\$ 1,912.0

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



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

	<i>Year Ended December 31,</i>		
	2015	2014	2013
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 149.0	\$ 319.5	\$ 220.9
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
(Gain) loss on disposition of discontinued operations	(3.4)	(58.6)	(2.6)
Depreciation and amortization	128.2	155.7	152.3
Deferred taxes	(2.6)	(17.8)	(2.3)
(Gain) loss on sale of assets	(1.0)	16.6	4.3
Loss on early extinguishment of debt	0.1	2.6	5.2
Stock-based compensation expense	38.5	46.5	43.9
Other non-cash charges	72.9	32.3	53.1
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):			
Trade receivables	74.1	(4.2)	(153.1)
Inventories	(90.6)	(27.1)	(70.4)
Trade accounts payable	41.7	85.8	86.9
Income taxes payable / receivable	16.1	(68.3)	(80.7)
Customer advances	(47.1)	(75.2)	(16.5)
Other assets and liabilities	(181.5)	(17.4)	(46.4)
Other operating activities, net	18.5	20.3	(6.1)
Net cash provided by (used in) operating activities	<u>212.9</u>	<u>410.7</u>	<u>188.5</u>
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(103.8)	(81.5)	(82.8)
Acquisition of businesses, net of cash acquired	(71.2)	(7.4)	—
Other investments	—	(20.0)	—
Proceeds (payments) from disposition of discontinued operations	(0.2)	162.2	0.7
Proceeds from sale of assets	3.1	43.3	46.1
Other investing activities, net	(0.6)	(1.6)	(1.4)
Net cash provided by (used in) investing activities	<u>(172.7)</u>	<u>95.0</u>	<u>(37.4)</u>
<b>FINANCING ACTIVITIES</b>			
Repayments of debt	(1,397.8)	(1,801.8)	(571.8)
Proceeds from issuance of debt	1,462.8	1,684.2	425.2
Purchase of noncontrolling interest	(1.2)	(80.3)	(228.1)
Distributions to noncontrolling interest	(0.3)	—	(18.5)
Share repurchases	(50.8)	(171.2)	(31.4)
Dividends paid	(25.8)	(21.8)	(5.5)
Other financing activities, net	(1.3)	(5.8)	10.0
Net cash provided by (used in) financing activities	<u>(14.4)</u>	<u>(396.7)</u>	<u>(420.1)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(37.5)	(38.9)	(0.9)
Net Increase (Decrease) in Cash and Cash Equivalents	(11.7)	70.1	(269.9)
Cash and Cash Equivalents at Beginning of Period	478.2	408.1	678.0
Cash and Cash Equivalents at End of Period	<u>\$ 466.5</u>	<u>\$ 478.2</u>	<u>\$ 408.1</u>

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

**TEREX CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2015

(dollar amounts in millions, unless otherwise noted, except per share amounts)

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

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

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

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

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

***Business Combination Related Expenses***

The Company has incurred transaction costs directly related to the BCA of \$13.8 million for the year ended December 31, 2015, which is recorded in Other income (expense) - net in the Consolidated Statement of Income.

## NOTE B – BASIS OF PRESENTATION

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

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

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**Cash and Cash Equivalents.** Cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying amount of cash and cash equivalents approximates their fair value. Cash and cash equivalents at December 31, 2015 and 2014 include \$27.8 million and \$13.5 million, respectively, which were not immediately available for use. These consist primarily of cash balances held in escrow to secure various obligations of the Company.

**Inventories.** Inventories are stated at the lower of cost or market (“LCM”) value. Cost is determined by the average cost and first-in, first-out (“FIFO”) methods (approximately 42% and 58%, respectively). In valuing inventory, the Company is required to make assumptions regarding the level of reserves required to value potentially obsolete or over-valued items at the lower of cost or market. These assumptions require the Company to analyze aging of and forecasted demand for its inventory, forecast future product sales prices, pricing trends and margins, and to make judgments and estimates regarding obsolete or excess inventory. Future product sales prices, pricing trends and margins are based on the best available information at that time including actual orders received, negotiations with the Company’s customers for future orders, including their plans for expenditures, and market trends for similar products. The Company’s judgments and estimates for excess or obsolete inventory are based on analysis of actual and forecasted usage. The valuation of used equipment taken in trade from customers requires the Company to use the best information available to determine the value of the equipment to potential customers. This value is subject to change based on numerous conditions. Inventory reserves are established taking into account age, frequency of use, or sale, and in the case of repair parts, the installed base of machines. While calculations are made involving these factors, significant management judgment regarding expectations for future events is involved. Future events that could significantly influence the Company’s judgment and related estimates include general economic conditions in markets where the Company’s products are sold, new equipment price fluctuations, actions of the Company’s competitors, including the introduction of new products and technological advances, as well as new products and design changes the Company introduces. The Company makes adjustments to its inventory reserve based on the identification of specific situations and increases its inventory reserves accordingly. As further changes in future economic or industry conditions occur, the Company will revise the estimates that were used to calculate its inventory reserves. At December 31, 2015 and 2014, reserves for LCM, excess and obsolete inventory totaled \$109.1 million and \$116.3 million, respectively.

If actual conditions are less favorable than those the Company has projected, the Company will increase its reserves for LCM, excess and obsolete inventory accordingly. Any increase in the Company’s reserves will adversely impact its results of operations. Establishment of a reserve for LCM, excess and obsolete inventory establishes a new cost basis in the inventory. Such reserves are not reduced until the product is sold.

Shipping and handling costs for product shipments to customers are recorded in Cost of goods sold.

**Debt Issuance Costs.** Debt issuance costs incurred in securing the Company’s financing arrangements are capitalized and amortized over the term of the associated debt. Capitalized debt issuance costs related to debt that is extinguished early are charged to expense at the time of retirement. Debt issuance costs were \$26.2 million and \$31.2 million (net of accumulated amortization of \$27.2 million and \$21.9 million) at December 31, 2015 and 2014, respectively.

**Intangible Assets.** Intangible assets include purchased patents, trademarks, customer relationships and other specifically identifiable assets and are amortized on a straight-line basis over the respective estimated useful lives, which range from one to fifty-seven years. Intangible assets are reviewed for impairment when circumstances warrant. The Company has indefinite-lived intangible assets, consisting of tradenames. These indefinite-lived intangible assets are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. If the carrying amount of the indefinite-lived intangible exceeds the fair value, the intangible asset is written down to its fair value. As a result of the annual impairment test performed in 2015, we recorded an approximately \$23 million impairment charge in the fourth quarter of 2015. See Note L – “Goodwill and Intangible Assets, Net” for more information.

**Goodwill.** Goodwill, representing the difference between total purchase price and fair value of assets (tangible and intangible) and liabilities at date of acquisition, is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which recorded value of such assets exceed their fair value. The Company selected October 1 as the date for the required annual impairment test.

Goodwill is tested for impairment at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which discrete financial information with similar economic characteristics is available and the operating results are regularly reviewed by the Company’s management. Aerial Work Platforms (“AWP”), Cranes, Materials Processing (“MP”) and Construction operating segments plus the Material Handling (“MH”) business and Port Solutions (“PS”) business of the Material Handling & Port Solutions (“MHPS”) segment, comprise the six reporting units for goodwill impairment testing purposes.

We may elect to perform a qualitative analysis for our reporting units to determine whether it is more likely than not that fair value of the reporting unit is greater than its carrying value. If the qualitative analysis indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if we elect not to perform a qualitative analysis, we perform a quantitative analysis to determine whether a goodwill impairment exists.

The quantitative goodwill impairment analysis is a two-step process. The first step used to identify potential impairment involves comparing each reporting unit’s estimated fair value to its carrying value, including goodwill. The Company uses an income approach, along with other relevant market information, derived from a discounted cash flow model to estimate fair value of its reporting units. Aggregate fair value of the Company’s reporting units is compared to the Company’s market capitalization on the valuation date to assess its reasonableness. Initial recognition of goodwill, as well as the annual review of carrying value of goodwill, requires that the Company develop estimates of future business performance. These estimates are used to derive expected cash flow and include assumptions regarding future sales levels and level of working capital needed to support a given business. The Company relies on data developed by business segment management as well as macroeconomic data in making these calculations. The discounted cash flow model also includes a determination of the Company’s weighted average cost of capital. Cost of capital is based on assumptions about interest rates as well as a risk-adjusted rate of return required by the Company’s equity investors. Changes in these estimates can impact present value of expected cash flow that is used in determining fair value of acquired intangible assets as well as overall expected value of a given business.

The second step of the process involves calculation of an implied fair value of goodwill for each reporting unit for which step one indicated impairment. Implied fair value of goodwill is determined by measuring excess of estimated fair value of the reporting unit over estimated fair values of individual assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. If implied fair value of goodwill exceeds carrying value of goodwill assigned to the reporting unit, there is no impairment. If carrying value of goodwill assigned to a reporting unit exceeds implied fair value of goodwill, an impairment charge is recorded for the excess. An impairment loss cannot exceed carrying value of goodwill assigned to a reporting unit and the subsequent reversal of goodwill impairment losses is not permitted.

As a result of the goodwill impairment tests performed as of October 1, 2015, 2014 and 2013, we recorded an impairment charge of \$11.3 million during the year ended December 31, 2015. There were no goodwill impairment charges recorded during 2014 and 2013, respectively. See Note L – “Goodwill and Intangible Assets, Net”.

**Property, Plant and Equipment.** Property, plant and equipment are stated at cost. Expenditures for major renewals and improvements are capitalized while expenditures for maintenance and repairs not expected to extend the life of an asset beyond its normal useful life are charged to expense when incurred. Plant and equipment are depreciated over the estimated useful lives (1-40 years and 2-20 years, respectively) of the assets under the straight-line method of depreciation for financial reporting purposes and both straight-line and other methods for tax purposes.

**Impairment of Long-Lived Assets.** The Company’s policy is to assess the realizability of its long-lived assets, including definite-lived intangible assets, and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if fair value based on the estimated future undiscounted cash flows are less than the carrying value. Future cash flow projections include assumptions for future sales levels and the level of working capital needed to support each business. The Company uses data developed by business segment management as well as macroeconomic data in making these calculations. The amount of any impairment then recognized would be calculated as the difference between estimated fair value and carrying value of the asset. Included in Selling, general & administrative (“SG&A”) costs are approximately \$2 million of asset impairments for the year ended December 31, 2015 and \$3.9 million for the years ended December 31, 2014 and December 31, 2013, respectively. See Note N – “Restructuring and Other Charges” for information on asset impairments recorded as part of restructuring activities.

**Accounts Receivable and Allowance for Doubtful Accounts.** Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company’s best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on historical customer review and current financial conditions. The Company reviews its allowance for doubtful accounts at least quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company determines it is probable the receivable will not be recovered. There can be no assurance that the Company’s historical accounts receivable collection experience will be indicative of future results. The Company has off-balance sheet credit exposure related to guarantees provided to financial institutions as disclosed in Note S – “Litigation and Contingencies.” Substantially all receivables were trade receivables at December 31, 2015 and 2014.

From time to time, the Company sells certain trade accounts receivable, which are treated as a sale of financial assets. Upon sale, the Company derecognizes the receivables, as well as the related allowances, and recognizes the net proceeds received in cash provided by operating activities.

**Revenue Recognition.** Revenue and related costs are generally recorded when products are shipped and invoiced to either independently owned and operated dealers or to end-customers.

Revenue generated in the United States is recognized when title and risk of loss pass from the Company to its customers which generally occurs upon shipment depending upon the shipping terms negotiated. The Company also has a policy which requires it to meet certain criteria in order to recognize revenue, including satisfaction of the following requirements:

- a) Persuasive evidence that an arrangement exists;
- b) The price to the buyer is fixed or determinable;
- c) Collectability is reasonably assured; and
- d) The Company has no significant obligations for future performance.

In the United States, the Company has the ability to enter into a security agreement and receive a security interest in the product by filing an appropriate Uniform Commercial Code (“UCC”) financing statement. However, a significant portion of the Company’s revenue is generated outside of the United States. In many countries outside of the United States, as a matter of statutory law, a seller retains title to a product until payment is made. The laws do not provide for a seller’s retention of a security interest in goods in the same manner as established in the UCC. In these countries, the Company retains title to goods delivered to a customer until the customer makes payment so that the Company can recover the goods in the event of customer default on payment. In these circumstances, where the Company only retains title to secure its recovery in the event of customer default, the Company also has a policy requiring it to meet certain criteria in order to recognize revenue, including satisfaction of the following requirements:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable;
- d) Collectability is reasonably assured;
- e) The Company has no significant obligations for future performance; and
- f) The Company is not entitled to direct the disposition of the goods, cannot rescind the transaction, cannot prohibit the customer from moving, selling, or otherwise using the goods in the ordinary course of business and has no other rights of holding title that rest with a titleholder of property that is subject to a lien under the UCC.

In circumstances where the sales transaction requires acceptance by the customer for items such as testing on site, installation, trial period or performance criteria, revenue is not recognized unless the following criteria have been met:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable;
- d) Collectability is reasonably assured; and
- e) The customer has given their acceptance, the time period has elapsed or the Company has otherwise objectively demonstrated that the criteria specified in the acceptance provisions have been satisfied.

In addition to performance commitments, the Company analyzes factors such as the reason for the purchase to determine if revenue should be recognized. This analysis is done before the product is shipped and includes the evaluation of factors that may affect the conclusion related to the revenue recognition criteria as follows:

- a) Persuasive evidence that an arrangement exists;
- b) Delivery has occurred or services have been rendered;
- c) The price to the buyer is fixed or determinable; and
- d) Collectability is reasonably assured.

Revenue from sales-type leases is recognized at the inception of the lease. Income from operating leases is recognized ratably over the term of the lease. The Company routinely sells equipment subject to operating leases and the related lease payments. If the Company does not retain a substantial risk of ownership in the equipment, the transaction is recorded as a sale. If the Company does retain a substantial risk of ownership, the transaction is recorded as a borrowing, the operating lease payments are recognized as revenue over the term of the lease and the debt is amortized over a similar period.

The Company, from time to time, issues buyback guarantees in conjunction with certain sales agreements. These primarily relate to trade value agreements (“TVAs”) in which a customer may trade in equipment in the future at a stated price/credit if the customer meets certain conditions. The trade-in price/credit is determined at the time of the original sale of equipment. In conjunction with the trade-in, these conditions include a requirement to purchase new equipment at fair market value at the time of trade-in, which fair value is required to be of equal or greater value than the original equipment cost. Other conditions also include the general functionality and state of repair of the machine. The Company has concluded that any credit provided to customers under a TVA/ buyback guarantee, which is expected to be equal to or less than the fair value of the equipment returned on the trade-in date, is a guarantee to be accounted for in accordance with Accounting Standards Codification (“ASC”) 460, “Guarantees” (“ASC 460”).

The original sale of equipment, accompanied by a buyback guarantee, is a multiple element transaction wherein the Company offers its customer the right, after some period of time, for a limited period of time, to exchange purchased equipment for a fixed price trade-in credit toward another of our products. The fixed price trade-in credit is accounted for under the guidance provided by ASC 460. Pursuant to this right, the Company has agreed to make a payment (in the form of a trade-in credit) to the customer contingent upon the customer exercising its right to trade in the original purchased equipment. Under the guidance of ASC 460, the Company records the fixed price trade-in credit at its fair value. Accordingly, as noted above, the Company has accounted for the trade-in credit as a separate deliverable in a multiple element arrangement.

When a sales transaction includes multiple deliverables, such as sales of multiple products or sales of products and services that are delivered over multiple reporting periods, the multiple deliverables are evaluated to determine the units of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. The selling price of a unit of accounting is determined using a selling price hierarchy. Vendor-specific objective evidence (“VSOE”) is established based upon the price charged for products and services that are sold separately in standalone transactions. If VSOE cannot be established, third-party evidence (“TPE”) is evaluated based on competitor prices for similar deliverables when sold separately. If neither VSOE or TPE is available, management’s best estimate of selling price is established based upon the price at which the Company would sell the product on a standalone basis taking into consideration factors including, but not limited to, internal costs, gross margin objectives, pricing practices and market conditions. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

**Guarantees.** The Company records a liability for the estimated fair value of guarantees issued pursuant to ASC 460. The Company recognizes a loss under a guarantee when its obligation to make payment under the guarantee is probable and the amount of the loss can be estimated. A loss would be recognized if the Company’s payment obligation under the guarantee exceeds the value it can expect to recover to offset such payment, primarily through the sale of the equipment underlying the guarantee.

**Accrued Warranties.** The Company records accruals for potential warranty claims based on its claim experience. The Company’s products are typically sold with a standard warranty covering defects that arise during a fixed period. Each business provides a warranty specific to the products it offers. The specific warranty offered by a business is a function of customer expectations and competitive forces. Warranty length is generally a fixed period of time, a fixed number of operating hours, or both.

A liability for estimated warranty claims is accrued at the time of sale. The non-current portion of the warranty accrual is included in Other non-current liabilities in the Company’s 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):

Balance as of December 31, 2013	\$ 106.1
Accruals for warranties issued during the period	73.6
Changes in estimates	1.8
Settlements during the year	(88.7)
Foreign exchange effect/other	(6.3)
Balance as of December 31, 2014	<u>86.5</u>
Accruals for warranties issued during the period	75.3
Changes in estimates	(3.8)
Settlements during the year	(79.2)
Foreign exchange effect/other	(4.6)
Balance as of December 31, 2015	<u><u>\$ 74.2</u></u>

**Accrued Product Liability.** The Company records accruals for product liability claims when deemed probable and estimable based on facts and circumstances, and prior claim experience. Accruals for product liability claims are valued based upon the Company’s prior claims experience, including consideration of the jurisdiction, circumstances of the accident, type of loss or injury, identity of plaintiff, other potential responsible parties, analysis of outside legal counsel, analysis of internal product liability counsel and the experience of the Company’s director of product safety. Actual product liability costs could be different due to a number of variables such as the decisions of juries or judges.

**Defined Benefit Pension and Other Post-retirement Benefits.** The Company provides post-retirement benefits to certain former salaried and hourly employees and certain hourly employees covered by bargaining unit contracts that provide such benefits. The Company accounts for these benefits under ASC 715, “Compensation-Retirement Benefits” (“ASC 715”). ASC 715 requires balance sheet recognition of the overfunded or underfunded status of pension and post-retirement benefit plans. Under ASC 715, actuarial gains and losses, prior service costs or credits, and any remaining transition assets or obligations that have not been recognized under previous accounting standards must be recognized in Accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic benefit cost. See Note Q – “Retirement Plans and Other Benefits.”

**Deferred Compensation.** The Company maintains a Deferred Compensation Plan, which is described more fully in Note Q – “Retirement Plans and Other Benefits.” The Company’s common stock, par value \$0.01 per share (“Common Stock”) held in a rabbi trust pursuant to the Company’s Deferred Compensation Plan, is treated in a manner similar to treasury stock and is recorded at cost within Stockholders’ equity as of December 31, 2015 and 2014. The plan obligations for participant deferrals in the Company’s Common Stock are classified as Additional paid-in capital within Stockholders’ equity. The total of the Company’s Common Stock required to settle this deferred compensation obligation is included in the denominator in both basic and diluted earnings per share calculations.

**Stock-Based Compensation.** At December 31, 2015, the Company had stock-based employee compensation plans, which are described more fully in Note R – “Stockholders’ Equity.” The Company accounts for those plans under the recognition and measurement principles of ASC 718, “Compensation-Stock Compensation” (“ASC 718”). ASC 718 requires that expense resulting from all share-based payment transactions be recognized in the financial statements at fair value.

**Foreign Currency Translation.** Assets and liabilities of the Company’s non-U.S. operations are translated at year-end exchange rates. Income and expenses are translated at average exchange rates prevailing during the year. For operations whose functional currency is the local currency, translation adjustments are recorded in the Accumulated other comprehensive income component of Stockholders’ equity. Gains or losses resulting from foreign currency transactions are recorded in the accounts based on the underlying transaction.

**Derivatives.** Derivative financial instruments are recorded in the Consolidated Balance Sheet at their fair value as either assets or liabilities. Changes in the fair value of derivatives are recorded each period in earnings or Accumulated other comprehensive income, depending on whether a derivative is designated and effective as part of a hedge transaction and, if it is, the type of hedge transaction. Gains and losses on derivative instruments reported in Accumulated other comprehensive income are included in earnings in the periods in which earnings are affected by the hedged item. See Note M – “Derivative Financial Instruments.”

**Environmental Policies.** Environmental expenditures that relate to current operations are either expensed or capitalized depending on the nature of the expenditure. Expenditures relating to conditions caused by past operations that do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial actions are probable and the costs can be reasonably estimated. Such amounts were not material at December 31, 2015 and 2014.

**Research, Development and Engineering Costs.** Research, development and engineering costs are expensed as incurred. Such costs incurred in the development of new products or significant improvements to existing products are included in Selling, general and administrative expenses. Research and development costs were \$119.1 million, \$135.5 million and \$131.5 million during 2015, 2014 and 2013, respectively.

**Income Taxes.** The Company accounts for income taxes using the asset and liability method. This method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial statement carrying amounts and the tax bases of assets and liabilities. See Note D – “Income Taxes.”

**Earnings Per Share.** Basic (loss) earnings per share is computed by dividing Net (loss) income attributable to Terex Corporation for the period by the weighted average number of shares of Common Stock outstanding. Diluted earnings per share is computed by dividing Net (loss) income attributable to Terex Corporation for the period by the weighted average number of shares of Common Stock outstanding and potential dilutive common shares. See Note F – “Earnings Per Share.”

**Fair Value Measurements.** Assets and liabilities measured at fair value on a recurring basis under the provisions of ASC 820, “Fair Value Measurement and Disclosure” (“ASC 820”) include interest rate swap and foreign currency forward contracts discussed in Note M – “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.



**Recent Accounting Pronouncements.** In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” (“ASU 2014-09”). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14, Deferral of the Effective Date, which amends ASU 2014-09. As a result, the effective date will be the first quarter of fiscal year 2018 with early adoption permitted in the first quarter of fiscal year 2017. The adoption will use one of two retrospective application methods. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements and footnote disclosures.

In June 2014, the FASB issued ASU 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period,” (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating grant date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that such performance target will be achieved and should represent compensation cost attributable to the period(s) for which the requisite service has already been rendered. The total compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The effective date will be the first quarter of fiscal year 2016. Adoption is not expected to have a material effect on the Company’s consolidated financial statements.

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

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

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

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

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

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

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

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". 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. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The effective date will be the first quarter of fiscal year 2017. The Company is evaluating the impact adoption of this new standard will have on its 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." 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 the adoption of this new standard will have on its consolidated financial statements.

## 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 segment also provides service and support for industrial cranes and aerial products in North America.

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

The MP segment designs, manufactures and markets materials processing equipment, including crushers, washing systems, screens, apron feeders, 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.

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

On May 30, 2014, the Company sold its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for approximately \$160 million. The truck business manufactured and sold off-highway rigid and articulated haul trucks. Included in the transaction was the manufacturing facility in Motherwell, Scotland. As a result of this sale, the reporting of the truck business has been included in discontinued operations for all periods presented.

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.

None of our customers individually accounted for more than 10% of consolidated net sales in 2015. The results of businesses acquired are included from the dates of their respective acquisitions.

Included in Eliminations/Corporate are the eliminations among the five segments, as well as general and corporate items. Business segment information is presented below (in millions):

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Net Sales</b>			
AWP	\$ 2,213.4	\$ 2,369.7	\$ 2,131.0
Cranes	1,699.7	1,791.1	1,925.5
MHPS	1,445.8	1,783.4	1,698.5
MP	636.5	653.1	628.2
Construction	673.6	836.6	820.0
Corporate and Other / Eliminations	(125.9)	(125.0)	(119.2)
Total	<u>\$ 6,543.1</u>	<u>\$ 7,308.9</u>	<u>\$ 7,084.0</u>
<b>Income (loss) from Operations</b>			
AWP	\$ 269.3	\$ 302.8	\$ 325.8
Cranes	57.5	85.9	110.5
MHPS	(8.6)	(17.2)	(41.8)
MP	57.1	60.6	71.8
Construction	(10.2)	1.2	(24.8)
Corporate and Other / Eliminations	(9.9)	(10.2)	(22.4)
Total	<u>\$ 355.2</u>	<u>\$ 423.1</u>	<u>\$ 419.1</u>
<b>Depreciation and Amortization</b>			
AWP	\$ 14.7	\$ 11.6	\$ 9.9
Cranes	22.6	29.9	31.5
MHPS	54.8	65.8	61.2
MP	5.8	6.0	5.9
Construction	6.8	19.3	22.2
Corporate	23.5	22.8	20.8
Total	<u>\$ 128.2</u>	<u>\$ 155.4</u>	<u>\$ 151.5</u>
<b>Capital Expenditures</b>			
AWP	\$ 38.0	\$ 28.6	\$ 19.5
Cranes	13.8	14.0	15.1
MHPS	22.3	21.8	24.1
MP	18.5	4.4	5.6
Construction	6.9	3.7	3.8
Corporate	4.3	7.5	11.4
Total	<u>\$ 103.8</u>	<u>\$ 80.0</u>	<u>\$ 79.5</u>

Sales between segments are generally priced to recover costs plus a reasonable markup for profit, which is eliminated in consolidation.

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Identifiable Assets		
AWP (1)	\$ 1,691.8	\$ 1,143.5
Cranes	1,902.2	1,959.7
MHPS	2,427.3	2,744.0
MP	856.4	813.6
Construction	1,112.1	1,246.0
Corporate and Other / Eliminations (1)	(2,352.7)	(1,978.8)
<b>Total</b>	<b>\$ 5,637.1</b>	<b>\$ 5,928.0</b>

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

Geographic segment information is presented below (in millions):

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net Sales			
United States	\$ 2,647.5	\$ 2,746.2	\$ 2,592.3
United Kingdom	455.1	401.7	247.2
Germany	491.9	642.8	621.4
Other European countries	1,175.8	1,480.5	1,226.6
All other	1,772.8	2,037.7	2,396.5
<b>Total</b>	<b>\$ 6,543.1</b>	<b>\$ 7,308.9</b>	<b>\$ 7,084.0</b>

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Long-lived Assets		
United States	\$ 212.1	\$ 191.6
United Kingdom	41.7	23.9
Germany	222.6	253.0
Other European countries	83.0	91.3
All other	116.4	130.5
<b>Total</b>	<b>\$ 675.8</b>	<b>\$ 690.3</b>

The Company attributes sales to unaffiliated customers in different geographical areas based on the location of the customer. Long-lived assets consist of net fixed assets, which can be attributed to the specific geographic regions.

#### NOTE D – INCOME TAXES

The components of income (loss) from continuing operations before income taxes are as follows (in millions):

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
United States	\$ 219.7	\$ 314.1	\$ 340.7
Foreign	6.9	(16.9)	(49.4)
<b>Income (loss) from continuing operations before income taxes</b>	<b>\$ 226.6</b>	<b>\$ 297.2</b>	<b>\$ 291.3</b>

Income (loss) before income taxes including Income (loss) from discontinued operations and Gain (loss) from disposition of discontinued operations attributable to the Company was \$231.1 million, \$365.0 million and \$305.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The major components of the Company's provision for (benefit from) income taxes on continuing operations before income taxes are summarized below (in millions):

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Current:</b>			
Federal	\$ 50.9	\$ 6.8	\$ 49.3
State	3.0	7.6	5.4
Foreign	29.6	41.0	36.5
Current income tax provision (benefit)	<u>83.5</u>	<u>55.4</u>	<u>91.2</u>
<b>Deferred:</b>			
Federal	(3.3)	7.1	22.2
State	0.1	(0.7)	1.3
Foreign	0.7	(24.1)	(27.3)
Deferred income tax (benefit) provision	<u>(2.5)</u>	<u>(17.7)</u>	<u>(3.8)</u>
Total provision for (benefit from) income taxes	<u>\$ 81.0</u>	<u>\$ 37.7</u>	<u>\$ 87.4</u>

Including discontinued operations and disposition of discontinued operations, the total (benefit from) provision for income taxes was \$82.1 million, \$45.5 million and \$84.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Deferred tax assets and liabilities result from differences in the bases of assets and liabilities for tax and financial reporting purposes. The tax effects of the basis differences and loss carry forwards as of December 31, 2015 and 2014 for continuing operations are summarized below for major balance sheet captions (in millions):

	<u>2015</u>	<u>2014</u>
Property, plant and equipment	\$ (52.9)	\$ (79.0)
Intangibles	(81.7)	(105.3)
Customer advances	4.6	(17.0)
Inventories	25.3	31.0
Accrued warranties and product liability	14.7	17.0
Loss carry forwards	223.5	241.8
Retirement plans	51.2	61.6
Accrued compensation and benefits	52.9	54.0
Investments	0.3	(10.4)
Currency translation adjustments	—	17.5
Credit carry forwards	1.7	8.9
Other	47.3	61.9
Deferred tax assets valuation allowance	(225.1)	(229.1)
Net deferred tax assets (liabilities)	<u>\$ 61.8</u>	<u>\$ 52.9</u>

Deferred tax assets for continuing operations total \$316.7 million before valuation allowances of \$225.1 million at December 31, 2015. Total deferred tax liabilities for continuing operations of \$29.8 million include \$8.4 million in current liabilities and \$21.4 million in non-current liabilities on the Consolidated Balance Sheet at December 31, 2015. There were no net deferred tax assets for discontinued operations as of December 31, 2015 and 2014.

The Company evaluates the net realizable value of its deferred tax assets each reporting period. The Company must consider all objective evidence, both positive and negative, in evaluating the future realization of its deferred tax assets, including tax loss carry forwards. Historical information is supplemented by currently available information about future tax years. Realization of deferred tax assets requires sufficient taxable income of the appropriate character. To the extent estimates of future taxable income decrease or do not materialize, additional valuation allowances may be required. The Company records a valuation allowance for each deferred tax asset for which realization is not assessed as more likely than not. The valuation allowance for deferred tax assets as of December 31, 2015 and 2014 was \$225.1 million and \$229.1 million, respectively. The net change in the total valuation allowance for the years ended December 31, 2015 and 2014 was a decrease of \$4.0 million and an increase of \$47.3 million, respectively.

As of December 31, 2015, the Company determined that it was appropriate to retain its valuation allowance on deferred tax assets of its Italian subsidiaries. However, it is reasonably possible that, in the near term, continuing improvement in operating performance and other positive evidence could change the Company's assessment of the realizability of the Italian deferred tax assets resulting in the reversal of all, or part of, the related valuation allowance. As of December 31, 2014, the Company recorded a valuation allowance on deferred tax assets of its German subsidiaries. During the fourth quarter of 2014, the German subsidiaries recognized unanticipated losses, including foreign exchange losses, increased pension liability accruals, and business restructuring expense. These events created sufficient objective negative evidence to outweigh the positive evidence supporting realization of the deferred tax assets of the German subsidiaries. The Company recognized valuation allowances totaling \$33.6 million almost completely offsetting deferred tax assets recorded for capital loss carry forwards generated by dispositions in 2014.

The Company's Provision for (benefit from) income taxes is different from the amount that would be provided by applying the statutory federal income tax rate to the Company's Income (loss) from continuing operations before income taxes. The reasons for the difference are summarized as follows (in millions):

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax at statutory federal income tax rate	\$ 79.3	\$ 104.0	\$ 102.0
State taxes (net of Federal benefit)	2.0	4.5	4.4
Change in valuation allowance	10.9	27.4	6.9
Foreign tax differential on income/losses of foreign subsidiaries	(31.9)	(10.7)	1.4
U.S. tax on multi-national operations	4.7	4.4	(12.3)
Change in foreign statutory rates	7.7	2.5	3.6
U.S. manufacturing and export incentives	(4.2)	(6.0)	(7.1)
Tax effect of dispositions	—	(84.9)	(1.5)
Impairment loss on intangibles	12.1	—	—
Other	0.4	(3.5)	(10.0)
Total provision for (benefit from) income taxes	<u>\$ 81.0</u>	<u>\$ 37.7</u>	<u>\$ 87.4</u>

The effective tax rate on gain (loss) on disposition of discontinued operations in 2014 differs from the statutory rate primarily due to the majority of gains from the sale of the truck business not being subject to tax. The effective tax rate on income from discontinued operations in 2013 differs from the statutory rate primarily due to recognition of uncertain tax positions.

The Company has received tax incentives in certain jurisdictions, which are expected to extend through 2017 and 2020. As a result of the incentives, the Company received \$8.2 million and \$0.9 million of tax benefits for the years ended December 31, 2015 and 2014, respectively. There were no incentives received for the year ended December 31, 2013.

Except for a limited number of immaterial subsidiaries and joint ventures accounted for under the equity method, the Company does not provide for foreign income and withholding, U.S. Federal, or state income taxes or tax benefits on the financial reporting basis over the tax basis of its investments in foreign subsidiaries because such amounts are indefinitely reinvested to support operations and continued growth plans outside the U.S. At December 31, 2015, the Company's net unremitted retained earnings of its foreign subsidiaries was approximately \$855 million. The Company reviews its plan to indefinitely reinvest on a quarterly basis. In making its decision to indefinitely reinvest, the Company evaluates its plans of reinvestment, its ability to control repatriation and to mobilize funds without triggering basis differences, and the profitability of U.S. operations and their cash requirements and the need, if any, to repatriate funds. If the assessment of the Company with respect to earnings of foreign subsidiaries changes, deferred U.S. income taxes, foreign income taxes, and foreign withholding taxes may have to be accrued. At this time, determination of the unrecognized deferred tax liabilities for temporary differences related to the investment in foreign subsidiaries is not practicable.

The Company entered into a Business Combination Agreement and Plan of Merger with Konecranes Plc in 2015 (See Note A - "Business Combination Agreement and Plan of Merger"). The merger and related transactions may change the Company's indefinite reinvestment assertion with respect to the unremitted earnings of its foreign subsidiaries and the ability to fully benefit from the U.S. Federal foreign tax credit, as well as cause the loss of carryforward tax attributes, the recognition of taxable gain, and/or prevent combined tax reporting for a limited period, in the year of the merger.

At December 31, 2015, the Company has various state net operating loss carry forwards available to reduce future state taxable income and income taxes. These net operating loss carry forwards expire at various dates through 2035. In addition, the gross amount of the U.S. federal capital loss carryforward is \$72.4 million which expires in 2019.

At December 31, 2015, the Company has approximately \$631 million of loss carry forwards, consisting of \$242 million in Germany, \$135 million in Italy, \$70 million in the United Kingdom, \$48 million in China, \$39 million in Spain, and \$97 million in other countries, which are available to offset future taxable income. The majority of these tax loss carry forwards are available without expiration. In addition, the gross amount of the Australian capital loss carryforward is \$27 million, and it has an unlimited carryforward period.

The Company had total net income tax payments including discontinued operations of \$67.6 million, \$124.1 million and \$171.1 million in 2015, 2014 and 2013, respectively. At December 31, 2015 and 2014, Other current assets included net income tax receivable amounts of \$42.7 million and \$87.9 million respectively.

The Company and its subsidiaries conduct business globally and file income tax returns in U.S. federal, state and foreign jurisdictions, as required. From a tax perspective, major jurisdictions where the Company is often subject to examination by tax authorities include Australia, Germany, Italy, the United Kingdom and the U.S. Currently, various entities of the Company are under audit in Germany, Italy, the U.S. and elsewhere. With few exceptions, including certain subsidiaries in Germany that are under audit, the statute of limitations for the Company and most of its subsidiaries has expired for tax years prior to 2010. The Company assesses uncertain tax positions for recognition, measurement and effective settlement. Where the Company has determined that its tax return filing position does not satisfy the more likely than not recognition threshold of ASC 740, "Income Taxes," it has recorded no tax benefits. Where the Company has determined that its tax return filing positions are more likely than not to be sustained, the Company has measured and recorded the largest amount of tax benefit greater than 50% likely to be realized. The Company recognizes accrued interest and penalties, if any, related to income taxes as (Provision for) benefit from income taxes in its Consolidated Statement of Income.

The following table summarizes the activity related to the Company's total (including discontinued operations) unrecognized tax benefits (in millions). Amounts in 2014 and 2013 have been adjusted to eliminate the impact of offsets, which are immaterial:

Balance as of January 1, 2013	\$ 156.3
Additions for current year tax positions	—
Additions for prior year tax positions	12.7
Reductions for prior year tax positions	(16.9)
Reductions for tax positions related to current year	—
Reductions related to expiration of statute of limitations	(46.2)
Settlements	(17.5)
Acquired balances	—
Balance as of December 31, 2013	88.4
Additions for current year tax positions	1.9
Additions for prior year tax positions	1.2
Reductions for prior year tax positions	(10.9)
Reductions for tax positions related to current year	—
Reductions related to expiration of statute of limitations	(2.4)
Settlements	(0.1)
Acquired balances	—
Balance as of December 31, 2014	78.1
Additions for current year tax positions	—
Additions for prior year tax positions	1.7
Reductions for prior year tax positions	(9.3)
Reductions for tax positions related to current year	—
Reductions related to expiration of statute of limitations	(1.1)
Settlements	—
Acquired balances	—
Balance as of December 31, 2015	<u>\$ 69.4</u>



The Company evaluates each reporting period whether it is reasonably possible that material changes to its uncertain tax position liability could occur in the next 12 months. Changes may occur as a result of uncertain tax positions being considered effectively settled, re-measured, paid, acquired or divested, as a result of a change in accounting rules, tax law or judicial decision, or due to expiration of the relevant statute of limitations. It is not possible to predict which uncertain tax positions, if any, may be challenged by tax authorities. The timing and impact of income tax audits and their resolution is highly uncertain. New facts, laws, pronouncements and judicial decisions can change assessments concerning technical merit and measurement. The amounts of or periods in which changes to reserves for uncertain tax positions will occur is rarely ascertainable. The Company believes it is reasonably possible the total amount of unrecognized tax benefits disclosed as of December 31, 2015 may decrease approximately \$30 million in the fiscal year ending December 31, 2016. Such possible decrease relates primarily to audit settlements for valuation, transfer pricing, deductibility issues and expiration of statutes of limitation.

As of December 31, 2015 and 2014, the Company had \$69.4 million and \$78.1 million, respectively, of unrecognized tax benefits. Of the \$69.4 million at December 31, 2015, \$44.2 million, if recognized, would affect the effective tax rate. As of December 31, 2015 and 2014, the liability for potential penalties and interest was \$13.9 million and \$12.9 million, respectively. During the years ended December 31, 2015 and 2014, the Company recognized tax (benefit) expense of \$1.0 million and \$(0.6) million for interest and penalties.

#### NOTE E – DISCONTINUED OPERATIONS

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

Due to this divestiture, reporting of the truck business has been included in discontinued operations for all periods presented. Cash flows from the Company's discontinued operations are included in the Consolidated Statements of Cash Flows.

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

	Year Ended December 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net sales	\$ —	\$ 94.8	\$ 225.8
Income (loss) from discontinued operations before income taxes	\$ —	\$ 1.7	\$ 10.3
(Provision for) benefit from income taxes	—	(0.3)	4.1
Income (loss) from discontinued operations – net of tax	<u>\$ —</u>	<u>\$ 1.4</u>	<u>\$ 14.4</u>
Gain (loss) on disposition of discontinued operations	\$ 4.5	\$ 66.1	\$ 3.5
(Provision for) benefit from income taxes	(1.1)	(7.5)	(0.9)
Gain (loss) on disposition of discontinued operations – net of tax	<u>\$ 3.4</u>	<u>\$ 58.6</u>	<u>\$ 2.6</u>

During the years ended December 31, 2015, 2014, and 2013 the Company recorded a \$2.8 million, \$1.5 million and \$2.6 million gain, respectively, primarily 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 year ended December 31, 2015, the Company recorded a \$2.0 million gain to adjust a tax accrual related to the sale of its mining business, partially offset by a loss of \$0.8 million related to the settlement of certain disputes in the asset sale agreement of its truck business. During the year ended December 31, 2014, the Company recorded a gain of \$57.1 million related to the sale of its truck business.

**NOTE F – EARNINGS PER SHARE**

	For the year ended December 31, (in millions, except per share data)		
	2015	2014	2013
Income (loss) from continuing operations attributable to Terex Corporation common stockholders	\$ 142.5	\$ 259.0	\$ 209.0
Income (loss) from discontinued operations-net of tax	—	1.4	14.4
Gain (loss) on disposition of discontinued operations-net of tax	3.4	58.6	2.6
Net income (loss) attributable to Terex Corporation	<u>\$ 145.9</u>	<u>\$ 319.0</u>	<u>\$ 226.0</u>
Basic shares:			
Basic Weighted average shares outstanding	<u>107.4</u>	<u>109.7</u>	<u>111.1</u>
Earnings per share - basic:			
Income (loss) from continuing operations	\$ 1.33	\$ 2.36	\$ 1.88
Income (loss) from discontinued operations-net of tax	—	0.01	0.13
Gain (loss) on disposition of discontinued operations-net of tax	0.03	0.54	0.02
Net income (loss) attributable to Terex Corporation	<u>\$ 1.36</u>	<u>\$ 2.91</u>	<u>\$ 2.03</u>
Diluted shares:			
Basic Weighted average shares outstanding	107.4	109.7	111.1
Effect of dilutive securities:			
Stock options, restricted stock awards and convertible notes	2.2	4.5	5.9
Diluted weighted average shares outstanding	<u>109.6</u>	<u>114.2</u>	<u>117.0</u>
Earnings per share - diluted:			
Income (loss) from continuing operations	\$ 1.30	\$ 2.27	\$ 1.79
Income (loss) from discontinued operations-net of tax	—	0.01	0.12
Gain (loss) on disposition of discontinued operations-net of tax	0.03	0.51	0.02
Net income (loss) attributable to Terex Corporation	<u>\$ 1.33</u>	<u>\$ 2.79</u>	<u>\$ 1.93</u>

The following table provides information to reconcile amounts reported on the Consolidated Statement of Income to amounts used to calculate earnings per share attributable to Terex Corporation common stockholders (in millions) for the year ended December 31:

<b>Reconciliation of amounts attributable to common stockholders:</b>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Income (loss) from continuing operations	\$ 145.6	\$ 259.5	\$ 203.9
Noncontrolling interest attributed to (income) loss from continuing operations	(3.1)	(0.5)	5.1
Income (loss) from continuing operations attributable to common stockholders	<u>\$ 142.5</u>	<u>\$ 259.0</u>	<u>\$ 209.0</u>

Weighted average options to purchase 0.1 million shares, 0.1 million shares and 0.2 million shares of the Company's common stock, par value \$0.01 per share ("Common Stock"), were outstanding during 2015, 2014 and 2013, respectively, but were not included in the computation of diluted shares as the effect would be anti-dilutive. Weighted average restricted stock awards of 0.9 million shares, 0.4 million shares and 0.3 million shares were outstanding during 2015, 2014 and 2013, 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 the Company issued 3.4 million shares of common stock in June 2015. See Note O – “Long-Term Obligations.” Included in the computation of diluted shares for the year ended December 31, 2015 was 1.4 million shares that were contingently issuable prior to conversion. The number of shares that were contingently issuable for the years ended December 31, 2014 and 2013 was 3.4 million and 4.6 million, respectively.

## 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 collectability of 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 ultimate collectability 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):

	December 31, 2015	December 31, 2014
Commercial loans	\$ 331.4	\$ 140.1
Sales-type leases	21.9	24.0
Total finance receivables, gross	353.3	164.1
Allowance for credit losses	(7.3)	(3.0)
Total finance receivables, net	<u>\$ 346.0</u>	<u>\$ 161.1</u>

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:

	Year Ended December 31, 2015			Year Ended December 31, 2014			Year Ended December 31, 2013		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Balance, beginning of period	\$ 1.9	1.1	\$ 3.0	\$ 1.9	\$ 0.4	\$ 2.3	\$ 3.4	\$ 0.1	\$ 3.5
Provision for credit losses	4.6	(0.3)	4.3	—	0.7	0.7	(1.5)	0.3	(1.2)
Charge offs	—	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—	—	—	—
Balance, end of period	<u>\$ 6.5</u>	<u>\$ 0.8</u>	<u>\$ 7.3</u>	<u>\$ 1.9</u>	<u>\$ 1.1</u>	<u>\$ 3.0</u>	<u>\$ 1.9</u>	<u>\$ 0.4</u>	<u>\$ 2.3</u>

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):

	December 31, 2015			December 31, 2014		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Recorded investment	\$ 1.9	\$ 1.8	\$ 3.7	\$ —	\$ 3.3	\$ 3.3
Related allowance	1.9	0.5	2.4	—	0.8	0.8
Average recorded investment	1.0	2.5	3.5	—	1.7	1.7

There were no impaired commercial loans or sales-type leases at December 31, 2013.

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):

	December 31, 2015			December 31, 2014		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Allowance for credit losses, ending balance:						
Individually evaluated for impairment	\$ 1.9	\$ 0.5	\$ 2.4	\$ —	\$ 0.8	\$ 0.8
Collectively evaluated for impairment	4.6	0.3	4.9	1.9	0.3	2.2
Total allowance for credit losses	<u>\$ 6.5</u>	<u>\$ 0.8</u>	<u>\$ 7.3</u>	<u>\$ 1.9</u>	<u>\$ 1.1</u>	<u>\$ 3.0</u>

Finance receivables, ending balance:						
Individually evaluated for impairment	\$ 1.9	\$ 1.8	\$ 3.7	\$ —	\$ 3.3	\$ 3.3
Collectively evaluated for impairment	329.5	20.1	349.6	140.1	20.7	160.8
Total finance receivables	<u>\$ 331.4</u>	<u>\$ 21.9</u>	<u>\$ 353.3</u>	<u>\$ 140.1</u>	<u>\$ 24.0</u>	<u>\$ 164.1</u>

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):

	December 31, 2015					
	Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Total Finance Receivables
Commercial loans	\$ 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	<u>\$ 349.8</u>	<u>\$ 1.3</u>	<u>\$ —</u>	<u>\$ 2.2</u>	<u>\$ 3.5</u>	<u>\$ 353.3</u>

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

At December 31, 2015 and December 31, 2014, \$1.0 million and \$0.5 million respectively, of commercial loans were greater than 90 days past due. Commercial loans in the amount of \$4.8 million and \$30.2 million were on non-accrual status as of December 31, 2015 and December 31, 2014, respectively.

At December 31, 2015 and December 31, 2014, \$1.2 million and \$3.3 million respectively, of sales-type leases receivable were greater than 90 days past due. Sales-type leases in the amount of \$1.3 million and \$3.3 million were on non-accrual status as of December 31, 2015 and December 31, 2014, respectively.

## Credit Quality Information

Credit quality is reviewed on a monthly basis based on customers payment status. In addition to 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	December 31, 2015	December 31, 2014
Superior	\$ 21.5	\$ 0.3
Above Average	159.4	29.2
Average	117.9	55.0
Below Average	44.2	54.0
Sub Standard	10.3	3.1
Unrated *	—	22.5
Total	<u>\$ 353.3</u>	<u>\$ 164.1</u>

\* Customer finance receivables balances less than \$1.0 million were not rated at December 31, 2014.

## NOTE H – INVENTORIES

Inventories consist of the following (in millions):

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Finished equipment	\$ 455.2	\$ 425.7
Replacement parts	184.8	170.5
Work-in-process	431.2	454.2
Raw materials and supplies	374.5	410.5
Inventories	<u>\$ 1,445.7</u>	<u>\$ 1,460.9</u>

Reserves for lower of cost or market value, excess and obsolete inventory were \$109.1 million and \$116.3 million at December 31, 2015 and 2014, respectively.

## NOTE I – PROPERTY, PLANT AND EQUIPMENT

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Property	\$ 95.0	\$ 104.3
Plant	356.3	359.5
Equipment	736.7	699.5
Property, Plant and Equipment – Gross	1,188.0	1,163.3
Less: Accumulated depreciation	(512.2)	(473.0)
Property, plant and equipment – net	<u>\$ 675.8</u>	<u>\$ 690.3</u>

Depreciation expense for the years ended December 31, 2015, 2014 and 2013, was \$98.4 million, \$110.4 million and \$104.4 million, respectively.

## NOTE J – EQUIPMENT SUBJECT TO OPERATING LEASES

Operating leases arise from leasing the Company’s products to customers. Initial non-cancellable lease terms typically range up to 84 months. The net book value of equipment subject to operating leases was approximately \$69 million and \$72 million (net of accumulated depreciation of approximately \$40 million and \$40 million) at December 31, 2015 and 2014, respectively, and is included in Other assets on the Company’s Consolidated Balance Sheet. The equipment is depreciated on a straight-line basis over its estimated useful life.

Future minimum lease payments to be received under non-cancellable operating leases with lease terms in excess of one year are as follows (in millions):

<u>Years ending December 31,</u>	
2016	\$ 12.3
2017	9.2
2018	6.1
2019	1.3
2020	0.8
Thereafter	0.1
	<u>\$ 29.8</u>

The Company received approximately \$12 million and \$15 million of rental income from assets subject to operating leases with lease terms greater than one year during 2015 and 2014, respectively, none of which represented contingent rental payments.

## NOTE K – DISPOSITIONS

On December 19, 2014, the Company completed the sale of 51% of A.S.V., Inc. to Manitex International, Inc. (“Manitex”), resulting in a joint venture in compact track loaders and skid steers that is 51% owned by Manitex and 49% owned by Terex and accounted for it as an equity method investment. The Company recognized a gain of approximately \$17 million on this sale in Selling, general and administrative expenses on the Consolidated Statement of Income. On December 31, 2014, the Company sold 100% of Demag Cranes and Components Pty. Ltd. (“Demag Cranes”) to MHE-Demag (S) Pte. Ltd. (“MHE”), a 50% owned joint venture accounted for under the equity method of accounting. The Company recorded a loss on this disposition of approximately \$33 million in Selling, general and administrative expenses on the Consolidated Statement of Income. The loss was comprised primarily of approximately \$23 million of cumulative translation adjustment and approximately \$6 million of allocated goodwill. Cash received from these dispositions is included in the Consolidated Statement of Cash Flows investing activities.

## NOTE L – 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, 2013, gross	\$ 140.6	\$ 235.9	\$ 727.5	\$ 207.6	\$ 274.4	\$ 1,586.0
Accumulated impairment	(38.6)	(4.2)	—	(23.2)	(274.4)	(340.4)
Balance at December 31, 2013, net	102.0	231.7	727.5	184.4	—	1,245.6
Acquisitions	—	—	12.0	—	—	12.0
Divestiture	—	—	(6.1)	—	(141.6)	(147.7)
Foreign exchange effect and other	(2.1)	(18.3)	(90.6)	(9.5)	—	(120.5)
Balance at December 31, 2014, gross	138.5	217.6	642.8	198.1	132.8	1,329.8
Accumulated impairment	(38.6)	(4.2)	—	(23.2)	(132.8)	(198.8)
Balance at December 31, 2014, net	99.9	213.4	642.8	174.9	—	1,131.0
Acquisitions	—	—	—	14.4	—	14.4
Foreign exchange effect and other	(1.7)	(15.7)	(83.6)	(8.2)	—	(109.2)
Balance at December 31, 2015, gross	136.8	201.9	559.2	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	\$ 98.2	\$ 197.7	\$ 546.2	\$ 181.1	\$ —	\$ 1,023.2

As part of our annual impairment test performed in the fourth quarter of 2015, we elected to perform a qualitative analysis on our AWP operating unit and determined that it was more likely than not that its fair value exceeds its carrying value. Also in the fourth quarter of 2015, we elected to perform a quantitative analysis (“Step 1”) on the Cranes, MH, PS and MP reporting units, to determine whether it is more likely than not that fair value exceeds carrying value for these reporting units. Based on the results of our Step 1 analysis, we determined that it is more likely than not that fair value exceeds carrying value for the Cranes, MH and MP reporting units. However, we concluded in our Step 1 analysis that the estimated fair value of our PS reporting unit was lower than the carrying value of this reporting unit.

Step two of the analysis requires us to perform a theoretical purchase price allocation for our PS reporting unit to determine implied fair value of goodwill and to compare the implied fair value of goodwill to the recorded amount of goodwill. Upon completion of step two of the test, we recorded a non-cash goodwill impairment charge of \$11.3 million. This impairment charge is recorded in Goodwill and intangible asset impairments in the Consolidated Statement of Income.

The outcome of any prospective tests may result in recording additional goodwill impairment charges in future periods.

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

	Weighted Average Life (in years)	December 31, 2015			December 31, 2014		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Technology	5	\$ 53.6	\$ (41.0)	\$ 12.6	\$ 58.8	\$ (38.4)	\$ 20.4
Customer Relationships	16	224.5	(85.1)	139.4	251.9	(78.4)	173.5
Land Use Rights	56	17.2	(2.1)	15.1	18.0	(1.8)	16.2
Other	8	48.1	(39.5)	8.6	44.6	(38.2)	6.4
Total definite-lived intangible assets		\$ 343.4	\$ (167.7)	\$ 175.7	\$ 373.3	\$ (156.8)	\$ 216.5
Indefinite-lived intangible assets:							
Tradenames		\$ 73.8			\$ 108.9		
Total indefinite-lived intangible assets		\$ 73.8			\$ 108.9		



**For the Year Ended December 31,**

(in millions)	2015	2014	2013
Aggregate Amortization Expense	\$ 24.3	\$ 37.6	\$ 38.6

Indefinite-lived intangible assets consist of tradenames that are not amortized, but instead are evaluated for impairment annually or more frequently if events or changes occur that suggest an impairment in carrying value, such as a significant adverse change in the business climate.

As part of our annual impairment test performed during the fourth quarter of 2015 we assessed our indefinite-lived tradenames for impairment. We developed an estimate of fair value using a discounted cash flow model. Assumptions critical to the process included forecasted financial information, discount rates and royalty rates. The estimates of the fair values of the indefinite-lived tradenames are based on the best information currently available. This fair value determination was categorized as Level 3 in the fair value hierarchy. See Note B - "Basis of Presentation", for the definition of Level 3 inputs. As a result of this analysis, a non-cash impairment charge of approximately \$23 million was recorded in the fourth quarter of 2015 by our MHPS segment. This charge is recorded in Goodwill and intangible asset impairments in the Consolidated Statement of Income. However, further adjustments may be necessary in the future if conditions differ substantially from the assumptions utilized.

Estimated aggregate intangible asset amortization expense (in millions) for the next five years is as follows:

2016	\$ 22.2
2017	\$ 18.5
2018	\$ 14.2
2019	\$ 13.7
2020	\$ 13.1

#### **NOTE M – 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, significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable 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 the intrinsic value of option contracts are deferred as a component of Accumulated other comprehensive income ("AOCI") until the underlying hedged transactions are reported in the Company's Consolidated Statement of 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 Consolidated Statement of 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 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 December 31, 2015, the Company had \$237.3 million notional amount of currency exchange forward contracts outstanding that were initially designated as hedge contracts, most of which mature on or before December 31, 2016. The fair market value of these contracts at December 31, 2015 was a net gain of \$2.8 million. At December 31, 2015, \$225.8 million notional amount (\$2.6 million of fair value gains) of these forward contracts have been designated as, and are effective as, cash flow hedges of forecasted and specifically identified transactions. During 2015 and 2014, the Company recorded the change in fair value for these cash flow hedges to AOCI and reclassified to earnings a portion of the deferred gain or loss from AOCI as the hedged transactions occurred and were recognized in earnings.

The Company records foreign exchange contracts at fair value on a recurring basis. The foreign exchange contracts designated as hedging instruments are categorized under Level 2 of the ASC 820 hierarchy and are recorded at December 31, 2015 and 2014 as a net asset of \$2.8 million and a net liability of \$0.4 million, respectively. See Note B – “Basis of Presentation,” for an explanation of the ASC 820 hierarchy. The fair values of these foreign exchange forward contracts are derived using quoted forward foreign exchange prices to interpolate values of outstanding trades at the reporting date based on their maturities.

The Company uses forward foreign exchange contracts to mitigate its exposure to changes in foreign currency exchange rates on third party and intercompany forecasted transactions and balance sheet exposures. Certain of these contracts have not been designated as hedging instruments. The majority of gains and losses recognized from foreign exchange contracts not designated as hedging instruments were offset by changes in the underlying hedged items, resulting in no material net impact on earnings. Changes in the fair value of derivative financial instruments are recognized as gains or losses in Cost of goods sold or Other income (expense) - net in the Consolidated Statement of 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 Consolidated Statement of 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 O – “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 Consolidated Statement of Income. The Company records these contracts at fair value on a recurring basis. At December 31, 2015 the Company had \$198.1 million notional amount of interest rate swap contracts outstanding that were initially designated as hedge contracts and scheduled to mature in November, 2022. The interest rate swap contracts designated as hedging instruments are categorized under Level 2 of the ASC 820 hierarchy and are recorded at December 31, 2015 as a net asset of \$0.2 million. The fair value of these contracts is derived using quoted interest rate swap prices at the reporting date based on their maturities. There were no interest rate swaps recorded at December 31, 2014.

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

<u>Asset Derivatives</u>	<u>Balance Sheet Account</u>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Foreign exchange contracts	Other current assets	\$ 4.0	\$ 10.1
Interest rate swap	Other assets	0.9	—
<b>Total asset derivatives</b>		<b>\$ 4.9</b>	<b>\$ 10.1</b>
<u>Liability Derivatives</u>			
Foreign exchange contracts	Other current liabilities	(1.2)	(10.5)
Interest rate swap	Other current liabilities	(0.7)	—
<b>Total liability derivatives</b>		<b>\$ (1.9)</b>	<b>\$ (10.5)</b>
<b>Total Derivatives</b>		<b>\$ 3.0</b>	<b>\$ (0.4)</b>

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

<u>Asset Derivatives</u>	<u>Balance Sheet Account</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Foreign exchange contracts	Other current assets	\$ 0.5	\$ 2.2
Debt conversion feature	Other assets	1.1	3.0
Total asset derivatives		\$ 1.6	\$ 5.2
<u>Liability Derivatives</u>			
Foreign exchange contracts	Other current liabilities	(0.3)	(1.0)
Total liability derivatives		\$ (0.3)	\$ (1.0)
Total Derivatives		\$ 1.3	\$ 4.2

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

<u>Cash Flow Derivatives</u>	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Gain (Loss) Recognized on Derivatives in AOCI:			
Foreign exchange contracts	\$ 2.8	\$ (3.4)	\$ 3.1
Interest rate swap	0.2	—	—
Total	\$ 3.0	\$ (3.4)	\$ 3.1

<u>Account</u>	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Gain (Loss) Reclassified from AOCI into Income (Effective):			
Cost of goods sold	\$ 9.7	\$ 3.0	\$ 1.2
Other income (expense) – net	(4.0)	0.5	3.2
Total	\$ 5.7	\$ 3.5	\$ 4.4

<u>Account</u>	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Gain (Loss) Recognized on Derivatives (Ineffective) in Income:			
Other income (expense) – net	\$ 4.0	\$ (0.4)	\$ (2.8)

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

<u>Account</u>	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Gain (Loss) Recognized in Income on Derivatives not designated as hedges:			
Cost of Goods Sold	\$ —	\$ —	\$ 0.7
Other income (expense) – net	(3.6)	—	1.6
Total	\$ (3.6)	\$ —	\$ 2.3

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):

	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Balance at beginning of period	\$ (0.7)	\$ 2.7	\$ (0.4)
Additional gains (losses) – net	9.2	(1.4)	6.1
Amounts reclassified to earnings	(6.2)	(2.0)	(3.0)
Balance at end of period	<u>\$ 2.3</u>	<u>\$ (0.7)</u>	<u>\$ 2.7</u>

Within the unrealized net gains (losses) included in AOCI as of December 31, 2015, it is estimated that \$1.5 million of gains are expected to be reclassified into earnings in the next twelve months.

#### **NOTE N – RESTRUCTURING AND OTHER CHARGES**

The Company continually evaluates its cost structure to be appropriately positioned to respond to changing market conditions. Given economic trends in recent years, the Company initiated certain restructuring programs to better utilize its workforce and optimize facility utilization to match the demand for its products.

During the year ended December 31, 2012, the Company established a restructuring program in the Construction segment related to its compact construction operations in Germany to concentrate the segment on its core processes and competencies. This program resulted in the sale, closure or phase-out of several businesses in Germany. The program cost \$11.7 million, resulted in the reduction of 250 team members and was completed in 2013 except for certain payments mandated by governmental agencies. During the year ended December 31, 2013, \$2.6 million of restructuring reserves were reversed based on more team members staying with the sold business than originally anticipated.

During the year ended December 31, 2013, the Company established a restructuring program in the MHPS segment resulting in the consolidation of certain production facilities and the redesign of certain back office functions. The program cost \$19.4 million, resulted in a reduction of 299 team members and was completed in 2014.

During the year ended December 31, 2013, the Company established a restructuring program in the Construction segment related to the distribution organization for Europe, the Middle East and Asia. This program resulted in a more decentralized distribution function. The program cost \$1.9 million, resulted in a reduction of 19 team members and was completed in 2014.

During the year ended December 31, 2014, the Company established restructuring programs in the MHPS segment primarily focused on operations in Germany. The programs included closure of one of its materials handling manufacturing facilities, consolidation of several materials handling sales and service locations, and realignment of our management structure for port solutions. The programs cost \$36.1 million, resulted in a reduction of 199 team members and were substantially complete in 2015.

During the year ended December 31, 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 expects to optimize use of resources, eliminate areas of duplication and operate more efficiently and effectively. The program cost \$0.9 million, resulted in a reduction of 38 team members and was completed in 2015.

During the year ended December 31, 2015, the Company established a restructuring program across multiple operating segments to centralize transaction processing and accounting functions into shared service centers. The program is expected to cost \$0.9 million, result in a reduction of 69 team members and be completed in 2016. The segment breakdown of this program cost is as follows: Cranes (\$0.8 million) and MP (\$0.1 million).

The following table provides information for all restructuring activities by segment of the amount of expense incurred during the year ended December 31, 2015, the cumulative amount of expenses incurred for the years ended December 31, 2015, 2014 and 2013 and the total amount expected to be incurred (in millions):

	Amount incurred during the year ended December 31, 2015	Cumulative amount incurred through December 31, 2015	Total amount expected to be incurred
Construction	\$ —	\$ (0.7)	\$ (0.7)
Cranes	0.8	0.8	0.8
MP	1.0	1.0	1.0
MHPS	(0.1)	55.5	55.5
Total	\$ 1.7	\$ 56.6	\$ 56.6

The following table provides information by type of restructuring activity with respect to the amount of expense incurred during the year ended December 31, 2015, the cumulative amount of expenses incurred since inception of the programs and the total amount expected to be incurred (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
Amount incurred in the year ended December 31, 2015	\$ 0.5	\$ 0.1	\$ 1.1	\$ 1.7
Cumulative amount incurred through December 31, 2015	\$ 51.4	\$ 0.4	\$ 4.8	\$ 56.6
Total amount expected to be incurred	\$ 51.4	\$ 0.4	\$ 4.8	\$ 56.6

The following table provides a roll forward of the restructuring reserve by type of restructuring activity for the year ended December 31, 2015 (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
Restructuring reserve at December 31, 2014	\$ 40.1	\$ —	\$ —	\$ 40.1
Restructuring charges	—	0.1	—	0.1
Cash expenditures	(8.4)	—	—	(8.4)
Foreign exchange	(5.3)	—	—	(5.3)
Restructuring reserve at December 31, 2015	\$ 26.4	\$ 0.1	\$ —	\$ 26.5

During the years ended December 31, 2015, 2014 and 2013 \$(0.2) million, \$19.0 million and \$11.0 million, respectively, of restructuring charges were included in Cost of goods sold (“COGS”). During the years ended December 31, 2015, 2014 and 2013 \$0.9 million, \$11.3 million and \$9.9 million, respectively, of restructuring charges were included in SG&A costs. There were \$1.0 million and \$3.7 million of asset impairments included in restructuring costs for the years ended December 31, 2015 and 2014, respectively. There were no asset impairments included in restructuring costs for the year ended December 31, 2013.

## NOTE O – LONG-TERM OBLIGATIONS

Long-term debt is summarized as follows (in millions):

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
6-1/2% Senior Notes due April 1, 2020	\$ 300.0	\$ 300.0
6% Senior Notes due May 15, 2021	850.0	850.0
4% Convertible Senior Subordinated Notes due June 1, 2015	—	125.0
2014 Credit Agreement – term debt	439.2	467.9
2015 Securitization Facility	206.5	—
Capital lease obligations	4.9	3.9
Other	30.6	42.0
Total debt	<u>1,831.2</u>	<u>1,788.8</u>
Less: Notes payable and current portion of long-term debt	<u>(80.2)</u>	<u>(152.5)</u>
Long-term debt, less current portion	<u>\$ 1,751.0</u>	<u>\$ 1,636.3</u>

### 2014 Credit Agreement

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

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

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

In connection with the termination of the 2011 Credit Agreement, the Company recorded charges of \$2.6 million for the accelerated amortization of debt acquisition costs and original issue discount as a loss on early extinguishment of debt for the year ended December 31, 2014.

On May 16, 2013, the Company repaid \$110.0 million of the outstanding U.S. dollar denominated term loan and €83.5 million of the outstanding Euro denominated term loan under the 2011 Credit Agreement. As a result of the repayment the Company recorded a loss on early extinguishment of debt of \$5.2 million in the Consolidated Statement of Income for the year ended December 31, 2013.

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 December 31, 2015 and 2014, the Company had \$439.2 million and \$467.9 million, respectively, in U.S. dollar and Euro denominated term loans outstanding under its credit agreements. The weighted average interest rate on the term loans at December 31, 2015 and 2014 was 3.50% and 3.76%, respectively. The Company had no outstanding U.S. dollar and Euro denominated revolving credit amounts as of December 31, 2015 and 2014.

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 December 31, 2015 and 2014 the Company had no letters of credit issued under the 2014 Credit Agreement. The 2014 Credit Agreement also permits the Company to have additional letter of credit facilities up to \$300 million, and letters of credit issued under such additional facilities do not decrease availability under the revolving line of credit. The Company had letters of credit issued under the additional letter of credit facilities of the 2014 Credit Agreement that totaled \$21.2 million and \$30.4 million as of December 31, 2015 and 2014, respectively.

The Company also has bilateral arrangements to issue letters of credit with various other financial institutions. These additional letters of credit do not reduce the Company's availability under the 2014 Credit Agreement. The Company had letters of credit issued under these additional arrangements of \$189.7 million and \$261.5 million as of December 31, 2015 and 2014, respectively.

In total, as of December 31, 2015 and 2014, the Company had letters of credit outstanding of \$210.9 million and \$291.9 million, respectively. The letters of credit generally serve as collateral for certain liabilities included in the 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 T – "Consolidating Financial Statements").

On September 8, 2015, the Company, after obtaining the requisite consents, amended the indenture governing the 6-1/2% Notes, in connection with the Merger. 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% Notes. The 6% Notes are redeemable by the Company beginning in November 2016 at an initial redemption price of 103.00% of principal amount. The 6% Notes are jointly and severally guaranteed by certain of the Company's domestic subsidiaries (see Note T – "Consolidating Financial Statements").

On September 8, 2015, the Company, after obtaining the requisite consents, amended the indenture governing the 6% Notes, in connection with the Merger. 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 balance of the 4% Convertible Notes was \$125.0 million at December 31, 2014. The Company recognized interest expense of \$5.7 million and \$13.5 million on the 4% Convertible Notes for the years ended December 31, 2015 and 2014, respectively. Interest expense on the 4% Convertible Notes throughout its term included 4% annually of cash interest on the maturity balance of \$128.8 million plus non-cash interest expense accreted to the debt balance as described.

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

#### 2015 Securitization Facility

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

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

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

As of December 31, 2015, the Company had \$206.5 million in loans outstanding under the Securitization Facility. The weighted average interest rate on the Securitization Facility at December 31, 2015 was 1.46%. Interest expense on loans outstanding under this facility is recorded to Cost of goods sold in the Consolidated Statement of Income. The Company is party to certain derivative interest rate swap agreements entered into to hedge its exposure to variable interest rates related to the Securitization Facility. The effective interest rate on the Securitization Facility when combined with the interest rate swap agreements is 2.13%. For further information on the interest rate swap agreements see Note M – “Derivative Financial Instruments.”



## Commitment Letter

On August 10, 2015, in connection with the Merger, the Company and Konecranes entered into a Commitment Letter (the "Commitment Letter") with Credit Suisse Securities (USA) LLC ("CS Securities") and Credit Suisse AG ("CS" and, together with CS Securities and their respective affiliates, "Credit Suisse") in which Credit Suisse committed to provide the Company and Konecranes with (A) senior secured credit facilities in an aggregate principal amount of up to \$1.65 billion, consisting of (i) a senior secured term loan facility in an aggregate principal amount of \$900.0 million (such aggregate principal amount to be allocated between a U.S. dollar-denominated term loan facility to be made to the Company and a Euro-denominated term loan facility in an aggregate principal amount of up to €450.0 million to be made to Konecranes or one of its subsidiaries and (ii) two senior secured revolving credit facilities in an aggregate principal amount of up to \$750.0 million and (B) a senior unsecured bridge facility in an aggregate principal amount of up to \$1.15 billion. As a result of the receipt of the consents noted above, the Company and Konecranes notified Credit Suisse that it terminated the commitments of the lenders in the amount of \$1.15 billion with respect to the bridge facility under the commitment letter from Credit Suisse dated August 10, 2015. In connection with the Commitment Letter, the Company began to incur fees on the unused commitment in January 2016.

## Schedule of Debt Maturities

Scheduled annual maturities of the principal portion of long-term debt outstanding at December 31, 2015 in the successive five-year period are summarized below. Amounts shown are exclusive of minimum lease payments for capital lease obligations (in millions):

2016	\$	79.1
2017		60.8
2018		46.1
2019		39.9
2020		323.8
Thereafter		1,276.6
Total	\$	<u>1,826.3</u>

Based on indicative price quotations from financial institutions multiplied by the amount recorded on the Company's Consolidated Balance Sheet ("Book Value"), the Company estimates the fair values ("FV") of its debt set forth below as of December 31, 2015 and 2014, as follows (in millions, except for quotes):

	<u>2015</u>		
	<u>Book Value</u>	<u>Quote</u>	<u>FV</u>
6-1/2% Notes	\$ 300.0	\$ 0.96000	\$ 288
6% Notes	\$ 850.0	\$ 0.91500	\$ 778
2014 Credit Agreement Term Loan (net of discount) – USD	\$ 225.5	\$ 0.99000	\$ 223
2014 Credit Agreement Term Loan (net of discount) – EUR	\$ 213.7	\$ 0.99750	\$ 213

	<u>2014</u>		
	<u>Book Value</u>	<u>Quote</u>	<u>FV</u>
6-1/2% Senior Notes	\$ 300.0	\$ 1.04500	\$ 314
6% Notes	\$ 850.0	\$ 1.02000	\$ 867
4% Convertible Notes (net of discount)	\$ 125.0	\$ 1.73392	\$ 217
2011 Credit Agreement Term Loan (net of discount) – USD	\$ 227.5	\$ 0.99000	\$ 225
2011 Credit Agreement Term Loan (net of discount) – EUR	\$ 240.4	\$ 0.99500	\$ 239

The fair value of debt reported in the tables 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 B – "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 line of credit under the 2014 Credit Agreement and the Securitization Facility, approximates fair market value based on maturities for debt of similar terms. The fair value of these other borrowings are categorized under Level 2 of the ASC 820 hierarchy.

The Company paid \$96.4 million, \$109.6 million and \$114.8 million of interest in 2015, 2014 and 2013, respectively.

## NOTE P – LEASE COMMITMENTS

Future minimum noncancellable operating lease payments at December 31, 2015 are as follows (in millions):

	<b>Operating Leases</b>
2016	\$ 61.0
2017	48.1
2018	33.8
2019	22.1
2020	15.2
Thereafter	42.5
Total minimum obligations	<u>\$ 222.7</u>

Most of the Company's operating leases provide the Company with the option to renew the leases for varying periods after the initial lease terms. These renewal options enable the Company to renew the leases based upon the fair rental values at the date of expiration of the initial lease. Total rental expense under operating leases was \$79.4 million, \$79.3 million, and \$77.1 million in 2015, 2014 and 2013, respectively.

## **NOTE Q– RETIREMENT PLANS AND OTHER BENEFITS**

### U.S. Pension Plan

As of December 31, 2015, the Company maintained one qualified defined benefit pension plan covering certain domestic employees (the “Terex Plan”). Participation in the Terex Plan for all employees has been frozen. Participants are credited with post-freeze service for purposes of determining vesting and retirement eligibility only. The benefits covering salaried employees are based primarily on years of service and employees’ qualifying compensation during the final years of employment. The benefits covering bargaining unit employees are based primarily on years of service and a flat dollar amount per year of service. It is the Company’s policy generally to fund the Terex Plan based on the requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”). Plan assets consist primarily of common stocks, bonds and short-term cash equivalent funds.

The Company maintains a nonqualified Supplemental Executive Retirement Plan (“SERP”). The SERP provides retirement benefits to certain senior executives of the Company. Generally, the SERP provides a benefit based on average total compensation earned over a participant’s final five years of employment and years of service reduced by benefits earned under any Company retirement program, excluding salary deferrals and matching contributions. In addition, benefits are reduced by Social Security Primary Insurance Amounts attributable to Company contributions. The SERP is unfunded and participation in the SERP has been frozen. There is a defined contribution plan for certain senior executives of the Company.

During July 2012, the Moving Ahead for Progress in the 21st Century Act (“MAP 21”) was enacted in the U.S. MAP 21 provided short-term relief of minimum contribution requirements by increasing the interest rates used to value pension liabilities beginning January 1, 2012 and increased the premiums due to the Pension Benefit Guaranty Corporation beginning in 2013 through 2015. As a result of the enactment of MAP 21, and existing funding commitments, there were no minimum contribution requirements for the 2015, 2014 and 2013 plan years.

During 2014, the Society of Actuaries released a new mortality table, which is believed to better reflect mortality improvements and is to be used in calculating defined benefit pension obligations. The Company adopted these new tables for its U.S. pension plans for use in determining its projected benefit obligations. Adoption of the new mortality tables increased the Company’s projected benefit obligation by approximately \$16 million at December 31, 2014.

### Non-U.S. Plans

The Company maintains defined benefit plans in France, Germany, India, Switzerland and the United Kingdom for some of its subsidiaries. Participation in the United Kingdom plan has been frozen. The United Kingdom plan is a funded plan and the Company funds this plan in accordance with funding regulations in the United Kingdom and a negotiated agreement between the Company and the plan’s trustees. The plans in France, Germany and India are unfunded plans. For the Company’s operations in Austria and Italy there are mandatory termination indemnity plans providing a benefit payable upon termination of employment in substantially all cases of termination. The Company records this obligation based on mandated requirements. The measure of current obligation is not dependent on the employees’ future service and therefore is measured at current value.

### Other Post-employment Benefits

The Company has several non-pension post-retirement benefit programs. The Company provides post-employment health and life insurance benefits to certain former salaried and hourly employees. The health care programs are contributory, with participants’ contributions adjusted annually, and the life insurance plan is noncontributory.

### Savings Plans

The Company sponsors various tax deferred savings plans into which eligible employees may elect to contribute a portion of their compensation. The Company may, but is not obligated to, contribute to certain of these plans. The Company’s Common Stock held in a rabbi trust pursuant to the Deferred Compensation Plan is treated in a manner similar to treasury stock. The number of shares of the Company’s Common Stock held in the rabbi trust was 0.8 million at December 31, 2015 and 2014.

Charges recognized for the Deferred Compensation Plan and these other savings plans were \$21.7 million, \$20.2 million and \$16.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. For the years ended December 31, 2015 and 2014, Company matching contribution to tax deferred savings plans were invested at the direction of plan participants.

Information regarding the Company's plans, including SERP, was as follows (in millions, except percent values):

	<u>U.S. Pension Benefits</u>			<u>Non-U.S. Pension Benefits</u>			<u>Other Benefits</u>		
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Accumulated benefit obligation at end of year	\$ 167.2	\$ 177.2		\$ 467.2	\$ 533.6				
Change in benefit obligation:									
Benefit obligation at beginning of year	\$ 184.9	\$ 162.1		\$ 540.7	\$ 504.0		\$ 5.7	\$ 5.8	
Service cost	1.1	0.9		7.2	5.4		—	—	
Interest cost	7.2	7.2		12.7	18.1		0.2	0.2	
Acquisitions and divestitures	—	(0.9)		(0.4)	4.7		—	—	
Actuarial loss (gain)	(7.8)	25.6		(20.1)	91.3		(0.5)	0.3	
Benefits paid	(11.4)	(10.0)		(20.5)	(23.7)		(0.5)	(0.6)	
Foreign exchange effect	—	—		(45.5)	(59.1)		—	—	
Benefit obligation at end of year	174.0	184.9		474.1	540.7		4.9	5.7	
Change in plan assets:									
Fair value of plan assets at beginning of year	136.8	125.8		146.8	141.9		—	—	
Acquisitions	—	—		—	2.2		—	—	
Actual return on plan assets	(2.4)	15.2		0.6	14.9		—	—	
Employer contribution	0.1	5.8		18.3	21.5		0.5	0.6	
Employee contribution	—	—		0.9	0.6		—	—	
Benefits paid	(11.4)	(10.0)		(20.5)	(23.7)		(0.5)	(0.6)	
Foreign exchange effect	—	—		(6.6)	(10.6)		—	—	
Fair value of plan assets at end of year	123.1	136.8		139.5	146.8		—	—	
Funded status	\$ (50.9)	\$ (48.1)		\$ (334.6)	\$ (393.9)		\$ (4.9)	\$ (5.7)	
Amounts recognized in the statement of financial position consist of:									
Current liabilities	\$ 1.0	\$ 1.1		\$ 13.1	\$ 13.4		\$ 0.6	\$ 0.7	
Non-current liabilities	49.9	47.0		321.5	380.5		4.3	5.0	
Total liabilities	\$ 50.9	\$ 48.1		\$ 334.6	\$ 393.9		\$ 4.9	\$ 5.7	
Amounts recognized in accumulated other comprehensive income consist of:									
Actuarial net loss	\$ 78.5	\$ 77.8		\$ 126.5	\$ 159.6		\$ 0.6	\$ 1.2	
Prior service cost	0.4	0.6		0.2	0.3		—	(0.1)	
Total amounts recognized in accumulated other comprehensive income	\$ 78.9	\$ 78.4		\$ 126.7	\$ 159.9		\$ 0.6	\$ 1.1	
Weighted-average assumptions as of December 31:									
Discount rate <sup>(1)</sup>	4.20%	4.02%	4.64%	2.70%	2.54%	3.78%	3.91%	3.74%	4.17%
Expected return on plan assets	7.50%	7.50%	7.50%	5.33%	5.49%	5.49%	N/A	N/A	N/A
Rate of compensation increase <sup>(1)</sup>	3.75%	3.75%	3.75%	1.59%	1.51%	1.56%	N/A	N/A	N/A

(1) The weighted average assumptions as of December 31 are used to calculate the funded status at the end of the current year and the net periodic cost for the subsequent year.

	<u>U.S. Pension Benefits</u>			<u>Non-U.S. Pension Benefits</u>			<u>Other Benefits</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Components of net periodic cost:									
Service cost	\$ 1.1	\$ 0.9	\$ 1.1	\$ 7.2	\$ 5.4	\$ 6.0	\$ —	\$ —	\$ —
Interest cost	7.2	7.2	6.6	12.7	18.1	16.6	0.2	0.2	0.3
Expected return on plan assets	(9.9)	(9.2)	(9.0)	(7.8)	(7.7)	(7.0)	—	—	—
Recognition of prior service cost	0.1	0.1	0.1	—	2.5	—	—	—	—
Amortization of actuarial loss	3.8	2.1	4.0	7.5	3.1	5.3	0.1	0.1	0.1
Curtailments	—	—	—	(0.3)	—	—	—	—	—
Other	—	—	—	(0.9)	(0.6)	(0.6)	—	—	—
Net periodic cost	<u>\$ 2.3</u>	<u>\$ 1.1</u>	<u>\$ 2.8</u>	<u>\$ 18.4</u>	<u>\$ 20.8</u>	<u>\$ 20.3</u>	<u>\$ 0.3</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>

	<u>U.S. Pension Benefits</u>		<u>Non-U.S. Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:						
Net (gain) loss	\$ 4.3	\$ 19.9	\$ (12.9)	\$ 85.2	\$ (0.5)	\$ 0.3
Amortization of actuarial losses	(3.7)	(3.0)	(7.5)	(3.1)	—	—
Amortization of prior service cost	(0.1)	(0.1)	(0.1)	—	—	—
Foreign exchange effect	—	—	(12.7)	(16.3)	—	—
Total recognized in other comprehensive income	<u>\$ 0.5</u>	<u>\$ 16.8</u>	<u>\$ (33.2)</u>	<u>\$ 65.8</u>	<u>\$ (0.5)</u>	<u>\$ 0.3</u>

	<u>U.S. Pension Benefits</u>	<u>Non-U.S. Pension Benefits</u>	<u>Other Benefits</u>
Amounts expected to be recognized as components of net periodic cost for the year ending December 31, 2016:			
Actuarial net loss	\$ 3.9	\$ 5.7	\$ —
Prior service cost	0.1	—	—
Total amount expected to be recognized as components of net periodic cost for the year ending December 31, 2016	<u>\$ 4.0</u>	<u>\$ 5.7</u>	<u>\$ —</u>

For the Company's plans, including the SERP, that have accumulated benefit obligations in excess of plan assets the projected benefit obligation, accumulated benefit obligation and fair value of plan assets were (in millions):

	<u>U.S. Pension Benefits</u>		<u>Non-U.S. Pension Benefits</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Projected benefit obligation	\$ 174.0	\$ 184.9	\$ 474.1	\$ 540.7
Accumulated benefit obligation	\$ 167.2	\$ 177.2	\$ 467.2	\$ 533.6
Fair value of plan assets	\$ 123.1	\$ 136.8	\$ 139.5	\$ 146.8

Determination of plan obligations and associated expenses requires the use of actuarial valuations based on certain economic assumptions, which includes discount rates and expected rates of returns on plan assets. The discount rate enables the Company to estimate the present value of expected future cash flows on the measurement date. The rate used reflects a rate of return on high-quality fixed income investments that matches the duration of expected benefit payments at the December 31 measurement date.

The rate used for the expected return on plan assets for the U.S. plan is based on a review of long-term historical asset performances aligned with the Company's investment strategy and portfolio mix. While the Company examines performance annually, it also views historic asset portfolios and performance over a long period of years before recommending a change. In the short term, there may be fluctuations of positive and negative yields year-over-year, but over the long-term, the return is expected to be approximately 7%.

The Company's overall investment strategy for the U.S. defined benefit plan balances two objectives, investing in fixed income securities whose maturity broadly matches the maturity of the pension liabilities and investing in equities and other assets expected to generate higher returns. The Company invests through a number of investment funds with diversified asset types, strategies and managers. Equity securities, including investments in large to small-cap companies in the U.S. and internationally, constitute approximately 31% and 32% of the portfolio at December 31, 2015 and 2014, respectively. Fixed income securities including corporate bonds of companies from diversified industries, U.S. Treasuries and other securities, which may include mortgage-backed securities, asset-backed securities and collateralized mortgage obligations, constitute approximately 69% and 68% of the portfolio at December 31, 2015 and 2014, respectively. The target investment allocation for 2016 is approximately 22% to 36% for equity securities and approximately 64% to 78% for fixed income securities.

The methodology used to determine the rate of return on non-U.S. pension plan assets was based on average rate of earnings on funds invested and to be invested. Based on historical returns and future expectations, the Company believes the investment return assumptions are reasonable. The expected rate of return of plan assets represents an estimate of long-term returns on the investment portfolio. This assumption is reviewed by the trustees and varies with each of the plans.

The overall investment strategy for Non-U.S. defined benefit plans is to achieve a mix of investments to support long-term growth and minimize volatility while maximizing rates of return by diversification of asset types, fund strategies and fund managers. Fixed income investments include investments in European government securities and European corporate bonds and constitute approximately 69% and 64% of the portfolio at December 31, 2015 and 2014, respectively. Equity investments, multi-asset investment funds and real estate investments that invest in a diversified range of property principally in the retail, office and industrial/warehouse sectors constitute approximately 31% and 36% of the portfolio at December 31, 2015 and 2014, respectively. Investments of the plans primarily include investments in companies from diversified industries with approximately 94% invested internationally and 6% invested in North America. The target investment allocations to support our investment strategy for 2016 are approximately 76% to 83% fixed income securities and approximately 17% to 24% equity securities, multi-asset investment funds and real estate investments.

The fair value of cash in the table below is based on price quotations in an active market and therefore categorized under Level 1 of the ASC 820 hierarchy. The fair value of the investment funds is priced on the market value of the underlying investments in the portfolio and therefore categorized as Level 2 of the ASC 820 hierarchy. See Note B – "Basis of Presentation," for an explanation of the ASC 820 hierarchy.

The fair value of the Company's plan assets at December 31, 2015 are as follows (in millions):

	U.S. Pension Plan			Non-U.S. Pension Plans		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Cash, including money market funds	\$ 3.6	\$ 3.6	\$ —	\$ 5.3	\$ 5.3	\$ —
U.S. equities	28.5	—	28.5	7.7	—	7.7
Non-U.S. equities	9.3	—	9.3	27.3	—	27.3
U.S. corporate bonds	58.7	—	58.7	0.1	—	0.1
Non-U.S. corporate bonds	—	—	—	23.1	—	23.1
U.S. government securities	14.0	—	14.0	—	—	—
Non-U.S. government securities	0.1	—	0.1	39.4	—	39.4
Real estate	—	—	—	8.8	—	8.8
Other securities	8.9	—	8.9	27.8	—	27.8
<b>Total investments measured at fair value</b>	<b>\$ 123.1</b>	<b>\$ 3.6</b>	<b>\$ 119.5</b>	<b>\$ 139.5</b>	<b>\$ 5.3</b>	<b>\$ 134.2</b>

The fair value of the Company's plan assets at December 31, 2014 are as follows (in millions):

	U.S. Pension Plan			Non-U.S. Pension Plans		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Cash, including money market funds	\$ 6.0	\$ 6.0	\$ —	\$ 4.3	\$ 4.3	\$ —
U.S. equities	31.0	—	31.0	9.3	—	9.3
Non-U.S. equities	10.0	—	10.0	34.4	—	34.4
U.S. corporate bonds	63.8	—	63.8	1.1	—	1.1
Non-U.S. corporate bonds	—	—	—	29.8	—	29.8
U.S. government securities	15.3	—	15.3	0.6	—	0.6
Non-U.S. government securities	0.9	—	0.9	44.2	—	44.2
Real estate	—	—	—	8.8	—	8.8
Other securities	9.8	—	9.8	14.3	—	14.3
Total investments measured at fair value	<u>\$ 136.8</u>	<u>\$ 6.0</u>	<u>\$ 130.8</u>	<u>\$ 146.8</u>	<u>\$ 4.3</u>	<u>\$ 142.5</u>

The Company plans to contribute approximately \$1 million to its U.S. defined benefit pension and post-retirement plans and approximately \$18 million to its non-U.S. defined benefit pension plans in 2016. During the year ended December 31, 2015, the Company contributed \$0.6 million to its U.S. defined benefit pension plans and post-retirement plans and \$18.3 million to its non-U.S. defined benefit pension plans.

The Company's estimated future benefit payments under its plans are as follows (in millions):

<u>Year Ending December 31,</u>	<u>U.S. Pension Benefits</u>	<u>Non-U.S. Pension Benefits</u>	<u>Other Benefits</u>
2016	\$ 11.0	\$ 20.0	\$ 0.6
2017	\$ 11.0	\$ 19.0	\$ 0.5
2018	\$ 10.9	\$ 19.6	\$ 0.4
2019	\$ 10.9	\$ 19.6	\$ 0.4
2020	\$ 11.2	\$ 20.5	\$ 0.4
2021-2025	\$ 55.0	\$ 108.4	\$ 1.7

For the other benefits, for measurement purposes, a 7.00% rate of increase in the per capita cost of covered health care benefits was assumed for 2016, decreasing one-half percentage point per year until it reaches 4.50% for 2021 and thereafter. Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plan.

A one-percentage-point change in assumed health care cost trend rates would have the following effects (in millions):

	<u>1-Percentage-Point Increase</u>	<u>1-Percentage-Point Decrease</u>
Effect on total service and interest cost components	\$ 0.1	\$ (0.1)
Effect on post-retirement benefit obligation	\$ 0.9	\$ (0.8)

## NOTE R— STOCKHOLDERS' EQUITY

On December 31, 2015, there were 128.8 million shares of Common Stock issued and 107.7 million shares of Common Stock outstanding. Of the 171.2 million unissued shares of Common Stock at that date, 3.2 million shares of Common Stock were reserved for issuance for the exercise of stock options and the vesting of restricted stock.

*Common Stock in Treasury.* The Company values treasury stock on an average cost basis. As of December 31, 2015, the Company held 21.1 million shares of Common Stock in treasury totaling \$852.2 million, including 0.8 million shares held in a trust for the benefit of the Company's Deferred Compensation Plan at a total of \$18.0 million.

*Preferred Stock.* The Company's certificate of incorporation was amended in June 1998 to authorize 50.0 million shares of preferred stock, \$0.01 par value per share. As of December 31, 2015 and 2014, there were no shares of preferred stock outstanding.

*Long-Term Incentive Plans.* In May 2009, the stockholders approved the Terex Corporation 2009 Omnibus Incentive Plan (the “2009 Plan”). The purpose of the 2009 Plan is to provide a means whereby employees, directors and third-party service providers of the Company develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its stockholders. The 2009 Plan provides for incentive compensation in the form of (i) options to purchase shares of Common Stock, (ii) stock appreciation rights, (iii) restricted stock awards and restricted stock units, (iv) other stock awards, (v) cash awards, and (vi) performance awards. The maximum number of shares available for issuance under the 2009 Plan is 8.0 million shares plus the number of shares remaining available for issuance under the Terex Corporation 2000 Incentive Plan (the “2000 Plan”) and the 1996 Terex Corporation Long-Term Incentive Plan (the “1996 Plan”). As of December 31, 2015, 3.5 million shares were available for grant under the 2009 Plan.

In May 2000, the stockholders approved the 2000 Plan. The purpose of the 2000 Plan is to assist the Company in attracting and retaining selected individuals to serve as directors, officers, consultants, advisers and employees of the Company and its subsidiaries and affiliates who will contribute to the Company’s success and to achieve long-term objectives which will inure to the benefit of all stockholders of the Company through the additional incentive inherent in the ownership of the Common Stock. The maximum number of shares available for issuance under the 2000 Plan was 12.0 million shares plus any shares related to awards under the 2000 Plan that were not issued or were subsequently forfeited, expired or otherwise terminated.

In May 1996, the stockholders approved the 1996 Plan. The maximum number of shares available for issuance under the 1996 Plan was 4.0 million shares plus any shares related to awards under the 1996 Plan that were not issued or were subsequently forfeited, expired or otherwise terminated.

Substantially all stock option grants under the 2000 Plan and the 1996 Plan vested over a four year period and have a contractual life of ten years. There were no options granted during the years ended December 31, 2015, 2014 or 2013, and the intrinsic value of all options outstanding is zero.

The following table is a summary of stock options under all of the Company’s plans.

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	149,959	\$ 46.07		
Exercised	(8,736)	\$ 22.89		
Canceled or expired	—	\$ —		
Outstanding at December 31, 2015	141,223	\$ 47.50	0.60	\$ —
Exercisable at December 31, 2015	141,223	\$ 47.50	0.60	\$ —
Vested at December 31, 2015	141,223	\$ 47.50	0.60	\$ —

Under the 2009 Plan, 2000 Plan and the 1996 Plan, approximately 13% of all restricted stock awards vest over a four year period, with 25% of each grant vesting on each of the first four anniversary dates of the grant and approximately 87% of all restricted stock awards vest over a three year period with approximately 58% of these awards vesting on the first three anniversary dates and approximately 42% vesting at the end of the three year period. Approximately 52% of the outstanding restricted stock awards are subject to performance targets that may or may not be met and for which the performance period has not yet been completed.

The fair value of the restricted stock awards is based on the market price at the date of grant except for 0.8 million shares of performance grants based on a market condition. The Company uses the Monte Carlo method to provide grant date fair value for awards with a market condition. 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 valuations:

	Grant date March 5, 2015	Grant date March 5, 2015	Grant date February 26, 2014	Grant date February 27, 2013
Dividend yields	0.91%	0.91%	0.46%	—%
Expected volatility	45.48%	37.00%	56.84%	60.03%
Risk free interest rate	0.98%	0.58%	0.63%	0.35%
Expected life (in years)	3	2	3	3
Grant date fair value per share	\$28.10	\$25.60	\$53.17	\$43.64



As of December 31, 2015, unrecognized compensation costs related to restricted stock totaled approximately \$35.6 million, which will be expensed over a weighted average period of 1.7 years. The grant date weighted average fair value for restricted stock awards during the years ended December 31, 2015, 2014 and 2013 was \$26.83, \$44.23 and \$33.84, respectively. The total fair value of shares vested for restricted stock awards was \$42.6 million, \$36.2 million and \$19.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

During the year ended December 31, 2015, the Company issued 39 thousand shares of its outstanding Common Stock which were contributed into a deferred compensation plan under a Rabbi Trust.

The following table is a summary of restricted stock awards under all of the Company's plans:

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2014	3,195,321	\$ 33.56
Granted	1,508,313	\$ 26.83
Vested	(1,408,700)	\$ 30.25
Canceled or expired	(201,991)	\$ 39.24
Nonvested at December 31, 2015	<u>3,092,943</u>	<u>\$ 30.29</u>

Tax benefits associated with stock-based compensation were \$12.4 million, \$14.6 million and \$13.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. The excess tax benefit for all stock-based compensation is included in the Consolidated Statement of Cash Flows as an operating cash outflow and a financing cash inflow.

*Comprehensive Income (Loss)*. The following table reflects the accumulated balances of other comprehensive income (loss) (in millions):

**Accumulated Other Comprehensive Income (Loss) Attributable to Terex Corporation**

	Cumulative Translation Adjustment	Derivative Hedging Adjustment	Debt & Equity Securities Adjustment	Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2013	\$ 14.1	\$ (0.4)	\$ 1.9	\$ (139.7)	\$ (124.1)
Current year change	(22.0)	3.1	(1.9)	28.4	7.6
Balance at December 31, 2013	(7.9)	2.7	—	(111.3)	(116.5)
Current year change	(237.6)	(3.4)	1.6	(73.9)	(313.3)
Balance at December 31, 2014	(245.5)	(0.7)	1.6	(185.2)	(429.8)
Current year change	(247.2)	3.0	(7.9)	32.3	(219.8)
Balance at December 31, 2015	<u>\$ (492.7)</u>	<u>\$ 2.3</u>	<u>\$ (6.3)</u>	<u>\$ (152.9)</u>	<u>\$ (649.6)</u>

**Accumulated Other Comprehensive Income (Loss) Attributable to Noncontrolling Interest**

	Cumulative Translation Adjustment	Derivative Hedging Adjustment	Debt & Equity Securities Adjustment	Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2013	\$ 0.5	\$ —	\$ —	\$ —	\$ 0.5
Current year change	0.4	—	—	—	0.4
Balance at December 31, 2013	0.9	—	—	—	0.9
Current year change	(0.1)	—	—	—	(0.1)
Balance at December 31, 2014	0.8	—	—	—	0.8
Current year change	(0.1)	—	—	—	(0.1)
Balance at December 31, 2015	<u>\$ 0.7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.7</u>

**Accumulated Other Comprehensive Income (Loss)**

	<b>Cumulative Translation Adjustment</b>	<b>Derivative Hedging Adjustment</b>	<b>Debt &amp; Equity Securities Adjustment</b>	<b>Pension Liability Adjustment</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
Balance at January 1, 2013	\$ 14.6	\$ (0.4)	\$ 1.9	\$ (139.7)	\$ (123.6)
Current year change	(21.6)	3.1	(1.9)	28.4	8.0
Balance at December 31, 2013	(7.0)	2.7	—	(111.3)	(115.6)
Current year change	(237.7)	(3.4)	1.6	(73.9)	(313.4)
Balance at December 31, 2014	(244.7)	(0.7)	1.6	(185.2)	(429.0)
Current year change	(247.3)	3.0	(7.9)	32.3	(219.9)
Balance at December 31, 2015	<u>\$ (492.0)</u>	<u>\$ 2.3</u>	<u>\$ (6.3)</u>	<u>\$ (152.9)</u>	<u>\$ (648.9)</u>

As of December 31, 2015, accumulated other comprehensive income for the pension liability adjustment and the derivative hedging adjustment are net of a tax benefit of \$53.3 million and a tax provision of \$0.5 million, respectively.

*Changes in Accumulated Other Comprehensive Income*

The table below presents changes in AOCI by component for the year ended December 31, 2015 and 2014. All amounts are net of tax (in millions).

	Year ended December 31, 2015					Year ended December 31, 2014				
	<b>CTA</b>	<b>Derivative Hedging Adj.</b>	<b>Debt &amp; Equity Securities Adj.</b>	<b>Pension Liability Adj.</b>	<b>Total</b>	<b>CTA <sup>(1)</sup></b>	<b>Derivative Hedging Adj.</b>	<b>Debt &amp; Equity Securities Adj.</b>	<b>Pension Liability Adj.</b>	<b>Total</b>
Beginning balance	\$244.7	\$ (0.7)	\$ 1.6	\$ (185.2)	\$ (429.0)	\$ (7.0)	\$ 2.7	\$ —	\$ (111.3)	\$ (115.6)
Other comprehensive income before reclassifications	(247.3)	9.2	(7.9)	22.7	(223.3)	(264.6)	(1.4)	1.6	(78.8)	(343.2)
Amounts reclassified from AOCI	—	(6.2)	—	9.6	3.4	26.9	(2.0)	—	4.9	29.8
Net Other Comprehensive Income (Loss)	<u>(247.3)</u>	<u>3.0</u>	<u>(7.9)</u>	<u>32.3</u>	<u>(219.9)</u>	<u>(237.7)</u>	<u>(3.4)</u>	<u>1.6</u>	<u>(73.9)</u>	<u>(313.4)</u>
Ending balance	<u><u>\$ (492.0)</u></u>	<u><u>\$ 2.3</u></u>	<u><u>\$ (6.3)</u></u>	<u><u>\$ (152.9)</u></u>	<u><u>\$ (648.9)</u></u>	<u><u>\$ (244.7)</u></u>	<u><u>\$ (0.7)</u></u>	<u><u>\$ 1.6</u></u>	<u><u>\$ (185.2)</u></u>	<u><u>\$ (429.0)</u></u>

<sup>(1)</sup> Reclassification from dispositions of Demag Cranes and Components Pty. Ltd. and the truck business of \$22.9 million and \$4.0 million was recorded in Selling, general and administrative expenses and Gain (loss) on disposition of discontinued operations, respectively, for year ended December 31, 2014.

*Share Repurchases and Dividends*

In December 2013, the Company's Board of Directors announced authorization for the repurchase of up to \$200 million of the Company's outstanding shares of common stock through December 31, 2015. During the year ended December 31, 2014 the Company repurchased approximately 5.3 million shares for approximately \$170 million under this program. In total, the Company has purchased approximately 6.1 million shares under this program for approximately \$200 million. In February 2015, the Company's Board of Directors announced authorization for the repurchase of up to an additional \$200 million of the Company's outstanding shares of common stock. During the year ended December 31, 2015 the Company repurchased approximately 1.9 million shares for approximately \$50 million under the current program. The Company declared and paid a dividend of \$0.06 per share in each quarter of 2015. Additionally, the Company declared a dividend of \$0.07 per share in the first quarter of 2016 which will be paid in March 2016.

*Redeemable Noncontrolling Interest*

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

## NOTE 5 – LITIGATION AND CONTINGENCIES

### General

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

### ERISA, Securities and Stockholder Derivative Lawsuits

The Company has received complaints seeking certification of class action lawsuits 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 two complaints name as defendants Terex Corporation, Konecranes Plc, Konecranes, Inc., Konecranes Acquisition Company LLC and the members of the Board of Directors of Terex.

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

The Company believes that the allegations in the suits are without merit, and Terex, its directors and the named executives will continue to vigorously defend against them. The Company believes that it has acted, and continues to act, in compliance with federal securities laws 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 lawsuits pertaining to the Merger are at very early stages and the Company has no information other than as set forth in the complaints.

A consolidated complaint in an ERISA lawsuit was filed in the United States District Court, District of Connecticut on September 20, 2010, is entitled In Re Terex Corp. ERISA Litigation and alleged that there were breaches of fiduciary duties and of ERISA disclosure requirements. The Company settled this lawsuit for \$2.5 million, all of which was funded by insurance. The proceeds of the settlement (after deduction of legal fees) were distributed to putative class participants.

#### Other

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

#### Credit Guarantees

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

As of December 31, 2015 and 2014, the Company's maximum exposure to such credit guarantees was \$39.8 million and \$42.6 million, respectively, including total guarantees issued by Terex Cranes Germany GmbH, part of the Cranes segment, of \$19.0 million and \$23.4 million, respectively. The terms of these guarantees coincide with the financing arranged by the customer and generally do not exceed five years. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

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

#### Buyback Guarantees

The Company from time to time guarantees that it will buy equipment from its customers in the future at a stated price if certain conditions are met by the customer. Such guarantees are referred to as buyback guarantees. These conditions generally pertain to the functionality and state of repair of the machine. As of December 31, 2015 and 2014, the Company's maximum exposure pursuant to buyback guarantees was \$6.9 million and \$24.3 million, respectively, including total guarantees issued by entities in the MHPS segment of \$6.6 million and \$20.1 million. 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.

See Note B – "Basis of Presentation – Revenue Recognition," for a discussion of revenue recognition on arrangements with buyback guarantees.

The Company has recorded an aggregate liability within Other current liabilities and Other non-current liabilities in the Consolidated Balance Sheet of approximately \$3 million as of December 31, 2015 and 2014 for the estimated fair value of all guarantees provided.

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

## NOTE T – CONSOLIDATING FINANCIAL STATEMENTS

During 2012, the Company sold and issued the 6% Notes and the 6-1/2% Notes (collectively the “Notes”) (see Note O – “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.

In December 2014, the Company sold a majority interest in one of its wholly-owned guarantor subsidiaries, A.S.V. Inc. (“ASV”). As a result, ASV and its wholly-owned subsidiary were no longer guarantors of the various notes of the Company and were deconsolidated by the Company at December 31, 2014. The changes made to wholly-owned guarantor subsidiaries did not impact the Company's previously reported consolidated net operating results, financial position or cash flows.

The condensed consolidating statements of income and cash flows for the years ended December 31, 2014 and 2013 have been retrospectively adjusted to reflect this update to our wholly-owned guarantor subsidiaries as though ASV had been a non-guarantor in all periods presented.

**TEREX CORPORATION**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2015**  
**(in millions)**

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$ 9.9	\$ 3,101.3	\$ 4,367.9	\$ (936.0)	\$ 6,543.1
Cost of goods sold	(7.9)	(2,582.3)	(3,580.4)	936.0	(5,234.6)
Gross profit	2.0	519.0	787.5	—	1,308.5
Selling, general and administrative expenses	11.9	(273.2)	(657.3)	—	(918.6)
Goodwill and intangible asset impairment	—	(1.7)	(33.0)	—	(34.7)
Income (loss) from operations	13.9	244.1	97.2	—	355.2
Interest income	103.6	68.6	2.5	(170.4)	4.3
Interest expense	(151.5)	(6.4)	(117.1)	170.4	(104.6)
Income (loss) from subsidiaries	237.1	13.4	(3.0)	(247.5)	—
Gain (loss) on early extinguishment of debt	(0.2)	—	0.1	—	(0.1)
Other income (expense) – net	(89.4)	40.9	20.3	—	(28.2)
Income (loss) from continuing operations before income taxes	113.5	360.6	—	(247.5)	226.6
(Provision for) benefit from income taxes	31.7	(89.2)	(23.5)	—	(81.0)
Income (loss) from continuing operations	145.2	271.4	(23.5)	(247.5)	145.6
Gain (loss) on disposition of discontinued operations – net of tax	0.7	—	2.7	—	3.4
Net income (loss)	145.9	271.4	(20.8)	(247.5)	149.0
Net loss (income) attributable to noncontrolling interest	—	—	(3.1)	—	(3.1)
Net income (loss) attributable to Terex Corporation	\$ 145.9	\$ 271.4	\$ (23.9)	\$ (247.5)	\$ 145.9
Comprehensive income (loss), net of tax	\$ (73.9)	\$ 269.7	\$ (176.9)	\$ (89.8)	\$ (70.9)
Comprehensive loss (income) attributable to noncontrolling interest	—	—	(3.0)	—	(3.0)
Comprehensive income (loss) attributable to Terex Corporation	\$ (73.9)	\$ 269.7	\$ (179.9)	\$ (89.8)	\$ (73.9)

**TEREX CORPORATION**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2014**  
**(in millions)**

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$ 42.5	\$ 3,286.5	\$ 5,066.2	\$ (1,086.3)	\$ 7,308.9
Cost of goods sold	(39.2)	(2,705.6)	(4,196.9)	1,086.3	(5,855.4)
Gross profit	3.3	580.9	869.3	—	1,453.5
Selling, general and administrative expenses	7.3	(242.5)	(795.2)	—	(1,030.4)
Income (loss) from operations	10.6	338.4	74.1	—	423.1
Interest income	129.7	73.8	4.5	(201.4)	6.6
Interest expense	(165.6)	(16.5)	(138.4)	201.4	(119.1)
Income (loss) from subsidiaries	390.0	14.6	(2.5)	(402.1)	—
Loss on early extinguishment of debt	(1.5)	—	(1.1)	—	(2.6)
Other income (expense) – net	(56.8)	3.8	42.2	—	(10.8)
Income (loss) from continuing operations before income taxes	306.4	414.1	(21.2)	(402.1)	297.2
(Provision for) benefit from income taxes	4.7	(22.2)	(20.2)	—	(37.7)
Income (loss) from continuing operations	311.1	391.9	(41.4)	(402.1)	259.5
Income (loss) from discontinued operations – net of tax	0.6	—	0.8	—	1.4
Gain (loss) on disposition of discontinued operations – net of tax	7.3	—	51.3	—	58.6
Net income (loss)	319.0	391.9	10.7	(402.1)	319.5
Net loss (income) attributable to noncontrolling interest	—	—	(0.5)	—	(0.5)
Net income (loss) attributable to Terex Corporation	<u>\$ 319.0</u>	<u>\$ 391.9</u>	<u>\$ 10.2</u>	<u>\$ (402.1)</u>	<u>\$ 319.0</u>
Comprehensive income (loss), net of tax	5.7	388.5	(239.7)	(148.4)	6.1
Comprehensive loss (income) attributable to noncontrolling interest	—	—	(0.4)	—	(0.4)
Comprehensive income (loss) attributable to Terex Corporation	<u>\$ 5.7</u>	<u>\$ 388.5</u>	<u>\$ (240.1)</u>	<u>\$ (148.4)</u>	<u>\$ 5.7</u>

**TEREX CORPORATION**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2013**  
**(in millions)**

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	\$ 173.2	\$ 3,032.3	\$ 4,937.8	\$ (1,059.3)	\$ 7,084.0
Cost of goods sold	(162.3)	(2,426.3)	(4,115.2)	1,059.3	(5,644.5)
Gross profit	10.9	606.0	822.6	—	1,439.5
Selling, general and administrative expenses	(23.9)	(226.4)	(770.1)	—	(1,020.4)
Income (loss) from operations	(13.0)	379.6	52.5	—	419.1
Interest income	272.4	321.7	28.0	(615.4)	6.7
Interest expense	(431.6)	(151.1)	(158.8)	615.4	(126.1)
Income (loss) from subsidiaries	392.6	35.0	(0.6)	(427.0)	—
Loss on early extinguishment of debt	—	—	(5.2)	—	(5.2)
Other income (expense) – net	(57.4)	2.7	51.5	—	(3.2)
Income (loss) from continuing operations before income taxes	163.0	587.9	(32.6)	(427.0)	291.3
(Provision for) benefit from income taxes	50.6	(121.9)	(16.1)	—	(87.4)
Income (loss) from continuing operations	213.6	466.0	(48.7)	(427.0)	203.9
Income (loss) from discontinued operations – net of tax	12.8	—	1.6	—	14.4
Gain (loss) on disposition of discontinued operations – net of tax	(0.4)	—	3.0	—	2.6
Net income (loss)	226.0	466.0	(44.1)	(427.0)	220.9
Net loss (income) attributable to noncontrolling interest	—	—	5.1	—	5.1
Net income (loss) attributable to Terex Corporation	<u>\$ 226.0</u>	<u>\$ 466.0</u>	<u>\$ (39.0)</u>	<u>\$ (427.0)</u>	<u>\$ 226.0</u>
Comprehensive income (loss), net of tax	\$ 233.6	\$ 471.0	\$ (82.4)	\$ (393.3)	\$ 228.9
Comprehensive loss (income) attributable to noncontrolling interest	—	—	4.7	—	4.7
Comprehensive income (loss) attributable to Terex Corporation	<u>\$ 233.6</u>	<u>\$ 471.0</u>	<u>\$ (77.7)</u>	<u>\$ (393.3)</u>	<u>\$ 233.6</u>



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

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations	Consolidated
<b>Assets</b>					
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	57.8	33.5	134.1	—	225.4
Other current assets	55.7	0.1	11.6	—	67.4
Total current assets	306.9	792.8	2,253.4	(208.9)	3,144.2
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	38.9	115.1	536.1	—	690.1
Total assets	<u>\$ 5,733.3</u>	<u>\$ 4,068.4</u>	<u>\$ 4,292.7</u>	<u>\$ (8,457.3)</u>	<u>\$ 5,637.1</u>
<b>Liabilities and Stockholders' Equity</b>					
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	1,150.0	1.2	599.8	—	1,751.0
Non-current intercompany payables	2,563.2	22.3	1,399.3	(3,984.8)	—
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, noncontrolling interest and stockholders' equity	<u>\$ 5,733.3</u>	<u>\$ 4,068.4</u>	<u>\$ 4,292.7</u>	<u>\$ (8,457.3)</u>	<u>\$ 5,637.1</u>

**TEREX CORPORATION**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2014**  
**(in millions)**

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations	Consolidated
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 99.0	\$ 1.9	\$ 377.3	\$ —	\$ 478.2
Trade receivables – net	7.7	307.4	771.3	—	1,086.4
Intercompany receivables	55.3	85.9	136.3	(277.5)	—
Inventories	—	374.5	1,086.4	—	1,460.9
Prepaid assets	100.8	32.9	114.3	—	248.0
Other current assets	65.7	0.1	16.9	—	82.7
Total current assets	328.5	802.7	2,502.5	(277.5)	3,356.2
Property, plant and equipment – net	65.4	117.0	507.9	—	690.3
Goodwill	—	170.1	960.9	—	1,131.0
Non-current intercompany receivables	1,501.4	2,059.9	41.9	(3,603.2)	—
Investment in and advances to (from) subsidiaries	3,564.2	199.3	152.0	(3,809.2)	106.3
Other assets	43.8	142.7	457.7	—	644.2
Total assets	<u>\$ 5,503.3</u>	<u>\$ 3,491.7</u>	<u>\$ 4,622.9</u>	<u>\$ (7,689.9)</u>	<u>\$ 5,928.0</u>
<b>Liabilities and Stockholders' Equity</b>					
Current liabilities					
Notes payable and current portion of long-term debt	\$ 125.0	\$ 2.0	\$ 25.5	\$ —	\$ 152.5
Trade accounts payable	18.0	212.6	505.5	—	736.1
Intercompany payables	19.8	117.8	139.9	(277.5)	—
Accruals and other current liabilities	74.6	118.1	561.8	—	754.5
Total current liabilities	237.4	450.5	1,232.7	(277.5)	1,643.1
Long-term debt, less current portion	1,150.0	7.6	478.7	—	1,636.3
Non-current intercompany payables	2,047.1	41.8	1,514.3	(3,603.2)	—
Other non-current liabilities	62.9	27.2	519.4	—	609.5
Total stockholders' equity	2,005.9	2,964.6	877.8	(3,809.2)	2,039.1
Total liabilities, noncontrolling interest and stockholders' equity	<u>\$ 5,503.3</u>	<u>\$ 3,491.7</u>	<u>\$ 4,622.9</u>	<u>\$ (7,689.9)</u>	<u>\$ 5,928.0</u>

**TEREX CORPORATION**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**  
**(in millions)**

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (510.0)	\$ 647.6	\$ 277.4	\$ (202.1)	\$ 212.9
Cash flows from investing activities					
Capital expenditures	(1.6)	(41.9)	(60.3)	—	(103.8)
Acquisition of business, net of cash acquired	—	(52.1)	(19.1)	—	(71.2)
Proceeds (payments) from disposition of discontinued operations	(3.4)	—	3.2	—	(0.2)
Proceeds from sale of assets	(1.0)	0.9	3.2	—	3.1
Intercompany investing activities <sup>(1)</sup>	713.3	—	(231.6)	(481.7)	—
Other investing activities, net	—	—	33.9	(34.5)	(0.6)
Net cash provided by (used in) investing activities	707.3	(93.1)	(270.7)	(516.2)	(172.7)
Cash flows from financing activities					
Repayments of debt	(1,317.4)	(7.8)	(72.6)	—	(1,397.8)
Proceeds from issuance of debt	1,188.7	—	274.1	—	1,462.8
Purchase of noncontrolling interest	—	—	(1.2)	—	(1.2)
Distributions to noncontrolling interest	—	—	(0.3)	—	(0.3)
Intercompany financing activities <sup>(1)</sup>	—	(545.5)	(172.8)	718.3	—
Share repurchases	(50.8)	—	—	—	(50.8)
Dividends paid	(25.8)	—	—	—	(25.8)
Other financing activities, net	0.6	—	(1.9)	—	(1.3)
Net cash provided by (used in) financing activities	(204.7)	(553.3)	25.3	718.3	(14.4)
Effect of exchange rate changes on cash and cash equivalents	—	—	(37.5)	—	(37.5)
Net increase (decrease) in cash and cash equivalents	(7.4)	1.2	(5.5)	—	(11.7)
Cash and cash equivalents, beginning of period	99.0	1.9	377.3	—	478.2
Cash and cash equivalents, end of period	\$ 91.6	\$ 3.1	\$ 371.8	\$ —	\$ 466.5

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

**TEREX CORPORATION**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**  
**(in millions)**

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (113.4)	\$ 901.9	\$ 35.2	\$ (413.0)	\$ 410.7
Cash flows from investing activities					
Capital expenditures	(4.4)	(31.8)	(45.3)	—	(81.5)
Acquisition of business, net of cash acquired	—	—	(7.4)	—	(7.4)
Other investments	(20.0)	—	—	—	(20.0)
Proceeds from disposition of discontinued operations	31.3	—	130.9	—	162.2
Proceeds from sale of assets	25.0	12.1	6.2	—	43.3
Intercompany investing activities <sup>(1)</sup>	363.5	—	—	(363.5)	—
Other investing activities, net	—	—	(1.6)	—	(1.6)
Net cash provided by (used in) investing activities	395.4	(19.7)	82.8	(363.5)	95.0
Cash flows from financing activities					
Repayments of debt	(1,018.8)	(3.2)	(779.8)	—	(1,801.8)
Proceeds from issuance of debt	1,011.0	7.2	666.0	—	1,684.2
Purchase of noncontrolling interest	—	—	(80.3)	—	(80.3)
Intercompany financing activities <sup>(1)</sup>	—	(888.2)	111.7	776.5	—
Share repurchases	(171.2)	—	—	—	(171.2)
Dividends paid	(21.8)	—	—	—	(21.8)
Other financing activities, net	1.5	—	(7.3)	—	(5.8)
Net cash provided by (used in) financing activities	(199.3)	(884.2)	(89.7)	776.5	(396.7)
Effect of exchange rate changes on cash and cash equivalents	—	—	(38.9)	—	(38.9)
Net increase (decrease) in cash and cash equivalents	82.7	(2.0)	(10.6)	—	70.1
Cash and cash equivalents, beginning of period	16.3	3.9	387.9	—	408.1
Cash and cash equivalents, end of period	\$ 99.0	\$ 1.9	\$ 377.3	\$ —	\$ 478.2

(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**  
**YEAR ENDED DECEMBER 31, 2013**  
**(in millions)**

	Terex Corporation	Wholly- owned Guarantors	Non- guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$ (244.1)	\$ 574.1	\$ 33.5	\$ (175.0)	\$ 188.5
Cash flows from investing activities					
Capital expenditures	(9.4)	(23.9)	(49.5)	—	(82.8)
Proceeds from disposition of discontinued operations	(2.8)	—	3.5	—	0.7
Proceeds from sale of assets	4.4	35.1	6.6	—	46.1
Intercompany investing activities <sup>(1)</sup>	253.1	(18.7)	(0.6)	(233.8)	—
Other investing activities, net	—	—	(1.4)	—	(1.4)
Net cash provided by (used in) investing activities	245.3	(7.5)	(41.4)	(233.8)	(37.4)
Cash flows from financing activities					
Repayments of debt	(54.0)	(0.1)	(517.7)	—	(571.8)
Proceeds from issuance of debt	61.8	3.8	359.6	—	425.2
Purchase of noncontrolling interest	—	—	(228.1)	—	(228.1)
Distributions to noncontrolling interest	—	—	(18.5)	—	(18.5)
Intercompany financing activities <sup>(1)</sup>	—	(566.8)	158.0	408.8	—
Share repurchases	(31.4)	—	—	—	(31.4)
Dividends paid	(5.5)	—	—	—	(5.5)
Other financing activities, net	4.6	—	5.4	—	10.0
Net cash provided by (used in) financing activities	(24.5)	(563.1)	(241.3)	408.8	(420.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	(0.9)	—	(0.9)
Net increase (decrease) in cash and cash equivalents	(23.3)	3.5	(250.1)	—	(269.9)
Cash and cash equivalents, beginning of period	39.6	0.4	638.0	—	678.0
Cash and cash equivalents, end of period	\$ 16.3	\$ 3.9	\$ 387.9	\$ —	\$ 408.1

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

**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

*(Amounts in millions)*

	<u>Balance Beginning of Year</u>	<u>Additions</u>			<u>Balance End of Year</u>
		<u>Charges to Earnings</u>	<u>Other (1)</u>	<u>Deductions (2)</u>	
<b>Year ended December 31, 2015</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts - Current	\$ 30.5	\$ 5.4	\$ (0.6)	\$ (5.7)	\$ 29.6
Allowance for doubtful accounts - Non-current	28.8	4.4	(3.4)	(2.4)	27.4
Reserve for inventory	116.3	16.2	(10.0)	(13.4)	109.1
Valuation allowances for deferred tax assets	229.1	12.6	(16.6)	—	225.1
Totals	<u>\$ 404.7</u>	<u>\$ 38.6</u>	<u>\$ (30.6)</u>	<u>\$ (21.5)</u>	<u>\$ 391.2</u>
<b>Year ended December 31, 2014</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts - Current	\$ 47.6	\$ 1.8	\$ (3.8)	\$ (15.1)	\$ 30.5
Allowance for doubtful accounts - Non-current	29.3	1.5	(1.8)	(0.2)	28.8
Reserve for inventory	132.5	13.0	(16.7)	(12.5)	116.3
Valuation allowances for deferred tax assets	181.8	25.7	21.6	—	229.1
Totals	<u>\$ 391.2</u>	<u>\$ 42.0</u>	<u>\$ (0.7)</u>	<u>\$ (27.8)</u>	<u>\$ 404.7</u>
<b>Year ended December 31, 2013</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts - Current	\$ 38.5	\$ 7.1	\$ 5.6	\$ (3.6)	\$ 47.6
Allowance for doubtful accounts - Non-current	29.3	0.4	0.6	(1.0)	29.3
Reserve for inventory	131.9	37.6	(0.3)	(36.7)	132.5
Valuation allowances for deferred tax assets	172.2	5.8	3.8	—	181.8
Totals	<u>\$ 371.9</u>	<u>\$ 50.9</u>	<u>\$ 9.7</u>	<u>\$ (41.3)</u>	<u>\$ 391.2</u>

(1) Primarily represents the impact of foreign currency exchange, purchase accounting adjustments for deferred tax assets, business divestitures and other amounts recorded to accumulated other comprehensive income (loss).

(2) Primarily represents the utilization of established reserves, net of recoveries.

TEREX CORPORATION  
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(amounts in millions)

	<u>Year Ended December 31,</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>EARNINGS</b>					
Income (loss) from continuing operations before income taxes	\$ 226.6	\$ 297.2	\$ 291.3	\$ 126.3	\$ 65.6
Adjustments:					
Undistributed (income) loss of less than 50% owned investments	(5.4)	1.0	(4.2)	(2.3)	(3.5)
Fixed charges	136.2	155.3	165.2	283.1	170.6
Earnings (loss)	<u>\$ 357.4</u>	<u>\$ 453.5</u>	<u>\$ 452.3</u>	<u>\$ 407.1</u>	<u>\$ 232.7</u>
<b>FIXED CHARGES</b>					
Interest expense, including debt discount amortization	104.6	119.1	126.1	164.6	134.9
Amortization/writeoff of debt issuance costs	5.4	10.0	13.7	92.6	15.8
Portion of rental expense representative of interest factor (assumed to be 33%)	26.2	26.2	25.4	25.9	19.9
Fixed charges	<u>\$ 136.2</u>	<u>\$ 155.3</u>	<u>\$ 165.2</u>	<u>\$ 283.1</u>	<u>\$ 170.6</u>
<b>RATIO OF EARNINGS TO FIXED CHARGES</b>	<u>2.6 x</u>	<u>2.9 x</u>	<u>2.7 x</u>	<u>1.4 x</u>	<u>1.4</u>
<b>AMOUNT OF EARNINGS DEFICIENCY FOR COVERAGE OF FIXED CHARGES</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

**CERTIFICATION**

I, John L. Garrison, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Terex Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2016

/s/ John L. Garrison, Jr.

John L. Garrison, Jr.

President and Chief Executive Officer



**CERTIFICATION**

I, Kevin P. Bradley, certify that:

1. I have reviewed this annual report on Form 10-K of Terex Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2016

/s/ Kevin P. Bradley  
Kevin P. Bradley  
Senior Vice President 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**

In connection with the annual report of Terex Corporation (the “Company”) on Form 10-K for the period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, John L. Garrison Jr., Chairman and Chief Executive Officer of the Company, and Kevin P. Bradley, Senior Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John L. Garrison, Jr.

John L. Garrison, Jr.

President and Chief Executive Officer

February 22, 2016

/s/ Kevin P. Bradley

Kevin P. Bradley

Senior Vice President and

Chief Financial Officer

February 22, 2016

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Terex Corporation and will be retained by Terex Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

# SHAREHOLDER INFORMATION

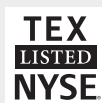
## TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company  
59 Maiden Lane, Plaza Level  
New York, New York 10038  
800-937-5449  
718-921-8124

Shareholders seeking information concerning stock transfers, change of addresses and lost certificates should contact the Company's stock transfer agent directly. American Stock Transfer & Trust Company may also be contacted at [www.amstock.com](http://www.amstock.com).

## STOCK INFORMATION

Stock Symbol: TEX  
Stock Exchange:  
New York Stock Exchange



The high and low quarterly sales prices for the past two years of Terex Corporation are as follows:

2015	Q1	Q2	Q3	Q4
HIGH	28.53	29.32	27.11	22.76
LOW	22.01	22.25	16.54	17.29

2014	Q1	Q2	Q3	Q4
HIGH	45.46	44.72	42.53	32.54
LOW	37.02	37.99	31.52	25.40

## ANNUAL REPORT / FORM 10-K

Copies of the Annual Report / Form 10-K are available from Terex corporate headquarters by calling Investor Relations at +1 203-222-5942, or by visiting the Investor Relations section of the Terex Corporation website at [www.terex.com](http://www.terex.com).

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10:00 a.m. (Eastern Time) on Friday, May 13, 2016 at Terex Corporation, 200 Nyala Farm Road, Westport, Connecticut, USA.

For additional information about our Company and our extensive line of products, please visit our website at [www.terex.com](http://www.terex.com).



Terex Corporation  
200 Nyala Farm Road  
Westport, CT 06880, USA  
Tel: +1 203-222-7170  
[www.terex.com](http://www.terex.com)



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