

PIMCO HIGH INCOME FUND  
Form N-CSR  
May 29, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM N-CSR**  
**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT**  
**INVESTMENT COMPANIES**

Investment Company Act file number: 811-21311

**PIMCO High Income Fund**

**(Exact name of registrant as specified in charter)**

**1633 Broadway, New York, NY 10019**

**(Address of principal executive offices)**

**William G. Galipeau**

**Treasurer, Principal Financial & Accounting Officer**

**650 Newport Center Drive**

**Newport Beach, CA 92660**

**(Name and address of agent for service)**

Copies to:

**David C. Sullivan**

**Ropes & Gray LLP**

**Prudential Tower**

**800 Boylston Street**

**Boston, MA 02199**

Registrant's telephone number, including area code: (844) 337-4626

## Edgar Filing: PIMCO HIGH INCOME FUND - Form N-CSR

Date of fiscal year end: March 31

Date of reporting period: March 31, 2015

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ( OMB ) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

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**Item 1. Reports to Shareholders.**

The following is a copy of the report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the 1940 Act ) (17 CFR 270.30e-1).

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Your Global Investment Authority

**PIMCO Closed-End Funds**

# Annual Report

*March 31, 2015*

PIMCO Global StocksPLUS® & Income Fund

PIMCO High Income Fund

PIMCO Dynamic Income Fund



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**Letter from the Chairman of the Board & President**

Dear Shareholder:

Global economic growth was mixed during the fiscal 12-month reporting period ended March 31, 2015. While U.S. equities generated strong returns, international developed equities produced weak results. Elsewhere, the U.S. bond market posted a solid gain during the reporting period.

For the 12-month reporting period ended March 31, 2015

The Standard & Poor's 500 (S&P 500) Index, a proxy for the U.S. stock market, advanced 12.73% for the 12 months ended March 31, 2015. Over the same period, international developed equity markets, as measured by the MSCI Europe, Australasia and Far East (EAFE) Index, declined -0.92% in U.S. dollar terms and high yield bonds, as represented by the BofA Merrill Lynch U.S. High Yield Master II Index, increased 2.05%. The broad U.S. bond market, as measured by the Barclays U.S. Aggregate Bond Index, rose 5.72%, while the Barclays U.S. Treasury Index returned 5.36% during the reporting period.

In contrast to other developed countries that experienced weak growth or fell into recession, the U.S. economy was resilient during the reporting period. Looking back, U.S. gross domestic product (GDP), the value of goods and services produced in the country, the broadest measure of economic activity and the principal indicator of economic performance, expanded at a 4.6% annual pace during the second quarter of 2014 and accelerated to a 5.0% annual pace during the third quarter of 2014 – its strongest growth rate since the third quarter of 2003. GDP then expanded at an annual pace of 2.2% during the fourth quarter of 2014. Decelerating growth was partially attributed to an upturn in imports and moderating federal government spending. According to the Commerce Department's initial estimate released on April 29, 2015, GDP expanded at an annual pace of 0.2% for the first quarter of 2015. Moderating growth was due to several factors, including slower consumer spending, which grew a modest 1.9% during the first quarter of 2015, versus 4.4% for the fourth quarter of 2014.

Federal Reserve (Fed) monetary policy remained accommodative during the reporting period. However, the central bank appeared to be moving closer to raising interest rates for the first time since 2006. As expected, following its meeting in October 2014, the Fed announced that it had concluded its asset purchase program. Then, at its March 2015 meeting, the Fed eliminated the word "patient" from its official statement regarding when it may start raising rates. In terms of when it would begin tightening monetary policy, the Fed said that it "anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term."

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Economic growth in non-U.S. developed countries was generally weak during the reporting period. Anemic growth and concerns of deflation in the eurozone caused the European Central Bank (ECB) to cut interest rates to a new record low of 0.05% in September 2014. In January 2015, the ECB announced that beginning in March 2015 it would start a \$60 billion-a-month bond-buying program that was expected to run until September 2016, if not longer. Elsewhere, Japan's economy grew sharply during the first quarter of 2014, prior to the beginning of the reporting period. It then fell into a recession, with negative growth during the second and third quarters of 2014. While Japan emerged from its recession in the fourth quarter, the expansion was relatively muted.

## **Outlook**

PIMCO's baseline view is that the U.S. is on track for solid growth in the range of 2.5% to 3% in 2015. This outlook reflects the firm's expectation for robust consumption growth, supported by a strengthening labor market and a boost to real income from low commodity prices. However, against this positive outlook for consumption, PIMCO is weighing the potential negatives of sluggish export growth held back by the stronger U.S. dollar, as well as the likelihood that capital expenditure spending will be held back by a slowdown in investment in the energy sector. While PIMCO believes that headline inflation may briefly turn negative due to the year-over-year decline in oil prices, it expects core inflation to bottom out near current levels and to rebound later in 2015. In terms of the Fed, PIMCO believes that the central bank will likely commence a rate hike cycle later this year. That said, in PIMCO's view, this hiking cycle will differ from previous Fed rate hike cycles both in terms of pace—slower—and in terms of the destination—lower.

Overseas, PIMCO expects low oil prices, a weak euro and European Central Bank quantitative easing to be tailwinds for the eurozone economy, with GDP growth around 1.5% over the next 12 months. The firm believes that inflation in the eurozone will move back up from around -0.5% currently to 1% or so in a year's time. In Japan, PIMCO anticipates GDP growth of around 1.5% and core inflation at about 1%.

In the following pages of this PIMCO Closed-End Funds Annual Report, please find specific details regarding investment performance and a discussion of factors that most affected the Funds' performance over the 12-month reporting period ended March 31, 2015.

Thank you for investing with us. We value your trust and will continue to work diligently to meet your investment needs. If you have questions regarding any of your PIMCO Closed-End Funds investments, please contact your financial advisor or call the Funds' shareholder servicing agent at (844) 33-PIMCO or (844) 337-4626. We also invite you to visit our website at [pimco.com/investments](http://pimco.com/investments) to learn more about our views and global thought leadership.

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**Letter from the Chairman of the Board & President (Cont.)**

We remain dedicated to serving your investment needs.

Sincerely,

Hans W. Kertess

Chairman of the Board of Trustees

Peter G. StreLOW

President/Principal Executive Officer

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### **Important Information About the Funds**

We believe that bond funds have an important role to play in a well-diversified investment portfolio. It is important to note, however, that in an environment where interest rates trend upward, rising rates would negatively impact the performance of most bond funds, and fixed-income securities held by a Fund are likely to decrease in value. A number of factors can cause interest rates to rise (e.g., central bank monetary policies, inflation rates, general economic conditions, etc.). Accordingly, changes in interest rates can be sudden, and there is no guarantee that Fund Management will anticipate such movement.

As of the date of this report, interest rates in the U.S. are at or near historically low levels. As such, bond funds may currently face an increased exposure to the risks associated with rising interest rates. This is especially true since the Federal Reserve Board has concluded its quantitative easing program. Further, while the U.S. bond market has steadily grown over the past three decades, dealer inventories of corporate bonds have remained relatively stagnant. As a result, there has been a significant reduction in the ability of dealers to make markets in corporate bonds. All of the factors mentioned above, individually or collectively, could lead to increased volatility and/or lower liquidity in the fixed income markets, which could result in increased losses to a Fund. Bond funds and individual bonds with a longer duration (a measure of the sensitivity of a security's price to changes in interest rates) tend to be more sensitive to changes in interest rates, usually making them more volatile than securities or funds with shorter durations. In addition, in the current low interest rate environment, the market price of the Funds' common shares may be particularly sensitive to changes in interest rates or the perception that there will be a change in interest rates.

The use of derivatives may subject the Funds to greater volatility than investments in traditional securities. The Funds may use derivative instruments for hedging purposes or as part of an investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, call risk, credit risk, management risk and the risk that a Fund could not close out a position when it would be most advantageous to do so. Certain derivative transactions may have a leveraging effect on a Fund. For example, a small investment in a derivative instrument may have a significant impact on a Fund's exposure to interest rates, currency exchange rates or other investments. As a result, a relatively small price movement in a derivative instrument may cause an immediate and substantial loss or gain, which translates into heightened volatility in a Fund's net asset value. A Fund may engage in such transactions regardless of whether the Fund owns the asset, instrument or components of the index underlying a derivative instrument. A Fund may invest a significant portion of its assets in these types of instruments. If it does, a Fund's investment exposure could far exceed the value of its portfolio securities and its investment performance could be primarily dependent upon securities it does not directly own.

For purposes of applying a Fund's investment policies and restrictions, swap agreements are generally valued by the Fund at market value. In the case of a credit default swap, however, in applying certain of a Fund's investment policies and restrictions the Fund will value the credit default swap at its notional value or its full exposure value (i.e., the sum of the notional amount for the contract plus the market value), but may value the credit default swap at market value for purposes of applying certain of the Fund's other investment policies and restrictions. For example, a Fund may value credit default swaps at full exposure value for purposes of the Fund's credit quality guidelines (if any) because such value reflects the Fund's actual economic exposure during the term of the credit default swap agreement. In this context, both the notional amount and the market value may be positive or negative depending on whether a Fund is selling or buying protection through the credit

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### **Important Information About the Funds (Cont.)**

default swap. The manner in which certain securities or other instruments are valued by a Fund for purposes of applying investment policies and restrictions may differ from the manner in which those investments are valued by other types of investors.

A Fund's use of leverage creates the opportunity for increased income for the Fund's common shareholders, but also creates special risks. Leverage is a speculative technique that may expose a Fund to greater risk and increased costs. If shorter-term interest rates rise relative to the rate of return on a Fund's portfolio, the interest and other costs to the Fund of leverage could exceed the rate of return on the debt obligations and other investments held by the Fund, thereby reducing return to the Fund's common shareholders. In addition, fees and expenses of any form of leverage used by a Fund will be borne entirely by its common shareholders (and not by preferred shareholders, if any) and will reduce the investment return of the Fund's common shares. There can be no assurance that a Fund's use of leverage will result in a higher yield on its common shares, and it may result in losses. Leverage creates several major types of risks for a Fund's common shareholders, including: (1) the likelihood of greater volatility of net asset value and market price of the Fund's common shares, and of the investment return to the Fund's common shareholders, than a comparable portfolio without leverage; (2) the possibility either that the Fund's common share dividends will fall if the interest and other costs of leverage rise, or that dividends paid on the Fund's common shares will fluctuate because such costs vary over time; and (3) the effects of leverage in a declining market or a rising interest rate environment, as leverage is likely to cause a greater decline in the net asset value of the Fund's common shares than if the Fund were not leveraged and may result in a greater decline in the market value of the Fund's common shares.

A Fund's investments in and exposure to foreign securities involve special risks. For example, the value of these investments may decline in response to unfavorable political and legal developments, unreliable or untimely information or economic and financial instability. Foreign securities may experience more rapid and extreme changes in value than investments in securities of U.S. issuers. The securities markets of certain foreign countries are relatively small, with a limited number of companies representing a small number of industries. Issuers of foreign securities are usually not subject to the same degree of regulation as U.S. issuers. Reporting, accounting, auditing and custody standards of foreign countries differ, in some cases significantly, from U.S. standards. Also, nationalization, expropriation or other confiscation, currency blockage, political changes or diplomatic developments could adversely affect a Fund's investments in foreign securities. In the event of nationalization, expropriation or other confiscation, a Fund could lose its entire investment in foreign securities. Risks associated with investing in foreign securities may be increased when a Fund invests in emerging markets. For example, if a Fund invests in emerging market debt, it may face increased exposure to interest rate, liquidity, volatility, and redemption risk due to the specific economic, political, geographical, or legal background of the emerging market.

Investments in loans are generally subject to risks similar to those of investments in other types of debt obligations, including, among others, credit risk, interest rate risk, variable and floating rate securities risk, and, as applicable, risks associated with mortgage-related securities. In addition, in many cases loans are subject to the risks associated with below-investment grade securities. In the case of a loan participation or assignment, a Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, a Fund may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement. In the event of the insolvency of the lender selling a loan participation, a Fund may be treated as a general creditor of

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the lender and may not benefit from any set-off between the lender and the borrower. The Funds may be subject to heightened or additional risks and potential liabilities and costs by investing in mezzanine and other subordinated loans or acting as an originator of loans, including those arising under bankruptcy, fraudulent conveyance, equitable subordination, lender liability, environmental and other laws and regulations, and risks and costs associated with debt servicing and taking foreclosure actions associated with the loans. To the extent that a Fund originates a loan, it may be responsible for all or a substantial portion of the expenses associated with initiating the loan, irrespective of whether the loan transaction is ultimately consummated or closed. This may include significant legal and due diligence expenses, which will be indirectly borne by a Fund and its shareholders.

Mortgage-related and other asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, if a Fund holds mortgage-related securities, it may experience additional volatility since individual mortgage holders are less likely to exercise prepayment options, thereby putting additional downward pressure on the value of these securities and potentially causing the Fund to lose money. This is known as extension risk. Mortgage-backed securities can be highly sensitive to rising interest rates, such that even small movements can cause an investing Fund to lose value. Mortgage-backed securities, and in particular those not backed by a government guarantee, are subject to credit risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns of the Funds because the Funds may have to reinvest that money at the lower prevailing interest rates. The Funds' investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets. Payment of principal and interest on asset-backed securities may be largely dependent upon the cash flows generated by the assets backing the securities, and asset-backed securities may not have the benefit of any security interest in the related assets.

High-yield bonds (commonly referred to as junk bonds) typically have a lower credit rating than other bonds. Lower-rated bonds generally involve a greater risk to principal than higher-rated bonds. Further, markets for lower-rated bonds are typically less liquid than for higher-rated bonds, and public information is usually less abundant in such markets. Thus, high yield investments increase the chance that a Fund will lose money on its investment. The Funds may hold defaulted securities that may involve special considerations including bankruptcy proceedings, other regulatory and legal restrictions affecting the Funds' ability to trade, and the availability of prices from independent pricing services or dealer quotations. Defaulted securities are often illiquid and may not be actively traded. Sale of securities in bankrupt companies at an acceptable price may be difficult and differences compared to the value of the securities used by the Funds could be material.

The Funds may invest in securities and instruments that are economically tied to Russia. Investments in Russia are subject to political, economic, legal, market and currency risks, as well as the risk of economic sanctions imposed by the United States and/or other countries. Such sanctions which may impact companies in many sectors, including energy, financial services and defense, among others may negatively impact a Fund's performance and/or ability to achieve its investment objective. For example, certain transactions may be prohibited and/or existing investments may become illiquid (e.g., in the event that transacting in certain existing investments is prohibited).

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**Important Information About the Funds (Cont.)**

The common shares of the Funds trade on the New York Stock Exchange. As with any stock, the price of a Fund's common shares will fluctuate with market conditions and other factors. If you sell your common shares of a Fund, the price received may be more or less than your original investment. Shares of closed-end management investment companies frequently trade at a discount from their net asset value. The common shares of a Fund may trade at a price that is less than the initial offering price and/or the net asset value of such shares. Further, if a Fund's shares trade at a price that is more than the initial offering price and/or the net asset value of such shares, including at a substantial premium and/or for an extended period of time, there is no assurance that any such premium will be sustained for any period of time and will not decrease, or that the shares will not trade at a discount to net asset value thereafter.

The Funds may be subject to various risks in addition to those described above. Some of these risks may include, but are not limited to, the following: asset allocation risk, credit risk, stressed securities risk, distressed and defaulted securities risk, corporate bond risk, market risk, issuer risk, liquidity risk, equity securities and related market risk, mortgage-related and other asset-backed securities risk, extension risk, prepayment risk, privately issued mortgage-related securities risk, mortgage market/subprime risk, foreign (non-U.S.) investment risk, emerging markets risk, currency risk, redenomination risk, non-diversification risk, management risk, municipal bond risk, inflation-indexed security risk, senior debt risk, loans, participations and assignments risk, reinvestment risk, real estate risk, U.S. Government securities risk, foreign (non-U.S.) government securities risk, valuation risk, segregation and cover risk, focused investment risk, credit default swaps risk, event-linked securities risk, counterparty risk, preferred securities risk, confidential information access risk, other investment companies risk, private placements risk, inflation/deflation risk, regulatory risk, tax risk, recent economic conditions risk, market disruptions and geopolitical risk, potential conflicts of interest involving allocation of investment opportunities, repurchase agreements risk, securities lending risk, zero-coupon bond and payment-in-kind securities risk, portfolio turnover risk, smaller company risk, short sale risk and convertible securities risk. A description of certain of these risks is available in the Notes to Financial Statements of this Report.

The geographical classification of foreign securities in this report are classified by the country of incorporation of a holding. In certain instances, a security's country of incorporation may be different from its country of economic exposure.

On each Fund Summary page in this Shareholder Report the Common Share Average Annual Total Return table and Common Share Cumulative Returns (if applicable) measure performance assuming that all dividend and capital gain distributions were reinvested. Total return is calculated by determining the percentage change in NAV or market price (as applicable) in the specified period. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions. Total return for a period of more than one year represents the average annual total return. Performance at market price will differ from results at NAV. Although market price returns tend to reflect investment results over time, during shorter periods returns at market price can also be influenced by factors such as changing views about a Fund, market conditions, supply and demand for the Fund's shares, or changes in the Fund's dividends. Performance shown is net of fees and expenses.

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The following table discloses the commencement of operations of each Fund:

<b>Fund Name</b>	<b>Commencement of Operations</b>
PIMCO Global StocksPlus® & Income Fund	05/31/05
PIMCO High Income Fund	04/30/03
PIMCO Dynamic Income Fund	05/30/12

An investment in a Fund is not a deposit of a bank and is not guaranteed or insured by the Federal Deposit Insurance Corporation or any other government agency. It is possible to lose money on investments in the Funds.

PIMCO has adopted written proxy voting policies and procedures ( Proxy Policy ) as required by Rule 206(4)-6 under the Investment Advisers Act of 1940. The Proxy Policy has been adopted by the Funds as the policies and procedures that PIMCO will use when voting proxies on behalf of the Funds. A description of the policies and procedures that PIMCO uses to vote proxies relating to portfolio securities of each Fund, and information about how each Fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, are available without charge, upon request, by calling the Funds at (844) 33-PIMCO (844-337-4626), on the Funds website at [www.pimco.com/investments](http://www.pimco.com/investments), and on the Securities and Exchange Commission's ( SEC ) website at <http://www.sec.gov>.

Each Fund files a complete schedule of its portfolio holdings with the SEC for the first and third quarters of its fiscal year on Form N-Q. A copy of each Fund's Form N-Q is available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and is available without charge, upon request by calling the Funds at (844) 33-PIMCO (844-337-4626) and on the Funds website at [www.pimco.com/investments](http://www.pimco.com/investments). Updated portfolio holdings information about a Fund will be available at [www.pimco.com/investments](http://www.pimco.com/investments) approximately 15 calendar days after such Fund's most recent fiscal quarter end, and will remain accessible until such Fund files a Form N-Q or a shareholder report for the period which includes the date of the information. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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PIMCO Global StocksPLUS® & Income Fund

Symbol on NYSE - PGP

Allocation Breakdown

Mortgage-Backed Securities	43.3%
Corporate Bonds & Notes	28.3%
Short-Term Instruments	16.1%
Asset-Backed Securities	6.0%
Bank Loan Obligations	2.4%
Other	3.9%

% of Investments, at value as of 03/31/15  
Fund Information (as of March 31, 2015)<sup>(1)</sup>

Market Price	\$22.27
NAV	\$12.82
Premium/(Discount) to NAV	73.71%
Market Price Distribution Yield <sup>(2)</sup>	9.88%
NAV Distribution Yield <sup>(2)</sup>	17.16%
Leverage Ratio <sup>(3)</sup>	38.49%

Average Annual Total Return for the period ended March 31, 2015

	1 Year	5 Year	Commencement of Operations (05/31/05)
Market Price	4.05%	14.80%	14.02%
NAV	2.11%	18.53%	12.53%

All Fund returns are net of fees and expenses.

- (1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit [www.pimco.com](http://www.pimco.com) or call (844) 33-PIMCO.
- (2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit [www.pimco.com](http://www.pimco.com) for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099-DIV sent to shareholders each January.
- (3) Represents leverage outstanding, as a percentage of total managed assets. Leverage may include preferred shares, tender option bond transactions, reverse repurchase agreements, and other borrowings (collectively Leverage). Total managed assets refer to total assets (including assets attributable to Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Leverage).

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Portfolio Insights

- » PIMCO Global StocksPLUS® & Income Fund's primary investment objective is to seek total return comprised of current income, current gains and long-term capital appreciation.
- » The Fund benefited from earning a yield in excess of the money market interest rate cost associated with exposure to equity index futures and total return swaps on equity indexes.
- » An allocation to non-agency mortgage-backed securities ( MBS ) was a major contributor to performance, as the asset class saw price appreciation during the reporting period. An improving U.S. housing market, driven by continued recovery in home prices, as well as favorable demand relative to supply, supported the sector. Holdings of agency MBS also added to returns as these securities benefited from both lower Treasury yields and tighter spreads in this market.
- » The Fund's exposure to corporate bonds, overall, was positive for performance. Despite spreads widening during the reporting period, the Fund's allocation to financials helped offset negative contributions from energy securities. The Fund's exposure to the media/entertainment sector was a drag on performance.
- » Strategies designed to benefit from a steeper yield curve detracted from performance, as the U.S. yield curve flattened during the reporting period.
- » Holdings of U.S. dollar-denominated emerging market corporate bonds from energy-related issuers detracted from performance amid lower energy prices.
- » A defensive option strategy, involving the sale of call options and purchase of puts on S&P 500 futures contracts, hurt performance as U.S. equities rallied during the 12-month reporting period.
- » The Fund's exposure to the MSCI EAFE index through total return swaps also detracted from absolute returns as non-U.S. stocks declined modestly during the reporting period.

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## Allocation Breakdown

Corporate Bonds & Notes	39.6%
Mortgage-Backed Securities	21.3%
Municipal Bonds & Notes	12.9%
Short-Term Instruments	12.0%
Asset-Backed Securities	7.1%
Other	7.1%

% of Investments, at value as of 03/31/15  
Fund Information (as of March 31, 2015)<sup>(1)</sup>

Market Price	\$12.48
NAV	\$7.59
Premium/(Discount) to NAV	64.43%
Market Price Distribution Yield <sup>(2)</sup>	11.72%
NAV Distribution Yield <sup>(2)</sup>	19.27%
Leverage Ratio <sup>(3)</sup>	26.43%

## Average Annual Total Return for the period ended March 31, 2015

	1 Year	5 Year	10 Year	Commencement of Operations (04/30/03)
Market Price	12.30%	13.39%	13.36%	12.52%
NAV	10.29%	15.98%	11.09%	11.58%

All Fund returns are net of fees and expenses.

- (1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit [www.pimco.com](http://www.pimco.com) or call (844) 33-PIMCO.
- (2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit [www.pimco.com](http://www.pimco.com) for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099-DIV sent to shareholders each January.
- (3) Represents leverage outstanding, as a percentage of total managed assets. Leverage may include preferred shares, tender option bond transactions, reverse repurchase agreements, and other borrowings (collectively "Leverage"). Total managed assets refer to total assets (including assets attributable to Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Leverage).

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Portfolio Insights

- » PIMCO High Income Fund's primary investment objective is to seek high current income, with capital appreciation as a secondary objective.
  
- » The Fund's long exposure to U.S. interest rates was a major contributor to performance, as intermediate and longer rates declined during the reporting period.
  
- » An allocation to non-agency mortgage-backed securities ( MBS ) was also a significant contributor to performance as the asset class saw price appreciation during the reporting period. An improving U.S. housing market, driven by continued recovery in home prices, as well as favorable demand relative to supply, supported the sector. Holdings of agency MBS also added to returns as these securities benefited from both lower Treasury yields and tighter spreads in this market.
  
- » The Fund's exposure to taxable municipal securities was beneficial to performance. The sector benefited from both an attractive current coupon and increases in bond prices, supported by continued economic recovery in the U.S. and, subsequently, higher tax revenues.
  
- » An allocation to the banking sector via investments in junior parts of the capital structure was additive to performance, given continued improvement in business fundamentals and broad deleveraging imposed by regulators.
  
- » The Fund's exposure to nonfinancial corporate bonds of investment grade and high yield issuers was positive for performance. However, within this category returns were tempered by an allocation to select media/entertainment and transportation securities, as these holdings detracted from performance.
  
- » An allocation to Russian quasi-sovereign and corporate bonds detracted from performance during the reporting period. Despite a strong rally during the first quarter of 2015, Russian debt sold off in 2014 given the slowdown in the Russian economy due to lower oil prices and the impact of Western sanctions. Exposure to Brazilian external quasi-sovereign and corporate bonds also detracted from performance.

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**PIMCO Dynamic Income Fund**

Symbol on NYSE - **PDI**

Allocation Breakdown

Mortgage-Backed Securities	57.2%
Corporate Bonds & Notes	17.2%
Asset-Backed Securities	14.0%
Short-Term Instruments	4.7%
Sovereign Issues	3.2%
Other	3.7%

% of Investments, at value as of 03/31/15  
Fund Information (as of March 31, 2015)<sup>(1)</sup>

Market Price	\$29.00
NAV	\$30.74
Premium/(Discount) to NAV	(5.66%)
Market Price Distribution Yield <sup>(2)</sup>	7.90%
NAV Distribution Yield <sup>(2)</sup>	7.46%
Leverage Ratio <sup>(3)</sup>	45.60%

Average Annual Total Return for the period ended March 31, 2015

	1 Year	Commencement of Operations (05/30/12)
Market Price	9.04%	17.95%
NAV	8.80%	22.68%

All Fund returns are net of fees and expenses.

- (1) Performance quoted represents past performance. Past performance is not a guarantee or a reliable indicator of future results. Current performance may be lower or higher than performance shown. Investment return and the principal value of an investment will fluctuate. Total return, market price, NAV, market price distribution yield, and NAV distribution yield will fluctuate with changes in market conditions. For performance current to the most recent month-end, visit [www.pimco.com](http://www.pimco.com) or call (844) 33-PIMCO.
- (2) Distribution yields are not performance and are calculated by annualizing the most recent distribution per share and dividing by the NAV or Market Price, as applicable, as of the reported date. Distributions may be comprised of ordinary income, net capital gains, and/or a return of capital (ROC) of your investment in the Fund. Because the distribution rate may include a ROC, it should not be confused with yield or income. If the Fund estimates that a portion of its distribution may be comprised of amounts from sources other than net investment income, the Fund will notify shareholders of the estimated composition of such distribution through a Section 19 Notice. Please refer to the most recent Section 19 Notice, if applicable, for additional information regarding the composition of distributions. Please visit [www.pimco.com](http://www.pimco.com) for most recent Section 19 Notice, if applicable. Final determination of a distribution's tax character will be made on Form 1099 DIV sent to shareholders each January.
- (3) Represents leverage outstanding, as a percentage of total managed assets. Leverage may include preferred shares, tender option bond transactions, reverse repurchase agreements, and other borrowings (collectively Leverage). Total managed assets refer to total assets (including assets attributable to Leverage that may be outstanding) minus accrued liabilities (other than liabilities representing Leverage).

**14 PIMCO CLOSED-END FUNDS**

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Portfolio Insights

- » PIMCO Dynamic Income Fund's primary investment objective is to seek current income and capital appreciation as a secondary objective.
  
- » An allocation to non-agency mortgage-backed securities ( MBS ) was a major contributor to performance, as the asset class saw price appreciation during the reporting period. An improving U.S. housing market, driven by continued recovery in home prices, as well as favorable demand relative to supply, supported the sector. Holdings of agency MBS also added to returns as these securities benefited from both lower Treasury yields and tighter spreads in this market.
  
- » The Fund's long exposure to U.S. interest rates contributed to performance, as intermediate and longer rates declined during the reporting period.
  
- » An allocation to the banking sector via investments in junior parts of the capital structure was additive to performance, given continued improvement in business fundamentals and broad deleveraging imposed by regulators.
  
- » Despite spreads widening during the reporting period, the Fund's exposure to corporate bonds was positive for performance given their attractive carry, the rate of interest earned by holding the respective securities.
  
- » An allocation to Russian quasi-sovereign and corporate bonds detracted from performance during the reporting period. Despite a strong rally during the first quarter of 2015, Russian debt sold off in 2014 given the slowdown in the Russian economy due to lower oil prices and the impact of Western sanctions.

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**Financial Highlights**

Selected Per Common Share Data for the Year or Period Ended:	Net Asset Value Beginning of Year or Period	Net Investment Income (a)	Net Realized/ Unrealized Gain (Loss)	Net Increase (Decrease) from Investment Operations	Distributions on Preferred Shares from Net Investment Income	Net Increase (Decrease) in Net Assets Applicable to Common Shareholders Resulting from Investment Operations	Distributions to Common Shareholders from Net Investment Income	Distributions to Common Shareholders from Net Realized Capital Gain
<b>PIMCO Global StocksPLUS® &amp; Income Fund</b>								
03/31/2015	\$ 14.72	\$ 1.15	\$ (0.85)	\$ 0.30	N/A	\$ 0.30	\$ (2.20)	\$ 0.00
03/31/2014	14.32	1.39	1.21	2.60	N/A	2.60	(2.20)	0.00
03/31/2013	12.57	1.38	2.57	3.95	N/A	3.95	(2.20)	0.00
03/31/2012	14.88	1.61	(1.72)	(0.11)	N/A	(0.11)	(2.20)	0.00
03/31/2011	12.52	1.75	2.81	4.56	N/A	4.56	(2.20)	0.00
<b>PIMCO High Income Fund</b>								
03/31/2015	\$ 8.23	\$ 0.94	\$ (0.12)	\$ 0.82	\$ (0.00)^	\$ 0.82	\$ (1.46)	\$ 0.00
03/31/2014	8.65	0.84	0.20	1.04	(0.00)^	1.04	(1.35)	0.00
03/31/2013	7.87	0.81	1.43	2.24	(0.00)^	2.24	(1.42)	0.00
03/31/2012	9.42	0.96	(1.05)	(0.09)	(0.00)^	(0.09)	(1.39)	0.00
03/31/2011	8.73	1.13	1.03	2.16	(0.01)	2.15	(1.46)	0.00
<b>PIMCO Dynamic Income Fund (Consolidated)</b>								
03/31/2015	\$ 32.11	\$ 3.25	\$ (0.49)	\$ 2.76	N/A	\$ 2.76	\$ (4.13)	\$ 0.00
03/31/2014	30.69	3.70	1.24	4.94	N/A	4.94	(3.29)	(0.23)
05/30/2012 - 03/31/2013	23.88	2.79	6.50	9.29	N/A	9.29	(2.18)	(0.27)

\* Annualized

^ Reflects an amount rounding to less than one cent.

(a) Per share amounts based on average number of common shares outstanding during the year or period.

(b) Total investment return is calculated assuming a purchase of a common share at the market price on the first day and a sale of a common share at the market price on the last day of each year reported. Dividends and distributions, if any, are assumed, for purposes of this calculation, to be reinvested at prices obtained under the Funds' dividend reinvestment plan. Total investment return does not reflect brokerage commissions in connection with the purchase or sale of Fund shares.

(c) Calculated on the basis of income and expenses applicable to both common and preferred shares relative to the average net assets of common shareholders.

(d) Interest expense primarily relates to participation in borrowing and financing transactions, see Note 5 in the Notes to Financial Statements for more information.

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Tax Basis Return of Capital	Total Distributions to Common Share holders	Offering Cost Charged to Paid in Capital in Excess of Par	Net Asset Value End of Year or Period	Market Price End of Year or Period	Total Investment Return (b)	Net Assets Applicable to Common Share holders (000s)	Ratio of Expenses to Average Net Assets (c)	Ratio of Average Investment Net Income to Average Net Assets	Preferred Shares Coverage Per Share	Portfolio Turnover Rate	
0.00	\$ (2.20)	N/A	\$ 12.82	\$ 22.27	4.05%	\$ 134,594	2.30%	1.78%	8.29%	N/A	92%
0.00	(2.20)	N/A	14.72	23.67	19.44	153,393	1.94	1.67	9.62	N/A	197
0.00	(2.20)	N/A	14.32	21.95	21.57	148,170	2.64	2.10	10.75	N/A	33
0.00	(2.20)	N/A	12.57	20.18	(8.00)	128,952	2.71	2.12	12.70	N/A	90
0.00	(2.20)	N/A	14.88	24.48	43.45	150,881	2.81	2.20	13.07	N/A	80
0.00	\$ (1.46)	N/A	\$ 7.59	\$ 12.48	12.30%	\$ 949,880	1.18%	1.02%	11.53%	\$ 106,324	58%
(0.11)	(1.46)	N/A	0.1								
Payment of earned performance shares	—	(2.6 )	—	2.6	—						
Shares tendered for taxes on stock-based compensation	—	—	—	(1.4 )	(1.4 )						
Balance at December 31, 2015	\$ 0.9	\$ 774.3	\$ 2,017.0	\$ (154.9)	\$ (830.9)	\$ 1,806.4					

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In millions; unaudited)

	Three Months Ended December 31,	
	2015	2014
Operating activities:		
Net income	\$ 14.6	\$ 34.7
Depreciation and amortization	31.0	30.5
Stock-based compensation expense	5.3	5.0
Deferred income taxes	(1.6	) (0.2
Foreign currency transaction (gains) losses	(4.1	) 2.4
Gain on sale of assets	(5.7	) (0.8
Other non-cash adjustments	0.9	2.7
Changes in operating assets and liabilities	31.4	(126.6
Net cash provided (used) by operating activities	71.8	(52.3
Investing activities:		
Additions to property, plant and equipment	(21.3	) (39.0
Additions to equipment held for rental	(15.0	) (13.2
Proceeds from sale of equipment held for rental	18.7	2.6
Other investing activities	(0.6	) (0.6
Net cash used by investing activities	(18.2	) (50.2
Financing activities:		
Net increase in short-term debt	28.2	—
Proceeds from issuance of debt (original maturities greater than three months)	153.6	—
Repayment of debt (original maturities greater than three months)	(135.0	) (5.0
Repurchases of Common Stock	(100.1	) (88.1
Dividends paid	(14.1	) (13.4
Proceeds from exercise of stock options	1.4	2.2
Excess tax benefit from stock-based compensation	0.8	4.0
Net cash used by financing activities	(65.2	) (100.3
Effect of exchange rate changes on cash	2.4	—
Decrease in cash and cash equivalents	(9.2	) (202.8
Cash and cash equivalents at beginning of period	42.9	313.8
Cash and cash equivalents at end of period	\$ 33.7	\$ 111.0
Supplemental disclosures:		
Cash paid for interest	\$ 6.0	\$ 4.5
Cash paid for income taxes	26.5	10.2

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (which include normal recurring adjustments, unless otherwise noted) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Annual Report on Form 10-K of Oshkosh Corporation for the year ended September 30, 2015. The interim results are not necessarily indicative of results for the full year. “Oshkosh” refers to Oshkosh Corporation not including its subsidiaries and “the Company” refers to Oshkosh Corporation and its subsidiaries. Certain reclassifications have been made to the fiscal 2015 financial statements to conform to the fiscal 2016 presentation.

2. New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), which clarifies the principles for recognizing revenue. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09, as amended by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, becomes effective for fiscal years and interim periods beginning after December 15, 2017, with adoption permitted one year earlier under the FASB's proposed update. The Company is currently evaluating the impact of ASU 2014-09 on the Company's financial statements and has not yet determined its method of adoption.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (Topic 835-30), Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 is part of the FASB's initiative to reduce complexity in accounting standards. The guidance requires an entity to recognize debt issuance costs related to a debt liability as a direct deduction from the carrying amount of the debt liability in the balance sheet, thereby increasing the effective rate of interest, as opposed to a deferred cost. The Company will be required to adopt ASU 2015-03 as of October 1, 2016. The Company does not expect the adoption of ASU 2015-03 to have a material impact on the Company's financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330), Simplifying the Measurement of Inventory. ASU 2015-11 is part of the FASB's initiative to simplify accounting standards. The guidance requires an entity to recognize inventory within scope of the standard at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The Company will be required to adopt ASU 2015-11 as of October 1, 2017. The Company is currently evaluating the impact of ASU 2015-11 on the Company's financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes. ASU 2015-17 is part of the FASB's initiative to reduce complexity of financial statements. The guidance removes the requirement to separate and classify deferred income tax liabilities and assets into current and

noncurrent amounts and requires an entity to classify all deferred tax liabilities and assets as noncurrent. The Company will be required to adopt ASU 2015-17 as of October 1, 2017. The Company does not expect the adoption of ASU 2015-17 to have a material impact on the Company's financial statements.



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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## 3. Receivables

Receivables consisted of the following (in millions):

	December 31, 2015	September 30, 2015
U.S. government:		
Amounts billed	\$55.9	\$63.1
Costs and profits not billed	40.5	66.8
	96.4	129.9
Other trade receivables	635.9	782.3
Finance receivables	7.3	7.4
Notes receivable	28.0	29.6
Other receivables	60.2	57.7
	827.8	1,006.9
Less allowance for doubtful accounts	(18.8	) (20.3
	\$809.0	\$986.6

Classification of receivables in the Condensed Consolidated Balance Sheets consisted of the following (in millions):

	December 31, 2015	September 30, 2015
Current receivables	\$788.7	\$964.6
Long-term receivables (included in Other long-term assets)	20.3	22.0
	\$809.0	\$986.6

Finance and notes receivable aging and accrual status consisted of the following (in millions):

	Finance Receivables		Notes Receivable	
	December 31, 2015	September 30, 2015	December 31, 2015	September 30, 2015
Aging of receivables that are past due:				
Greater than 30 days and less than 60 days	\$—	\$—	\$—	\$—
Greater than 60 days and less than 90 days	—	—	—	—
Greater than 90 days	—	—	—	—
Receivables on nonaccrual status	1.1	1.1	21.6	22.9
Receivables past due 90 days or more and still accruing	—	—	—	—
Receivables subject to general reserves	6.1	6.2	—	—
Allowance for doubtful accounts	(0.1	) (0.1	) —	—
Receivables subject to specific reserves	1.2	1.2	28.0	29.6
Allowance for doubtful accounts	—	—	(12.6	) (12.7

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OSHKOSH CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

Delinquency is the primary indicator of credit quality of finance receivables. The Company maintains a general allowance for finance receivables considered doubtful of future collection based upon historical experience. Additional allowances are established based upon the Company's perception of the quality of the finance receivables, including the length of time the receivables are past due, past experience of collectability and underlying economic conditions. In circumstances where the Company believes collectability is no longer reasonably assured, a specific allowance is recorded to reduce the net recognized receivable to the amount reasonably expected to be collected. Finance receivables are written off if management determines that the specific borrower does not have the ability to repay the loan amounts due in full. The terms of the finance agreements generally give the Company the ability to take possession of the underlying collateral. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers' financial obligations is not realized.

**Notes Receivable:** Notes receivable include amounts related to refinancing of trade accounts and finance receivables. As of December 31, 2015, approximately 83% of the notes receivable balance outstanding was due from three parties. The Company routinely evaluates the creditworthiness of its customers and establishes reserves where the Company believes collectability is no longer reasonably assured. Certain notes receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the debtor. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers' financial obligations is not realized.

**Quality of Finance and Notes Receivable:** The Company does not accrue interest income on finance and notes receivable in circumstances where the Company believes collectability is no longer reasonably assured. Any cash payments received on nonaccrual finance and notes receivable are applied first to the principal balances. The Company does not resume accrual of interest income until the customer has shown that it is capable of meeting its financial obligations by making timely payments over a sustained period of time. The Company determines past due or delinquency status based upon the due date of the receivable.

Receivables subject to specific reserves also include loans that the Company has modified in troubled debt restructurings as a concession to customers experiencing financial difficulty. To minimize the economic loss, the Company may modify certain finance and notes receivable. Modifications generally consist of restructured payment terms and time frames in which no payments are required. At December 31, 2015, restructured finance and notes receivables were \$0.4 million and \$14.1 million, respectively. Losses on troubled debt restructurings were not significant during the three months ended December 31, 2015 and 2014, respectively.

Changes in the Company's allowance for doubtful accounts by type of receivable were as follows (in millions):

Three Months Ended December 31, 2015

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	Finance	Notes	Trade and Other	Total	
Allowance for doubtful accounts at beginning of period	\$0.1	\$12.7	\$7.5	\$20.3	
Provision (credit) for doubtful accounts, net of recoveries	—	0.2	(1.1	) (0.9	)
Charge-off of accounts	—	—	(0.3	) (0.3	)
Foreign currency translation	—	(0.3	) —	(0.3	)
Allowance for doubtful accounts at end of period	\$0.1	\$12.6	\$6.1	\$18.8	

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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	Three Months Ended December 31, 2014			
	Finance	Notes	Trade and Other	Total
Allowance for doubtful accounts at beginning of period	\$—	\$ 13.6	\$ 8.2	\$ 21.8
Provision (credit) for doubtful accounts, net of recoveries	—	—	(0.2	) (0.2
Charge-off of accounts	—	—	0.1	0.1
Foreign currency translation	—	(0.5	) —	(0.5
Allowance for doubtful accounts at end of period	\$—	\$ 13.1	\$ 8.1	\$ 21.2

## 4. Inventories

Inventories consisted of the following (in millions):

	December 31, 2015	September 30, 2015
Raw materials	\$ 543.7	\$ 532.1
Partially finished products	265.1	266.3
Finished products	589.3	594.4
Inventories at FIFO cost	1,398.1	1,392.8
Less: Progress/performance-based payments on U.S. government contracts	(23.0	) (12.9
Excess of FIFO cost over LIFO cost	(79.7	) (78.2
	\$ 1,295.4	\$ 1,301.7

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

## 5. Investments in Unconsolidated Affiliates

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

	December 31, 2015	September 30, 2015
Mezcladoras (Mexico)	\$ 10.6	\$ 10.6
RiRent (The Netherlands)	4.8	5.8
Other	—	(0.2
	\$ 15.4	\$ 16.2

Recorded investments generally represent the Company's maximum exposure to loss as a result of the Company's ownership interest. Earnings or losses are reflected in "Equity in earnings of unconsolidated affiliates" in the Condensed Consolidated Statements of Income.

The Company and an unaffiliated third party are joint venture partners in Mezcladoras Y Trailers de Mexico, S.A. de C.V. (“Mezcladoras”). Mezcladoras is a manufacturer and distributor of industrial and commercial machinery with primary operations in Mexico. The Company recognized sales to Mezcladoras of \$1.1 million and \$4.5 million during the three months ended December 31, 2015 and 2014, respectively. The Company recognizes income on sales to Mezcladoras at the time of shipment in proportion to the outside third-party interest in Mezcladoras and recognizes the remaining income upon the joint venture's sale of inventory to an unaffiliated customer. The Company earns a service fee for certain operational support services provided to Mezcladoras. The Company recognized service fees of \$0.3 million and \$0.3 million for the three months ended December 31, 2015 and 2014, respectively.

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OSHKOSH CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company and an unaffiliated third party are joint venture partners in RiRent Europe BV (“RiRent”). RiRent maintains a fleet of access equipment for short-term lease to rental companies throughout most of Europe. The re-rental fleet provides rental companies with equipment to support requirements on short notice. RiRent does not provide services directly to end users. The Company and its joint venture partner are in the process of winding down RiRent. To the extent that RiRent has existing outstanding contracts, those contracts will continue to be maintained. The Company received dividends of €0.9 million (\$1.0 million) and €2.3 million (\$2.8 million) from RiRent during the three months ended December 31, 2015 and 2014, respectively.

## 6. Property, Plant and Equipment

Property, plant and equipment consisted of the following (in millions):

	December 31, 2015	September 30, 2015
Land and land improvements	\$57.8	\$57.5
Buildings	277.4	274.8
Machinery and equipment	677.9	681.1
Equipment on operating lease to others	41.0	42.2
Construction in progress	51.5	38.1
	1,105.6	1,093.7
Less accumulated depreciation	(629.5	) (617.9
	\$476.1	\$475.8

Depreciation expense was \$17.1 million and \$16.1 million for the three months ended December 31, 2015 and 2014, respectively. Capitalized interest was insignificant for all reported periods.

Equipment on operating lease to others represents the cost of equipment shipped to customers for whom the Company has guaranteed the residual value and equipment on short-term leases. These transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic lives of five to ten years. Cost less accumulated depreciation for equipment on operating lease at December 31, 2015 and September 30, 2015 was \$33.9 million and \$33.9 million, respectively.

## 7. Goodwill and Purchased Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are reviewed for impairment annually or more frequently if potential interim indicators exist that could result in impairment. The Company performs its annual impairment test in the fourth quarter of its fiscal year.

The following table presents changes in goodwill during the three months ended December 31, 2015 (in millions):

	Access Equipment	Fire & Emergency	Commercial	Total
Net goodwill at September 30, 2015	\$874.2	\$106.1	\$20.8	\$1,001.1
Foreign currency translation	(4.1	) —	(0.1	) (4.2

Net goodwill at December 31, 2015	\$870.1	\$106.1	\$20.7	\$996.9
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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table presents details of the Company's goodwill allocated to the reportable segments (in millions):

	December 31, 2015			September 30, 2015		
	Gross	Accumulated Impairment	Net	Gross	Accumulated Impairment	Net
Access equipment	\$1,802.2	\$(932.1)	) \$870.1	\$1,806.3	\$(932.1)	) \$874.2
Fire & emergency	108.1	(2.0)	) 106.1	108.1	(2.0)	) 106.1
Commercial	196.6	(175.9)	) 20.7	196.7	(175.9)	) 20.8
	\$2,106.9	\$(1,110.0)	) \$996.9	\$2,111.1	\$(1,110.0)	) \$1,001.1

Details of the Company's total purchased intangible assets are as follows (in millions):

	December 31, 2015			
	Weighted- Average Life (in years)	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	\$55.4	\$(26.9)	) \$28.5
Non-compete	10.5	56.4	(56.4)	) —
Technology-related	11.9	104.8	(85.4)	) 19.4
Customer relationships	12.8	548.1	(392.8)	) 155.3
Other	16.4	16.5	(14.4)	) 2.1
	14.5	781.2	(575.9)	) 205.3
Non-amortizable trade names		387.8	—	) 387.8
		\$1,169.0	\$(575.9)	) \$593.1

	September 30, 2015			
	Weighted- Average Life (in years)	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	\$55.4	\$(26.6)	) \$28.8
Non-compete	10.5	56.4	(56.3)	) 0.1
Technology-related	11.9	104.8	(83.3)	) 21.5
Customer relationships	12.8	550.3	(384.0)	) 166.3
Other	16.5	16.5	(14.3)	) 2.2
	14.5	783.4	(564.5)	) 218.9
Non-amortizable trade names		387.8	—	) 387.8
		\$1,171.2	\$(564.5)	) \$606.7

The estimated future amortization expense of purchased intangible assets for the remainder of fiscal 2016 and the five years succeeding September 30, 2016 are as follows: 2016 (remaining nine months) - \$39.2 million; 2017 - \$45.8 million; 2018 - \$38.3 million; 2019 - \$36.9 million; 2020 - \$11.1 million and 2021 - \$5.3 million.



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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 8. Credit Agreements

The Company was obligated under the following debt instruments (in millions):

	December 31, 2015	September 30, 2015
Senior Secured Term Loan	\$370.0	\$375.0
5.375% Senior Notes due March 2022	250.0	250.0
5.375% Senior Notes due March 2025	250.0	250.0
	870.0	875.0
Less current maturities	(20.0 )	(20.0 )
	\$850.0	\$855.0
Revolving Credit Facility	\$111.7	\$63.5
Other	3.5	—
Current maturities of long-term debt	20.0	20.0
	\$135.2	\$83.5

On March 21, 2014, the Company entered into an Amended and Restated Credit Agreement with various lenders (the “Credit Agreement”). The Credit Agreement provides for (i) a revolving credit facility (“Revolving Credit Facility”) that matures in March 2019 with an initial maximum aggregate amount of availability of \$600 million and (ii) a \$400 million term loan (“Term Loan”) due in quarterly principal installments of \$5.0 million with a balloon payment of \$310.0 million due at maturity in March 2019. On January 22, 2015, the Company entered into an agreement with lenders under the Credit Agreement that increased the Revolving Credit Facility to an aggregate maximum amount of \$850 million effective January 26, 2015. At December 31, 2015, borrowings under the Revolving Credit Facility of \$111.7 million and outstanding letters of credit of \$109.8 million reduced available capacity under the Revolving Credit Facility to \$628.5 million. The Company entered into a 63.0 million Chinese renminbi uncommitted line of credit in October 2015 to provide short-term finance support to operations in China. There was 22.8 million Chinese renminbi (\$3.5 million) outstanding on the uncommitted line of credit on December 31, 2015. The uncommitted line of credit carries a variable interest rate that is set by the lender, which was 4.35% at December 31, 2015.

The Company’s obligations under the Credit Agreement are guaranteed by certain of its domestic subsidiaries, and the Company will guarantee the obligations of certain of its subsidiaries under the Credit Agreement. Subject to certain exceptions, the Credit Agreement is collateralized by (i) a first-priority perfected lien and security interests in substantially all of the personal property of the Company, each material subsidiary of the Company and each subsidiary guarantor, (ii) mortgages upon certain real property of the Company and certain of its domestic subsidiaries and (iii) a pledge of the equity of each material subsidiary of the Company.

Under the Credit Agreement, the Company must pay (i) an unused commitment fee ranging from 0.225% to 0.35% per annum of the average daily unused portion of the aggregate revolving credit commitments under the Credit Agreement and (ii) a fee ranging from 0.625% to 2.00% per annum of the maximum amount available to be drawn for each letter of credit issued and outstanding under the Credit Agreement.

Borrowings under the Credit Agreement bear interest at a variable rate equal to (i) LIBOR plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied, or (ii) for dollar-denominated loans only, the base rate (which is the highest of (a) the administrative agent’s prime rate, (b) the federal funds rate plus 0.50% or (c) the sum of 1% plus one-month LIBOR) plus a specified margin, which may be

adjusted upward or downward depending on whether certain criteria are satisfied. At December 31, 2015, the interest spread on the Revolving Credit Facility and Term Loan was 150 basis points. The weighted-average interest rate on borrowings outstanding under the Revolving Credit Facility at December 31, 2015 was 1.93%. The weighted-average interest rate on borrowings outstanding under the Term Loan at December 31, 2015 was 1.74%.

The Credit Agreement contains various restrictions and covenants, including requirements that the Company maintain certain financial ratios at prescribed levels and restrictions, subject to certain exceptions, on the ability of the Company and

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certain of its subsidiaries to consolidate or merge, create liens, incur additional indebtedness, dispose of assets, consummate acquisitions and make investments in joint ventures and foreign subsidiaries.

The Credit Agreement contains the following financial covenants:

**Leverage Ratio:** A maximum leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated indebtedness to consolidated net income before interest, taxes, depreciation, amortization, non-cash charges and certain other items ("EBITDA")) as of the last day of any fiscal quarter of 4.50 to 1.00.

**Interest Coverage Ratio:** A minimum interest coverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated EBITDA to the Company's consolidated cash interest expense) as of the last day of any fiscal quarter of 2.50 to 1.00.

**Senior Secured Leverage Ratio:** A maximum senior secured leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated secured indebtedness to the Company's consolidated EBITDA) of 3.00 to 1.00.

With certain exceptions, the Company may elect to have the collateral pledged in connection with the Credit Agreement released during any period that the Company maintains an investment grade corporate family rating from either Standard & Poor's Ratings Group or Moody's Investor Service Inc. During any such period when the collateral has been released, the Company's leverage ratio as of the last day of any fiscal quarter must not be greater than 3.75 to 1.00, and the Company would not be subject to any additional requirement to limit its senior secured leverage ratio.

The Company was in compliance with the financial covenants contained in the Credit Agreement as of December 31, 2015.

Additionally, with certain exceptions, the Credit Agreement limits the ability of the Company to pay dividends and other distributions, including repurchases of shares of its Common Stock. However, so long as no event of default exists under the Credit Agreement or would result from such payment, the Company may pay dividends and other distributions after March 3, 2010 in an aggregate amount not exceeding the sum of:

i. 50% of the consolidated net income of the Company and its subsidiaries (or if such consolidated net income is a deficit, minus 100% of such deficit), accrued on a cumulative basis during the period beginning on January 1, 2010 and ending on the last day of the fiscal quarter immediately preceding the date of the applicable proposed dividend or distribution; and

ii. 100% of the aggregate net proceeds received by the Company subsequent to March 3, 2010 either as a contribution to its common equity capital or from the issuance and sale of its Common Stock.

In February 2014, the Company issued \$250.0 million of 5.375% unsecured senior notes due March 1, 2022 (the "2022 Senior Notes"). In March 2015, the Company issued \$250.0 million of 5.375% unsecured senior notes due March 1, 2025 (the "2025 Senior Notes"). The Company has the option to redeem the 2022 Senior Notes and the 2025 Senior Notes for a premium after March 1, 2017 and March 1, 2020, respectively.

The 2022 Senior Notes and the 2025 Senior Notes were issued pursuant to separate indentures (the "Indentures") among the Company, the subsidiary guarantors named therein and a trustee. The Indentures contain customary affirmative and negative covenants. Certain of the Company's subsidiaries jointly, severally, fully and unconditionally guarantee the Company's obligations under the 2022 Senior Notes and 2025 Senior Notes. See Note 21 of the Notes to Condensed Consolidated Financial Statements for separate financial information of the subsidiary guarantors.

The fair value of the long-term debt is estimated based upon Level 2 inputs to reflect market rate of the Company's debt. At December 31, 2015, the fair value of the 2022 Senior Notes and the 2025 Senior Notes was estimated to be \$249 million and \$246 million, respectively, and the fair value of the Term Loan approximated book value. At September 30, 2015, the fair value of the 2022 Senior Notes and the 2025 Senior Notes was estimated to be \$252 million and \$249 million, respectively, and the fair value of the Term Loan approximated book value. See Note 13 of the Notes to Condensed Consolidated Financial Statements for the definition of a Level 2 input.

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## 9. Warranties

The Company's products generally carry explicit warranties that extend from six months to five years, based on terms that are generally accepted in the marketplace. Selected components (such as engines, transmissions, tires, etc.) included in the Company's end products may include manufacturers' warranties. These manufacturers' warranties are generally passed on to the end customer of the Company's products, and the customer would generally deal directly with the component manufacturer. Accrued warranty is reported in "Other current liabilities" in the Condensed Consolidated Balance Sheets.

The Company offers a range of extended warranty options across its product lines. The premiums received for an extended warranty are generally deferred until after the expiration of the standard warranty period. The unearned premium is then recognized in income over the term of the extended warranty period in proportion to the costs that are expected to be incurred. Unamortized extended warranty premiums included in the following table totaled \$27.3 million and \$24.8 million at December 31, 2015 and 2014, respectively, and are included in the Condensed Consolidated Balance Sheets as "Other current liabilities" or "Other long-term liabilities".

Changes in the Company's warranty liability and unearned extended warranty premiums were as follows (in millions):

	Three Months Ended	
	December 31,	
	2015	2014
Balance at beginning of period	\$92.1	\$101.9
Warranty provisions	10.0	6.8
Settlements made	(13.9	) (13.2
Changes in liability for pre-existing warranties, net	(0.6	) (1.2
Premiums received	2.6	2.6
Amortization of premiums received	(2.6	) (2.4
Foreign currency translation	(0.5	) (0.8
Balance at end of period	\$87.1	\$93.7

Provisions for estimated warranty and other related costs are recorded at the time of sale and are periodically adjusted to reflect actual experience. Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. At times, warranty issues arise that are beyond the scope of the Company's historical experience. It is reasonably possible that additional warranty and other related claims could arise from disputes or other matters in excess of amounts accrued; however, the Company does not expect that any such amounts, while not determinable, would have a material effect on the Company's consolidated financial condition, result of operations or cash flows.

## 10. Guarantee Arrangements

The Company is party to multiple agreements whereby at December 31, 2015 it guaranteed an aggregate of \$564.4 million in indebtedness of customers. The Company estimated that its maximum loss exposure under these contracts at December 31, 2015 was \$117.3 million. Under the terms of these and various related agreements and upon the occurrence of certain events, the Company generally has the ability to, among other things, take possession

of the underlying collateral. If the financial condition of the customers were to deteriorate and result in their inability to make payments, then loss provisions in excess of amounts provided for at inception may be required. While the Company does not expect to experience losses under these agreements that are materially in excess of the amounts reserved, it cannot provide any assurance that the financial condition of the third parties will not deteriorate resulting in the third parties' inability to meet their obligations. In the event that this occurs, the Company cannot guarantee that the collateral underlying the agreements will be sufficient to avoid losses materially in excess of the amounts reserved. Any losses under these guarantees would generally be mitigated by the value of any underlying collateral, including financed equipment, and are generally subject to the finance company's ability to provide the Company clear title to foreclosed equipment and other conditions. During periods of economic weakness, collateral values generally decline and can contribute to higher exposure to losses.

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Changes in the Company's credit guarantee liability were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Balance at beginning of period	\$5.6	\$4.6
Provision for new credit guarantees	0.8	0.6
Changes for pre-existing guarantees, net	0.3	0.1
Amortization of previous guarantees	(0.9	) (0.4
Foreign currency translation	—	(0.1
Balance at end of period	\$5.8	\$4.8

## 11. Shareholders' Equity

On August 31, 2015, the Company's Board of Directors increased the Company's Common Stock repurchase authorization by 10,000,000 shares, increasing the repurchase authorization to 10,299,198 from the balance remaining from prior authorizations. Between August 31, 2015 and December 31, 2015, the Company repurchased 2,786,624 shares under this authorization at a cost of \$112.0 million. As a result, the Company had 7,512,574 shares of Common Stock remaining under this repurchase authorization as of December 31, 2015. The Company is restricted by its Credit Agreement from repurchasing shares in certain situations. See Note 8 of the Notes to Condensed Consolidated Financial Statements for information regarding these restrictions.

## 12. Derivative Financial Instruments and Hedging Activities

The Company has used forward foreign currency exchange contracts ("derivatives") to reduce the exchange rate risk of specific foreign currency denominated transactions. These derivatives typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date. At times, the Company has designated these hedges as either cash flow hedges or fair value hedges under FASB Accounting Standards Codification ("ASC") Topic 815, Derivatives and Hedging. At December 31, 2015, the total notional U.S. dollar equivalent of outstanding forward foreign exchange contracts designated as hedges in accordance with ASC Topic 815 was \$10.2 million. Net gains or losses related to hedge ineffectiveness were insignificant for the three month periods ended December 31, 2015 and 2014. Ineffectiveness is included in "Miscellaneous, net" in the Condensed Consolidated Statements of Income along with mark-to-market adjustments on outstanding non-designated derivatives. The maximum length of time the Company is hedging its exposure to the variability in future cash flows is twelve months.

The Company has entered into forward foreign currency exchange contracts to create an economic hedge to manage foreign exchange risk exposure associated with non-functional currency denominated payables resulting from global sourcing activities. The Company has not designated these derivative contracts as hedge transactions under FASB ASC Topic 815, and accordingly, the mark-to-market impact of these derivatives is recorded each period in current earnings. The fair value of foreign currency related derivatives is included in the Condensed Consolidated Balance Sheets in "Other current assets" and "Other current liabilities." At December 31, 2015, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled \$108.8 million in notional amounts, including \$10.3 million in contracts to sell euro, \$3.8 million in contracts to buy euro, \$57.0 million in contracts to sell Australian dollars, \$8.1 million in contracts to buy Swedish krona and sell euro, \$5.2 million in contracts to buy U.K. pound sterling,

\$12.2 million in contracts to buy euro and sell Canadian dollars and \$6.1 million in contracts to buy Canadian dollars and sell euro, with the remaining contracts covering a variety of foreign currencies.

The Company has entered into interest rate contracts to create an economic hedge to manage changes in interest rates on executory sales contracts that exposes the Company to interest rate risk based on changes in market interest rates. The Company has not designated these interest rate contracts as hedge transactions under FASB ASC Topic 815, and accordingly, the mark-to-market impact of these derivatives is recorded each period in current earnings. The fair value of the interest rate related derivatives is included in the Condensed Consolidated Balance Sheets in “Other current assets” and “Other current liabilities.” At December 31, 2015, the U.S. dollar equivalent notional amount of these outstanding interest rate contracts totaled \$26.9 million.



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Fair Market Value of Financial Instruments — The fair values of all open derivative instruments in the Condensed Consolidated Balance Sheets were as follows (in millions):

	December 31, 2015		September 30, 2015	
	Other Current Assets	Other Current Liabilities	Other Current Assets	Other Current Liabilities
Cash flow hedges:				
Foreign exchange contracts	\$0.3	\$—	\$0.4	\$—
Not designated as hedging instruments:				
Foreign exchange contracts	1.0	0.3	0.3	0.4
Interest rate contracts	—	0.8	—	0.7
	\$1.3	\$1.1	\$0.7	\$1.1

The pre-tax effects of derivative instruments on the Condensed Consolidated Statements of Income consisted of the following (in millions):

	Classification of Gains (Losses)	Three Months Ended December 31,	
		2015	2014
Not designated as hedging instruments:			
Foreign exchange contracts	Miscellaneous, net	\$(1.3)	) \$3.4
Interest rate contracts	Miscellaneous, net	(0.1)	) —
		\$(1.4)	) \$3.4

## 13. Fair Value Measurement

FASB ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., exit price) in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 requires disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the assumptions (i.e., inputs) used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment.

The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than quoted prices in active markets for identical assets or liabilities, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

There were no transfers of assets between levels during the three months ended December 31, 2015.



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As of December 31, 2015 and September 30, 2015 the fair values of the Company's financial assets and liabilities were as follows (in millions):

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Assets:				
SERP plan assets <sup>(a)</sup>	\$22.2	\$—	\$—	\$22.2
Foreign currency exchange derivatives <sup>(b)</sup>	—	1.3	—	1.3
Liabilities:				
Foreign currency exchange derivatives <sup>(b)</sup>	\$—	\$0.3	\$—	\$0.3
Interest rate contracts <sup>(c)</sup>	—	0.8	—	0.8
September 30, 2015				
Assets:				
SERP plan assets <sup>(a)</sup>	\$21.6	\$—	\$—	\$21.6
Foreign currency exchange derivatives <sup>(b)</sup>	—	0.7	—	0.7
Liabilities:				
Foreign currency exchange derivatives <sup>(b)</sup>	\$—	\$0.4	\$—	\$0.4
Interest rate contracts <sup>(c)</sup>	—	0.7	—	0.7

<sup>(a)</sup> Represents investments in a rabbi trust for the Company's non-qualified supplemental executive retirement plans ("SERP"). The fair values of these investments are determined using a market approach. Investments include mutual funds for which quoted prices in active markets are available. The Company records changes in the fair value of investments in the Condensed Consolidated Statements of Income.

<sup>(b)</sup> Based on observable market transactions of forward currency prices.

<sup>(c)</sup> Based on observable market transactions of interest rate swap prices.

#### 14. Stock-Based Compensation

In February 2009, the Company's shareholders approved the 2009 Incentive Stock and Awards Plan (as amended, the "2009 Stock Plan"). The 2009 Stock Plan replaced the 2004 Incentive Stock and Awards Plan (as amended, the "2004 Stock Plan"). While no new awards will be granted under the 2004 Stock Plan, awards previously made under the 2004 Stock Plan that were outstanding as of the initial approval date of the 2009 Stock Plan will remain outstanding and continue to be governed by the provisions of the 2004 Stock Plan. On January 31, 2012, the Company's shareholders approved an amendment and restatement of the 2009 Stock Plan. At December 31, 2015, the Company had reserved 6,433,129 shares of Common Stock available for issuance under the 2009 Stock Plan to provide for the exercise of outstanding stock options and the issuance of Common Stock under incentive compensation awards, including awards issued prior to the effective date of the 2009 Stock Plan.

The Company recognizes stock-based compensation expense over the requisite service period for vesting of an award, or to an employee's eligible retirement date, if earlier and applicable. Total stock-based compensation expense, including cash-based liability awards, included in the Condensed Consolidated Statements of Income for the three months ended December 31, 2015 and 2014 was \$6.0 million (\$3.8 million net of tax) and \$6.5 million (\$4.1 million net of tax), respectively.

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## 15. Employee Benefit Plans

Components of net periodic pension benefit cost were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Components of net periodic benefit cost		
Service cost	\$2.9	\$3.0
Interest cost	4.6	4.5
Expected return on plan assets	(4.5	) (4.6
Amortization of prior service cost	0.4	0.4
Amortization of net actuarial loss	0.6	0.7
Net periodic benefit cost	\$4.0	\$4.0

Components of net periodic other post-employment benefit cost (income) were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Components of net periodic benefit cost (income)		
Service cost	\$0.3	\$0.4
Interest cost	0.4	0.4
Amortization of prior service cost	(0.2	) (0.2
Curtailment	—	(3.4
Net periodic benefit cost (income)	\$0.5	\$(2.8

The Company made contributions to fund benefit payments of \$0.5 million and \$0.4 million for the three months ended December 31, 2015 and 2014, respectively, under its other post-employment benefit plans. The Company estimates that it will make additional contributions of approximately \$1.5 million under these other post-employment benefit plans prior to the end of fiscal 2016.

The Company's pension plan investment strategy is based on an expectation that, over time, equity securities will provide higher returns than debt securities. The plans primarily minimize the risk of larger losses under this strategy through diversification of investments by asset class, by investing in different styles of investment management within the classes and using a number of different investment managers. Beginning in fiscal 2016, the Company began to implement a dynamic liability driven investment strategy for those pension plans with frozen benefits. The objective of this strategy is to more closely align the pension plan assets with its liabilities in terms of how both respond to changes in interest rates. Plan assets will be allocated to two investment categories, including a category containing high quality fixed income securities and another category comprised of traditional securities and alternative asset classes. Assets are managed externally according to guidelines approved by the Company. Over time, the Company intends to reduce assets allocated to the return seeking category and correspondingly increase assets allocated to the high quality fixed income category to align more closely with the pension plan obligations.

## 16. Income Taxes

The Company recorded income tax expense of \$1.7 million for the three months ended December 31, 2015, or 10.6% of pre-tax income, compared to \$16.2 million, or 31.9% of pre-tax income for the three months ended December 31, 2014. Results for the three months ended December 31, 2015 were favorably impacted by \$3.7 million of discrete tax benefits, including \$2.4 million related to the retroactive reinstatement of the U.S. research and development tax credit and \$1.3 million related to reduction in reserves for uncertain tax benefits, largely related to interest. Results for the three months ended December 31, 2014 were favorably impacted by \$1.0 million of net discrete tax benefits, including \$2.2 million related to the retroactive reinstatement of the U.S. research and development tax credit, partially offset by a \$1.2 million charge largely related to provision to return adjustments.

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The Company's liability for gross unrecognized tax benefits, excluding related interest and penalties, was \$27.3 million and \$27.0 million as of December 31, 2015 and September 30, 2015, respectively. As of December 31, 2015, net unrecognized tax benefits, excluding interest and penalties, of \$17.6 million would affect the Company's net income if recognized.

The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in the "Provision for income taxes" in the Condensed Consolidated Statements of Income. During the three months ended December 31, 2015 and 2014, the Company recognized benefits of \$0.8 million and charges of \$1.0 million, respectively, related to interest and penalties. At December 31, 2015, the Company had accruals for the payment of interest and penalties of \$10.2 million. During the next twelve months, it is reasonably possible that federal, state and foreign tax audit resolutions could reduce net unrecognized tax benefits by approximately \$3.5 million because the Company's tax positions are sustained on audit, the Company agrees to their disallowance or the statutes of limitations close.

The Company files federal income tax returns as well as multiple state, local and non-U.S. jurisdiction tax returns. The Company is regularly audited by federal, state and foreign tax authorities.

## 17. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component were as follows (in millions):

	Three Months Ended December 31, 2015			
	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Gains (Losses) on Derivatives, Net of Tax	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	\$(46.4)	) \$(98.1)	) \$0.1	\$(144.4)
Other comprehensive income (loss) before reclassifications	—	(11.2)	) 0.2	(11.0)
Amounts reclassified from accumulated other comprehensive income (loss)	0.5	—	—	0.5
Net current period other comprehensive income (loss)	0.5	(11.2)	) 0.2	(10.5)
Balance at end of period	\$(45.9)	) \$(109.3)	) \$0.3	\$(154.9)
	Three Months Ended December 31, 2014			
	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Gains (Losses) on Derivatives, Net of Taxes	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	\$(44.2)	) \$(25.0)	) \$—	\$(69.2)
Other comprehensive income (loss) before reclassifications	—	(22.9)	) —	(22.9)

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Amounts reclassified from accumulated other comprehensive income (loss)	(0.2	) —	—	(0.2	)
Net current period other comprehensive income (loss)	(0.2	) (22.9	) —	(23.1	)
Balance at end of period	\$(44.4	) \$(47.9	) \$—	\$(92.3	)

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Reclassifications out of accumulated other comprehensive income (loss) included in the computation of net periodic pension and postretirement benefit cost (refer to Note 15 of the Notes to Condensed Consolidated Financial Statements for additional details regarding employee benefit plans) were as follows (in millions):

	Three Months Ended December 31,	
	2015	2014
Amortization of employee pension and postretirement benefits items		
Prior service costs	\$(0.2	) \$(0.2
Actuarial losses	(0.6	) (0.7
Curtailment	—	1.2
Total before tax	(0.8	) 0.3
Tax benefit (provision)	0.3	(0.1
Net of tax	\$(0.5	) \$0.2

## 18. Earnings Per Share

Prior to September 1, 2013, the Company granted awards of nonvested stock that contained a nonforfeitable right to dividends, if declared. In accordance with FASB ASC Topic 260, Earnings Per Share, these awards are considered to be participating securities, and as a result, earnings per share is calculated using the two-class method. The two-class method is an earnings allocation method that determines earnings per share for common shares and participating securities. The undistributed earnings are allocated between common shares and participating securities as if all earnings had been distributed during the period. Participating securities and common shares have equal rights to undistributed earnings.

Effective September 1, 2013, new grants of awards of nonvested stock do not contain a nonforfeitable right to dividends during the vesting period. As a result, an employee will forfeit the right to dividends accrued on unvested awards if such awards do not ultimately vest. As such, these awards are not treated as participating securities in the earnings per share calculation as the employees do not have equivalent dividend rights as common shareholders.

The calculation of basic and diluted earnings per common share was as follows (in millions, except number of share amounts):

	Three Months Ended December 31,	
	2015	2014
Net income	\$14.6	\$34.7
Earnings allocated to participating securities	—	(0.1
Earnings available to common shareholders	\$14.6	\$34.6
Basic Earnings Per Share:		
Weighted-average common shares outstanding	74,063,418	78,849,340
Diluted Earnings Per Share:		
Basic weighted-average common shares outstanding	74,063,418	78,849,340
Dilutive stock options and other equity-based compensation awards	789,798	1,105,166

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Participating restricted stock	—	(109,310 )
Diluted weighted-average common shares outstanding	74,853,216	79,845,196

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Options not included in the computation of diluted earnings per share attributable to common shareholders because they would have been anti-dilutive were as follows:

	Three Months Ended December 31,	
	2015	2014
Stock options	1,697,145	1,167,791

## 19. Contingencies, Significant Estimates and Concentrations

Personal Injury Actions and Other - Product and general liability claims are made against the Company from time to time in the ordinary course of business. The Company is generally self-insured for future claims up to \$5.0 million per claim. Accordingly, a reserve is maintained for the estimated costs of such claims. At December 31, 2015 and September 30, 2015, the estimated net liabilities for product and general liability claims totaled \$38.9 million and \$40.4 million, respectively. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses in excess of established reserves will not have a material effect on the Company's financial condition, results of operations or cash flows.

Market Risks - The Company was contingently liable under bid, performance and specialty bonds totaling \$509.5 million and \$469.9 million at December 31, 2015 and September 30, 2015, respectively. Open standby letters of credit issued by the Company's banks in favor of third parties totaled \$109.8 million and \$62.6 million at December 31, 2015 and September 30, 2015, respectively.

Other Matters - The Company is subject to environmental matters and legal proceedings and claims, including patent, antitrust, product liability, warranty and state dealership regulation compliance proceedings, that arise in the ordinary course of business. Although the final results of all such matters and claims cannot be predicted with certainty, management believes that the ultimate resolution of all such matters and claims will not have a material effect on the Company's financial condition, results of operations or cash flows. Actual results could vary, among other things, due to the uncertainties involved in litigation.

Major contracts for military systems are performed over extended periods of time and are subject to changes in scope of work and delivery schedules. Pricing negotiations on changes and settlement of claims often extend over prolonged periods of time. The Company's ultimate profitability on such contracts may depend on the eventual outcome of an equitable settlement of contractual issues with the Company's customers.

## 20. Business Segment Information

The Company is organized into four reportable segments based on the internal organization used by management for making operating decisions and measuring performance and based on the similarity of customers served, common management, common use of facilities and economic results attained.

In accordance with FASB ASC Topic 280, Segment Reporting, for purposes of business segment performance measurement, the Company does not allocate to individual business segments costs or items that are of a non-operating nature or organizational or functional expenses of a corporate nature. The caption "Corporate" includes

corporate office expenses, share-based compensation, costs of certain business initiatives and shared services benefiting multiple segments, and results of insignificant operations. Identifiable assets of the business segments exclude general corporate assets, which principally consist of cash and cash equivalents, certain property, plant and equipment, and certain other assets pertaining to corporate activities. Intersegment sales generally include amounts invoiced by a segment for work performed for another segment. Amounts are based on actual work performed and agreed-upon pricing, which is intended to be reflective of the contribution made by the supplying business segment.

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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Selected financial information concerning the Company's reportable segments and product lines is as follows (in millions):

	Three Months Ended December 31, 2015			2014		
	External Customers	Inter- segment	Net Sales	External Customers	Inter- segment	Net Sales
Access equipment						
Aerial work platforms	\$242.0	\$—	\$242.0	\$277.3	\$—	\$277.3
Telehandlers	111.8	—	111.8	290.4	—	290.4
Other	176.0	—	176.0	149.0	—	149.0
Total access equipment	529.8	—	529.8	716.7	—	716.7
Defense	316.9	1.1	318.0	269.2	0.1	269.3
Fire & emergency	205.4	2.1	207.5	159.5	7.5	167.0
Commercial						
Concrete placement	72.3	—	72.3	86.1	—	86.1
Refuse collection	99.0	—	99.0	89.6	—	89.6
Other	28.6	0.4	29.0	32.2	2.3	34.5
Total commercial	199.9	0.4	200.3	207.9	2.3	210.2
Intersegment eliminations	—	(3.6	) (3.6	) —	(9.9	) (9.9
Consolidated sales	\$1,252.0	\$—	\$1,252.0	\$1,353.3	\$—	\$1,353.3

	Three Months Ended December 31,	
	2015	2014
Operating income (loss):		
Access equipment	\$20.4	\$77.2
Defense	23.2	9.8
Fire & emergency	10.1	1.5
Commercial	8.9	12.4
Corporate	(32.3	) (35.3
Intersegment eliminations	—	0.1
Consolidated	30.3	65.7
Interest expense, net of interest income	(14.1	) (13.6
Miscellaneous other expense	—	(1.3
Income before income taxes and equity in earnings of unconsolidated affiliates	\$16.2	\$50.8

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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

	December 31, 2015	September 30, 2015
Identifiable assets:		
Access equipment:		
U.S.	\$2,073.2	\$2,178.7
Europe <sup>(a)</sup>	499.3	531.4
Rest of the World	203.4	201.5
Total access equipment	2,775.9	2,911.6
Defense:		
U.S.	442.7	424.5
Rest of the World	1.7	5.1
Total defense	444.4	429.6
Fire & emergency - U.S.	505.8	530.7
Commercial:		
U.S.	380.2	395.1
Rest of the World <sup>(a)</sup>	38.1	41.1
Total commercial	418.3	436.2
Corporate:		
U.S. <sup>(b)</sup>	194.1	218.6
Rest of the World <sup>(c)</sup>	71.4	86.3
Total corporate	265.5	304.9
Consolidated	\$4,409.9	\$4,613.0

<sup>(a)</sup> Includes investments in unconsolidated affiliates.

<sup>(b)</sup> Primarily includes cash, short-term investments and capitalized costs related to a shared enterprise resource planning system.

<sup>(c)</sup> Includes a corporate-led manufacturing facility that supports multiple operating segments.

The following table presents net sales by geographic region based on product shipment destination (in millions):

	Three Months Ended December 31,	
	2015	2014
Net sales:		
United States	\$904.4	\$1,081.7
Other North America	61.5	62.0
Europe, Africa and Middle East	200.1	104.4
Rest of the World	86.0	105.2
Consolidated	\$1,252.0	\$1,353.3

## 21. Separate Financial Information of Subsidiary Guarantors of Indebtedness

The 2022 Senior Notes and the 2025 Senior Notes are jointly, severally, fully and unconditionally guaranteed on a senior unsecured basis by all of the Company's 100% owned existing and future subsidiaries that from time to time guarantee obligations under the Credit Agreement, with certain exceptions (the "Guarantors").



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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Under the Indentures governing the 2022 Senior Notes and 2025 Senior Notes, a Guarantor's guarantee of such Senior Notes will be automatically and unconditionally released and will terminate upon the following customary circumstances: (i) the sale of such Guarantor or substantially all of the assets of such Guarantor if such sale complies with the Indentures; (ii) if such Guarantor no longer guarantees certain other indebtedness of the Company; or (iii) the defeasance or satisfaction and discharge of the Indentures. The following condensed supplemental consolidating financial information reflects the summarized financial information of Oshkosh Corporation, the Guarantors on a combined basis and Oshkosh Corporation's non-guarantor subsidiaries on a combined basis (in millions):

## Condensed Consolidating Statement of Income and Comprehensive Income

For the Three Months Ended December 31, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$—	\$1,056.8	\$220.4	\$(25.2)	\$1,252.0
Cost of sales	0.3	899.0	195.1	(25.2)	1,069.2
Gross income	(0.3)	157.8	25.3	—	182.8
Selling, general and administrative expenses	23.6	89.3	26.4	—	139.3
Amortization of purchased intangibles	—	9.8	3.4	—	13.2
Operating income (loss)	(23.9)	58.7	(4.5)	—	30.3
Interest expense	(59.6)	(14.7)	(0.7)	60.4	(14.6)
Interest income	0.5	16.2	44.2	(60.4)	0.5
Miscellaneous, net	14.9	(41.4)	26.5	—	—
Income (loss) before income taxes	(68.1)	18.8	65.5	—	16.2
Provision for (benefit from) income taxes	(5.8)	1.6	5.9	—	1.7
Income (loss) before equity in earnings of affiliates	(62.3)	17.2	59.6	—	14.5
Equity in earnings of consolidated subsidiaries	77.2	18.1	(6.4)	(88.9)	—
Equity in earnings of unconsolidated affiliates	(0.3)	—	0.4	—	0.1
Net income	14.6	35.3	53.6	(88.9)	14.6
Other comprehensive income (loss), net of tax	(10.5)	(2.9)	(8.1)	11.0	(10.5)
Comprehensive income	\$4.1	\$32.4	\$45.5	\$(77.9)	\$4.1

## Condensed Consolidating Statement of Income and Comprehensive Income

For the Three Months Ended December 31, 2014

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$—	\$1,158.4	\$214.8	\$(19.9)	\$1,353.3
Cost of sales	—	966.8	177.0	(20.2)	1,123.6
Gross income	—	191.6	37.8	0.3	229.7
	31.8	92.1	26.6	—	150.5



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Selling, general and administrative expenses

Amortization of purchased intangibles	—	9.8	3.7	—	13.5	
Operating income (loss)	(31.8	) 89.7	7.5	0.3	65.7	
Interest expense	(57.8	) (12.8	) (0.5	) 56.7	(14.4	)
Interest income	0.5	15.3	41.7	(56.7	) 0.8	
Miscellaneous, net	8.2	(63.3	) 53.8	—	(1.3	)
Income (loss) before income taxes	(80.9	) 28.9	102.5	0.3	50.8	
Provision for (benefit from) income taxes	(28.6	) 12.0	32.7	0.1	16.2	
Income (loss) before equity in earnings of affiliates	(52.3	) 16.9	69.8	0.2	34.6	
Equity in earnings of consolidated subsidiaries	87.0	35.8	12.5	(135.3	) —	
Equity in earnings of unconsolidated affiliates	—	—	0.1	—	0.1	
Net income	34.7	52.7	82.4	(135.1	) 34.7	
Other comprehensive income (loss), net of tax	(23.1	) (2.7	) (29.8	) 32.5	(23.1	)
Comprehensive income	\$11.6	\$50.0	\$52.6	\$(102.6	) \$11.6	

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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## Condensed Consolidating Balance Sheet

As of December 31, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$12.2	\$5.6	\$15.9	\$—	\$33.7
Receivables, net	16.9	595.2	210.9	(34.3)	788.7
Inventories, net	—	920.7	374.7	—	1,295.4
Other current assets	19.6	83.6	27.6	—	130.8
Total current assets	48.7	1,605.1	629.1	(34.3)	2,248.6
Investment in and advances to consolidated subsidiaries	5,790.0	1,170.2	(202.7)	(6,757.5)	—
Intercompany receivables	47.2	1,051.4	4,409.9	(5,508.5)	—
Intangible assets, net	—	975.3	614.7	—	1,590.0
Other long-term assets	120.0	224.2	227.1	—	571.3
Total assets	\$6,005.9	\$5,026.2	\$5,678.1	\$(12,300.3)	\$4,409.9
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	\$14.5	\$343.2	\$109.6	\$(34.0)	\$433.3
Customer advances	—	482.8	2.3	—	485.1
Other current liabilities	177.8	182.2	86.8	(0.3)	446.5
Total current liabilities	192.3	1,008.2	198.7	(34.3)	1,364.9
Long-term debt, less current maturities	850.0	—	—	—	850.0
Intercompany payables	3,095.3	2,366.0	47.2	(5,508.5)	—
Other long-term liabilities	61.9	188.8	137.9	—	388.6
Shareholders' equity	1,806.4	1,463.2	5,294.3	(6,757.5)	1,806.4
Total liabilities and shareholders' equity	\$6,005.9	\$5,026.2	\$5,678.1	\$(12,300.3)	\$4,409.9

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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## Condensed Consolidating Balance Sheet

As of September 30, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 14.8	\$ 6.3	\$ 21.8	\$—	\$ 42.9
Receivables, net	29.4	692.9	290.1	(47.8)	) 964.6
Inventories, net	—	926.2	375.5	—	1,301.7
Other current assets	11.5	81.7	26.9	—	120.1
Total current assets	55.7	1,707.1	714.3	(47.8)	) 2,429.3
Investment in and advances to consolidated subsidiaries	5,744.0	1,128.0	(192.4)	) (6,679.6)	) —
Intercompany receivables	47.2	998.7	4,331.3	(5,377.2)	) —
Intangible assets, net	—	984.4	623.4	—	1,607.8
Other long-term assets	117.3	228.9	229.7	—	575.9
Total assets	\$ 5,964.2	\$ 5,047.1	\$ 5,706.3	\$(12,104.6)	) \$ 4,613.0
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	\$ 16.3	\$ 415.3	\$ 168.7	\$(47.5)	) \$ 552.8
Customer advances	—	438.3	1.9	—	440.2
Other current liabilities	165.0	202.4	98.0	(0.3)	) 465.1
Total current liabilities	181.3	1,056.0	268.6	(47.8)	) 1,458.1
Long-term debt, less current maturities	855.0	—	—	—	855.0
Intercompany payables	2,957.5	2,372.5	47.2	(5,377.2)	) —
Other long-term liabilities	59.3	191.3	138.2	—	388.8
Shareholders' equity	1,911.1	1,427.3	5,252.3	(6,679.6)	) 1,911.1
Total liabilities and shareholders' equity	\$ 5,964.2	\$ 5,047.1	\$ 5,706.3	\$(12,104.6)	) \$ 4,613.0

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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## Condensed Consolidating Statement of Cash Flows

For the Three Months Ended December 31, 2015

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total	
Net cash provided (used) by operating activities	\$ (84.7	) \$ 86.8	\$ 69.7	\$—	\$ 71.8	
Investing activities:						
Additions to property, plant and equipment	(7.0	) (5.1	) (9.2	) —	(21.3	)
Additions to equipment held for rental	—	—	(15.0	) —	(15.0	)
Proceeds from sale of equipment held for rental	—	0.6	18.1	—	18.7	
Intercompany investing	—	(76.6	) (75.3	) 151.9	—	
Other investing activities	(0.5	) (0.1	) —	—	(0.6	)
Net cash provided (used) by investing activities	(7.5	) (81.2	) (81.4	) 151.9	(18.2	)
Financing activities:						
Net increase in short-term debt	28.2	—	—	—	28.2	
Proceeds from issuance of debt (original maturities greater than three months)	150.0	—	3.6	—	153.6	
Repayment of debt (original maturities greater than three months)	(135.0	) —	—	—	(135.0	)
Repurchases of Common Stock	(100.1	) —	—	—	(100.1	)
Dividends paid	(14.1	) —	—	—	(14.1	)
Proceeds from exercise of stock options	1.4	—	—	—	1.4	
Excess tax benefit from stock-based compensation	0.8	—	—	—	0.8	
Intercompany financing	158.4	(6.5	) —	(151.9	) —	
Net cash provided (used) by financing activities	89.6	(6.5	) 3.6	(151.9	) (65.2	)
Effect of exchange rate changes on cash	—	0.2	2.2	—	2.4	
Increase (decrease) in cash and cash equivalents	(2.6	) (0.7	) (5.9	) —	(9.2	)
Cash and cash equivalents at beginning of period	14.8	6.3	21.8	—	42.9	
Cash and cash equivalents at end of period	\$ 12.2	\$ 5.6	\$ 15.9	\$—	\$ 33.7	



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## OSHKOSH CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## Condensed Consolidating Statement of Cash Flows

For the Three Months Ended December 31, 2014

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash provided (used) by operating activities	\$(65.7 )	\$(23.5 )	\$36.9	\$—	\$(52.3 )
Investing activities:					
Additions to property, plant and equipment	(8.8 )	(5.9 )	(24.3 )	—	(39.0 )
Additions to equipment held for rental	—	—	(13.2 )	—	(13.2 )
Proceeds from sale of equipment held for rental	—	—	2.6	—	2.6
Intercompany investing	(15.0 )	6.5	(24.8 )	33.3	—
Other investing activities	(0.4 )	(0.7 )	0.5	—	(0.6 )
Net cash provided (used) by investing activities	(24.2 )	(0.1 )	(59.2 )	33.3	(50.2 )
Financing activities:					
Repayment of debt (original maturities greater than three months)	(5.0 )	—	—	—	(5.0 )
Repurchases of Common Stock	(88.1 )	—	—	—	(88.1 )
Dividends paid	(13.4 )	—	—	—	(13.4 )
Proceeds from exercise of stock options	2.2	—	—	—	2.2
Excess tax benefit from stock-based compensation	4.0	—	—	—	4.0
Intercompany financing	(4.1 )	22.4	15.0	(33.3 )	—
Net cash provided (used) by financing activities	(104.4 )	22.4	15.0	(33.3 )	(100.3 )
Effect of exchange rate changes on cash	—	(0.3 )	0.3	—	—
Increase (decrease) in cash and cash equivalents	(194.3 )	(1.5 )	(7.0 )	—	(202.8 )
Cash and cash equivalents at beginning of period	281.8	4.7	27.3	—	313.8
Cash and cash equivalents at end of period	\$87.5	\$3.2	\$20.3	\$—	\$111.0



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

## Cautionary Statement About Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report on Form 10-Q contain statements that Oshkosh Corporation (the "Company") believes to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including, without limitation, statements regarding the Company's future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations, including those under the caption "Executive Overview" are forward-looking statements. When used in this Quarterly Report on Form 10-Q, words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," or "plan" or the negative thereof or variations thereon or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond the Company's control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include the cyclical nature of the Company's access equipment, commercial and fire & emergency markets, which are particularly impacted by the strength of U.S. and European economies and construction seasons; the Company's estimates of access equipment demand which, among other factors, is influenced by customer historical buying patterns and rental company fleet replacement strategies; the strength of the U.S. dollar and its impact on Company exports, translation of foreign sales and purchased materials; the expected level and timing of U.S. Department of Defense ("DoD") and international defense customer procurement of products and services and funding thereof; the Company's ability to utilize material and components which it has committed to purchase from suppliers; risks related to reductions in government expenditures in light of U.S. defense budget pressures, sequestration and an uncertain DoD tactical wheeled vehicle strategy; risks related to the Company's future defense segment results depending upon the outcome of a competitor's lawsuit regarding the Joint Light Tactical Vehicle ("JLTV") production contract award to the Company; the Company's ability to increase prices to raise margins or offset higher input costs; increasing commodity and other raw material costs, particularly in a sustained economic recovery; risks related to facilities expansion, consolidation and alignment, including the amounts of related costs and charges and that anticipated cost savings may not be achieved; global economic uncertainty, which could lead to additional impairment charges related to many of the Company's intangible assets and/or a slower recovery in the Company's cyclical businesses than Company or equity market expectations; projected adoption rates of work at height machinery in emerging markets; the impact of severe weather or natural disasters that may affect the Company, its suppliers or its customers; risks related to the collectability of receivables, particularly for those businesses with exposure to construction markets; the cost of any warranty campaigns related to the Company's products; risks related to production or shipment delays arising from quality or production issues; risks associated with international operations and sales, including compliance with the Foreign Corrupt Practices Act; the Company's ability to comply with complex laws and regulations applicable to U.S. government contractors; cybersecurity risks and costs of defending against, mitigating and responding to a data security breach; and risks related to the Company's ability to successfully execute on its strategic road map and meet its long-term financial goals. Additional information concerning these and other factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's U.S. Securities and Exchange Commission ("SEC") filings, including, but not limited to, the Company's Current Report on Form 8-K filed with the SEC on January 28, 2016 and Item 1A. of Part II of this Quarterly Report on Form 10-Q.

All forward-looking statements, including those under the caption "Executive Overview," speak only as of the date the Company files this Quarterly Report on Form 10-Q with the SEC. The Company assumes no obligation, and disclaims any obligation, to update information contained in this Quarterly Report on Form 10-Q. Investors should be aware that



the Company may not update such information until the Company's next quarterly earnings conference call, if at all.

All references herein to earnings per share refer to earning per share assuming dilution.

## General

Major products manufactured and marketed by each of the Company's business segments are as follows:

Access equipment — aerial work platforms and telehandlers used in a wide variety of construction, agricultural, industrial, institutional and general maintenance applications to position workers and materials at elevated heights, as well as wreckers and carriers. Access equipment customers include equipment rental companies, construction contractors, manufacturing companies, home improvement centers and towing companies in the U.S. and abroad.

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Defense — tactical trucks, trailers and supply parts and services sold to the U.S. military and to other militaries around the world.

Fire & emergency — custom and commercial firefighting vehicles and equipment, aircraft rescue and firefighting vehicles, snow removal vehicles, simulators and other emergency vehicles primarily sold to fire departments, airports and other governmental units, and broadcast vehicles sold to broadcasters and TV stations in the U.S. and abroad.

Commercial — concrete mixers, refuse collection vehicles, portable and stationary concrete batch plants and vehicle components sold to ready-mix companies and commercial and municipal waste haulers in the Americas and other international markets and field service vehicles and truck-mounted cranes sold to mining, construction and other companies in the U.S. and abroad.

## Executive Overview

The Company reported earnings per share of \$0.19 in the first quarter of fiscal 2016, a \$0.24 per share decline in earnings compared to the first quarter of fiscal 2015 earnings per share of \$0.43. Results for the first quarter of fiscal 2016 were largely in line with the Company's expectations. The lower earnings generally resulted from an expected decline in access equipment segment results due to the impact of the slowdown in North American replacement demand for access equipment that began in fiscal 2015 and lower telehandler demand after strong demand in the prior year quarter in advance of new Tier 4 engine emissions standards requirements. The Company expects these market conditions in the access equipment segment to continue in the second quarter of fiscal 2016. The Company believes that its rental company customers remain optimistic about their businesses for fiscal 2016, but believes many may wait to confirm that the construction market in the United States gets off to a good start before fully committing to their desired equipment purchase plans for fiscal 2016. As a result of an expected more conservative rental company capital expenditure outlook for 2016 than the Company had previously anticipated, along with a more competitive market, in part due to continued strengthening of the U.S. dollar, the Company is lowering its fiscal 2016 outlook for the access equipment segment. Both the defense and fire & emergency segments reported improved results in the quarter compared to the prior year quarter. First quarter fiscal 2016 results benefited by \$0.05 per share as a result of discrete tax items, most notably the reinstatement of the research and development tax credit late in calendar 2015. The current year quarter also benefited by \$0.01 per share from a lower share count as a result of the Company's share repurchase activity over the past year. The Company utilized cash flows from operations as well as temporary borrowings under a revolving line of credit to repurchase 2.5 million shares of common stock in the first quarter of fiscal 2016. Fiscal 2015 first quarter earnings per share included a \$0.02 after tax benefit related to a post-employment benefit ("OPEB") curtailment gain.

In the defense segment, the Company shipped more than 200 Mine Resistant Ambush Protected - All Terrain Vehicles ("M-ATVs") to the Middle East during the quarter, fulfilling a significant portion of the order the Company received in the fourth quarter of fiscal 2015. An international contract that the Company is expecting for more than 1,000 additional M-ATVs was not received in the first quarter. The Company received positive comments regarding the durability, survivability and overall performance in theater of M-ATVs previously sold to this customer and has been assured by the customer that the need for the M-ATVs is still there. However, the contract has not been signed and securing a contract is taking longer than the Company originally anticipated. The Company currently does not have enough information to estimate with confidence when the contract will be awarded. As a result, the Company has removed sales and earnings related to this potential contract from its fiscal 2016 revenues, income and earnings per share estimate range to reflect the assumption that it will not receive the contract in time to recognize any sales in fiscal 2016. If the Company receives the contract in the next several months and funding is available, the Company could sell some units in fiscal 2016, which would represent incremental sales and earnings to its estimate range.

Also in the defense segment, the Company was approved to begin work again on the JLTV program in the first quarter of fiscal 2016. The JLTV award was protested by one of the other bidders, and shortly before the GAO was expected to announce its decision on the protest in mid-December 2015, the protester changed its approach and filed suit against the government with the Court of Federal Claims protesting the contract award to the Company. While the Court has not yet ruled on the JLTV suit or the related request for a preliminary injunction to again stop work on the program, the Company remains confident that the court will not overturn the decision reached by the JLTV program office when it chose Oshkosh for this highly critical program.

In the fire & emergency segment, the fire apparatus market continued to improve, driven by ongoing recovery of municipal tax receipts and the need to replace aging fleets. Pierce's order rate has also been fueled by successful product launches and a

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team, including its dealers, that focuses on the customer. Progress also continued on the operational front at this segment, which allowed it to produce units at a higher rate compared to the first quarter of fiscal 2015.

The Company continued to experience different market dynamics within the commercial segment in the first quarter of fiscal 2016. The North American refuse collection vehicle market continued its recovery, leading to another quarter of year-over-year sales growth. Share gains also contributed to the Company's growth in this product line. In contrast to the refuse collection vehicle market, the U.S. concrete mixer market continued its cautious, wait and see tone in the quarter. The Company believes that, with shorter lead times for new truck chassis compared to fiscal 2015, customers will likely wait to see how the 2016 construction season is developing before fully committing to their new equipment requirements.

Consolidated net sales decreased \$101.3 million, or 7.5%, to \$1.25 billion in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. The sales decline was attributable to a 26% decline in access equipment segment sales and a small decline in commercial segment sales. Double digit percentage sales gains in the defense and fire & emergency segments partially offset the sales decline in the access equipment segment and the commercial segment.

Consolidated operating income decreased 53.8% to \$30.3 million, or 2.4% of sales, in the first quarter of fiscal 2016 compared to \$65.7 million, or 4.9% of sales, in the first quarter of fiscal 2015. Results for the first quarter of fiscal 2016 reflect the sales decline and impact of significantly lower production compared to the prior year in the access equipment segment. Improved results in the defense and fire & emergency segments partially offset the decline in the access equipment segment. In addition, cost management actions across the Company helped offset some of the impact of the lower access equipment segment results.

The Company's previous estimate of fiscal 2016 earnings per share of \$3.00 to \$3.40 included an expectation that the Company would secure a contract for a significant number of international M-ATVs in sufficient time to manufacture and deliver more than half of those units in fiscal 2016. The Company continues to believe that it will receive this contract, however this contract has not yet been received and the Company does not have enough information to estimate with confidence when the contract will be awarded. Uncertain timing of the international M-ATV contract, combined with the impact of the previously mentioned lower outlook for the access equipment segment, have caused the Company to revise its revenue, operating income and earnings per share estimate ranges to a range of \$5.7 billion to \$6.0 billion, \$300 million to \$340 million and \$2.20 to \$2.60, respectively, to reflect the changes in the defense segment and access equipment segment fiscal 2016 outlooks from fiscal 2016 revenue and earnings estimates.

Corporate expenses are now estimated to be approximately \$130 million to \$135 million. The Company has lowered its expected tax rate from 34% to 32%, generally reflecting the research and development tax credit reinstatement. The Company has also reduced its estimated average diluted shares outstanding from 75.0 million to 74.5 million.

The Company expects that earnings will be weighted to the second half of fiscal 2016. Similar to the first quarter of fiscal 2016, the Company expects earnings in the second quarter of fiscal 2016 to be meaningfully lower than the comparable prior year quarter as a result of lower access equipment segment sales, partially driven by continued lower telehandler demand in North America after the Tier 4 engine emissions standards changes in fiscal 2015 and continued lower year-over-year production in the access equipment segment.

## Results of Operations

### Analysis of Consolidated Net Sales

The following table presents net sales by business segment (in millions):

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	First Quarter Fiscal	
	2016	2015
Net sales:		
Access equipment	\$529.8	\$716.7
Defense	318.0	269.3
Fire & emergency	207.5	167.0
Commercial	200.3	210.2
Intersegment eliminations	(3.6	) (9.9
Consolidated	\$1,252.0	\$1,353.3

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## First Quarter Fiscal 2016 Compared to 2015

Consolidated net sales decreased \$101.3 million, or 7.5%, to \$1.25 billion in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. Higher sales in the defense and fire & emergency segments were not sufficient to offset a decline in sales in the access equipment segment, and to a lesser extent, the commercial segment. The strengthening U. S. dollar negatively impacted fiscal 2016 first quarter sales by \$14.7 million compared to the first quarter of fiscal 2015.

Access equipment segment net sales decreased \$186.9 million, or 26.1%, to \$529.8 million in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. The decline in sales was primarily due to the slowdown in North American replacement demand that began last summer and lower shipments of telehandlers in North America. In the first quarter of fiscal 2015, the access equipment segment experienced a large increase in telehandler sales ahead of price increases related to Tier 4 engine emissions standards changes. A stronger U.S. dollar negatively impacted sales in the current quarter by \$12.6 million, or 180 basis points, compared to the prior year quarter.

Defense segment net sales increased \$48.7 million, or 18.1%, to \$318.0 million in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. The increase in sales was primarily due to the sale of international M-ATVs along with higher M-ATV reset sales to the DoD, offset in part by lower sales of legacy heavy and medium tactical wheeled vehicles to the DoD. Production of heavy tactical wheeled vehicles continued to ramp back up after the break in production that began in the second quarter of fiscal 2015.

Fire & emergency segment net sales increased \$40.5 million, or 24.2%, to \$207.5 million in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. Sales in the first quarter of fiscal 2016 benefited from higher domestic fire apparatus deliveries as a result of increased production rates to meet higher demand and the delivery of a multi-unit international order. Improved operational efficiencies have allowed the fire & emergency segment to increase production rates.

Commercial segment net sales decreased \$9.9 million, or 4.7%, to \$200.3 million in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. The decrease in sales was primarily attributable to lower concrete mixer sales, offset in part by higher refuse collection vehicle unit volume.

## Analysis of Consolidated Cost of Sales

The following table presents cost of sales by business segment (in millions):

	First Quarter Fiscal	
	2016	2015
Cost of sales:		
Access equipment	\$442.5	\$567.7
Defense	274.6	241.0
Fire & emergency	180.8	149.0
Commercial	168.8	176.0
Intersegment eliminations and other	2.5	(10.1)
Consolidated	\$1,069.2	\$1,123.6

## First Quarter Fiscal 2016 Compared to 2015

Consolidated cost of sales was \$1.07 billion, or 85.4% of sales, in the first quarter of fiscal 2016 compared to \$1.12 billion, or 83.0% of sales, in the first quarter of fiscal 2015. The 240 basis point increase in cost of sales as a

percentage of sales in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015 was largely due to adverse production variances (200 basis points) associated with lower production in the access equipment segment, increased start-up costs related to future increased production levels in the defense segment and the impact of prior year favorable warranty adjustments.

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Access equipment segment cost of sales was \$442.5 million, or 83.5% of sales, in the first quarter of fiscal 2016 compared to \$567.7 million, or 79.2% of sales, in the first quarter of fiscal 2015. The 430 basis point increase in cost of sales as a percentage of sales in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015 was largely due to adverse variances (290 basis points) associated with lower production.

Defense segment cost of sales was \$274.6 million, or 86.3% of sales, in the first quarter of fiscal 2016 compared to \$241.0 million, or 89.5% of sales, in the first quarter of fiscal 2015. The 320 basis point decrease in cost of sales as a percent of sales in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015 was primarily attributable to favorable product mix (540 basis points), partially offset by adverse production variances (130 basis points) associated with lower production as this segment continued to ramp up FHTV production after a break in production that started in the second quarter of fiscal 2015 and the absence of an other postretirement curtailment benefit that occurred in the first quarter of fiscal 2015 (120 basis points).

Fire & emergency segment cost of sales was \$180.8 million, or 87.1% of sales, in the first quarter of fiscal 2016 compared to \$149.0 million, or 89.2% of sales, in the first quarter of fiscal 2015. The 210 basis point decrease in cost of sales as a percent of sales in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015 was primarily attributable to favorable pricing (150 basis points) and favorable product mix (50 basis points).

Commercial segment cost of sales was \$168.8 million, or 84.3% of sales, in the first quarter of fiscal 2016 compared to \$176.0 million, or 83.7% of sales, in the first quarter of fiscal 2015. The 60 basis point increase in cost of sales as a percentage of sales in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015 was largely due to increased warranty costs.

Intersegment eliminations and other includes intercompany profit on inter-segment sales not yet sold to third party customers as well as residual manufacturing plant start-up costs not allocated to segments.

## Analysis of Consolidated Operating Income (Loss)

The following table presents operating income (loss) by business segment (in millions):

	First Quarter Fiscal	
	2016	2015
Operating income (loss):		
Access equipment	\$20.4	\$77.2
Defense	23.2	9.8
Fire & emergency	10.1	1.5
Commercial	8.9	12.4
Corporate	(32.3	) (35.3
Intersegment eliminations	—	0.1
Consolidated	\$30.3	\$65.7

## First Quarter Fiscal 2016 Compared to 2015

Consolidated operating income decreased 53.8% to \$30.3 million, or 2.4% of sales, in the first quarter of fiscal 2016 compared to \$65.7 million, or 4.9% of sales, in the first quarter of fiscal 2015. The decline in operating income was driven by the lower gross income associated with lower access equipment segment sales, offset in part by improved performance in the defense and fire & emergency segments.

Access equipment segment operating income decreased 73.5% to \$20.4 million, or 3.9% of sales, in the first quarter of fiscal 2016 compared to \$77.2 million, or 10.8% of sales, in the first quarter of fiscal 2015. The decrease in operating



income was primarily the result of the lower gross income associated with lower sales volume (down \$54 million) and adverse manufacturing absorption as the business significantly reduced production rates compared to the prior year quarter. Access equipment segment first quarter of fiscal 2016 results also included \$1.2 million of restructuring costs related to workforce reductions.

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Defense segment operating income increased 137.6% to \$23.2 million or 7.3% of sales, in the first quarter of fiscal 2016 compared to operating income of \$9.8 million, or 3.6% of sales, in the first quarter of fiscal 2015. Defense segment results for the first quarter of fiscal 2015 included a \$3.4 million other postretirement curtailment benefit. The increase in operating income in the current year quarter compared to prior year quarter was largely due to favorable product mix and higher gross income associated with higher sales (up \$5 million).

Fire & emergency segment operating income increased 556.8% to \$10.1 million, or 4.9% of sales, in the first quarter of fiscal 2016 compared to \$1.5 million, or 0.9% of sales, in the first quarter of fiscal 2015. Higher gross income on higher sales volume was the largest contributor to the increase in operating income.

Commercial segment operating income decreased 28.3% to \$8.9 million, or 4.4% of sales, in the first quarter of fiscal 2016 compared to \$12.4 million, or 5.9% of sales, in the first quarter of fiscal 2015. The decrease in operating income was primarily a result of gross income associated with lower sales volume (down \$2 million) and unfavorable warranty experience (up \$1 million).

Corporate operating expenses decreased \$3.0 million to \$32.3 million in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. The decrease in corporate operating expenses in the first quarter of fiscal 2016 was primarily due to lower incentive compensation (down \$3 million), a favorable fringe benefit adjustment (down \$3 million) and lower information technology expenses (down \$3 million), partially offset by costs to support the start-up of a shared production facility (up \$6 million).

Consolidated selling, general and administrative expenses decreased 7.5% to \$139.3 million, or 11.1% of sales, in the first quarter of fiscal 2016 compared to \$150.5 million, or 11.1% of sales, in the first quarter of fiscal 2015. The reduction in consolidated selling, general and administrative expenses in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015 was generally as a result of reductions in travel and outside services spending due to cost management actions.

Analysis of Non-Operating Income Statement Items

First Quarter Fiscal 2016 Compared to 2015

Interest expense net of interest income increased \$0.5 million to \$14.1 million in the first quarter of fiscal 2016 compared to the first quarter of fiscal 2015. The benefit of lower interest rates on the Company's senior notes refinanced in the second quarter of fiscal 2015 was offset by increased borrowings to support increased working capital.

Other miscellaneous expense of \$1.3 million in the first quarter of fiscal 2015 primarily related to net foreign currency transaction gains and losses.

The Company recorded income tax expense of \$1.7 million in the first quarter of fiscal 2016, or 10.6% of pre-tax income, compared to \$16.2 million, or 31.9%, of pre-tax income in the first quarter of fiscal 2015. Results for the first quarter of fiscal 2016 were favorably impacted by \$3.7 million of discrete tax benefits, including \$2.4 million related to the retroactive reinstatement of the U.S. research and development tax credit and \$1.3 million related to a reduction in reserves for uncertain tax benefits, largely related to interest. Results for the first quarter of fiscal 2015 were favorably impacted by \$1.0 million of net discrete tax benefits, including \$2.2 million related to the retroactive reinstatement of the U.S. research and development tax credit, partially offset by a \$1.2 million charge largely related to provision to return adjustments.

Equity in earnings of unconsolidated affiliates of \$0.1 million in the first quarter of fiscal 2016 and fiscal 2015 primarily represented the Company's equity interest in a commercial entity in Mexico and a joint venture in Europe.

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## Liquidity and Capital Resources

## Financial Condition at December 31, 2015

The Company's capitalization was as follows (in millions):

	December 31, 2015	September 30, 2015		
Cash and cash equivalents	\$33.7	\$42.9		
Total debt	985.2	938.5		
Shareholders' equity	1,806.4	1,911.1		
Total capitalization (debt plus equity)	2,791.6	2,849.6		
Debt to total capitalization	35.3	% 32.9		%

The Company generates significant capital resources from operating activities, which is the expected primary source of funding for its operations. At December 31, 2015, the Company had cash and cash equivalents of \$33.7 million, a majority of which is located in the United States. The Company expects to meet its fiscal 2016 U.S. funding needs without repatriating undistributed profits that are indefinitely reinvested outside the United States. In addition to cash and cash equivalents, the Company had \$628.5 million of unused available capacity under the Revolving Credit Facility (as defined in "Liquidity") as of December 31, 2015. Borrowings under the Revolving Credit Facility could, as discussed below, be limited by the financial covenants contained in the Credit Agreement (as defined in "Liquidity").

The Company's ratio of debt to total capitalization of 35.3% at December 31, 2015 remained within its targeted range. The Company's capital structure was impacted in the first quarter of 2016 by the Company's repurchase of 2,452,684 shares of its Common Stock at an aggregate cost of \$100.1 million. As of December 31, 2015, the Company had approximately 7.5 million shares of Common Stock remaining under the repurchase authorization approved by the Company's Board of Directors in August 2015.

Consolidated days sales outstanding (defined as "Trade Receivables" at quarter end divided by "Net Sales" for the most recent quarter multiplied by 90 days) increased from 50 days at September 30, 2015 to 51 days at December 31, 2015. Days sales outstanding for segments other than the defense segment decreased from 53 days at September 30, 2015 to 48 days at December 31, 2015. The decrease in consolidated days sales outstanding was primarily due to timing and a shift in the concentration of accounts receivable from segments that traditionally have longer collection cycles to segments with shorter collection cycles. Days sales outstanding in the defense segment increased from 38 days at September 30, 2015 to 62 days at December 31, 2015 as the Company has recently begun to experience a slowdown in payments from its international customers. Consolidated inventory turns (defined as "Cost of Sales" on an annualized basis, divided by the average "Inventory" at the past five quarter end periods) decreased from 4.3 times at September 30, 2015 to 3.3 times at December 31, 2015 as a result of the decline in sales during the first three months of fiscal 2016 on relatively consistent inventory levels. The Company has commitments to purchase materials and components based on the expectation of being awarded additional contracts. If the Company is not successful in securing these contracts, working capital required for inventory could grow in the future. The Company believes that it has sufficient liquidity to fund these inventory purchases in the event that the contracts are delayed.

## Cash Flows

## Operating Cash Flows

Operating activities generated \$71.8 million of cash in the first three months of fiscal 2016 compared to a net use of cash of \$52.3 million in the first three months of fiscal 2015. The increase in cash generated from operating activities

was primarily due to lower inventory build in the access equipment segment.

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### Investing Cash Flows

Investing activities used cash of \$18.2 million in the first three months of fiscal 2016 compared to \$50.2 million in the first three months of fiscal 2015. Capital spending, excluding equipment held for rental, of \$21.3 million in the first three months of fiscal 2016 reflected a decrease of \$17.7 million compared to capital spending in the first three months of fiscal 2015 largely as a result of investments in the Company's vertical integration strategy in the first quarter of fiscal 2015. In fiscal 2016, the Company expects capital spending to be approximately \$100 million.

### Financing Cash Flows

Financing activities resulted in a net use of cash of \$65.2 million in the first three months of fiscal 2016 compared to a net use of cash of \$100.3 million in the first three months of fiscal 2015. In the first three months of fiscal 2016 and 2015, the Company repurchased shares of its Common Stock under its share repurchase authorization at an aggregate cost of \$100.1 million and \$88.1 million, respectively. A portion of the stock repurchases during the first quarter of fiscal 2016 was financed with net proceeds under the Revolving Credit Facility of \$48.2 million.

### Liquidity

The Company's primary sources of liquidity are cash flows generated from operations, availability under the Revolving Credit Facility and available cash and cash equivalents. In addition to cash and cash equivalents of \$33.7 million, a majority of which is located in the United States, the Company had \$628.5 million of unused availability under the Revolving Credit Facility as of December 31, 2015. These sources of liquidity are needed to fund the Company's working capital requirements, debt service requirements, capital expenditures, share repurchases and dividends. The Company expects to have sufficient liquidity to finance its operations over the next twelve months.

### Senior Secured Credit Agreement

On March 21, 2014, the Company entered into an Amended and Restated Credit Agreement with various lenders (the "Credit Agreement"). The Credit Agreement provides for (i) a revolving credit facility ("Revolving Credit Facility") that matures in March 2019 with an initial maximum aggregate amount of availability of \$600.0 million and (ii) a \$400.0 million term loan due in quarterly principal installments of \$5.0 million with a balloon payment of \$310.0 million due at maturity in March 2019. On January 22, 2015, the Company entered into an agreement with lenders under the Credit Agreement that increased the Revolving Credit Facility by \$250.0 million to an aggregate maximum amount of \$850.0 million effective January 26, 2015. Refer to Note 8 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the Credit Agreement.

The Company's obligations under the Credit Agreement are guaranteed by certain of its domestic subsidiaries, and the Company will guarantee the obligations of certain of its subsidiaries under the Credit Agreement. Subject to certain exceptions, the Credit Agreement is collateralized by (i) a first-priority perfected lien and security interests in substantially all of the personal property of the Company, each material subsidiary of the Company and each subsidiary guarantor, (ii) mortgages upon certain real property of the Company and certain of its domestic subsidiaries and (iii) a pledge of the equity of each material subsidiary of the Company.

Under the Credit Agreement, the Company must pay (i) an unused commitment fee ranging from 0.225% to 0.35% per annum of the average daily unused portion of the aggregate revolving credit commitments under the Credit Agreement and (ii) a fee ranging from 0.625% to 2.00% per annum of the maximum amount available to be drawn for each letter of credit issued and outstanding under the Credit Agreement.

Borrowings under the Credit Agreement bear interest at a variable rate equal to (i) LIBOR plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied, or (ii) for dollar-denominated loans only, the base rate (which is the highest of (a) the administrative agent's prime rate, (b) the federal funds rate plus 0.50% or (c) the sum of 1% plus one-month LIBOR) plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied.

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### Covenant Compliance

The Credit Agreement contains various restrictions and covenants, including requirements that the Company maintain certain financial ratios at prescribed levels and restrictions, subject to certain exceptions, on the ability of the Company and certain of its subsidiaries to consolidate or merge, create liens, incur additional indebtedness, dispose of assets, consummate acquisitions and make investments in joint ventures and foreign subsidiaries.

The Credit Agreement contains the following financial covenants:

**Leverage Ratio:** A maximum leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated indebtedness to consolidated net income before interest, taxes, depreciation, amortization, non-cash charges and certain other items ("EBITDA")) as of the last day of any fiscal quarter of 4.50 to 1.0.

**Interest Coverage Ratio:** A minimum interest coverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated EBITDA to the Company's consolidated cash interest expense) as of the last day of any fiscal quarter of 2.50 to 1.0.

**Senior Secured Leverage Ratio:** A maximum senior secured leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated secured indebtedness to the Company's consolidated EBITDA) of 3.00 to 1.0.

With certain exceptions, the Company may elect to have the collateral pledged in connection with the Credit Agreement released during any period that the Company maintains an investment grade corporate family rating from either Standard & Poor's Ratings Group or Moody's Investor Service Inc. During any such period when the collateral has been released, the Company's leverage ratio as of the last day of any fiscal quarter must not be greater than 3.75 to 1.0, and the Company would not be subject to any additional requirement to limit its senior secured leverage ratio.

The Company was in compliance with the financial covenants contained in the Credit Agreement as of December 31, 2015 and expects to be able to meet the financial covenants contained in the Credit Agreement over the next twelve months.

Additionally, with certain exceptions, the Credit Agreement limits the ability of the Company to pay dividends and other distributions, including repurchases of shares of its Common Stock. However, so long as no event of default exists under the Credit Agreement or would result from such payment, the Company may pay dividends and other distributions after March 3, 2010 in an aggregate amount not exceeding the sum of:

- i. 50% of the consolidated net income of the Company and its subsidiaries (or if such consolidated net income is a deficit, minus 100% of such deficit), accrued on a cumulative basis during the period beginning on January 1, 2010 and ending on the last day of the fiscal quarter immediately preceding the date of the applicable proposed dividend or distribution; and
- ii. 100% of the aggregate net proceeds received by the Company subsequent to March 3, 2010 either as a contribution to its common equity capital or from the issuance and sale of its Common Stock.

### Senior Notes

In February 2014, the Company issued \$250.0 million of 5.375% unsecured senior notes due March 1, 2022 (the "2022 Senior Notes"). In March 2015, the Company issued \$250.0 million of 5.375% unsecured senior notes due March 1, 2025 (the "2025 Senior Notes"). The Company has the option to redeem the 2022 Senior Notes and the 2025 Senior Notes for a premium after March 1, 2017 and March 1, 2020, respectively.

The 2022 Senior Notes and the 2025 Senior Notes were issued pursuant to separate indentures (the "Indentures") among the Company, the subsidiary guarantors named therein and a trustee. The Indentures contain customary affirmative and negative covenants. Certain of the Company's subsidiaries jointly, severally, fully and unconditionally guarantee the Company's obligations under the 2022 Senior Notes and 2025 Senior Notes. See Note 21 of the Notes to



Condensed Consolidated Financial Statements for separate financial information of the subsidiary guarantors.

Refer to Note 8 of the Notes to Condensed Consolidated Financial Statements for additional information regarding the Company's outstanding debt as of December 31, 2015.

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### Contractual Obligations, Commercial Commitments and Off-Balance Sheet Arrangements

The Company's contractual obligations, commercial commitments and off-balance sheet arrangement disclosures in its Annual Report on Form 10-K for the year ended September 30, 2015 have not materially changed since that report was filed.

### Application of Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires the Company to make judgments, assumptions and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. The Company's disclosures of critical accounting policies in its Annual Report on Form 10-K for the year ended September 30, 2015 have not materially changed since that report was filed.

### Critical Accounting Estimates

The Company's disclosures of critical accounting estimates in its Annual Report on Form 10-K for the year ended September 30, 2015 have not materially changed since that report was filed.

### New Accounting Standards

Refer to Note 2 of the Notes to Condensed Consolidated Financial Statements for a discussion of the impact on the Company's Condensed Consolidated Financial Statements of new accounting standards.

### Customers and Backlog

Sales to the U.S. government comprised approximately 21% of the Company's net sales in the first three months of fiscal 2016. No other single customer accounted for more than 10% of the Company's net sales for this period. A significant portion of the Company's net sales are derived from customer orders prior to commencing production.

The Company's backlog at December 31, 2015 increased 30.5% to \$3.13 billion compared to \$2.40 billion at December 31, 2014. Backlog increased at all segments with the exception of the access equipment segment. Access equipment segment backlog decreased 8.7% to \$724.5 million at December 31, 2015 compared to \$793.3 million at December 31, 2014, due to the impact of the slowdown in North American demand for access equipment and large orders in the prior year in advance of the Tier 4 engine emissions changes. Defense segment backlog increased 85.0% to \$1.24 billion at December 31, 2015 compared to \$669.8 million at December 31, 2014 due to new contract awards. Fire & emergency segment backlog increased 28.4% to \$898.4 million at December 31, 2015 compared to \$699.9 million at December 31, 2014 due largely to increased orders for domestic fire apparatus as a result of market growth and share gains. Commercial segment backlog increased 13.5% to \$269.8 million at December 31, 2015 compared to \$237.7 million at December 31, 2014 on a stronger refuse collection vehicle backlog. Unit backlog for concrete mixers was down 0.7% at December 31, 2015 compared to December 31, 2014. Unit backlog for refuse collection vehicles was up 58.0% at December 31, 2015 compared to December 31, 2014.

Reported backlog excludes purchase options and announced orders for which definitive contracts have not been executed. Backlog information and comparisons thereof as of different dates may not be accurate indicators of future sales or the ratio of the Company's future sales to the DoD versus its sales to other customers. Approximately 22% of the Company's December 31, 2015 backlog is not expected to be filled in fiscal 2016. The Company's 2016 backlog includes \$110.6 million in orders under the recently awarded JLTV contract.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's quantitative and qualitative disclosures about market risk for changes in interest rates and commodity risk, which are incorporated by reference to Item 7A of the Company's Annual Report on Form 10-K for the year ended September 30, 2015, have not materially changed since that report was filed.

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Foreign Currency Risk. The Company's operations consist of manufacturing in the U.S., Belgium, Canada, France, Australia, United Kingdom, Mexico, Romania and China and sales and limited vehicle body mounting activities on six continents. In addition, the Company manufactures products through an investment in a joint venture in Mexico. International sales comprised approximately 28% of overall net sales for the first three months of fiscal 2016, of which approximately 77% involved exports from the U.S. The majority of export sales in fiscal 2016 were denominated in U.S. dollars. As a result of the manufacture and sale of the Company's products in foreign markets, the Company's earnings are affected by fluctuations in the value of foreign currencies in which certain of the Company's transactions are denominated as compared to the value of the U.S. dollar. The Company's operating results are principally exposed to changes in exchange rates between the U.S. dollar and the European currencies, primarily the euro and the U.K. pound sterling, changes between the U.S. dollar and the Australian dollar, changes between the U.S. dollar and the Brazilian real, changes between the U.S. dollar and Canadian dollar and changes between the U.S. dollar and the Chinese renminbi.

The Company enters into certain forward foreign currency exchange contracts to mitigate the Company's foreign currency exchange risk on monetary assets or liabilities. These contracts qualify as derivative instruments under Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 815, Derivatives and Hedging; however, the Company has not designated all of these instruments as hedge transactions under ASC Topic 815. Accordingly, the mark-to-market impact of these derivatives is recorded each period to current earnings along with the offsetting foreign currency transaction gain/loss recognized on the related balance sheet exposure. At December 31, 2015, the Company was managing \$119.0 million (notional) of foreign currency contracts, including \$108.8 million (notional) which were not designated as accounting hedges. All outstanding foreign currency contracts that are not designated as hedge transactions as of December 31, 2015 will settle within 45 days.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. In accordance with Rule 13a-15(b) of the Exchange Act, the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the quarter ended December 31, 2015. Based upon their evaluation of these disclosure controls and procedures, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the quarter ended December 31, 2015 to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

None.

## ITEM 1A. RISK FACTORS

The Company's financial position, results of operations and cash flows are subject to various risks, many of which are not exclusively within the Company's control, which may cause actual performance to differ materially from historical or projected future performance. In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Item 1A. of our Annual Report on Form 10-K for the year ended September 30, 2015, which have not materially changed.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Common Stock Repurchases

The following table sets forth information with respect to purchases of Common Stock made by the Company or on the Company's behalf during the first quarter of fiscal 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 - October 31	369,790	\$35.53	369,790	9,595,468
November 1 - November 30	2,027,501	41.74	2,027,501	7,567,967
December 1 - December 31	55,393	41.94	55,393	7,512,574
Total	2,452,684		2,452,684	7,512,574

On August, 31 2015, the Company's Board of Directors increased the Company's authorization to repurchase shares of the Company's Common Stock by 10,000,000 shares, taking the authorized number of shares of Common Stock available for repurchase to 10,299,198 as of that date. As of December 31, 2015, the Company had repurchased 2,786,624 shares of Common Stock under this authorization. As a result, 7,512,574 shares of Common (1) Stock remained available for repurchase under the repurchase authorization at December 31, 2015. The Company can use this authorization at any time as there is no expiration date associated with the authorization. From time to time, the Company may enter into a Rule 10b5-1 trading plan for the purpose of repurchasing shares under this authorization.

The Company intends to declare and pay dividends on a regular basis. However, the payment of future dividends is at the discretion of the Company's Board of Directors and will depend upon, among other things, future earnings and cash flows, capital requirements, the Company's general financial condition, general business conditions and other factors. In addition, the Company's credit agreement limits the amount of dividends and other distributions, including repurchases of shares of Common Stock, the Company may pay on or after March 3, 2010 to (i) 50% of the

consolidated net income of the Company and its subsidiaries (or if such consolidated net income is a deficit, minus 100% of such deficit), accrued on a cumulative basis during the period beginning on January 1, 2010 and ending on the last day of the fiscal quarter immediately preceding the date of the applicable proposed dividend or distribution; plus (ii) 100% of the aggregate net proceeds received by the Company subsequent to March 3, 2010 either as a contribution to its common equity capital or from the issuance and sale of its Common Stock. The Company's indentures for its senior notes due 2022 and senior notes due 2025 also contain restrictive covenants that may limit the Company's ability to repurchase shares of its Common Stock or make dividends and other types of distributions to shareholders.

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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ITEM 6. EXHIBITS

Exhibit No. Description

- 31.1 Certification by the President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act, dated January 28, 2016.
- 31.2 Certification by the Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act, dated January 28, 2016.
- 32.1 Written Statement of the President and Chief Executive Officer, pursuant to 18 U.S.C. §1350, dated January 28, 2016.
- 32.2 Written Statement of the Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. §1350, dated January 28, 2016.

101 The following materials from Oshkosh Corporation's Quarterly Report on Form 10-Q for the quarter ended December 31, 2015 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Shareholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.

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SIGNATURES

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

OSHKOSH CORPORATION

January 28, 2016	By	/s/ Wilson R. Jones Wilson R. Jones, President and Chief Executive Officer
January 28, 2016	By	/s/ David M. Sagehorn David M. Sagehorn, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
January 28, 2016	By	/s/ Thomas J. Polnaszek Thomas J. Polnaszek, Senior Vice President Finance and Controller (Principal Accounting Officer)



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EXHIBIT INDEX

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