TEREX CORP
Form 10-K
February 25, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

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

For the Fiscal Year Ended December 31, 2013
or

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

Commission file number 1-10702
TEREX CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	34-1531521
(State of Incorporation)	(IRS Employer Identification No.)
200 Nyala Farm Road, Westport, Connecticut	06880
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 222-7170
Securities registered pursuant to Section 12(b) of the Act:
COMMON STOCK, $.01 PAR VALUE
(Title of Class)
NEW YORK STOCK EXCHANGE
(Name of Exchange on which Registered)
Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES x NO o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act.
YES o NO x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO x
The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant was approximately $2,818 million based on the last sale price on June 28, 2013.

THE NUMBER OF SHARES OF THE REGISTRANT’S COMMON STOCK OUTSTANDING WAS 110.7 MILLION AS OF February 19, 2014.
DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to the 2014 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

As used in this Annual Report on Form 10-K, unless otherwise indicated, Terex Corporation, together with its consolidated subsidiaries, is hereinafter referred to as "Terex," the "Registrant," "us," "we," "our" or the "Company." This Ann Report generally speaks as of December 31, 2013, unless specifically noted otherwise.

Forward-Looking Information

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

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

Actual events or our actual future results may differ materially from any forward-looking statement due to these and other risks, uncertainties and significant factors. The forward-looking statements contained herein speak only as of the date of this Annual Report and the forward-looking statements contained in documents incorporated herein by reference speak only as of the date of the respective documents. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained or incorporated by reference in this Annual Report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TEREX CORPORATION AND SUBSIDIARIES
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For the Year Ended December 31, 2013

PART I

ITEM 1. BUSINESS

GENERAL

Terex is a lifting and material handling solutions company. We are focused on improving our operations and delivering reliable, customer-driven solutions for a wide range of commercial applications, including the construction, infrastructure, quarrying, mining, manufacturing, transportation, energy and utility industries. We report in five business segments: (i) Aerial Work Platforms; (ii) Construction; (iii) Cranes; (iv) Material Handling & Port Solutions; and (v) Materials Processing.

We view our purpose as making products used to improve the lives of people around the world. Our mission is to provide solutions to our machinery and industrial product customers that yield superior productivity and return on investment. Our vision focuses on our commitments to our core constituencies of customers, stakeholders and team members by providing our customers with a superior ownership experience, our stakeholders with a profitable enterprise that increases value, and our team members with a preferred place to work.

Our Company was incorporated in Delaware in October 1986 as Terex U.S.A., Inc. We have changed significantly since that time, achieving $7.1 billion of net sales in 2013. Much of our growth has been accomplished through acquisitions, and, in the past ten years, we have also focused on becoming a superb operating company.

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

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

AERIAL WORK PLATFORMS

Our Aerial Work Platforms (“AWP”) segment designs, manufactures, services and markets aerial work platform equipment, telehandlers, light towers and bridge inspection equipment. Products include portable material lifts, portable aerial work platforms, trailer-mounted articulating booms, self-propelled articulating and telescopic booms, scissor lifts, telehandlers, trailer-mounted light towers and bridge inspection equipment as well as their related components and replacement parts. Customers use these products to construct and maintain industrial, commercial and residential buildings and facilities and for other commercial operations, as well as in a wide range of infrastructure projects. We market aerial work platform products principally under the Terex® and Genie® brand names.

AWP has the following significant manufacturing operations:

- Aerial work platform equipment is manufactured in Redmond and Moses Lake, Washington, Rock Hill, South Carolina, Umbertide, Italy, Coventry, England and Changzhou, China;
- Telehandlers are manufactured in Moses Lake, Washington and Umbertide, Italy; and
- Trailer-mounted light towers, trailer-mounted articulating booms and bridge inspection equipment are manufactured in Rock Hill, South Carolina and Hosur, India.

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

CONSTRUCTION

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

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

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

Construction has the following significant manufacturing operations:

Compact Construction Equipment

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

Specialty Equipment

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

Construction's North American distribution center is in Southaven, Mississippi and serves as a parts center for Construction and other Terex operations.

See Note D - "Discontinued Operations" in the Notes to our Consolidated Financial Statements for information on our truck business that is now included in discontinued operations.

CRANES

Our Cranes segment designs, manufactures, services and markets mobile telescopic cranes, tower cranes, lattice boom crawler cranes, lattice boom truck cranes, utility equipment and truck-mounted cranes (boom trucks), as well as their related components and replacement parts. Customers use these products primarily for construction, repair and maintenance of commercial buildings, manufacturing facilities, construction and maintenance of utility and telecommunication lines, tree trimming and certain construction and foundation drilling applications and a wide range of infrastructure projects including in the energy sector. We market our Cranes products principally under the Terex® brand name.

Cranes has the following significant manufacturing operations:

- Rough terrain cranes are manufactured in Crespellano, Italy and Waverly, Iowa;
- All-terrain cranes are manufactured in Montceau-les-Mines, France, Zweibrücken-Dinglerstrasse, Bierbach-Homburg and Zweibrücken-Wallerscheid, Germany;
- Truck cranes are manufactured in Montceau-les-Mines, France and Waverly, Iowa;
- Truck-mounted cranes are manufactured in Montceau-les-Mines, France and Waverly, Iowa;
- Tower cranes are manufactured in Montceau-les-Mines, France and Fontanafredda, Italy;
- Lattice boom crawler cranes are manufactured in Oklahoma City, Oklahoma, Jinan, China, Zweibrücken-Dinglerstrasse, Bierbach-Homburg and Zweibrücken-Wallerscheid, Germany;
- Pick and carry cranes are manufactured in Brisbane, Australia;

- Lattice boom truck cranes are manufactured in Zweibrücken-Dinglerstrasse, Bierbach-Homburg and Zweibrücken-Wallerscheid, Germany;
- Steel assemblies for cranes are manufactured in Bierbach-Homburg, Germany and Pecs, Hungary; and
- Utility products are manufactured in Watertown and Huron, South Dakota, Betim, Brazil and Changzhou, China.

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

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

MATERIAL HANDLING & PORT SOLUTIONS

Our Material Handling & Port Solutions ("MHPS") segment designs, manufactures, services and markets industrial cranes, including universal cranes, process cranes, rope and chain hoists, electric motors, light crane systems and crane components as well as a diverse portfolio of port and rail equipment including mobile harbor cranes, straddle and sprinter carriers, rubber tired gantry cranes, rail mounted gantry cranes, ship-to-shore gantry cranes, reach stackers, empty container handlers, full container handlers, general cargo lift trucks, automated stacking cranes, automated guided vehicles and terminal automation technology, including software, as well as their related components and replacement parts. Customers use these products for material handling at manufacturing and port and rail facilities. Our MHPS segment also operates an extensive global sales and service network. We market our MHPS products under the Terex® and Demag® brand names and the Terex® name in conjunction with the Gottwald® brand name.

MHPS has the following significant manufacturing operations:

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

We offer a range of services for cranes and lifting equipment and operate a global network of service stations.

We have a 50% interest in a Singapore company which manufactures industrial cranes in seven locations around the world.

MATERIALS PROCESSING

Our Materials Processing ("MP") segment designs, manufactures and markets materials processing equipment, including crushers, washing systems, screens, apron feeders, chippers and related components and replacement parts. Customers use our MP products in construction, infrastructure and recycling projects, in various quarrying and mining applications, as well as in landscaping and biomass production industries. We market our MP products principally under the Terex® and Powerscreen® brand names and the Terex® name in conjunction with certain historic brand names.

MP has the following significant manufacturing operations:

- Mobile crushers, mobile screens and washing systems are manufactured in Omagh and Dungannon, Northern Ireland;
- Mobile crushers and mobile screens are manufactured in Hosur, India, primarily for the Indian market;
- Base crushers and base screens are manufactured in Subang Jaya, Malaysia and at a Terex facility in Oklahoma City, Oklahoma;
- Screening equipment is manufactured in Durand, Michigan;
- Base crushers are manufactured in Coalville, England; and
- Hand-fed chippers and drum-style trailer-mounted and tracked biomass chippers are manufactured in Farwell, Michigan.

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

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

OTHER

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

Although the on-book financing activities of TFS have primarily been limited to the United States, China and several countries in Europe, TFS is continually evaluating the need and opportunity to provide this capability in other countries.

DISCONTINUED OPERATIONS

On December 9, 2013, we signed an agreement to sell our truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for $160 million. The truck business manufactures and sells off-highway rigid and articulated haul trucks. Included in the transaction is the manufacturing facility in Motherwell, Scotland. The sale, which is subject to government regulatory approvals and other customary closing conditions, is targeted to close in the first half of 2014. As a result of this agreement, reporting of the truck business has been included in discontinued operations for all periods presented. See Note D – "Discontinued Operations" in the Notes to our Consolidated Financial Statements for more information on our discontinued operations.

BUSINESS STRATEGY

General

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

Mergers and acquisitions have played an important role in the history of our Company and we will continue to evaluate new opportunities that can enhance our business portfolio while creating opportunities to leverage market presence, operational capabilities, or both. However, our current focus is on operational improvement, not acquisitions, as the main driver of financial performance.

Over the past several years, we have changed our business portfolio to better balance business drivers and strengthen the capabilities of our Company. We have moved from what was predominantly a mining and construction equipment company to a more diverse portfolio that serves numerous end markets. Although we are a lifting and material handling solutions company, construction markets are still important to our success and are expected to contribute favorably as U.S. and European markets continue to recover. Other important business drivers include global industrial activity, global trade, U.S. electricity demand and infrastructure maintenance. We expect that service to the large installed base of our equipment that is now operating around the world will be an important business driver in the future as well.

Another portfolio objective is market leadership. Although we may initially secure smaller positions, our goal in acquiring and developing businesses is to be a top three competitor in the applications and geographies that we serve. This goal shapes both acquisition and operating strategies in our Company. At the end of 2013, greater than 80% of our revenue was generated in areas where Terex is a top three competitor in the market served.

Operationally, we focus on three primary objectives:

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

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

Our Customer Responsiveness goal is to exceed the performance of competitors in providing equipment that goes to work and stays at work, backed by world class parts and service support. Each of our businesses routinely measures customer satisfaction and develops roadmaps used to drive both step-change and incremental improvement in customer satisfaction. Our goal is annual improvement in our current businesses to achieve improved responsiveness versus our competition.

Our Operational Efficiency goal is to achieve the highest return on invested capital in our peer group. This implies an efficient factory footprint, efficient supply and delivery chains, and a lean mindset that help eliminate waste throughout our processes for production, delivery, and service to the customer using the Terex Business System (as explained below). It is not our goal to be the lowest priced competitor, but to have the ability to compete on price when necessary. Competition in all of our businesses is intense and we must position ourselves to compete more effectively during all phases of future business cycles.

Being operationally efficient requires that we be focused. Our Company is diverse by design and includes many different acquired businesses with different product, process, and system legacies. While we address many of these issues via integration, each addition to the portfolio and each subsequent investment made in new products and new factories adds a level of complexity to our Company that must be managed. While we have been effective at managing this complexity we believe that significant further value can be unlocked by simplifying and streamlining our Company. A primary focus of our 2013 strategy and planning work was on three key themes that address complexity reduction in our Company. These include Portfolio Management (streamlining product portfolios), Simplification (process and system optimization), and Financial Efficiency (working capital, capital structure, and tax efficiency). These three operational themes remain central to our thinking and will shape many improvement actions in 2014 and beyond. While we remain excited about the market opportunities for our Company, we also believe that meaningful value can be captured from within.

Global Growth is also critical to our future success. We believe that success in developing markets is both an opportunity and a necessity for many of our businesses. Developing markets are also increasingly important sources of supplies in our industries. We have been active for several years at sourcing components and products from developing markets and intend to pursue such opportunities aggressively in the future.

We remain committed to becoming a stronger and more effective company tomorrow than we are today. To succeed, we must focus on what makes our individual businesses strong while also working together across our businesses to harness the strength of the Company as a whole. We continue to strengthen our management team and processes in order to meet these goals.

What does not change however, is our unwavering commitment to a set of core principles that guide everything we do. These principles are reflected in our purpose, mission, and vision, in a set of cultural characteristics that we call the Terex Way, and in the processes and practices that define the Terex Business System.

Purpose, Mission, Vision

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

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

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

The Terex Way

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

- Integrity: Integrity reflects honesty, ethics, transparency and accountability. We are committed to maintaining high ethical standards in all of our business dealings and we never sacrifice our integrity for profit.
- Respect: Respect incorporates concern for safety, health, teamwork, diversity, inclusion and performance. We treat all our team members, customers and suppliers with respect and dignity.
- Improvement: Improvement encompasses quality, problem-solving systems, a continuous improvement culture and collaboration. We continuously search for new and better ways of doing things, focusing on continuous improvement and the elimination of waste.

- Servant Leadership: Servant leadership requires service to others, humility, authenticity and leading by example. We work to serve the needs of our customers, investors and team members.
- Courage: Courage entails willingness to take risks, responsibility, action and empowerment. We have the courage to make a difference even when it is difficult.
- Citizenship: Citizenship means social responsibility and environmental stewardship. We comply with all laws and respect all people's values and cultures and are good global, national and local citizens.

The Terex Business System

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

PRODUCTS

AERIAL WORK PLATFORMS

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

- Portable material lifts are used primarily indoors in the construction, industrial and theatrical markets.
- Portable aerial work platforms are used primarily indoors in a variety of markets to perform overhead maintenance.
- Trailer-mounted articulating booms are used both indoors and outdoors. They provide versatile reach, and have the ability to be towed between job sites.
- Self-propelled articulating booms are primarily used in construction and industrial applications, both indoors and outdoors. They feature lifting versatility with up, out and over position capabilities to access difficult to reach overhead areas.
- Self-propelled telescopic booms are used outdoors in commercial and industrial construction, as well as highway and bridge maintenance projects.
- Scissor lifts are used in outdoor and indoor applications in a variety of construction, industrial and commercial settings.
- Bridge inspection equipment allows access to many under bridge related tasks, including inspections, painting, sandblasting, repairs, general maintenance, installation and maintenance of under bridge pipe and cables, stripping operations and replacement and maintenance of bearings.

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

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

CONSTRUCTION

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

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

- Site dumpers are used to move smaller quantities of materials from one location to another, and are primarily used for construction applications.
- Compact track loaders and skid steer loaders are used for loading and unloading materials in construction, industrial, rental, agricultural and landscaping businesses.

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

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

CRANES

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

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

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

LATTICE BOOM CRAWLER AND LATTICE BOOM TRUCK CRANES. Lattice boom crawler and lattice boom truck cranes are designed to lift material on rough terrain. The boom is made of tubular steel sections, which, together with the base unit, are transported to and erected at a construction site. Applications include wind turbine erection.

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

- Self-erecting tower cranes are trailer-mounted and unfold from four sections (two for the tower and two for the jib); certain larger models have a telescopic tower and folding jib. These cranes can be assembled on site in a few hours. Applications include residential and small commercial construction.
- Hammerhead tower cranes have a tower and a horizontal jib assembled from sections. The tower extends above the jib to which suspension cables supporting the jib are attached. These cranes are assembled on-site in one to three days depending on height, and can increase in height with the project.

- Flat top tower cranes have a tower and a horizontal jib assembled from sections. There is no A-frame above the jib, which is self-supporting and consists of reinforced jib sections. These cranes are assembled on-site in one to two days, and can increase in height with the project.
- Luffing jib tower cranes have a tower and an angled jib assembled from sections. There is one A-frame above the jib to which suspension cables supporting the jib are attached. Unlike other tower cranes, there is no trolley to control lateral movement of the load, which is accomplished by changing the jib angle. These cranes are assembled on-site in two to three days, and can increase in height with the project.

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

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

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

SERVICES. We offer a range of services for cranes and lifting equipment consisting of field services, refurbishment and spare parts, as well as consultancy and training services regarding the use of our crane systems. Our services are provided on our own products and also on third-party products and related equipment.

MATERIAL HANDLING & PORT SOLUTIONS

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

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

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

- Mobile harbor cranes are used for material handling at ports, including general cargo handling, shipping containers and bulk materials such as coal, iron ore and grain. Mobile harbor cranes can travel around the port as needed and have the ability to move large loads. Mobile harbor cranes can be fitted with a variety of attachments for handling different types of cargo.

- Ship-to-shore gantry cranes are used to load and unload container vessels at ports.
- Rubber tired and rail mounted gantry cranes are used for space intensive shipping container stacking at port and railway facilities. These products have both horizontal and vertical lifting capabilities and can stack up to six containers on top of each other.
- Straddle carriers pick up and carry shipping containers from or to a quay-side crane while straddling their load. Straddle carriers have the capability to stack up to four shipping containers on top of each other. Straddle carriers are used in port and railway facilities to move shipping containers and to load and unload shipping containers from on-highway trucks. Straddle carriers have both horizontal and vertical lifting capabilities.
- Sprinter carriers operate in a similar manner to straddle carriers, but at higher speeds in horizontal transport and can stack up two containers on top of each other.

- Reach stackers are used to pick up and stack shipping containers at port and railway facilities. At the end of each reach stacker's boom is a spreader that enables it to attach to shipping containers of varying lengths and weights and to rotate the container.
- Empty container handlers, full container handlers and general cargo lift trucks are small to medium-sized highly mobile trucks for use with a variety of container handling applications at port and railway facilities and provide general cargo lifting capabilities.
- Automated stacking cranes and wide span gantries are able to stack and manage container storage either automatically, semi-automatically or manually. They also form the link between quayside and landside equipment such as ship-to-shore cranes, transport vehicles and trucks.
- Automated guided vehicles can carry containers of varying size. The vehicles are controlled and supplied with data and orders by our proprietary designed software and transponders, i.e. electro-magnetic route markers embedded into the ground of the terminal, which navigate and control the vehicles. In large container terminals involving container transport, storage and transloading, automated guided vehicles work hand-in-hand with automated stacking cranes.

MATERIALS PROCESSING

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

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

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

Our screening and feeder equipment includes:

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

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

Biomass chippers are used by biomass producers, land developers and contractors to produce chips for energy or for the clearing of large sites. Hand-fed chippers are used by landscapers, rental companies, utilities, arborists, and municipalities to cut tree limbs or trunks into wood chips.

PRODUCT CATEGORY SALES

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

	PERCENTAGE OF SALES					
PRODUCT CATEGORY	2013		2012		2011	
Aerial Work Platforms	24	%	20	%	19	%
Mobile Telescopic & Truck Cranes	15		16		17	
Material Handling *	10		7		4	
Port Equipment *	9		9		9	
Materials Processing Equipment	9		13		12	
Compact Construction Equipment	7		8		10	
Services *	7		6		3	
Lattice Boom Crawler & Tower Cranes	6		5		7	
Telehandlers & Light Construction Equipment	5		4		4	
Utility Equipment	5		4		4	
Specialty Equipment	3		8		11	
TOTAL	100	%	100	%	100	%

* Terex Material Handling & Port Solutions AG sales included from August 16, 2011, date of acquisition.

BACKLOG

Our backlog as of December 31, 2013 and 2012 was as follows:

	December 31,	
	2013	2012
	(in millions)	
AWP	$294.4	$509.9
Construction	165.6	176.0
Cranes	501.2	642.7
MHPS	805.3	577.1
MP	61.2	70.4
Total	$1,827.7	$1,976.1

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

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

Our overall backlog amounts at December 31, 2013 decreased $148.4 million from our backlog amounts at December 31, 2012, primarily due to lower demand for our Cranes products and timing differences in order patterns for AWP products, offset in part by existing orders of major automation programs for our Port Solutions products that are now deliverable within the next 12 months.

AWP segment backlog at December 31, 2013 decreased approximately 42% from our backlog amounts at December 31, 2012 This decrease over the prior year was primarily due to timing differences in order patterns from large rental customers where bulk orders were placed at the end of 2012 and more typical ordering patterns are occurring at the end of 2013 into 2014.

Construction segment backlog at December 31, 2013 decreased approximately 6% from December 31, 2012. This decrease over the prior year was primarily due to lower demand for compact equipment, mostly in Germany, and the sale of certain roadbuilding businesses in 2013, partially offset by increased demand for concrete mixer trucks in the U.S.

The backlog at our Cranes segment decreased approximately 22% from December 31, 2012. This decrease over the prior year was primarily due to softening demand in most geographies.

Our MHPS segment backlog increased approximately 40% from December 31, 2012. This increase over the prior year was primarily due to previously announced major automation programs in Port Solutions scheduled to ship in the next 12 months.

Our MP segment backlog at December 31, 2013 decreased approximately 13% from December 31, 2012. This decrease over the prior year was primarily due to a decrease in order intake levels in 2013, particularly for mobile crushing and screening products.

DISTRIBUTION

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

AERIAL WORK PLATFORMS

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

CONSTRUCTION

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

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

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

CRANES

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

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

MATERIAL HANDLING & PORT SOLUTIONS

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

MATERIALS PROCESSING

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

RESEARCH AND DEVELOPMENT

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

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

Product change driven by regulations requiring Tier 4 emissions compliance in most of our diesel engine powered machinery was an important part of our engineering priorities in 2011 and 2012 and will be a major emphasis of our product development programs through 2015 as we move through the engine-horsepower dependent phase-in of Tier 4 regulations across our various diesel-engine equipped products. We have also focused on producing more cost-effective, ecologically sound product solutions with the development of battery-powered automated guided vehicles in our MHPS segment, rough terrain hybrid scissor lifts and booms in our AWP segment and a hybrid utility truck in our Cranes segment.

Costs incurred to develop new products or improve existing products of continuing operations increased in 2013 as compared to 2012 due to new product development, emissions compliance work, increased work associated with ramping up production and increased slightly in 2012 as compared to 2011 due to the partial year addition of the MHPS segment, and were $85.3 million, $71.7 million and $69.3 million in 2013, 2012 and 2011, respectively. We have continued our commitment to appropriate levels of engineering spending, commensurate with our level of vertical integration, in order to meet our customer needs, uphold competitive functionality of our products and maintain regulatory compliance in all the markets that we serve.

MATERIALS

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

COMPETITION

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

BUSINESS SEGMENT	PRODUCTS	PRIMARY COMPETITORS
Aerial Work Platforms	Portable Material Lifts and Portable Aerial Work Platforms	Oshkosh (JLG), Vestil, Sumner
	Boom Lifts	Oshkosh (JLG), Haulotte, Linamar (Skyjack), Xtreme/Tanfield (Snorkel) and Aichi
	Scissor Lifts	Oshkosh (JLG), Linamar (Skyjack), Haulotte, Manitou and Xtreme/Tanfield (Snorkel)
	Telehandlers	Oshkosh (JLG, Skytrak, Caterpillar and Lull brands), JCB, CNH, Merlo and Manitou (Gehl)
	Trailer-mounted Light Towers	Allmand Bros., Magnum and Doosan
	Bridge Inspection Equipment	Moog USA and Barin

BUSINESS SEGMENT	PRODUCTS	PRIMARY COMPETITORS
Construction	Material Handlers	Liebherr, Sennebogen, Linkbelt, Exodus and Caterpillar
	Wheel Loaders	Caterpillar, Volvo, Kubota, Kawasaki, John Deere, Komatsu, Hitachi, CNH, Liebherr and Doosan
	Loader Backhoes	Caterpillar, CNH, JCB, Komatsu, Volvo, John Deere and Mahindra
	Mini Excavators	Doosan (Bobcat), Yanmar, Volvo, Takeuchi, IHI, CNH, Caterpillar, John Deere, Neuson and Kubota
	Midi Excavators	Komatsu, Hitachi, Volvo and Yanmar
	Site Dumpers	Thwaites, Wacker Neuson and AUSA
	Skid Steer Loaders	Doosan (Bobcat), Caterpillar, CNH, John Deere, Takeuchi, Manitou (Gehl), Volvo and Kubota
	Compact Track Loaders	Doosan (Bobcat), Caterpillar, CNH, John Deere, Takeuchi, Volvo and Manitou (Gehl)
	Compaction Equipment	Bomag, Hamm, JCB and Ammann
	Concrete Pavers	Gomaco, Wirtgen, Power Curbers and Guntert & Zimmerman
	Concrete Mixer Trucks	Oshkosh, Kimble and Continental Manufacturing
Cranes	Mobile Telescopic Cranes	Liebherr, Manitowoc (Grove), Tadano-Faun, Sumitomo (Link-Belt), XCMG, Kato, Zoomlion and Sany
	Tower Cranes	Liebherr, Manitowoc (Potain), Comansa, Zoomlion, Sany, XCMG and Wolffkran
	Lattice Boom Crawler Cranes	Manitowoc, Sumitomo (Link-Belt), Liebherr, Hitachi, Kobelco, XCMG, Zoomlion, Fushun and Sany
	Lattice Boom Truck Cranes	Liebherr
	Truck-Mounted Cranes	Manitowoc (National Crane), Altec and Manitex

	Utility Equipment	Altec and Time Manufacturing
Material Handling & Port Solutions	Industrial Cranes	Konecranes, Columbus McKinnon, ABUS, Kito, GH and OMIS
	Mobile Harbor Cranes and Automated Port Technology	Liebherr, Konecranes, Cargotec (Kalmar), Zhenua Port Machinery (ZPMC) and Künz
	Reach Stackers	Cargotec (Kalmar), Hyster, Konecranes (SMV), Taylor, Dalian, CVS Ferrari, Liebherr and Sany
	Straddle and Sprinter Carriers	Cargotec (Kalmar), CVS Ferrari, Konecranes and Liebherr
	Rubber Tired and Rail Mounted Gantry Cranes	Zhenua Port Machinery (ZPMC), Liebherr, Konecranes, Cargotec (Kalmar), Doosan, Hyundai and Mitsui Engineering & Shipbuilding
	Ship-to-Shore Gantry Cranes	Zhenua Port Machinery (ZPMC), Liebherr, Konecranes, Cargotec (Kalmar), Samsung, Doosan, Hyundai and Mitsui Engineering & Shipbuilding
	Empty Container Handlers, Full Container Handlers and General Cargo Lift Trucks	Cargotec (Kalmar), Hyster, Linde, CVS Ferrari, Konecranes (SMV), Svetruck and Sany
Materials Processing	Crushing Equipment	Metso, Astec Industries, Sandvik, McCloskey, Komatsu and Kleemann
	Screening Equipment	Metso, Astec Industries, McCloskey and Sandvik
	Washing systems	McLanahan, Astec Industries, CDE Global and GreyStone

BUSINESS SEGMENT	PRODUCTS	PRIMARY COMPETITORS
	Chippers	Vermeer, Bandit and Morbark

MAJOR CUSTOMERS

None of our customers accounted for more than 10% of our consolidated sales in 2013. In 2013, our largest customer accounted for less than 4% of our net sales and our top ten customers in the aggregate accounted for less than 14% of our net sales.

EMPLOYEES

As of December 31, 2013, we had approximately 20,500 employees, including approximately 6,400 employees in the U.S. Approximately 5% of our employees in the U.S. are represented by labor unions. Outside of the U.S., we enter into employment contracts and collective agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction. We generally consider our relations with our employees to be good.

PATENTS, LICENSES AND TRADEMARKS

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

We use several significant trademarks and trade names, most notably the Terex®, Genie®, Demag® and Powerscreen® trademarks. The other trademarks and trade names that we use include registered trademarks of Terex Corporation or its subsidiaries. The Demag® trademark is a registered trademark of Siemens AG which is licensed to certain Terex subsidiaries for certain products.

We have many patents that we use in connection with our operations, and most of our products contain some proprietary technology. Many of these patents and related proprietary technology are important to the production of particular products; however, overall, our patents, taken together, are not material to our business or our financial results, nor do they provide us with a competitive advantage over our competitors.

We protect our proprietary rights through registration, agreements and litigation to the extent we deem appropriate. We own and maintain trademark registrations and patents in countries where we conduct business, and monitor the status of our trademark registrations and patents to maintain them in force and renew them as appropriate. The duration of active registrations varies based upon the relevant statutes in the applicable jurisdiction. We also take further actions to protect our proprietary rights when circumstances warrant, including the initiation of legal proceedings, if necessary.

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

SAFETY AND ENVIRONMENTAL CONSIDERATIONS

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

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

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

The use and operation of our equipment in an environmentally conscious manner is an important priority for Terex. We are aware of global discussions regarding climate change and the impact of greenhouse gas emissions on global warming. We are increasing our production of products that have lower greenhouse gas emissions in response to both regulatory initiatives and anticipated market demand trends. For example, starting in 2010, one of our most significant design priorities was to include Tier 4 emission compliant diesel engines in our machinery. This continued to be a priority in 2013 and will be a major emphasis of our product development programs through 2015 as we move through the engine-horsepower dependent phase-in of Tier 4 regulations across our diesel-engine equipped products. We manufacture a utility truck that uses plug-in electric hybrid technology to save fuel, reduce emissions and reduce noise in residential areas. Similarly, our MHPS segment offers hybrid drive diesel-hydraulic and diesel-electric systems on certain of its port equipment products.

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

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS, GEOGRAPHIC AREAS AND EXPORT SALES

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

SEASONAL FACTORS

Over the past several years, our business has become less seasonal. As we have grown, diversified our product offerings and expanded the geographic reach of our products, we have become less dependent on construction products and sales in the United States and Europe. As we enter 2014, we expect the overall economic environment will affect our sales more than historical seasonal trends.

WORKING CAPITAL

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

AVAILABLE INFORMATION

We maintain a website at www.terex.com. We make available on our website under “About Terex” – “Investor Relations” – “SEC Filings,” free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such material with the SEC. In addition, we make available on our website under “About Terex” – “Investor Relations” – “Corporate Governance,” free of charge, our Audit Committee Charter, Compensation Committee Charter, Corporate Responsibility and Strategy Committee Charter, Governance and Nominating Committee Charter, Corporate Governance Guidelines and Code of Ethics and Conduct. In addition, the foregoing information is available in print, without charge, to any stockholder who requests these materials from us.

ITEM 1A. RISK FACTORS

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

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

Demand for our products tends to be cyclical and is affected by the general strength of the economies in which we sell our products, prevailing interest rates, residential and non-residential construction spending, the capital expenditure allocations of our customers and other factors. While demand in many of our end markets has rebounded from historical lows that we experienced in 2009, such demand depends on the global economy and may not be sustainable. The global economy has continued to experience uneven recovery and financial uncertainty continues to exist. We cannot provide any assurance that the global economic weakness of the recent past will not re-occur. There continues to be concern about several important European economies. Further, certain countries in Asia and Latin America have experienced slower growth rates and the Australian market has also experienced declines. If the global economy weakens it may cause customers to continue to forgo or postpone new purchases in favor of reducing their existing fleets or refurbishing or repairing existing machinery.

Our sales depend in part upon our customers' replacement or repair cycles. If our customers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, accounts receivable that are owed to us. If the global economic weakness of the past several years continues or becomes more severe, or if any economic recovery progresses more slowly than our or market expectations, then there could be an adverse effect on our net sales, financial condition, profitability and/or cash flow and could result in the need for us to record inventory impairments.

We may face limitations on our ability to integrate acquired businesses, including Terex Material Handling & Port Solutions AG, formerly known as Demag Cranes AG ("TMHPS AG").

From time to time, we engage in strategic transactions involving risks, including the possible failure to successfully integrate and realize the expected benefits of such transactions. We have consummated many acquisitions in the past and anticipate making additional acquisitions in the future. In the second half of 2011, we acquired approximately 81% of the outstanding shares of TMHPS AG, bringing our ownership total to approximately 82%. Our ability to realize the anticipated benefits of the purchase, including the expected combination benefits, will depend, to a large extent, on our ability to integrate the businesses of both companies. We were unable to begin any meaningful integration of the companies until a Domination and Profit and Loss Transfer Agreement was put in place, which did not happen until April 2012, and we have only recently acquired 100% of the outstanding shares.

The integration is now underway and management is devoting significant attention and resources to the integration process, which may disrupt our business and, if implemented ineffectively, could preclude realization of the full benefits we expect. The risks associated with the TMHPS AG acquisition and our other past or future acquisitions include:

- the business culture of the acquired business may not match well with our culture;
- technological and product synergies, economies of scale and cost reductions may not occur as expected;
- we may acquire or assume unexpected liabilities;

- faulty assumptions may be made regarding the integration process;
- unforeseen difficulties may arise in integrating operations and systems;
- we may fail to retain, motivate and integrate key management and other employees of the acquired business;
- higher than expected finance costs may arise due to unforeseen changes in tax, trade, environmental, labor, safety, payroll or pension policies in any jurisdiction in which the acquired business conducts its operations; and
- we may experience problems in retaining customers.

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

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

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

Our total long-term debt at December 31, 2013 was $1,976.7 million. Our credit agreement, and other debt agreements, contain financial and restrictive covenants that may limit our ability to, among other things, borrow additional funds or take advantage of business opportunities. While we are currently in compliance with the financial covenants, increases in our debt or decreases in our earnings could cause us to fail to comply with these financial covenants. Failing to comply with such covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all our indebtedness or otherwise have a material adverse effect on our financial position, results of operation and debt service capability.

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

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

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

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

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

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

Our access to capital markets to raise funds through the sale of equity or debt securities is subject to various factors, including general economic and/or financial market conditions. Significant changes in market liquidity conditions could impact access to funding and associated funding costs, which could reduce our earnings and cash flows. If our consolidated cash flow coverage ratio is less than 2.0 to 1.0, we are subject to significant restrictions on the amount of indebtedness that we can incur. Although our cash flow coverage ratio was greater than 2.0 to 1.0 at the end of 2013, there can be no assurance that this will continue to occur.

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

During the financial crisis which began in 2008 a number of large financial institutions either failed or relied on the assistance of governments to continue to operate as a going concern. Although we believe that the banks participating in our credit facility have adequate capital and resources, we can provide no assurance that all of these banks will continue to operate as a going concern in the future. If any of the banks in our lending group were to fail or be unwilling to renew our credit facility at or prior to its expiration, it is possible that the borrowing capacity under our current or any future credit facility would be reduced. If the availability under our credit facility was reduced significantly, we could be required to obtain capital from alternate sources to finance our capital needs. Our options for addressing such capital constraints would include, but not be limited to (i) obtaining commitments from the remaining banks in the lending group or from new banks to fund increased amounts under the terms of our credit facility, or (ii) accessing the public capital markets. If it becomes necessary to access additional capital, it is possible that any such alternatives in the current market could be on terms less favorable than under our existing credit facility terms, which could have a negative impact on our consolidated financial position, results of operations or cash flows.

Our business is sensitive to government spending.

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

We operate in a highly competitive industry.

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

We rely on key management.

We rely on the management and leadership skills of our senior management team, particularly Ronald M. DeFeo, our Chairman of the Board and Chief Executive Officer. Mr. DeFeo has been with us since 1992, serving as Chief Executive Officer since 1995 and Chairman since 1998, guiding the transformation of Terex during that time. We have an employment agreement with Mr. DeFeo, which expires on December 31, 2015. We could be harmed by the loss of any of our senior executives or other key personnel in the future.

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

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

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

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

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

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

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

As of December 31, 2013, we had trade receivables of $1,176.8 million. We evaluate the collectability of open accounts, finance receivables and note receivables based on a combination of factors and establish reserves based on our estimates of probable losses. In circumstances where we believe it is probable that a specific customer will have difficulty meeting its financial obligations, a specific reserve is recorded to reduce the net recognized receivable to the amount we expect to collect. We also establish additional reserves based upon our perception of the quality of the current receivables, the current financial position of our customers and past collections experience. Continued economic uncertainty could result in additional requirements for specific reserves, which could have a negative impact on our consolidated financial position.

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

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

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

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

Principal materials and components used in our various manufacturing processes include steel, castings, engines, tires, hydraulics, cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. Extreme movements in the cost of these materials and components may affect our financial performance. If we are not able to recover increased raw material or component costs from our customers, our margins could be adversely affected.

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

We are subject to currency fluctuations.

Our products are sold in over 100 countries around the world. The reporting currency for our consolidated financial statements is the U.S. dollar. Certain of our assets, liabilities, expenses, revenues and earnings are denominated in other countries' currencies, including the euro, British pound sterling and Australian dollar. Those assets, liabilities, expenses, revenues and earnings are translated into U.S. dollars at the applicable exchange rates to prepare our consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items as reflected in our consolidated financial statements, even if their value remains unchanged in their original currency. We may buy protecting or offsetting positions (known as "hedges") in certain currencies to reduce the risk of an adverse currency exchange movement. We have not engaged in any speculative hedging activities. Although we partially hedge our revenues and costs, currency fluctuations may impact our financial performance in the future.

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

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

- trade protection measures and currency exchange controls;
- labor unrest;
- regional economic conditions;
- political instability;
- terrorist activities and the U.S. and international response thereto;
- restrictions on the transfer of funds into or out of a country;

- export duties and quotas;
- domestic and foreign customs and tariffs;
- current and changing regulatory environments;
- difficulties protecting our intellectual property;
- transportation delays and interruptions;
- costs and difficulties in integrating, staffing and managing international operations, especially in developing markets such as China, India, Brazil, Russia and the Middle East;
- difficulty in obtaining distribution support; and
- current and changing tax laws.

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

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

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

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

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

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

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

As of December 31, 2013, we employed approximately 20,500 people worldwide. While we have no reason to believe that we will be impacted by work stoppages or other labor matters, we cannot assure that future issues with our team members or labor unions will be resolved favorably or that we will not encounter future strikes, further unionization efforts or other types of conflicts with labor unions or our team members. Any of these factors may have an adverse effect on us or may limit our flexibility in dealing with our workforce.

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

We generate hazardous and nonhazardous wastes in the normal course of our manufacturing operations. As a result, we are subject to a wide range of environmental laws and regulations. These laws and regulations govern actions that may have adverse environmental effects and require compliance with certain practices when handling and disposing of hazardous and nonhazardous wastes. These laws and regulations also impose liability for the costs of, and damages resulting from, cleaning up sites, past spills, disposals and other releases of hazardous substances, should any of such events occur. No such incidents have occurred which required us to pay material amounts to comply with such laws and regulations.

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

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

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

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

We are the subject of a securities class action lawsuit, an Employee Retirement Income Security Act of 1974 ("ERISA") class action lawsuit and a stockholder derivative lawsuit. These lawsuits generally cover the time period from February 2008 to February 2009 and allege, among other things, that certain of our SEC filings and other public statements contained false and misleading statements which resulted in damages to the plaintiffs and the members of the purported class when they purchased our securities and that there were breaches of fiduciary duties and of disclosure requirements under ERISA. We believe that the allegations in the suits are without merit, and Terex, its directors and the named executives will vigorously defend against them. We believe that we have acted, and continue to act, in compliance with federal securities laws and ERISA law with respect to these matters. However, the outcome of the lawsuits cannot be predicted and, if determined adversely, could ultimately result in us incurring significant liabilities.

We must comply with an injunction and related obligations resulting from the settlement of an SEC investigation.

In August 2009, a final court decree formalized the settlement that was entered into to resolve the previously disclosed SEC investigation of Terex related mainly to (1) certain transactions between us and United Rentals, Inc. that took place in 2000 and 2001, and one transaction between United Rentals, Inc. and one of our subsidiaries that took place in 2001 before that subsidiary was acquired by Terex, and (2) the circumstances of the restatement of certain of our financial statements for the years 2000-2004. The settlement resolved all matters relating to the potential liability of Terex, but did not address our current or former employees. Under the terms of the settlement, we paid a civil penalty of $8 million in August 2009 and we consented, without admitting or denying the SEC's allegations, to the entry of a judgment which enjoins us from committing or aiding and abetting any future violations of the anti-fraud, books and records, reporting and internal control provisions of the federal securities laws and related SEC rules.

We and our directors, officers and employees are required to comply at all times with the terms of this injunction. In addition, in 1999 regarding a separate and unrelated SEC investigation, we consented to the entry of an administrative cease and desist order prohibiting future violations of certain provisions of the federal securities laws. As a result, if we commit or aid or abet any future violations of the anti-fraud, books and records, reporting and internal control provisions of the federal securities laws and related SEC rules, we are likely to suffer severe penalties, financial and otherwise, that could have a material negative impact on our business and results of operations.

We are in the process of implementing a global enterprise resource planning system.

We are implementing a global enterprise resource planning system to replace many of our existing operating and financial systems. Such an implementation is a major undertaking, both financially and from a management and personnel perspective. Should the system not be implemented successfully, or if the system does not perform in a satisfactory manner, it could disrupt and might adversely affect our operations and results of operations, including our ability to report accurate and timely financial results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2013, our principal manufacturing, warehouse, service and office facilities comprised a total of approximately 14 million square feet of space worldwide. The following table outlines the principal manufacturing, warehouse, service and office facilities owned or leased (as indicated below) by the Company and its subsidiaries:

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

(1) These facilities are either leased or subleased.

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

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

ITEM 3. LEGAL PROCEEDINGS

General

We are involved in various legal proceedings, including product liability, general liability, workers' compensation liability, employment, commercial and intellectual property litigation, which have arisen in the normal course of operations. We are insured for product liability, general liability, workers' compensation, employer's liability, property damage and other insurable risk required by law or contract with retained liability to us or deductibles. We believe that the outcome of such matters, individually and in the aggregate, will not have a material adverse effect on our consolidated financial position. However, the outcomes of lawsuits cannot be predicted and, if determined adversely, could ultimately result in us incurring significant liabilities which could have a material adverse effect on our results of operations.

For information concerning other contingencies and uncertainties, including our ERISA, securities and stockholder derivative lawsuits, see Note Q – "Litigation and Contingencies" in the Notes to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

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

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

	2013				2012			
	Fourth	Third	Second	First	Fourth	Third	Second	First
High	$42.36	$34.87	$37.12	$36.78	$28.33	$26.20	$25.34	$26.77
Low	$32.52	$26.39	$25.60	$28.27	$20.41	$14.05	$14.89	$14.10

We declared and paid a $0.05 per share dividend during the fourth quarter of 2013. No dividends were declared or paid in 2012. Certain of our debt agreements contain restrictions as to the payment of cash dividends to stockholders. In addition, Delaware law limits payment of dividends. It is our intention to pay four quarterly dividends of $0.05 per share, for an aggregate of $0.20 per share, for the calendar year 2014. However, any future payments of cash dividends will depend upon our financial condition, capital requirements and earnings, as well as other factors that the Board of Directors may deem relevant.

As of February 19, 2014, there were 926 stockholders of record of our Common Stock.

Performance Graph

The following stock performance graph is intended to show our stock performance compared with that of comparable companies. The stock performance graph shows the change in market value of $100 invested in our Common Stock, the Standard & Poor's 500 Stock Index and our Peer Group (as defined below) for the period commencing December 31, 2008 through December 31, 2013. The cumulative total stockholder return assumes dividends are reinvested. The stockholder return shown on the graph below is not indicative of future performance. The companies in the Peer

Group are weighted by market capitalization. Our peer group is aligned with the peer group that is used by our Compensation Committee in benchmarking our executive officer's compensation.

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

	12/08	12/09	12/10	12/11	12/12	12/13
Terex Corporation	100.00	114.38	179.21	78.00	162.30	242.76
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Peer Group	100.00	151.10	217.52	194.02	234.62	325.76

(b) Not applicable.

(c) The following table provides information about purchases during the quarter ended December 31, 2013 of our common stock that is registered by us pursuant to the Exchange Act.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) (2)
October 1, 2013 – October 31, 2013 (1)	2,876	$34.76	—	$—
November 1, 2013 – November 30, 2013	—	$—	—	$—
December 1, 2013 – December 31, 2013 (2)	771,563	$38.88	771,563	$170,000
Total	774,439	$38.87	771,563	$170,000

(1) In the fourth quarter of 2013, the Company accepted 2,876 shares of common stock from employees of the Company as payment for option exercises.

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

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SELECTED FINANCIAL DATA

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

(in millions, except per share amounts and employees)

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	2013	2012	2011	2010	2009
SUMMARY OF OPERATIONS					
Net sales	$7,084.0	$6,982.2	$6,158.0	$4,207.9	$3,709.6
Income (loss) from operations	419.1	366.8	59.9	(77.2)	(385.5)
Income (loss) from continuing operations	203.9	74.8	20.2	(197.6)	(392.0)
Income (loss) from discontinued operations – net of tax	14.4	28.4	19.7	(29.2)	7.3
Gain (loss) on disposition of discontinued operations – net of tax	2.6	0.4	0.8	589.3	(12.6)
Net income (loss) attributable to common stockholders	226.0	105.8	45.2	358.5	(398.4)
Per Common and Common Equivalent Share:					
Basic attributable to common stockholders					
Income (loss) from continuing operations	$1.88	$0.70	$0.22	$(1.85)	$(3.83)
Income (loss) from discontinued operations – net of tax	0.13	0.26	0.18	(0.27)	0.07
Gain (loss) on disposition of discontinued operations – net of tax	0.02	—	0.01	5.42	(0.12)
Net income (loss) attributable to common stockholders	2.03	0.96	0.41	3.30	(3.88)
Diluted attributable to common stockholders					
Income (loss) from continuing operations	$1.79	$0.68	$0.22	$(1.85)	$(3.83)
Income (loss) from discontinued operations – net of tax	0.12	0.25	0.18	(0.27)	0.07
Gain (loss) on disposition of discontinued operations – net of tax	0.02	—	0.01	5.42	(0.12)
Net income (loss) attributable to common stockholders	1.93	0.93	0.41	3.30	(3.88)
CURRENT ASSETS AND LIABILITIES					
Current assets	$3,639.4	$3,797.4	$4,053.2	$3,986.9	$3,914.6
Current liabilities	1,724.7	1,708.8	1,890.9	1,674.2	1,554.7
PROPERTY, PLANT AND EQUIPMENT					
Net property, plant and equipment	$789.4	$806.8	$829.7	$567.8	$598.4
Capital expenditures	(79.5)	(81.2)	(77.9)	(54.6)	(50.1)
Depreciation	104.4	99.7	88.5	77.2	68.6
TOTAL ASSETS	$6,536.7	$6,746.2	$7,063.4	$5,516.4	$5,713.8
CAPITALIZATION					
Long-term debt and notes payable (includes capital leases)	$1,976.7	$2,098.7	$2,300.4	$1,686.3	$1,966.4
Total Terex Corporation Stockholders' Equity	2,190.1	2,007.7	1,910.3	2,083.2	1,650.2
Dividends per share of Common Stock	0.05	—	—	—	—
Shares of Common Stock outstanding at year end	109.9	109.9	108.8	108.1	107.3
EMPLOYEES	20,500	20,900	22,100	15,900	14,600

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

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

BUSINESS DESCRIPTION

Terex is a lifting and material handling solutions company. We are focused on operational improvement and delivering reliable, customer-driven solutions for a wide range of commercial applications, including the construction, infrastructure, quarrying, mining, manufacturing, transportation, energy and utility industries. We operate in five reportable segments: (i) AWP; (ii) Construction; (iii) Cranes; (iv) MHPS; and (v) MP.

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

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

In 2013, we divested our roadbuilding operations, formerly a part of the Construction segment, in Brazil and in Oklahoma City. On December 9, 2013, we signed an agreement to sell our truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for $160 million. The truck business manufactures and sells off-highway rigid and articulated haul trucks. Included in the transaction is the manufacturing facility in Motherwell, Scotland. The sale, which is subject to government regulatory approvals and other customary closing conditions, is targeted to close in the first half of 2014. As a result of this agreement, the reporting of the truck business has been included in discontinued operations for all periods presented.

Our Cranes segment designs, manufactures, markets, services and refurbishes rough terrain cranes, all terrain cranes, truck cranes, tower cranes, lattice boom crawler cranes, lattice boom truck cranes, truck-mounted cranes (boom trucks) and utility equipment, as well as their related replacement parts and components. Customers use these products for construction, repair and maintenance of commercial buildings, manufacturing facilities, construction and maintenance of utility and telecommunication lines, tree trimming and certain construction and foundation drilling applications and a wide range of infrastructure projects. The segment also provides service and support for industrial cranes and aerial products in North America.

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

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

We assist customers in their rental, leasing and acquisition of our products through TFS. TFS uses its equipment financing experience to provide financing solutions to our customers who purchase our equipment.

Subsequent to December 31, 2012, we realigned certain operations in an effort to strengthen our ability to service customers and to recognize certain organizational efficiencies. Our Utilities business, formerly part of our AWP segment, is now consolidated within our Cranes segment. Our Crane America Services business, formerly part of our MHPS segment, and our legacy AWP services business, formerly part of our AWP segment, are now consolidated within our Cranes segment and are run together as our Terex Services North America business. The historical results have been reclassified to reflect these changes.

Non-GAAP Measures

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

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

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

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

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

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

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

Overview

Overall, 2013 was a good year and we are pleased with the improvements and progress underway at Terex. This past year was a tale of two halves, with the second half of the year significantly stronger than the first half. Our performance in the second half was fueled by the continued strength of AWP and the turn around in our MHPS segment. Our focus throughout the year on strengthening margins and driving financial efficiency helped deliver a strong close to the year. However, we expected 2013 to be a year of significant sales growth, and this did not occur. We achieved improved profitability despite flat overall net sales as we were impacted by challenging end markets during 2013 in Europe, Australia and Asia, and a more cautious North American market than originally anticipated going into the year.

We are seeing strength in early-cycle product categories where demand is mostly replacement driven. Our AWP segment performed substantially better in 2013, with improved net sales year-over-year, and continued strong orders for its products in the North American rental channel and a noticeable pickup in European and Latin American performance. We expect strong demand for AWP products, particularly in North America, to continue through 2014. Our MP segment reported solid results, delivering double digit operating margins despite a relatively soft demand environment. This was a result of good operational execution by this segment. These business segments performed well in 2013 and we expect even better performance in 2014.

Our remaining three segments did not meet our expectations in 2013. Although our Cranes segment remains profitable, it has not seen the net sales growth we expected. While new product launches did provide some growth, markets such as Australia, Europe and Latin America suffered more than anticipated. In addition, backlog was down year-over-year as we have experienced lower demand for our Cranes products in most geographies. These declines are primarily connected to the delayed recovery of non-residential construction activities and declines in commodity related demand. Our quoting activity continues to be strong, however, conversion of these opportunities into sales is slow as related projects are often delayed. We do believe Cranes will experience growth in both net sales and income from operations in 2014.

Our Construction businesses remain challenged. Net sales in our Construction segment declined year-over-year and we have continued to streamline this segment by selling certain underperforming product lines during the year. Following the pending sale of our truck business, we will have a smaller and more focused Construction portfolio. We are confident we can improve the financial profile of this segment going forward.

Our MHPS segment had a difficult first half of 2013, but we have seen positive developments for this segment. We have made good progress with the integration of our MHPS segment and we expect continued progress in 2014. Importantly, SG&A costs are trending downward, primarily due to actions taken to reduce our cost structure, as well as the focus on continued integration of these businesses. Backlog for the MHPS segment is up significantly year-over-year due to previously announced major automation programs in Port Solutions scheduled to ship in the next 12 months.

We took substantive actions in 2013 to adjust the cost structure in our Cranes, Construction and MHPS segments to align our workforce with the demands of these businesses. The benefits to our stakeholders from these actions are expected to have a meaningful impact on our future results in 2014 and beyond. See Note L – “Restructuring and Other Charges” in our Consolidated Financial Statements for a detailed description of our restructuring activities, including the reasons, timing and costs associated with such actions.

Geographically, North America remains the most stable market overall. Europe has seen slight improvements in certain products, mostly in our AWP segment, and the Middle East continues to provide growth. Looking ahead to 2014, while some developing markets still appear to be muted, we are encouraged that economic momentum in the core geographies of North America and Europe seems to be increasing.

We are pleased by a number of accomplishments in 2013, including initiation of dividend payments to our shareholders, a share repurchase plan, re-priced and reduced debt yielding significant interest savings and sale, both completed and planned, of several of our businesses. In addition, we have generated free cash flow of approximately $376 million in 2013. Using our revised definition of free cash flow, we generated approximately $106 million in 2013. We are expecting to generate over $250 million in free cash flow for the full year 2014 using our revised definition. See “Non-GAAP Measures” above to see the change in definition of free cash flow for 2013 as compared to 2014.

In July 2013, we acquired approximately 14% of the shares of Terex Material Handling & Port Solutions AG ("TMHPS AG") for approximately $228 million. In January 2014, we paid approximately $77 million for the remaining outstanding shares of TMHPS AG. We now own 100% of TMHPS AG. These actions are consistent with our goals to simplify our capital structure and eliminated the obligation to make guaranteed payments to noncontrolling shareholders and also removed the financial and administrative burden of maintaining the entity as a German public company. We believe our liquidity after the acquisition of additional shares in TMHPS AG continues to be sufficient to meet our business plans. See "Liquidity and Capital Resources" for a detailed description of liquidity and working capital levels, including the primary factors affecting such levels.

During 2013, we made investments and implemented actions to set us on a course toward increased profitability in 2014 and beyond. We enter 2014 with optimism around our businesses and expectations to deliver improved financial results. Much of this optimism stems from our continued focus on internal areas of improvement, such as our capital structure initiatives, model and business simplification, as well as the year over year benefits anticipated from the restructuring efforts undertaken in 2013.

When balancing the different demand environments in each of our businesses, we are expecting 2014 earnings per share to be between $2.50 and $2.80 (excluding restructuring and unusual items) on net sales of between $7.3 billion and $7.7 billion. We believe that opportunities in our AWP, MHPS and MP segments to be the primary drivers of our increased earnings in 2014. Our Construction and Cranes segments are expected to show improvement but at a slower pace. We expect a tax rate between 33% and 35%. Our estimated average share count is expected to be approximately 118 million shares.

Our 2014 guidance reflects the benefits of internal cost initiatives, capital structure improvements and some anticipated net sales growth. The guidance is for continuing operations, and as such excludes the earnings associated with the off-highway truck business due to its impending sale. We see some signs of improvement in many parts of the world although this is tempered with some continued market uncertainty, particularly in developing markets. Overall, we believe that the global economy will be stronger in 2014, but still modest when viewed against historic demand levels.

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

Terex management and the Board of Directors use ROIC as one of the primary measures to assess operational performance, including in connection with certain compensation programs. We use ROIC as a unifying metric because we believe that it measures how effectively we invest our capital and provides a better measure to compare ourselves to peer companies to assist in assessing how we drive operational improvement. We believe that ROIC measures return on the amount of capital invested in our primary businesses, excluding TFS, as opposed to another metric such as return on stockholders' equity that only incorporates book equity, and is thus a more accurate and descriptive measure of our performance. We also believe that adding Debt less Cash and cash equivalents to Total stockholders' equity provides a better comparison across similar businesses regarding total capitalization, and ROIC highlights the level of value creation as a percentage of capital invested. As the tables below show, our ROIC at December 31, 2013 was 8.1%.

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

	Dec '13	Sep '13	Jun '13	Mar '13	Dec '12
Provision for (benefit from) income taxes	$22.3	$22.8	$27.7	$14.6	
Divided by: Income (loss) before income taxes	106.0	106.6	46.4	32.3	
Effective tax rate	21.0 %	21.4 %	59.7 %	45.2 %	

Income (loss) from operations as adjusted	$131.5	$139.4	$83.8	$66.1	
Multiplied by: 1 minus Effective tax rate	79.0 %	78.6 %	40.3 %	54.8 %	
Adjusted net operating income (loss) after tax	$103.9	$109.6	$33.8	$36.2	
Debt (as defined above)	$1,976.7	$1,905.9	$1,870.4	$2,082.5	$2,098.7
Less: Cash and cash equivalents	(408.1)	(370.6)	(548.2)	(729.7)	(678.0)
Debt less Cash and cash equivalents	$1,568.6	$1,535.3	$1,322.2	$1,352.8	$1,420.7
Total Terex Corporation stockholders' equity as adjusted	$2,092.4	$2,002.2	$2,042.7	$2,053.8	$2,103.7
Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted	$3,661.0	$3,537.5	$3,364.9	$3,406.6	$3,524.4

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December 31, 2013 ROIC	8.1	%
NOPAT as adjusted (last 4 quarters)	$283.5	
Average Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted (5 quarters)	$3,498.9	

	Three months ended 12/31/13	Three months ended 9/30/13	Three months ended 06/30/13	Three months ended 03/31/13
Reconciliation of income (loss) from operations:				
Income (loss) from operations as reported	$131.4	$138.6	$83.5	$65.6
(Income) loss from operations for TFS	0.1	0.8	0.3	0.5
Income (loss) from operations as adjusted	$131.5	$139.4	$83.8	$66.1

Reconciliation of Terex Corporation stockholders' equity:	As of 12/31/13	As of 9/30/13	As of 06/30/13	As of 03/31/13	As of 12/31/12
Terex Corporation stockholders' equity as reported	$2,190.1	$2,094.2	$1,955.8	$1,957.5	$2,007.7
TFS Assets	(151.6)	(149.8)	(139.7)	(147.5)	(150.9)
Redeemable noncontrolling interest	53.9	57.8	226.6	243.8	246.9
Terex Corporation stockholders' equity as adjusted	$2,092.4	$2,002.2	$2,042.7	$2,053.8	$2,103.7

RESULTS OF OPERATIONS

2013 COMPARED WITH 2012

Terex Consolidated

	2013	% of Sales	2012	% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$7,084.0	—	$6,982.2	—	1.5 %
Gross profit	$1,439.5	20.3 %	$1,400.1	20.1 %	2.8 %
SG&A	$1,020.4	14.4 %	$1,033.3	14.8 %	(1.2)%
Income from operations	$419.1	5.9 %	$366.8	5.3 %	14.3 %

Net sales for the year ended December 31, 2013 increased $101.8 million when compared to 2012. Our AWP segment had significant growth in net sales from continued rental channel replenishment, particularly in North America, Europe and Latin America as well as other international markets. However, the impact of weak demand in European and other markets on our Construction, Cranes, MHPS and MP segments partially offset those net sales increases.

Gross profit for the year ended December 31, 2013 increased $39.4 million when compared to 2012. Approximately $32 million of restructuring and related charges impacted gross profit in the current year. Our AWP and Construction segments' gross profit improved from the prior year period, partially offset by decreased gross profit in the other three segments.

SG&A costs for the year ended December 31, 2013 decreased $12.9 million when compared to 2012. Approximately $29 million of restructuring and related charges affected SG&A costs in the current year. These charges were partially offset by lower SG&A costs resulting from actions taken in prior periods to lower our cost structure as well as from a charge taken in the prior year for an acquisition related note receivable that did not recur in the current year.

Income from operations improved by $52.3 million for the year ended December 31, 2013 when compared to 2012. The increase was primarily due to improved profitability in our AWP segment and lower overall SG&A costs.

Aerial Work Platforms

	2013			2012				
		% of Sales			% of Sales		% Change In Reported Amounts	
	($ amounts in millions)							
Net sales	$2,131.0	—		$1,742.4	—		22.3	%
Gross profit	$514.9	24.2	%	$381.2	21.9	%	35.1	%
SG&A	$189.1	8.9	%	$170.3	9.8	%	11.0	%
Income from operations	$325.8	15.3	%	$210.9	12.1	%	54.5	%

Net sales for the AWP segment for the year ended December 31, 2013 increased $388.6 million when compared to 2012. We continued to see growth from replacement-based demand in the North American, Latin American and European rental channels for our aerial work platform products as well as increased demand arising from the early stages of replacement demand in many other international markets.

Gross profit for the year ended December 31, 2013 increased $133.7 million when compared to 2012. Increased net sales, improved price realization, lower material costs and the mix of product sales, contributed approximately $149 million to the improvement in gross profit. This improvement was slightly offset by approximately $11 million in higher distribution and warranty costs associated with higher net sales volume.

SG&A costs for the year ended December 31, 2013 increased $18.8 million when compared to 2012. Higher selling and marketing costs associated with higher net sales increased SG&A costs by approximately $7 million as compared to the prior year. Additionally, the allocation of corporate costs was approximately $8 million higher in the current year.

Income from operations for the year ended December 31, 2013 improved $114.9 million when compared to 2012. The increase was due to the items noted above, particularly increased net sales volume, partially offset by higher SG&A costs.

Construction

	2013				2012					
			% of Sales				% of Sales		% Change In Reported Amounts	
	($ amounts in millions)									
Net sales	$820.0		—		$952.1		—		(13.9	)%
Gross profit	$83.2		10.1	%	$68.2		7.2	%	22.0	%
SG&A	$108.0		13.2	%	$137.5		14.4	%	(21.5	)%
Loss from operations	$(24.8	)	(3.0	)%	$(69.3	)	(7.3	)%	*	

* Not meaningful as a percentage

Net sales for the Construction segment decreased by $132.1 million for the year ended December 31, 2013 when compared to 2012. Demand for our Construction products has weakened, particularly in Western Europe. Decreased demand for our material handlers and compact construction equipment negatively impacted net sales in the current year period. These declines were partially offset by improved net sales from our cement mixer product line.

Gross profit for the year ended December 31, 2013 increased $15.0 million when compared to 2012. The increase was primarily due to approximately $21 million of lower inventory and restructuring charges in the current year compared to the prior year. These were partially offset by lower net sales for our material handlers and compact construction product lines worldwide. Additionally, charges taken in connection with the sale of a portion of the roadbuilding businesses decreased gross profit by approximately $3 million.

SG&A costs for the year ended December 31, 2013 decreased $29.5 million when compared to 2012. Cost reduction activities taken in prior periods are reflected in lower current year SG&A costs. Additionally, the allocation of corporate costs was approximately $5 million lower in the current year. Approximately $5 million lower restructuring and related charges in the current year decreased SG&A costs.

Loss from operations for the year ended December 31, 2013 decreased $44.5 million when compared to 2012. The lower loss was primarily due to lower inventory, restructuring and other SG&A costs partially offset by the impact of lower net sales.

Cranes

	2013	% of Sales		2012	% of Sales		% Change In Reported Amounts	
	($ amounts in millions)							
Net sales	$1,925.5	—		$1,987.6	—		(3.1	)%
Gross profit	$337.1	17.5	%	$393.6	19.8	%	(14.4	)%
SG&A	$226.6	11.8	%	$225.6	11.4	%	0.4	%
Income from operations	$110.5	5.7	%	$168.0	8.5	%	(34.2	)%

Net sales for the Cranes segment for the year ended December 31, 2013 decreased by $62.1 million when compared to 2012. We have experienced declines in net sales in Australia and Latin America, partially offset by stronger sales in the Middle East. These declines were primarily related to lower commodity driven demand.

Gross profit for the year ended December 31, 2013 decreased by $56.5 million when compared to 2012. Approximately $10 million of restructuring and related charges impacted gross profit in the current year period. The decrease in net sales and lower margin mix of product sales were the primary drivers of the remaining decrease in gross profit.

SG&A costs for the year ended December 31, 2013 increased $1.0 million when compared to 2012. Approximately $5 million of higher engineering costs for new product development were incurred in the current year period. Additionally, the allocation of corporate costs was approximately $7 million higher in the current year period. However, a $12 million charge in the prior year period related to the write down of an acquisition related note did not recur in the current year period.

Income from operations for the year ended December 31, 2013 decreased $57.5 million when compared to 2012, resulting primarily from restructuring and related costs and lower net sales.

Material Handling & Port Solutions

	2013		% of Sales		2012	% of Sales		% Change In Reported Amounts	
	($ amounts in millions)								
Net sales	$1,698.5		—		$1,742.1	—		(2.5	)%
Gross profit	$345.4		20.3	%	$386.7	22.2	%	(10.7	)%
SG&A	$387.2		22.8	%	$381.1	21.9	%	1.6	%
Income (loss) from operations	$(41.8	)	(2.5	)%	$5.6	0.3	%	*	

*Not meaningful as a percentage

Net sales for the MHPS segment for the year ended December 31, 2013 decreased by $43.6 million when compared to 2012. Weak demand across several geographies, including Europe, South Africa and India, has reduced net sales in both businesses in this segment. However, net sales were approximately 40% higher in the second half of the current year than in the first half of the year.

Gross profit for the year ended December 31, 2013 decreased by $41.3 million when compared to 2012. Approximately $21 million of restructuring and related charges impacted gross profit in the current year period. The remaining decrease in gross profit was primarily attributable to the reduced overall net sales volume.

SG&A costs for the year ended December 31, 2013 increased by $6.1 million when compared to 2012. Approximately $25 million of restructuring and related charges affected SG&A costs in the current year period. This was partially offset by cost reduction activities taken in prior periods that positively impacted SG&A by approximately $15 million.

Income (loss) from operations for the year ended December 31, 2013 declined by $47.4 million when compared to 2012. These results were primarily driven by restructuring and related charges.

Materials Processing

	2013			2012				
		% of Sales			% of Sales		% Change In Reported Amounts	
	($ amounts in millions)							
Net sales	$628.2	—		$661.5	—		(5.0	)%
Gross profit	$145.4	23.1	%	$149.6	22.6	%	(2.8	)%
SG&A	$73.6	11.7	%	$74.3	11.2	%	(0.9	)%
Income from operations	$71.8	11.4	%	$75.3	11.4	%	(4.6	)%

Net sales in the MP segment decreased by $33.3 million for the year ended December 31, 2013 when compared to 2012. The translation effect of foreign currency exchange rate changes negatively impacted net sales by approximately $12 million. Additionally, the decline in net sales was impacted by weakness in minerals driven markets such as Australia and South America, as well as general construction weakness in Europe. However, our business remained strong in North America driven by replacement demand.

Gross profit for the year ended December 31, 2013 decreased by $4.2 million when compared to 2012. The decrease was primarily due to lower net sales volume and a negative impact from the translation effect of foreign currency exchange rate changes. However, improved manufacturing cost structure partially offset this decrease.

SG&A costs for the year ended December 31, 2013 decreased $0.7 million when compared to 2012. SG&A costs in the current year reflected reduced spending on selling and marketing costs, partially offset by increased engineering costs for investments in new products and markets.

Income from operations for the year ended December 31, 2013 decreased $3.5 million when compared to 2012. This was driven primarily by lower net sales partially offset by manufacturing costs controls.

Corporate/Eliminations

	2013			2012			
			% of Sales			% of Sales	% Change In Reported Amounts
	($ amounts in millions)						
Net sales	$(119.2	)	—	$(103.5	)	—	*
Loss from operations	$(22.4	)	*	$(23.7	)	*	*

*Not meaningful as a percentage

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

Interest Expense, Net of Interest Income

During the year ended December 31, 2013, our interest expense net of interest income was $119.4 million, or $36.4 million lower than the prior year. This improvement was primarily driven by the capital market activities in 2012 and continued paydown of debt in 2013, which generally resulted in lower cost debt being used to pay off higher cost debt as well as decreasing our debt balances.

Loss on Early Extinguishment of Debt

We recorded a loss of $5.2 million on early extinguishment of debt during the year ended December 31, 2013 related to the redemption of a portion of our term debt. A loss of $83.0 million on early extinguishment of debt was recorded in the year ended December 31, 2012 related to the redemption of certain of our senior notes and convertible debt.

Other Income (Expense) — Net

Other income (expense) — net for the year ended December 31, 2013 was income of $5.3 million, a decrease of $2.6 million when compared to income of $7.9 million in the prior year. This was driven primarily by losses incurred from the sale of assets in the current year.

Income Taxes

During the year ended December 31, 2013, we recognized income tax expense of $87.4 million on income of $291.3 million, an effective tax rate of 30.0%, as compared to an income tax expense of $51.5 million on income of $126.3 million, an effective tax rate of 40.8%, for the year ended December 31, 2012. The lower effective tax rate for the year ended December 31, 2013 was primarily due to reductions in the provision for uncertain tax positions and losses for which no tax benefit was recognized in the current year when compared to the prior year.

Income (Loss) from Discontinued Operations

Income from discontinued operations for the year ended December 31, 2013 decreased by approximately $14 million when compared to the prior year primarily due to lower demand for our trucks in the current year.

Gain (Loss) on Disposition of Discontinued Operations

For the year ended December 31, 2013, we recognized a gain from contractually obligated earnings based payments from the purchaser of a business sold in 2010. For the year ended December 31, 2012, we recognized a gain from contractually obligated earnings based payments from the purchaser of a business sold in 2010 partially offset by a loss associated with settlement of claims related to the sale of the Mining business.

2012 COMPARED WITH 2011

Terex Consolidated

	2012			2011				
		% of Sales			% of Sales		% Change In Reported Amounts	
	($ amounts in millions)							
Net sales	$6,982.2	—		$6,158.0	—		13.4	%
Gross profit	$1,400.1	20.1	%	$923.5	15.0	%	51.6	%
SG&A	$1,033.3	14.8	%	$863.6	14.0	%	19.7	%
Income from operations	$366.8	5.3	%	$59.9	1.0	%	512.4	%

Net sales for the year ended December 31, 2012 increased $824.2 million when compared to 2011. Excluding the effect of the addition from TMHPS AG in both periods and the negative impact of foreign currency exchange rate changes, net sales increased approximately 5% from the prior year period. The impact of the acquisition of TMHPS AG increased net sales by approximately $693 million due to inclusion in our results for the full year in 2012. Our AWP segment had approximately 22% higher net sales in 2012 and our Cranes segment was slightly higher in 2012. However, our Construction segment net sales was down approximately 20% when compared to 2011. Our MP segment net sales were down slightly from 2011.

Gross profit for the year ended December 31, 2012 increased $476.6 million when compared to 2011. Excluding the impact of the acquisition of TMHPS AG, gross profit improved by approximately $235 million primarily due to improved price realization and cost reductions. The acquisition of TMHPS AG added approximately $242 million to gross profit due to inclusion in our results for the full year in 2012. The prior year amounts for MHPS included approximately $41 million from inventory revaluation charges related to the acquisition which did not recur in the current year.

SG&A costs increased by $169.7 million when compared to 2011. Excluding the impacts of the acquisition of TMHPS AG and foreign currency exchange rate changes, SG&A costs were lower by approximately $18 million on higher net sales levels. The acquisition of TMHPS AG added approximately $212 million to SG&A costs due to inclusion in our results for the full year in 2012.

Income from operations improved by $306.9 million for the year ended December 31, 2012 versus the comparable period in 2011. The increase was primarily due to the items noted above particularly, improved price realization and actions taken in previous periods to reduce our cost structure, as well as the impact of the acquisition of TMHPS AG.

Aerial Work Platforms

	2012		2011		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$1,742.4	—	$1,425.0	—	22.3 %
Gross profit	$381.2	21.9 %	$239.2	16.8 %	59.4 %
SG&A	$170.3	9.8 %	$157.3	11.0 %	8.3 %
Income from operations	$210.9	12.1 %	$81.9	5.7 %	157.5 %

Net sales for the AWP segment for the year ended December 31, 2012 increased $317.4 million when compared to 2011. We continued to see growth from replacement-based demand in the North American rental channels for our aerial work platform products. Price realization also contributed to the increase in net sales. European sales for aerial work platforms also improved relative to the prior year.

Gross profit for the year ended December 31, 2012 increased $142.0 million when compared to 2011. Improved price realization, increased net sales, the mix of product sales and lower manufacturing costs, contributed approximately $151 million to the improvement in gross profit. These improvements were partially offset by approximately $9 million from increased inventory charges compared to the prior year.

SG&A costs for the year ended December 31, 2012 increased $13.0 million when compared to 2011. Higher general and administrative costs to enable the increased sales levels increased SG&A spending by approximately $10 million as compared to the prior year.

Income from operations for the year ended December 31, 2012 improved $129.0 million when compared to 2011. The increase was due to the items noted above, particularly improved price realization and increased net sales volume, partially offset by higher SG&A.

Construction

	2012		2011		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$952.1	—	$1,182.7	—	(19.5)%
Gross profit	$68.2	7.2 %	$126.2	10.7 %	(46.0)%
SG&A	$137.5	14.4 %	$161.5	13.7 %	(14.9)%
Loss from operations	$(69.3)	(7.3)%	$(35.3)	(3.0)%	*

* Not meaningful as a percentage

Net sales in the Construction segment decreased by $230.6 million for the year ended December 31, 2012 when compared to 2011. Weakened demand for our material handling products and a lack of government infrastructure spending in North America and Brazil negatively impacted our Roadbuilding equipment sales. Additionally, lower demand for compact construction products, particularly in Europe, affected net sales in the current year. Changes in foreign currency exchange rates negatively impacted net sales by approximately $23 million.

Gross profit for the year ended December 31, 2012 decreased $58.0 million when compared to 2011. Lower net sales decreased gross profit by approximately $39 million. Additionally, higher inventory write downs and restructuring charges associated with our Roadbuilding and compact construction businesses decreased gross profit by approximately $22 million.

SG&A costs for the year ended December 31, 2012 decreased $24.0 million when compared to 2011. The impact of cost reduction actions taken in prior periods are reflected in lower current year SG&A costs. These positive impacts on SG&A costs for the current year were partially offset by approximately $9 million higher asset impairment and restructuring related costs in the current year associated with our Roadbuilding and compact construction businesses.

Loss from operations for the year ended December 31, 2012 increased $34.0 million when compared to 2011. The increased loss was due to the items noted above, particularly approximately $31 million of charges associated with our Roadbuilding and compact construction businesses, partially offset by lower SG&A costs.

Cranes

	2012			2011				
		% of Sales			% of Sales		% Change In Reported Amounts	
	($ amounts in millions)							
Net sales	$1,987.6	—		$1,936.5	—		2.6	%
Gross profit	$393.6	19.8	%	$267.1	13.8	%	47.4	%
SG&A	$225.6	11.4	%	$233.2	12.0	%	(3.3	)%
Income from operations	$168.0	8.5	%	$33.9	1.8	%	395.6	%

Net sales for the Cranes segment for the year ended December 31, 2012 increased by $51.1 million when compared to 2011. Changes in foreign currency exchange rates negatively impacted net sales by approximately $68 million. Strong demand for rough terrain cranes driven by energy related projects continued. Additionally, the inclusion of an acquired business in 2012 that was not included in the prior year period increased net sales. We also experienced good demand for our cranes in North America, South America, the Middle East and Australia. This strength was offset by softening demand for all-terrain cranes in Western Europe.

Gross profit for the year ended December 31, 2012 increased by $126.5 million when compared to 2011. Improved price realization, factory utilization, a favorable mix of product sales and higher parts volume in the current year improved gross profit by approximately $115 million. Additionally, lower inventory, warranty and restructuring charges in the current year improved gross profit by approximately $24 million. Changes in foreign currency exchange rates negatively impacted gross profit by approximately $16 million.

SG&A costs for the year ended December 31, 2012 decreased $7.6 million versus 2011. The impact of cost reduction actions taken in prior years are reflected in lower current year SG&A costs. The lower allocation of corporate expenses in the current year decreased SG&A costs by approximately $11 million. Changes in foreign currency exchange rate also positively impacted SG&A costs in the current year by approximately $11 million. Partially offsetting these positive impacts on SG&A costs was approximately $12 million from the write down of an acquisition related note receivable in the current year.

Income from operations for the year ended December 31, 2012 increased $134.1 million versus 2011, resulting primarily from improved price realization, a favorable mix of product sales and lower SG&A costs. However, changes in foreign currency exchange rates negatively impacted income from operations by approximately $5 million.

Material Handling & Port Solutions

	2012		2011		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$1,742.1	—	$1,036.9	—	*
Gross profit	$386.7	22.2 %	$135.2	13.0 %	*
SG&A	$381.1	21.9 %	$203.7	19.6 %	*
Income (loss) from operations	$5.6	0.3 %	$(68.5)	(6.6)%	*

* Not meaningful as a percentage

Net sales for the MHPS segment for the year ended December 31, 2012 increased by $705.2 million when compared to 2011, primarily due to the impact of results from the TMHPS AG acquisition. Excluding the effect of the addition of TMHPS AG in both years and the negative impact of foreign currency exchange rate changes, net sales from the pre-existing businesses in the MHPS segment decreased approximately 11% from the prior year.

Gross profit for the year ended December 31, 2012 increased by $251.5 million when compared to 2011, primarily due to the impact of results from the TMHPS AG acquisition. Excluding the effect of the addition of TMHPS AG, gross profit from the pre-existing businesses in the MHPS segment improved approximately $17 million. The acquisition of TMHPS AG added approximately $248 million to gross profit due to inclusion in our results for the full year in 2012. Additionally, approximately $41 million from inventory revaluation charges related to the acquisition in the prior year did not recur in the current year. This was partially offset by approximately $8 million of charges in the current year as the Material Handling business made changes to better align production with market demand. Charges related to Brazilian post-employment benefit programs negatively impacted gross profit by approximately $8 million in 2012.

SG&A costs for the year ended December 31, 2012 increased by $177.4 million when compared to 2011. The effect of the addition from TMHPS AG as well as an allocation of Terex corporate costs to this segment in the current year were the primary drivers of increased SG&A costs. The acquisition of TMHPS AG added approximately $212 million to SG&A costs due to inclusion in our results for the full year in 2012. Charges related to Brazilian post-employment benefit programs negatively impacted SG&A costs by approximately $2 million in the current year. SG&A costs in the pre-existing businesses in the MHPS segment decreased approximately $27 million due to the impact of cost reduction actions taken in prior periods.

Income (loss) from operations for the year ended December 31, 2012 improved by $74.1 million when compared to 2011. These results were primarily driven by the effect of the addition from TMHPS AG and inventory revaluation charges related to the acquisition in the prior year which did not recur in the current year.

Materials Processing

	2012		2011		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$661.5	—	$682.8	—	(3.1)%
Gross profit	$149.6	22.6 %	$135.8	19.9 %	10.2 %
SG&A	$74.3	11.2 %	$76.3	11.2 %	(2.6)%
Income from operations	$75.3	11.4 %	$59.5	8.7 %	26.6 %

Net sales in the MP segment decreased by $21.3 million for the year ended December 31, 2012 when compared to 2011. Changes in foreign currency exchange rates negatively impacted net sales by approximately $10 million. Soft demand in Europe was partially offset by strong growth in the North American market. Expansion of our dealer network in Latin America helped offset the loss of sales into the South African region where we lost a key regional dealer.

Gross profit for the year ended December 31, 2012 increased by $13.8 million when compared to 2011. The increase was partially due to the impact of improved price realization and product sales mix, which contributed approximately $8 million to the increase in gross profit. Additionally, lower restructuring charges in the current year and lower warranty costs in the current year increased gross profit by approximately $6 million.

SG&A costs for the year ended December 31, 2012 decreased $2.0 million over 2011. The decrease in SG&A costs was primarily due to the release of a restructuring reserve due to revised operational plans for a facility previously scheduled for closing.

Income from operations for the year ended December 31, 2012 improved $15.8 million when compared to 2011, primarily due to improved price realization and lower warranty and restructuring charges in the current year.

Corporate/Eliminations

	2012	% of Sales	2011	% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$(103.5)	—	$(105.9)	—	2.3%
Loss from operations	$(23.7)	22.9%	$(11.6)	11.0%	(104.3)%

Net sales amounts include the elimination of intercompany sales activity among segments. Loss from operations increased from the prior year period primarily due to increased spending on developing markets.

Interest Expense, Net of Interest Income

During the year ended December 31, 2012, our interest expense net of interest income was $155.8 million, or $35.2 million higher than the prior year. This increase was primarily driven by increased interest expense associated with the TMHPS AG acquisition related debt.

Loss on Early Extinguishment of Debt

During the year ended December 31, 2012, we repaid the outstanding principal amount of our 10-7/8% Notes, our 8% Notes and purchased approximately 25% of the principal amount outstanding of our 4% Convertible Notes due 2015. See Note M – “Long-Term Obligations.” The $83.0 million loss on early extinguishment of debt in the Consolidated Statement of Income for the year ended December 31, 2012 includes (a) cash payments of $77.3 million for call premiums and expenses associated with the repayment of outstanding debt, (b) $21.7 million of non-cash charges for accelerated amortization of debt acquisition costs and original issue discount associated with the debt extinguished, and (c) a $16.0 million gain related to the termination of the swap agreement associated with the redemption of the 8% Notes, which are included in the calculation of net income. In preparing the Consolidated Statement of Cash Flows, the non-cash item (b) was added to net income and the swap termination item (c) was added to Loss on early extinguishment of debt, to reflect cash flow appropriately.

During the year ended December 31, 2011, we repaid the outstanding principal amount of our 7-3/8% Notes and entered into an amended and restated credit agreement that replaced our previous credit agreement. The $7.7 million loss on early extinguishment of debt in the Consolidated Statement of Income for the year ended December 31, 2011 includes (a) cash payments of $3.6 million for call premiums associated with the repayment of outstanding debt, and (b) $4.1 million of non-cash charges for accelerated amortization of debt acquisition costs, original issue discount and interest rate swap costs associated with the debt extinguished, which are included in the calculation of net income. In preparing the Consolidated Statement of Cash Flows, the non-cash item (b) was added to net income to reflect cash flow appropriately.

Other Income (Expense) — Net

Other income (expense) — net for the year ended December 31, 2012 was income of $7.9 million, a decrease of $134.2 million when compared to income of $142.1 million in the prior year. The change was primarily driven by a gain in the prior year period of approximately $168 million from the sale of shares in Bucyrus International. This was partially offset by approximately $16 million of charges in the prior year period related to the acquisition of TMHPS AG.

Income Taxes

During the year ended December 31, 2012, we recognized income tax expense of $51.5 million on income of $126.3 million, an effective rate of 40.8%, as compared to income tax expense of $45.4 million on income of $65.6 million, an effective rate of 69.2%, for the year ended December 31, 2011. The lower effective tax rate for the year ended December 31, 2012 was primarily attributable to reductions in the provision for uncertain tax positions and losses for which no tax benefit was recognized.

Income (Loss) from Discontinued Operations

We had income from discontinued operations for the year ended December 31, 2012 and 2011 primarily due to the pending sale of the truck business. The increase was primarily due to higher demand for these trucks in 2012.

Gain (Loss) on Disposition of Discontinued Operations

For the year ended December 31, 2012, we recognized a gain from contractually obligated earnings based payments from the purchaser of a business sold in 2010 partially offset by a loss associated with settlement of claims related to the sale of the Mining business. For the year ended December 31, 2011, we recognized a gain due to tax related adjustments on the net gain on divestiture of businesses sold in 2010.

CRITICAL ACCOUNTING POLICIES

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

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

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

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

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

Guarantees – As of December 31, 2013, we have issued guarantees to financial institutions related to customer financing of equipment purchases by our customers. We must assess the probability of losses or non-performance in ways similar to the evaluation of accounts receivable, including consideration of a customer's payment history, leverage, availability of third party financing, political and exchange risks, and other factors. Many of these factors, including the assessment of a customer's ability to pay, are influenced by economic and market factors that cannot be predicted with certainty.

Our customers, from time to time, may fund acquisition of our equipment through third-party finance companies. In certain instances, we may provide a credit guarantee to the finance company by which we agree to make payments to the finance company should the customer default. Our maximum liability is limited to the remaining payments due to the finance company at the time of default. In the event of customer default, we have generally been able to recover and dispose of the equipment at a minimum loss, if any, to us. There can be no assurance that our historical credit default experience will be indicative of future results. Our ability to recover losses experienced from our guarantees may be affected by economic conditions in effect at the time of loss.

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

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

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

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

See Note Q – "Litigations and Contingencies" in the Notes to the Consolidated Financial Statements for further information regarding our guarantees.

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

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

a) Persuasive evidence that an arrangement exists;

b) The price to the buyer is fixed or determinable;
c) Collectability is reasonably assured; and
d) We have no significant obligations for future performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There were no indicators of goodwill impairment in the tests performed as of October 1, 2013, 2012 and 2011. See Note J – "Goodwill and Intangible Assets, Net" in the Notes to the Consolidated Financial Statements.

In order to evaluate the sensitivity of any quantitative fair value calculations on the goodwill impairment test, we applied a hypothetical 10% decrease to the fair values of any reporting unit calculated. This hypothetical 10% decrease would still result in excess fair value over carrying value for the reporting units as of October 1, 2013.

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

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

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

Defined Benefit Plans – Pension benefits represent financial obligations that will be ultimately settled in the future with employees who meet eligibility requirements. As of December 31, 2013, we maintained one qualified defined benefit pension plan and one nonqualified plan covering certain U.S. employees. The benefits covering salaried employees are based primarily on years of service and employees' qualifying compensation during the final years of employment. The benefits covering bargaining unit employees are based primarily on years of service and a flat dollar amount per year of service. Participation in the qualified plan is frozen and participants are only credited with post-freeze service for purposes of determining vesting and retirement eligibility. It is our policy, generally, to fund the qualified U.S. plan based on the requirements of the Employee Retirement Income Security Act of 1974. See Note O – "Retirement Plans and Other Benefits" in the Notes to the Consolidated Financial Statements. The nonqualified plan provides retirement benefits to certain senior executives of the Company and is unfunded. Generally, the nonqualified plan provides a benefit based on average total compensation earned over a participant's final five years of employment and years of service reduced by benefits earned under any Company retirement program, excluding salary deferrals and matching contributions. In addition, benefits are reduced by Social Security Primary Insurance Amounts attributable to Company contributions. Participation in the nonqualified plan was frozen effective December 31, 2008; however, eligible participants are credited with post-freeze service for purposes of determining vesting and the amount of benefits.

We maintain defined benefit plans in France, Germany, India, Switzerland and the United Kingdom ("U.K.") for some of our subsidiaries. The plans in France, Germany and India are unfunded plans. During 2010, the plan in the U.K. was frozen. For our operations in Austria, Italy and Korea there are mandatory termination indemnity plans providing a benefit that is payable upon termination of employment in substantially all cases of termination. We record this obligation based on the mandated requirements. The measure of the current obligation is not dependent on the employees' future service and therefore is measured at current value.

Plan assets consist primarily of common stocks, bonds and short-term cash equivalent funds. For the U.S. plan, approximately 32% of the assets are in equity securities and 68% are in fixed income securities. For the non-U.S. funded plans, approximately 31% of the assets are in equity securities, 63% are in fixed income securities and 6% are in real estate investment securities. These allocations are reviewed periodically and updated to meet the long-term goals of the plans.

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

Expected long-term rates of return on pension plan assets were 7.50% for the U.S. plan, 6.00% for the U.K. plan and 3.50% for the Swiss plan at December 31, 2013. Our strategy with regard to the investments in the pension plans is to earn a rate of return sufficient to match or exceed the long-term growth of pension liabilities. The expected rate of return of plan assets represents an estimate of long-term returns on the investment portfolio. These rates are determined annually by management based on a weighted average of current and historical market trends, historical portfolio performance and the portfolio mix of investments. The expected long-term rate of return on plan assets at December 31 is used to measure the earnings effects for the subsequent year. The difference between the expected return and the actual return on plan assets affects the calculated value of plan assets and, ultimately, future pension expense (income).

The discount rates for pension plan liabilities were 4.64% for U.S. plan and 1.75% to 10.25% with a weighted average of 3.78% for non-U.S. plans at December 31, 2013. The discount rate enables us to estimate the present value of expected future cash flows on the measurement date. The rate used reflects a rate of return on high-quality fixed income investments that match the duration of expected benefit payments at the December 31 measurement date. The discount rate at December 31 is used to measure the year-end benefit obligations and the earnings effects on the subsequent year. Typically, a higher discount rate decreases the present value of benefit obligations and increases pension expense.

The expected rates of compensation increase for our non-U.S. pension plans were 1.00% to 5.50% with a weighted average of 1.56% at December 31, 2013. These estimated annual compensation increases are determined by management every year and are based on historical trends and market indices.

We have recorded the underfunded status on our balance sheet as a liability and the unrecognized prior service costs and actuarial gains (losses) as an adjustment to Stockholders’ equity on the Consolidated Balance Sheet. The net decrease in the liability and funded status of $41.2 million was due to changes in assumptions from the previous year, primarily increases in the discount rates.

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

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

Assumptions used in computing our net pension expense and projected benefit obligation have a significant effect on the amounts reported. A 0.25% change in each assumption below would have the following effects upon net pension expense and projected benefit obligation, respectively, as of and for the year ended December 31, 2013:

	Increase		Decrease	
	Discount Rate	Expected long-term rate of return	Discount Rate	Expected long-term rate of return
	($ amounts in millions)			
U. S. Plan:				
Net pension expense	$(0.1)	$(0.3)	$0.1	$0.3
Projected benefit obligation	$(5.1)	$—	$5.1	$—
Non-U.S. Plans:				
Net pension expense	$—	$0.2	$—	$(0.2)
Projected benefit obligation	$(17.6)	$—	$19.1	$—

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

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

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

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

LIQUIDITY AND CAPITAL RESOURCES

We are continuing to focus on generating cash from operations and promoting growth. Our free cash flow of approximately $376.0 million in 2013, was in line with our expectations. During 2013 we completed two significant financing transactions. We repaid approximately $220 million of senior term loans outstanding under our bank credit facilities and purchased approximately 14% of the noncontrolling interest shares in TMHPS AG for approximately $228 million, funding these transactions with a combination of available cash and borrowings on our revolving credit line. As of December 31, 2013 we had $117.7 million outstanding on our revolving credit line. Overall, during the past 12 months we have reduced our debt and also lowered the interest rates on our term loans, yielding a meaningful reduction in interest expense from 2012.

The following table reconciles income from operations to free cash flow (in millions):

	Year ended 12/31/13	
Income from operations	$419.1	
Plus: Depreciation and amortization	151.5	
Plus: Proceeds from sale of assets	46.1	
Plus/minus: Cash changes in working capital	(161.2	)
Less: Capital expenditures	(79.5	)
Free cash flow	$376.0	

Our main sources of funding are cash generated from operations, loans from our bank credit facilities, and funds raised in capital markets. We had cash and cash equivalents of $408.1 million at December 31, 2013. We expect the majority of the cash held by our foreign subsidiaries to be maintained locally because we plan to reinvest such cash and cash equivalents to support our operations and continued growth plans outside the United States through funding of capital expenditures, acquisitions, operating expenses or other similar cash needs of these operations. Such cash could be used in the U.S., if necessary, however cash repatriated to the U.S. could be subject to incremental local and U.S. taxation. Currently, there are no trends, demands or uncertainties as a result of the Company’s cash re-investment policy that are reasonably likely to have a material effect on us as a whole or that may be relevant to our financial flexibility.

We believe cash generated from operations together with access to our bank credit facilities and cash on hand, provide adequate liquidity to continue to support our internal operating initiatives and meet our operating and debt service requirements. See Item 1A “Risk Factors” for a detailed description of the risks resulting from our debt and our ability to generate sufficient cash flow to operate our business.

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

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

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

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

Our investment in financial services assets was approximately $152 million, net at December 31, 2013. We remain focused on expanding TFS in key markets like the U.S., Europe and China. We also anticipate using TFS to drive incremental sales by increasing end-customer financing through TFS when we believe the investments are justified.

During 2013, our cash used in inventory was approximately $70 million as we made investments in businesses showing improved order and inquiry activity. We continue our program to increase inventory turns by sharing, throughout our Company, many of the best practices and lean manufacturing processes that several of our business units have implemented successfully. We expect these initiatives to reduce the level of inventory needed to support our business and allow us to reduce our manufacturing lead times, thereby reducing our working capital requirements. Working capital as percent of trailing three month annualized net sales was 24.8% at December 31, 2013.

The following tables show the calculation of our working capital and trailing three months annualized sales as of December 31, 2013 (in millions):

	Three months ended 12/31/13
Net Sales	$1,811.8
x	4
Trailing Three Month Annualized Net Sales	$7,247.2

	As of 12/31/13
Inventories	$1,613.2
Trade Receivables	1,176.8
Less: Trade Accounts Payable	(689.1)
Less: Customer advances	(302.1)
Total Working Capital	$1,798.8

We have a credit agreement that provides us with a revolving line of credit of up to $500 million. The revolving line of credit consists of $250 million of available domestic revolving loans and $250 million of available multicurrency revolving loans. See Note M – “Long-Term Obligations,” in our Consolidated Financial Statements for information concerning an amendment in November 2013 of our credit agreement. We had $328.1 million available for borrowing under our revolving credit facilities at December 31, 2013. The credit agreement also allows incremental commitments, which may be extended at the option of the lenders and can be in the form of revolving credit commitments, term loan commitments, or a combination of both as long as we satisfy a secured debt financial ratio contained in the credit facilities. We had $117.7 million of outstanding borrowings under our revolving credit facilities as well as U.S. dollar and Euro denominated term loans in the amount of $495.3 million under our credit agreement as of December 31, 2013.

Interest rates charged under our credit agreement are subject to adjustment based on our consolidated leverage ratio. The U.S. dollar term loans bear interest at a rate of London Interbank Offer Rate (“LIBOR”) plus 2.75%, with a floor of 0.75% on LIBOR. The Euro term loans bear interest at a rate of Euro Interbank Offer Rate (“EURIBOR”) plus 3.25%, with a floor of 0.75% on EURIBOR. At December 31, 2013, the weighted average interest rate on these term loans was 3.66%.

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

The revolving line of credit under our credit facility matures in April 2016 and our term loans under our credit facility mature in April 2017. Our 4% Convertible Senior Subordinated Notes mature in June 2015, our 6-1/2% Senior Notes mature April 1, 2020 and our 6% Senior Notes mature May 15, 2021. See Note M – “Long-Term Obligations,” in our Consolidated Financial Statements.

In December 2013, our Board of Directors authorized the repurchase of up to $200 million of our outstanding shares of common stock through December 31, 2015. During 2013, we repurchased approximately 772 thousand shares for approximately $30 million under this program. In December 2013, our Board of Directors also declared a $0.05 cash dividend to our shareholders. It is our intention to pay four quarterly dividends of $0.05 per share, for an aggregate of $0.20 per share, for the calendar year 2014. However, future declarations of quarterly dividends and the establishment of future record and payment dates are subject to the determination of our Board of Directors.

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

As noted above, in 2013 we acquired approximately 14% of the outstanding TMHPS AG shares for approximately $228 million. In January 2014, we paid approximately $77 million for the remaining outstanding shares of TMHPS AG. We now own 100% of TMHPS AG.

Cash Flows

Cash provided by operations for the year ended December 31, 2013 totaled $188.5 million, compared to cash provided by operations of $292.3 million for the year ended December 31, 2012. The change in cash from operations was primarily driven by cash used for working capital in the current year compared to cash provided from working capital in the prior year, partially offset by higher net income in the current year.

Cash used in investing activities for the year ended December 31, 2013 was $37.4 million, compared to $76.3 million cash used in investing activities for the year ended December 31, 2012. The change in cash from investing activities was primarily due to investments in businesses in the prior year compared to no investment activity in the current year.

Cash used in financing activities was $420.1 million for the year ended December 31, 2013, compared to cash used in financing activities for the year ended December 31, 2012 of $323.3 million. The change was primarily due to higher cash used for acquisition and distribution to noncontrolling interest holders in the current year compared to the prior year. Additionally, we repurchased shares and issued dividends in the current year, which did not occur in the prior year. These uses of cash were partially offset by lower net repayments of debt in the current year.

Contractual Obligations

The following table sets out our specified contractual obligations at December 31, 2013 (in millions):

	Payments due by period				
	Total	< 1 year	1-3 years	3-5 years	> 5 years
Long-term debt obligations	$2,570.5	$196.7	$596.7	$476.6	$1,300.5
Capital lease obligations	5.2	1.0	1.5	1.7	1.0
Operating lease obligations	259.5	61.4	93.1	53.2	51.8
Purchase obligations (1)	669.9	667.9	1.9	0.1	—
Total	$3,505.1	$927.0	$693.2	$531.6	$1,353.3

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

Long-term debt obligations include expected interest expense. Interest expense is calculated using fixed interest rates for indebtedness that has fixed rates and the implied forward rates as of December 31, 2013 for indebtedness that has floating interest rates.

As of December 31, 2013, our liability for uncertain income tax positions was $92.5 million. With respect to our tax audits worldwide, it is reasonably possible that we will make payments in 2014 of up to $6.3 million. Payments may be made in part to mitigate the accrual of interest in connection with income tax audit assessments that may be issued and that we would contest, or may in part be made to settle the matter with the tax authorities. Due to the high degree of uncertainty regarding the timing of potential future cash flows associated with the remaining liabilities, we are unable to make a reasonable estimate of the amount and period in which these remaining liabilities might be paid.

Additionally, at December 31, 2013, we had outstanding letters of credit that totaled $340.4 million and had issued $53.6 million in credit guarantees of customer financing to purchase equipment, $2.7 million in residual value guarantees and $46.7 million in buyback guarantees.

We maintain defined benefit pension plans for some of our operations in the United States and Europe. It is our policy to fund the retirement plans at the minimum level required by applicable regulations. In 2013, we made cash contributions and payments to the retirement plans of $25.0 million, and we estimate that our retirement plan contributions will be approximately $26 million in 2014. Changes in market conditions, changes in our funding levels or actions by governmental agencies may result in accelerated funding requirements in future periods.

OFF-BALANCE SHEET ARRANGEMENTS

Guarantees

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

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

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

See Note Q – "Litigations and Contingencies" in the Notes to the Consolidated Financial Statements for further information regarding our guarantees.

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

CONTINGENCIES AND UNCERTAINTIES

Foreign Currencies and Interest Rate Risk

Our products are sold in over 100 countries around the world and, accordingly, our revenues are generated in foreign currencies, while the costs associated with those revenues are only partly incurred in the same currencies. The major foreign currencies, among others, in which we do business are the Euro, Australian Dollar and British Pound. We may, from time to time, hedge specifically identified committed and forecasted cash flows in foreign currencies using forward currency sale or purchase contracts. At December 31, 2013, we had foreign exchange contracts with a notional value of $511.8 million.

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

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

Other

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

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Exchange Risk

We are exposed to fluctuations in foreign currency cash flows related to third-party purchases and sales, intercompany product shipments and intercompany loans. We are also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, we are exposed to volatility in the translation of foreign currency earnings to U.S. Dollars. Primary exposures include the U.S. Dollar when compared to functional currencies of our major markets, which include the Euro, Australian Dollar and British Pound. We assess foreign currency risk based on transactional cash flows, identify naturally offsetting positions and purchase hedging instruments to partially offset anticipated exposures. At December 31, 2013, we had foreign exchange contracts with a notional value of $511.8 million. The fair market value of these arrangements, which represents the cost to settle these contracts, was a net gain of $3.8 million at December 31, 2013.

At December 31, 2013, we performed a sensitivity analysis on the impact that aggregate changes in the translation effect of foreign currency exchange rate changes would have on our operating income. Based on this sensitivity analysis, we have determined that a change in the value of the U.S. dollar relative to currencies outside the U.S. by 10% to amounts already incorporated in the financial statements for the year ended December 31, 2013 would have had an approximately $5 million impact on the translation effect of foreign currency exchange rate changes already included in our reported operating income for the period.

Interest Rate Risk

We are exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate, LIBOR and EURIBOR. We manage interest rate risk by incurring a mix of indebtedness bearing interest at both floating and fixed rates at inception and maintain an ongoing balance between floating and fixed rates on this mix of indebtedness using interest rate swaps when necessary. At December 31, 2013, approximately 35% of our debt was floating rate debt and the weighted average interest rate for all debt was approximately 5.66%.

At December 31, 2013, we performed a sensitivity analysis for our derivatives and other financial instruments that have interest rate risk. We calculated the pretax earnings effect on our interest sensitive instruments. Based on this sensitivity analysis, we have determined that an increase of 10% in our average floating interest rates at December 31, 2013 would have increased interest expense by approximately $3 million for the year ended December 31, 2013.

Commodities Risk

Principal materials and components that we use in our manufacturing processes include steel, castings, engines, tires, hydraulics, cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. Extreme movements in the cost and availability of these materials and components may affect our financial performance. In 2013, input cost increases in certain purchased components were generally offset by reductions in steel prices and competitive sourcing activities. We continued to incur some net material cost increases as a result of legislation (primarily Tier 4 emission standards) and performance based changes in certain product areas, particularly engines.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

Unaudited Quarterly Financial Data

Certain amounts reported below have been changed from those previously reported on Forms 10-Q to reflect the impact of discontinued operations for all periods. Summarized quarterly financial data for 2013 and 2012 are as follows (in millions, except per share amounts):

	2013				2012			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Net sales	$1,811.8	$1,757.0	$1,861.5	$1,653.7	$1,619.8	$1,744.7	$1,900.0	$1,717.7
Gross profit	385.7	381.4	351.2	321.2	300.0	370.4	412.0	317.7
Net income (loss) from continuing operations attributable to common stockholders	84.8	84.5	20.4	19.3	(33.2)	27.4	74.4	8.4
Income (loss) from discontinued operations – net of tax	1.6	10.3	0.9	1.6	1.8	2.8	9.2	14.6
Gain (loss) on disposition of discontinued operations – net of tax	—	(0.4)	—	3.0	(1.9)	—	2.3	—
Net income (loss) attributable to Terex Corporation	86.4	94.4	21.3	23.9	(33.3)	30.2	85.9	23.0
Per share:								
Basic								
Net income (loss) from continuing operations attributable to common stockholders	$0.76	$0.76	$0.18	$0.18	$(0.30)	$0.25	$0.68	$0.08
Income (loss) from discontinued operations – net of tax	0.02	0.09	0.01	0.01	0.02	0.02	0.08	0.13
Gain (loss) on disposition of discontinued operations – net of tax	—	—	—	0.03	(0.02)	—	0.02	—
Net income (loss) attributable to Terex Corporation	0.78	0.85	0.19	0.22	(0.30)	0.27	0.78	0.21
Diluted								
Net income (loss) from continuing operations attributable to common stockholders	$0.72	$0.73	$0.17	$0.17	$(0.30)	$0.24	$0.67	$0.07
Income (loss) from discontinued operations – net of	0.02	0.08	0.01	0.01	0.02	0.03	0.08	0.13

tax								
Gain (loss) on disposition of discontinued operations – net of tax	—	—	—	0.03	(0.02)	—	0.02	—
Net income (loss) attributable to Terex Corporation	0.74	0.81	0.18	0.21	(0.30)	0.27	0.77	0.20

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

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required financial disclosure. In connection with the preparation of this Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, as of December 31, 2013, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2013.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Management has conducted an assessment, including testing, of the effectiveness of our internal control over financial reporting as of December 31, 2013. In making its assessment of internal control over financial reporting, management used the criteria in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's management has concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in this Annual Report on Form 10-K.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

During 2013, we implemented an integrated suite of enterprise software at one business as part of a multi-year global implementation program. The implementation has involved changes to certain processes and related internal controls over financial reporting. We have reviewed the system and the controls affected and made appropriate changes as necessary.

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

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

ITEM 11. EXECUTIVE COMPENSATION

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

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

Equity Compensation Plan Information

The following table summarizes information about the Company's equity compensation plans as of December 31, 2013:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	209,557 (1)	$38.92	4,673,599
Equity compensation plans not approved by stockholders	—	—	—
Total	209,557	$38.92	4,673,599

(1) This does not include 3,721,424 of restricted stock awards, which are also not included in the calculation of the weighted average exercise price of outstanding options, warrants and rights in column (b) of this table.

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

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

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

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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

(3) Exhibits

See “Exhibit Index” on Page E-1.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEREX CORPORATION

By:	/s/ Ronald M. DeFeo Ronald M. DeFeo Chairman, Chief Executive Officer and Director	February 24, 2014

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

NAME	TITLE	DATE
/s/ Ronald M. DeFeo Ronald M. DeFeo	Chairman, Chief Executive Officer, and Director (Principal Executive Officer)	February 24, 2014
/s/ Kevin P. Bradley Kevin P. Bradley	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2014
/s/ Mark I. Clair Mark I. Clair	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 24, 2014
/s/ G. Chris Andersen G. Chris Andersen	Director	February 24, 2014
/s/ Paula H. J. Cholmondeley Paula H. J. Cholmondeley	Director	February 24, 2014
/s/ Don DeFosset Don DeFosset	Director	February 24, 2014
/s/ Thomas J. Hansen Thomas J. Hansen	Director	February 24, 2014
/s/ Raimund Klinkner Raimund Klinkner	Director	February 24, 2014
/s/ David A. Sachs David A. Sachs	Lead Director	February 24, 2014
/s/ Oren G. Shaffer Oren G. Shaffer	Director	February 24, 2014

/s/ David C. Wang David C. Wang	Director	February 24, 2014
/s/ Scott W. Wine Scott W. Wine	Director	February 24, 2014

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EXHIBIT INDEX

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

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

10.6	Form of Restricted Stock Agreement under the Terex Corporation 2000 Incentive Plan between Terex Corporation and participants of the 2000 Incentive Plan (incorporated by reference to Exhibit 10.4 of the Form 8-K Current Report, Commission File No. 1-10702, dated January 1, 2005 and filed with the Commission on January 5, 2005). ***
10.7	Form of Option Agreement under the Terex Corporation 2000 Incentive Plan between Terex Corporation and participants of the 2000 Incentive Plan (incorporated by reference to Exhibit 10.5 of the Form 8-K Current Report, Commission File No. 1-10702, dated January 1, 2005 and filed with the Commission on January 5, 2005). ***
10.8	Terex Corporation Amended and Restated Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.10 of the Form 10-K for the year ended December 31, 2008 of Terex Corporation, Commission File No. 1-10702). ***
10.9	Terex Corporation Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.11 of the Form 10-Q for the quarter ended June 30, 2004 of Terex Corporation, Commission File No. 1-10702). ***
10.10	Amendment to the Terex Corporation Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 14, 2008 and filed with the Commission on October 17, 2008). ***
10.11	Terex Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 9, 2013 and filed with the Commission on May, 14, 2013). ***
10.12	Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 9, 2013 and filed with the Commission on May, 14, 2013). ***
10.13	Form of Restricted Stock Agreement (time based) under the Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan between Terex Corporation and participants of the 2009 Omnibus Incentive Plan. ***
10.14	Form of Restricted Stock Agreement (performance based) under the Terex Corporation Amended and Restated 2009 Omnibus Incentive Plan between Terex Corporation and participants of the 2009 Omnibus Incentive Plan. ***
10.15	Amended and Restated Credit Agreement dated as of August 5, 2011, among Terex Corporation, certain of its subsidiaries, the Lenders named therein and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 5, 2011 and filed with the Commission August 10, 2011).
10.16	Amendment No. 1, dated as of October 12, 2012, to the Amended and Restated Credit Agreement dated as of August 5, 2011, among Terex Corporation, certain of its subsidiaries, the Lenders named therein and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 12, 2012 and filed with the Commission October 15, 2012.

10.17	Amendment No. 2, dated as of November 13, 2013, to the Amended and Restated Credit Agreement dated as of August 5, 2011, among Terex Corporation, certain of its subsidiaries, the Lenders named therein and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated November 13, 2013 and filed with the Commission November 14, 2013.
10.18	Guarantee and Collateral Agreement dated as of August 11, 2011, among Terex Corporation, certain of its subsidiaries, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 11, 2011 and filed with the Commission August 16, 2011).
10.19	Underwriting Agreement, dated March 22, 2012, among Terex Corporation and Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., RBS Securities Inc. and UBS Securities LLC, as representatives for the several underwriters named therein (incorporated by reference to Exhibit 1.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 22, 2012 and filed with the Commission March 27, 2012).
10.20	Underwriting Agreement, dated November 8, 2012, among Terex Corporation and Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., RBS Securities Inc. and UBS Securities LLC, as representatives for the several underwriters named therein (incorporated by reference to Exhibit 1.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated November 7, 2012 and filed with the Commission November 13, 2012).
10.21	Business Combination Agreement dated June 16, 2011, among Terex Corporation, Terex Industrial Holding AG and Demag Cranes AG (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated June 16, 2011 and filed with the Commission on June 21, 2011).

10.22	Amended and Restated Employment and Compensation Agreement, dated August 9, 2012, between Terex Corporation and Ronald M. DeFeo (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated August 9, 2012 and filed with the Commission on August 13, 2012).
10.23	Life Insurance Agreement, dated as of October 13, 2006, between Terex Corporation and Ronald M. DeFeo (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 13, 2006 and filed with the Commission on October 16, 2006).
10.24	Transition and Retirement Agreement between Terex Corporation and Phillip C. Widman, dated October 19, 2012 (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated October 19, 2012 and filed with the Commission on October 22, 2012).
10.25	Form of Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 29, 2011 and filed with the Commission on March 31, 2011).
10.26	Form of Change in Control and Severance Agreement between Terex Corporation and certain executive officers (incorporated by reference to Exhibit 10.2 of the Form 8-K Current Report, Commission File No. 1-10702, dated March 29, 2011 and filed with the Commission on March 31, 2011).
12	Calculation of Ratio of Earnings to Fixed Charges. *
21.1	Subsidiaries of Terex Corporation.*
23.1	Consent of Independent Registered Public Accounting Firm PricewaterhouseCoopers LLP, Stamford, Connecticut.*
24.1	Power of Attorney.*
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). *
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). *
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes –Oxley Act of 2002. **
101.INS	XBRL Instance Document. *
101.SCH	XBRL Taxonomy Extension Schema Document. *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. *

*	Exhibit filed with this document.
**	Exhibit furnished with this document.
***	Denotes a management contract or compensatory plan or arrangement.

TEREX CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

TEREX CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND 2012
AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED December 31, 2013

FINANCIAL STATEMENT SCHEDULE

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
and Stockholders of Terex Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Terex Corporation and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/PricewaterhouseCoopers LLP

Stamford, Connecticut

February 24, 2014

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

	Year Ended December 31, 2013	2012	2011
Net sales	$7,084.0	$6,982.2	$6,158.0
Cost of goods sold	(5,644.5)	(5,582.1)	(5,234.5)
Gross profit	1,439.5	1,400.1	923.5
Selling, general and administrative expenses	(1,020.4)	(1,033.3)	(863.6)
Income (loss) from operations	419.1	366.8	59.9
Other income (expense)			
Interest income	6.7	8.8	14.3
Interest expense	(126.1)	(164.6)	(134.9)
Loss on early extinguishment of debt	(5.2)	(83.0)	(7.7)
Amortization of debt issuance costs	(8.5)	(9.6)	(8.1)
Other income (expense) – net	5.3	7.9	142.1
Income (loss) from continuing operations before income taxes	291.3	126.3	65.6
(Provision for) benefit from income taxes	(87.4)	(51.5)	(45.4)
Income (loss) from continuing operations	203.9	74.8	20.2
Income (loss) from discontinued operations – net of tax	14.4	28.4	19.7
Gain (loss) on disposition of discontinued operations – net of tax	2.6	0.4	0.8
Net income (loss)	220.9	103.6	40.7
Net loss (income) attributable to noncontrolling interest	5.1	2.2	4.5
Net income (loss) attributable to Terex Corporation	$226.0	$105.8	$45.2
Amounts attributable to Terex Corporation common stockholders:			
Income (loss) from continuing operations	$209.0	$77.0	$24.7
Income (loss) from discontinued operations – net of tax	14.4	28.4	19.7
Gain (loss) on disposition of discontinued operations – net of tax	2.6	0.4	0.8
Net income (loss) attributable to Terex Corporation	$226.0	$105.8	$45.2
Basic Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:			
Income (loss) from continuing operations	$1.88	$0.70	$0.22
Income (loss) from discontinued operations – net of tax	0.13	0.26	0.18
Gain (loss) on disposition of discontinued operations – net of tax	0.02	—	0.01
Net income (loss) attributable to Terex Corporation	$2.03	$0.96	$0.41
Diluted Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders:			
Income (loss) from continuing operations	$1.79	$0.68	$0.22
Income (loss) from discontinued operations – net of tax	0.12	0.25	0.18
Gain (loss) on disposition of discontinued operations – net of tax	0.02	—	0.01
Net income (loss) attributable to Terex Corporation	$1.93	$0.93	$0.41
Weighted average number of shares outstanding in per share calculation			
Basic	111.1	110.3	109.5
Diluted	117.0	113.9	110.7

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

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

	Year Ended December 31,		
	2013	2012	2011
Net income (loss)	$220.9	$103.6	$40.7
Other comprehensive income (loss), net of tax:			
Cumulative translation adjustment, net of (provision for) benefit from taxes of $(9.5), $(5.1) and $0.6, respectively	(21.6)	54.2	(101.9)
Derivative hedging adjustment, net of (provision for) benefit from taxes of $(0.8), $(2.5) and $0.8, respectively	3.1	3.2	(1.5)
Debt and equity securities adjustment, net of (provision for) benefit from taxes of $0.6, $(0.5) and $55.6, respectively	(1.9)	1.0	(99.9)
Pension liability adjustment:			
Net gain (loss), net of (provision for) benefit from taxes of $(13.7), $22.5 and $11.8, respectively	24.6	(57.8)	(26.6)
Amortization of actuarial (gain) loss, net of provision for (benefit from) taxes of $(3.1), $(1.6) and $(1.3), respectively	6.5	4.1	2.3
Foreign exchange and other effects, net of (provision for) benefit from taxes of $0.9, $1.1 and $(0.2), respectively	(2.7)	(2.8)	0.8
Total pension liability adjustment	28.4	(56.5)	(23.5)
Other comprehensive income (loss)	8.0	1.9	(226.8)
Comprehensive income (loss)	228.9	105.5	(186.1)
Comprehensive loss (income) attributable to noncontrolling interest	4.7	1.7	5.4
Comprehensive income (loss) attributable to Terex Corporation	$233.6	$107.2	$(180.7)

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

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

	December 31, 2013	2012
Assets		
Current assets		
Cash and cash equivalents	$408.1	$678.0
Trade receivables (net of allowance of $47.6 and $38.5 at December 31, 2013 and 2012, respectively)	1,176.8	1,026.6
Inventories	1,613.2	1,632.2
Other current assets	312.0	319.6
Current assets – discontinued operations	129.3	141.0
Total current assets	3,639.4	3,797.4
Non-current assets		
Property, plant and equipment – net	789.4	806.8
Goodwill	1,245.6	1,245.3
Intangible assets – net	444.8	474.4
Other assets	401.9	410.8
Non-current assets – discontinued operations	15.6	11.5
Total assets	$6,536.7	$6,746.2
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current portion of long-term debt	$86.8	$83.8
Trade accounts payable	689.1	600.2
Accrued compensation and benefits	234.3	224.0
Accrued warranties and product liability	96.2	92.1
Customer advances	302.1	312.9
Other current liabilities	270.1	348.5
Current liabilities – discontinued operations	46.1	47.3
Total current liabilities	1,724.7	1,708.8
Non-current liabilities		
Long-term debt, less current portion	1,889.9	2,014.9
Retirement plans	388.2	430.7
Other non-current liabilities	259.5	308.0
Non-current liabilities – discontinued operations	5.7	5.6
Total liabilities	4,268.0	4,468.0
Commitments and contingencies		
Redeemable noncontrolling interest	53.9	246.9
Stockholders' equity		
Common stock, $.01 par value – authorized 300.0 shares; issued 123.7 and 122.9 shares at December 31, 2013 and 2012, respectively	1.2	1.2
Additional paid-in capital	1,247.5	1,260.7
Retained earnings	1,688.1	1,467.7
Accumulated other comprehensive (loss) income	(116.5)	(124.1)
Less cost of shares of common stock in treasury – 13.8 and 13.0 shares at December 31, 2013 and 2012, respectively	(630.2)	(597.8)
Total Terex Corporation stockholders' equity	2,190.1	2,007.7

Noncontrolling interest	24.7	23.6
Total stockholders’ equity	2,214.8	2,031.3
Total liabilities, redeemable noncontrolling interest and stockholders’ equity	$6,536.7	$6,746.2

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

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in millions)

	Outstanding Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury	Non-controlling Interest	Total
Balance at December 31, 2010	108.1	$ 1.2	$ 1,264.2	$ 1,316.7	$ 100.4	$ (599.3)	$ 28.2	$ 2,111.4
Net Income (Loss)	—	—	—	45.2	—	—	(4.5)	40.7
Other Comprehensive Income (Loss) – net of tax:	—	—	—	—	(225.9)	—	(0.9)	(226.8)
Issuance of Common Stock	0.7	—	26.5	—	—	—	—	26.5
Compensation under Stock-based Plans – net	0.1	—	(13.7)	—	—	2.6	—	(11.1)
Acquisition	—	—	—	—	—	—	258.3	258.3
Purchase of noncontrolling interest	—	—	(5.2)	—	—	—	(1.3)	(6.5)
Distributions to noncontrolling interest	—	—	—	—	—	—	(1.7)	(1.7)
Acquisition of Treasury Stock	(0.1)	—	—	—	—	(2.4)	—	(2.4)
Balance at December 31, 2011	108.8	1.2	1,271.8	1,361.9	(125.5)	(599.1)	278.1	2,188.4
Net Income (Loss)	—	—	—	105.8	—	—	(2.2)	103.6
Other Comprehensive Income (Loss) – net of tax:	—	—	—	—	1.4	—	0.5	1.9
Issuance of Common Stock	1.0	—	13.5	—	—	—	—	13.5
Compensation under Stock-based Plans – net	0.2	—	7.3	—	—	5.1	—	12.4
Acquisition	—	—	—	—	—	—	2.1	2.1
Divestiture	—	—	—	—	—	—	(7.4)	(7.4)
Redeemable noncontrolling interest	—	—	(12.5)	—	—	—	(247.5)	(260.0)
Purchase of noncontrolling interest	—	—	(0.3)	—	—	—	0.3	—
Distributions to noncontrolling interest	—	—	—	—	—	—	(0.3)	(0.3)
Redemption of convertible debt	—	—	(19.1)	—	—	—	—	(19.1)
Acquisition of Treasury Stock	(0.1)	—	—	—	—	(3.8)	—	(3.8)
Balance at December 31, 2012	109.9	1.2	1,260.7	1,467.7	(124.1)	(597.8)	23.6	2,031.3
Net Income (Loss)	—	—	—	226.0	—	—	(5.1)	220.9
Other Comprehensive Income (Loss) – net of tax:	—	—	—	—	7.6	—	0.4	8.0
	0.8	—	17.9	—	—	—	—	17.9

Issuance of Common Stock								
Compensation under Stock-based Plans – net	0.1	—	22.1	—	—	1.3	—	23.4
Acquisition	—	—	—	—	—	—	7.8	7.8
Dividends	—	—	0.1	(5.6)	—	—	—	(5.5)
Divestiture	—	—	—	—	—	—	(2.0)	(2.0)
Purchase of noncontrolling interest	—	—	(54.0)	—	—	—	—	(54.0)
Convertible Debt	—	—	0.7	—	—	—	—	0.7
Acquisition of Treasury Stock	(0.9)	—	—	—	—	(33.7)	—	(33.7)
Balance at December 31, 2013	109.9	$ 1.2	$ 1,247.5	$ 1,688.1	$ (116.5)	$ (630.2)	$ 24.7	$ 2,214.8

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

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

	Year Ended December 31, 2013	2012	2011
OPERATING ACTIVITIES			
Net income (loss)	$220.9	$103.6	$40.7
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	152.3	153.0	126.6
Deferred taxes	(2.3)	(25.2)	(2.0)
(Gain) loss on sale of assets	4.3	(5.9)	(173.5)
Loss on early extinguishment of debt	5.2	99.0	7.7
Stock-based compensation expense	43.9	29.1	23.4
Other non-cash charges	53.1	70.1	92.3
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):			
Trade receivables	(153.1)	122.5	(181.2)
Inventories	(70.4)	(55.0)	(26.1)
Trade accounts payable	86.9	(126.3)	64.6
Income taxes payable / receivable	(80.7)	(144.8)	80.6
Customer advances	(16.5)	97.1	18.6
Other assets and liabilities	(46.4)	(31.6)	(81.1)
Other operating activities, net	(8.7)	6.7	32.1
Net cash provided by (used in) operating activities	188.5	292.3	22.7
INVESTING ACTIVITIES			
Capital expenditures	(82.8)	(82.5)	(79.1)
Acquisition of businesses, net of cash acquired	—	(3.4)	(1,035.2)
Other investments	—	(24.1)	(16.1)
Proceeds from sale of assets	46.1	34.6	539.6
Other investing activities, net	(0.7)	(0.9)	(1.7)
Net cash (used in) provided by investing activities	(37.4)	(76.3)	(592.5)
FINANCING ACTIVITIES			
Repayments of debt	(571.8)	(1,533.0)	(447.8)
Proceeds from issuance of debt	425.2	1,234.3	926.7
Purchase of noncontrolling interest	(228.1)	(3.5)	(6.3)
Distributions to noncontrolling interest	(18.5)	(4.9)	—
Share repurchases	(31.4)	—	—
Dividends paid	(5.5)	—	—
Other financing activities, net	10.0	(16.2)	(22.0)
Net cash provided by (used in) financing activities	(420.1)	(323.3)	450.6
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(0.9)	11.2	(0.9)
Net (Decrease) Increase in Cash and Cash Equivalents	(269.9)	(96.1)	(120.1)
Cash and Cash Equivalents at Beginning of Period	678.0	774.1	894.2
Cash and Cash Equivalents at End of Period	$408.1	$678.0	$774.1

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

TERERX CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013
(dollar amounts in millions, unless otherwise noted, except per share amounts)

NOTE A – BASIS OF PRESENTATION

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

On August 16, 2011, the Company acquired a majority interest in the shares of Terex Material Handling & Port Solutions AG, formerly known as Demag Cranes AG. The results of Terex Material Handling & Port Solutions AG and its consolidated subsidiaries ("TMHPS AG") are included within the Material Handling & Port Solutions ("MHPS") segment since the date of acquisition. See Note I – "Acquisitions."

Reclassification. Certain prior year amounts have been reclassified to conform to the current year's presentation. Effective January 1, 2013, the Company realigned certain operations between its Aerial Work Platforms ("AWP"), Cranes and MHPS segments in an effort to strengthen its ability to service customers and to recognize certain organizational efficiencies. See Note B – "Business Segment Information." On December 9, 2013, the Company signed an agreement to sell its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for approximately $160 million. As a result of this agreement, reporting of the truck business has been included in discontinued operations for all periods presented. See Note D – "Discontinued Operations" for more information on discontinued operations.

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

Cash and Cash Equivalents. Cash equivalents consist of highly liquid investments with original maturities of three months or less. The carrying amount of cash and cash equivalents approximates their fair value. Cash and cash equivalents at December 31, 2013 and 2012 include $14.5 million and $12.4 million, respectively, which were not immediately available for use. These consist primarily of cash balances held in escrow to secure various obligations of the Company.

Inventories. Inventories are stated at the lower of cost or market ("LCM") value. Cost is determined principally by the average cost method and the first-in, first-out ("FIFO") (approximately 55% and 45% , respectively). In valuing inventory, the Company is required to make assumptions regarding the level of reserves required to value potentially obsolete or over-valued items at the lower of cost or market. These assumptions require the Company to analyze the aging of and forecasted demand for its inventory, forecast future products sales prices, pricing trends and margins, and to make judgments and estimates regarding obsolete or excess inventory. Future product sales prices, pricing trends and margins are based on the best available information at that time including actual orders received, negotiations with the Company's customers for future orders, including their plans for expenditures, and market trends for similar products. The Company's judgments and estimates for excess or obsolete inventory are based on analysis of actual and forecasted usage. The valuation of used equipment taken in trade from customers requires the Company to use the best information available to determine the value of the equipment to potential customers. This value is subject to change based on numerous conditions. Inventory reserves are established taking into account age, frequency of use, or sale, and in the case of repair parts, the installed base of machines. While calculations are made involving these factors, significant management judgment regarding expectations for future events is involved. Future events that could significantly influence the Company's judgment and related estimates include general economic conditions in markets where the Company's products are sold, new equipment price fluctuations, actions of the Company's competitors, including the introduction of new products and technological advances, as well as new products and design changes the Company introduces. The Company makes adjustments to its inventory reserve based on the identification of specific situations and increases its inventory reserves accordingly. As further changes in future economic or industry conditions occur, the Company will revise the estimates that were used to calculate its inventory reserves. At December 31, 2013 and 2012, reserves for LCM, excess and obsolete inventory totaled $132.5 million and $131.9 million, respectively.

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

Debt Issuance Costs. Debt issuance costs incurred in securing the Company's financing arrangements are capitalized and amortized over the term of the associated debt. Capitalized debt issuance costs related to debt that is extinguished early are charged to expense at the time of retirement. Debt issuance costs were $31.0 million and $41.2 million (net of accumulated amortization of $17.0 million and $10.2 million) at December 31, 2013 and 2012, respectively.

Intangible Assets. Intangible assets include purchased patents, trademarks, customer relationships and other specifically identifiable assets and are amortized on a straight-line basis over the respective estimated useful lives, which range from one to fifty-seven years. Intangible assets are reviewed for impairment when circumstances warrant. The Company has indefinite-lived intangible assets, consisting of tradenames. These indefinite-lived intangibles are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. If the carrying amount of the indefinite-lived intangible exceeds the fair value, the intangible asset is written down to its fair value.

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

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

The Company adopted Financial Accounting Standards Board (the "FASB") Accounting Standards Update ("ASU") ASU 2011-08, "Intangibles – Goodwill and Other (Topic 350)," ("ASU 2011-08") at the beginning of its fourth quarter of 2011 on a prospective basis. ASU 2011-08 allows us to first assess, qualitatively, whether it is necessary to perform the quantitative two-step goodwill impairment test as described below. If we believe, as a result of our qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative two-step goodwill impairment process is required. We have the unconditional option to bypass the qualitative assessment and proceed directly to performing the first step of the quantitative goodwill impairment test.

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

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

There were no indicators of goodwill impairment in the tests performed as of October 1, 2013, 2012 and 2011. See Note J – “Goodwill and Intangible Assets, Net” in the Notes to the Consolidated Financial Statements.

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

Impairment of Long-Lived Assets. The Company's policy is to assess the realizability of its long-lived assets, including intangible assets, and to evaluate such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets (or group of assets) may not be recoverable. Impairment is determined to exist if fair value based on the estimated future undiscounted cash flows are less than the carrying value. Future cash flow projections include assumptions for future sales levels and the level of working capital needed to support each business. The Company uses data developed by business segment management as well as macroeconomic data in making these calculations. The amount of any impairment then recognized would be calculated as the difference between estimated fair value and the carrying value of the asset. Included in Selling, general & administrative ("SG&A") costs are $3.9 million, $8.9 million and $18.8 million of asset impairments for the years ended December 31, 2013, 2012 and 2011, respectively See Note L – "Restructuring and Other Charges" for information on asset impairments recorded as part of restructuring activities.

Accounts Receivable and Allowance for Doubtful Accounts. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on historical customer review and current financial conditions. The Company reviews its allowance for doubtful accounts at least quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company determines it is probable the receivable will not be recovered. There can be no assurance that the Company's historical accounts receivable collection experience will be indicative of future results. The Company has off-balance sheet credit exposure related to guarantees provided to financial institutions as disclosed in Note Q – "Litigation and Contingencies." Substantially all receivables were trade receivables at December 31, 2013 and 2012.

Revenue Recognition. Revenue and related costs are generally recorded when products are shipped and invoiced to either independently owned and operated dealers or to customers. Shipping and handling charges are recorded in Cost of goods sold.

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

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

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

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

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

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

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

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

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

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

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

When a sales transaction includes multiple deliverables, such as sales of multiple products or sales of products and services that are delivered over multiple reporting periods, the multiple deliverables are evaluated to determine the units of accounting, and the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price. The selling price of a unit of accounting is determined using a selling price hierarchy.

Vendor-specific objective evidence (“VSOE”) is established based upon the price charged for products and services that are sold separately in standalone transactions. If VSOE cannot be established, third-party evidence (“TPE”) is evaluated based on competitor prices for similar deliverables when sold separately. If neither VSOE or TPE is available, management's best estimate of selling price is established based upon the price at which the Company would sell the product on a standalone basis taking into consideration factors including, but not limited to, internal costs, gross margin objectives, pricing practices and market conditions. Revenue is recognized when the revenue recognition criteria for each unit of accounting are met.

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

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

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

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

Balance as of December 31, 2011	$128.5
Accruals for warranties issued during the period	52.9
Changes in estimates	0.1
Settlements during the year	(78.1)
Foreign exchange effect/other	1.4
Balance as of December 31, 2012	104.8
Accruals for warranties issued during the period	84.6
Changes in estimates	(1.1)
Settlements during the year	(84.0)
Foreign exchange effect/other	1.8
Balance as of December 31, 2013	$106.1

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

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

Deferred Compensation. The Company maintains a Deferred Compensation Plan, which is described more fully in Note O – "Retirement Plans and Other Benefits." The Company's common stock, par value $0.01 per share ("Common Stock") held in a rabbi trust pursuant to the Company's Deferred Compensation Plan, is treated in a manner similar to treasury stock and is recorded at cost within Stockholders' equity as of December 31, 2013 and 2012. The plan obligations for participant deferrals in the Company's Common Stock are classified as Additional paid-in capital within Stockholders' equity. The total of the Company's Common Stock required to settle this deferred compensation obligation is included in the denominator in both basic and diluted earnings per share calculations.

Stock-Based Compensation. At December 31, 2013, the Company had stock-based employee compensation plans, which are described more fully in Note P – “Stockholders’ Equity.” The Company accounts for those plans under the recognition and measurement principles of ASC 718, “Compensation–Stock Compensation” (“ASC 718”). ASC 718 requires that expense resulting from all share-based payment transactions be recognized in the financial statements at fair value.

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

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

Environmental Policies. Environmental expenditures that relate to current operations are either expensed or capitalized depending on the nature of the expenditure. Expenditures relating to conditions caused by past operations that do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial actions are probable and the costs can be reasonably estimated. Such amounts were not material at December 31, 2013 and 2012.

Research and Development Costs. Research and development costs are expensed as incurred. Such costs incurred in the development of new products or significant improvements to existing products are included in Selling, general and administrative expenses. Research and development costs were $85.3 million, $71.7 million and $69.3 million during 2013, 2012 and 2011, respectively.

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

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

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

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

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

Recent Accounting Pronouncements. In December 2011, the FASB issued ASU 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities,” (“ASU 2011-11”). ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. In January 2013 the FASB issued ASU 2013-1, “Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities” (“ASU 2013-1”). ASU 2013-1 limits the scope of ASU 2011-11 to disclosures about offsetting assets and liabilities related to derivatives accounted for in accordance with ASC Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. Adoption of this guidance did not have a significant impact on the determination or reporting of the Company’s financial results.

In July 2012, the FASB issued ASU 2012-02, “Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment,” (“ASU 2012-02”). ASU 2012-02 amends the guidance in ASC 350-30 on testing indefinite-lived intangible assets, other than goodwill, for impairment. Under ASU 2012-02, an entity has the option of performing a qualitative assessment of whether it is more likely than not that the fair value of an entity’s indefinite-lived intangible asset is less than its carrying amount before calculating the fair value of the asset. If the conclusion is that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the Company would be required to calculate the fair value of the asset. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. Adoption of this guidance did not have a significant impact on the determination or reporting of the Company’s financial results.

In February 2013, the FASB issued ASU 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,” (“ASU 2013-02”). ASU 2013-02 adds new disclosure requirements for items reclassified out of accumulated other comprehensive income (“AOCI”). ASU 2013-02 intends to help the Company improve the transparency of changes in other comprehensive income (“OCI”) and items reclassified out of AOCI in the Company's financial statements. ASU 2013-02 does not amend any existing requirements for reporting net income or OCI in the Company's financial statements. ASU 2013-02 is effective for annual and interim reporting periods beginning after December 15, 2012. Adoption of this guidance did not have a significant impact on the determination or reporting of the Company's financial results.

In March 2013, the FASB issued ASU 2013-05, “Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity,” (“ASU 2013-05”). The objective of ASU 2013-05 is to clarify the applicable guidance for the release into net income of the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. ASU 2013-05 is effective for annual and interim reporting periods beginning after December 15, 2013 with early adoption permitted. Adoption of this guidance is not expected to have a significant impact on the determination or reporting of the Company’s financial results.

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

NOTE B – BUSINESS SEGMENT INFORMATION

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

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

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

In 2013, the Company divested its roadbuilding operations, formerly a part of the Construction segment, in Brazil and most of its Roadbuilding operations in Oklahoma City. On December 9, 2013, the Company signed an agreement to sell its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment. The truck business manufactures and sells off-highway rigid and articulated haul trucks. Included in the transaction is the manufacturing facility in Motherwell, Scotland. The sale, which is subject to government regulatory approvals and other customary closing conditions, is targeted to close in the first half of 2014. As a result of this agreement, the reporting of the truck business has been included in discontinued operations for all periods presented.

The Cranes segment designs, manufactures, markets, services and refurbishes rough terrain cranes, all terrain cranes, truck cranes, tower cranes, lattice boom crawler cranes, lattice boom truck cranes, truck-mounted cranes (boom trucks) and utility equipment, as well as their related replacement parts and components. Customers use these products for construction, repair and maintenance of commercial buildings, manufacturing facilities, construction and maintenance of utility and telecommunication lines, tree trimming and certain construction and foundation drilling applications and a wide range of infrastructure projects. The segment also provides service and support for industrial cranes and aerial products in North America.

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

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

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

The Company has no customers that accounted for more than 10% of consolidated sales in 2013. The results of businesses acquired during 2013, 2012 and 2011 are included from the dates of their respective acquisitions.

Subsequent to December 31, 2012, the Company realigned certain operations in an effort to strengthen its ability to service customers and to recognize certain organizational efficiencies. The Company’s Utilities business, formerly part of its AWP segment, is now consolidated within its Cranes segment. The Company’s Crane America Services business, formerly part of its MHPS segment, and its legacy AWP services business, formerly part of its AWP segment, are now consolidated within the Company’s Cranes segment and are run together as the Company’s North America Services business. The historical results have been reclassified to give effect to these changes.

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

	Year Ended December 31,		
	2013	2012	2011
Net Sales			
AWP	$2,131.0	$1,742.4	$1,425.0
Construction	820.0	952.1	1,182.7
Cranes	1,925.5	1,987.6	1,936.5
MHPS	1,698.5	1,742.1	1,036.9
MP	628.2	661.5	682.8
Corporate and Other / Eliminations	(119.2)	(103.5)	(105.9)
Total	$7,084.0	$6,982.2	$6,158.0
Income (loss) from Operations			
AWP	$325.8	$210.9	$81.9
Construction	(24.8)	(69.3)	(35.3)
Cranes	110.5	168.0	33.9
MHPS	(41.8)	5.6	(68.5)
MP	71.8	75.3	59.5
Corporate and Other / Eliminations	(22.4)	(23.7)	(11.6)
Total	$419.1	$366.8	$59.9
Depreciation and Amortization			
AWP	$9.9	$12.0	$13.6
Construction	22.2	23.5	24.5
Cranes	31.5	29.6	31.4
MHPS	61.2	64.3	35.4
MP	5.9	5.1	5.8
Corporate	20.8	17.7	14.9
Total	$151.5	$152.2	$125.6
Capital Expenditures			
AWP	$19.5	$15.1	$11.5
Construction	3.8	6.6	16.3
Cranes	15.1	13.8	14.9
MHPS	24.1	32.9	18.7
MP	5.6	4.9	2.6
Corporate	11.4	7.9	13.9
Total	$79.5	$81.2	$77.9

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

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	December 31, 2013	2012
Identifiable Assets		
AWP	$937.2	$835.8
Construction	1,012.5	972.5
Cranes	2,040.3	1,912.4
MHPS	2,989.5	2,946.4
MP	945.6	982.0
Corporate and Other / Eliminations	(1,533.3)	(1,055.4)
Discontinued operations	144.9	152.5
Total	$6,536.7	$6,746.2

Geographic segment information is presented below (in millions):

	Year Ended December 31, 2013	2012	2011
Net Sales			
United States	$2,592.3	$2,260.2	$1,794.5
United Kingdom	247.2	263.8	259.0
Germany	621.4	659.2	580.5
Other European countries	1,226.6	1,343.7	1,294.1
All other	2,396.5	2,455.3	2,229.9
Total	$7,084.0	$6,982.2	$6,158.0

	December 31, 2013	2012
Long-lived Assets		
United States	$200.6	$192.6
United Kingdom	28.3	30.7
Germany	305.3	310.8
Other European countries	106.9	107.2
All other	148.3	165.5
Total	$789.4	$806.8

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

NOTE C – INCOME TAXES

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

	Year Ended December 31, 2013	2012	2011
United States	$340.7	$127.2	$147.4
Foreign	(49.4)	(0.9)	(81.8)
Income (loss) from continuing operations before income taxes	$291.3	$126.3	$65.6

Income (loss) before income taxes including Income (loss) from discontinued operations and Gain (loss) from disposition of discontinued operations attributable to the Company was $305.1 million, $156.7 million and $83.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	$49.3	$29.7	$18.9
State	5.4	3.8	1.5
Foreign	36.5	45.9	28.9
Current income tax provision (benefit)	91.2	79.4	49.3
Deferred:			
Federal	22.2	(8.8)	3.5
State	1.3	(0.6)	5.6
Foreign	(27.3)	(18.5)	(13.0)
Deferred income tax (benefit) provision	(3.8)	(27.9)	(3.9)
Total provision for (benefit from) income taxes	$87.4	$51.5	$45.4

Including discontinued operations and disposition of discontinued operations, the total (benefit from) provision for income taxes was $84.2 million, $53.1 million and $43.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Deferred tax assets and liabilities result from differences in the bases of assets and liabilities for tax and financial statement purposes. The tax effects of the basis differences and net operating loss carry forwards as of December 31, 2013 and 2012 for continuing operations are summarized below for major balance sheet captions (in millions):

	2013	2012
Property, plant and equipment	$(76.2)	$(87.2)
Intangibles	(143.0)	(145.5)
Trade receivables	(0.5)	14.7
Inventories	40.2	30.5
Accrued warranties and product liability	18.7	18.3
Net operating loss carry forwards	204.9	199.3
Retirement plans and other	39.3	75.6
Accrued compensation and benefits	57.8	27.2
Investments	(10.6)	1.9
Credits	12.1	16.8
Other	42.5	50.7
Deferred tax assets valuation allowance	(181.8)	(172.2)
Net deferred tax assets (liabilities)	$3.4	$30.1

Deferred tax assets for continuing operations total $311.9 million before valuation allowances of $181.8 million at December 31, 2013. Total deferred tax liabilities for continuing operations of $126.7 million include $13.1 million in current liabilities and $113.6 million in non-current liabilities on the Consolidated Balance Sheet at December 31, 2013. Net deferred tax assets for discontinued operations were $3.0 million and $4.0 million as of December 31, 2013 and 2012, respectively.

The Company evaluates the net realizable value of its deferred tax assets each reporting period. The Company must consider all objective evidence, both positive and negative, in evaluating the future realization of its deferred tax assets, including tax loss carry forwards. Historical information is supplemented by currently available information about future tax years. Realization requires sufficient taxable income to use deferred tax assets. To the extent that estimates of future taxable income decrease or do not materialize, additional valuation allowances may be required. The Company records a valuation allowance for each deferred tax asset for which realization is not assessed as more likely than not. The valuation allowance for deferred tax assets as of December 31, 2013 and 2012 was $181.8 million and $172.2 million, respectively. The net change in the total valuation allowance for the years ended December 31, 2013 and 2012 was an increase of $9.6 million and a decrease of $11.1 million, respectively.

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

	Year Ended December 31,		
	2013	2012	2011
Tax at statutory federal income tax rate	$102.0	$44.2	$22.9
State taxes (net of Federal benefit)	4.4	2.0	4.3
Change in valuation allowance	6.9	14.2	18.0
Foreign tax differential on income/losses of foreign subsidiaries	1.4	(15.9)	(5.2)
U.S. tax on multi-national operations	(13.8)	1.4	(0.2)
Change in foreign statutory rates	3.6	3.2	4.9
U.S. manufacturing and export incentives	(7.1)	(4.0)	(1.7)
Other	(10.0)	6.4	2.4
Total provision for (benefit from) income taxes	$87.4	$51.5	$45.4

The effective tax rate on income from discontinued operations in 2013 differs from the statutory rate primarily due to recognition of uncertain tax positions.

Except for a limited number of immaterial subsidiaries and joint ventures accounted under the equity method, the Company does not provide for foreign income and withholding, U.S. Federal, or state income taxes or tax benefits on the financial reporting basis over the tax basis of its investments in foreign subsidiaries because such amounts are indefinitely reinvested to support operations and continued growth plans outside the U.S. At December 31, 2013, the Company's financial reporting basis in its foreign subsidiaries exceeded its tax basis by approximately $825 million. The Company reviews its plan to indefinitely reinvest on a quarterly basis. In making its decision to indefinitely reinvest, the Company evaluates its plans of reinvestment, its ability to control repatriation, and the need, if any, to repatriate funds to support U.S. operations. If the assessment of the Company with respect to earnings of foreign subsidiaries changes, deferred U.S. income taxes, foreign income taxes, and foreign withholding taxes may have to be accrued. At this time, determination of the unrecognized deferred tax liabilities for temporary differences related to the investment in foreign subsidiaries is not practicable.

At December 31, 2013, the Company had domestic federal net operating loss carry forwards of $14.7 million. None of the remaining U.S. federal net operating loss carry forwards expire before 2017. The Company also has various state net operating loss carry forwards available to reduce future state taxable income and income taxes. These net operating loss carry forwards expire at various dates through 2033.

In addition, at December 31, 2013, the Company's foreign subsidiaries had approximately $774 million of loss carry forwards, consisting of $296 million in Germany, $177 million in Italy, $101 million in the United Kingdom, $53 million in Spain, $52 million in China and $95 million in other countries, which are available to offset future foreign taxable income. The majority of these foreign tax loss carry forwards are available without expiration.

The Company had total net income tax (refunds) payments including discontinued operations of $171.1 million, $224.2 million and $(36.3) million in 2013, 2012 and 2011, respectively. At December 31, 2013 and 2012, Other current assets included net income tax receivable amounts of $12.3 million and $27.6 million respectively.

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

The following table summarizes the activity related to the Company's total (including discontinued operations) unrecognized tax benefits (in millions):

Balance as of January 1, 2011	$141.7	
Additions for current year tax positions	0.7	
Additions for prior year tax positions	15.2	
Reductions for prior year tax positions	(10.5	)
Reductions for tax positions related to current year	—	
Reductions related to expiration of statute of limitations	(3.3	)
Settlements	(14.8	)
Acquired balances	40.6	
Balance as of December 31, 2011	169.6	
Additions for current year tax positions	—	
Additions for prior year tax positions	15.1	
Reductions for prior year tax positions	(22.3	)
Reductions for tax positions related to current year	—	
Reductions related to expiration of statute of limitations	(23.2	)
Settlements	(1.3	)
Acquired balances	10.7	
Balance as of December 31, 2012	148.6	
Additions for current year tax positions	—	
Additions for prior year tax positions	10.6	
Reductions for prior year tax positions	(17.0	)
Reductions for tax positions related to current year	—	
Reductions related to expiration of statute of limitations	(42.7	)
Settlements	(15.8	)
Acquired balances	—	
Balance as of December 31, 2013	$83.7	

The Company evaluates each reporting period whether it is reasonably possible that material changes to its uncertain tax position liability could occur in the next 12 months. Changes may occur as a result of uncertain tax positions being considered effectively settled, re-measured, paid, acquired or divested, as the result of a change in the accounting rules, tax law or judicial decision, or due to the expiration of the relevant statute of limitations. It is not possible to predict which uncertain tax positions, if any, may be challenged by tax authorities. The timing and impact of income tax audits and their resolution is highly uncertain. New facts, laws, pronouncements and judicial decisions can change assessments concerning technical merit and measurement. The amounts of or periods in which changes to reserves for uncertain tax positions will occur is rarely ascertainable. The Company believes it is reasonably possible that the total amount of unrecognized tax benefits disclosed as of December 31, 2013 may decrease approximately $10 million in the fiscal year ending December 31, 2014. Such possible decrease relates primarily to audit settlements for valuation, transfer pricing, deductibility issues and the expiration of statutes of limitation.

As of December 31, 2013 and 2012, the Company had $83.7 million and $148.6 million, respectively, of unrecognized tax benefits. Of the $83.7 million at December 31, 2013, $78.5 million, if recognized, would affect the effective tax rate. As of December 31, 2013 and 2012, the liability for potential penalties and interest was $13.5 million and $14.1 million, respectively. During the years ended December 31, 2013 and 2012, the Company recognized tax (benefit) expense of $(0.6) million and $(5.2) million, respectively, for interest and penalties.

With the exception of goodwill, the Company recorded deferred taxes on differences between the book and tax bases of TMHPS AG assets and liabilities acquired. In general, acquired goodwill in a non-taxable business combination is not amortized and not deductible for tax purposes. See Note I – "Acquisitions."

NOTE D – DISCONTINUED OPERATIONS

In 2010, the Company completed the disposition of its Mining business to Bucyrus International, Inc ("Bucyrus"). In 2010, the Company sold all of its Atlas heavy construction equipment and knuckle-boom cranes businesses (collectively, "Atlas") to Atlas Maschinen GmbH.

On December 9, 2013, the Company signed an agreement to sell its truck business, which was consolidated in the Construction segment, to Volvo Construction Equipment for approximately $160 million. The truck business manufactures and sells off-highway rigid and articulated haul trucks. Included in the transaction is the manufacturing facility in Motherwell, Scotland. The sale, which is subject to government regulatory approvals and other customary closing conditions, is targeted to close in the first half of 2014.

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

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

	Year Ended December 31,		
	2013	2012	2011
Net sales	$225.8	$366.2	$346.6
(Loss) income from discontinued operations before income taxes	$10.3	$30.5	$18.8
(Provision for) benefit from income taxes	4.1	(2.1)	0.9
Income (loss) from discontinued operations – net of tax	$14.4	$28.4	$19.7
(Loss) gain on disposition of discontinued operations	$3.5	$(0.1)	$(0.7)
Benefit from (provision for) income taxes	(0.9)	0.5	1.5
Gain (loss) on disposition of discontinued operations – net of tax	$2.6	$0.4	$0.8

Included in Income (loss) from discontinued operations – net of tax for the years ended December 31, 2013, 2012 and 2011 are tax (provision) benefits of $4.1 million, $(2.1) million and $0.9 million, respectively, recognized for the resolution of uncertain tax positions for pre-divestiture years in the Mining business. During the year ended December 31, 2013, the Company recorded a $2.6 million gain primarily related to the sale of its Atlas business based on contractually obligated earnings based payments from the purchaser. During the year ended December 31, 2012, the Company recorded a $2.3 million gain on the sale of its Atlas business based on contractually obligated earnings based payments from the purchaser and a $1.9 million loss related to the settlement of a dispute with Bucyrus. During the year ended December 31, 2011 the Company recorded a $0.8 million gain on the sale of its Mining business.

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

	December 31	
	2013	2012
Trade receivables, net	$49.7	$51.1
Inventories	73.6	83.5
Other current assets	6.0	6.4
Current assets – discontinued operations	$129.3	$141.0
Property, plant and equipment - net	$9.5	$6.5
Other assets	6.1	5.0
Non-current assets – discontinued operations	15.6	11.5
Trade accounts payable	$35.9	$35.2
Other current liabilities	10.2	12.1
Current liabilities – discontinued operations	$46.1	$47.3
Non-current liabilities – discontinued operations	$5.7	$5.6

NOTE E – EARNINGS PER SHARE

	For the year ended December 31, (in millions, except per share data)		
	2013	2012	2011
Net income (loss) from continuing operations attributable to Terex Corporation common stockholders	$209.0	$77.0	$24.7
Income (loss) from discontinued operations-net of tax	14.4	28.4	19.7
Gain (loss) on disposition of discontinued operations-net of tax	2.6	0.4	0.8
Net income (loss) attributable to Terex Corporation	$226.0	$105.8	$45.2
Basic shares:			
Weighted average shares outstanding	111.1	110.3	109.5
Earnings per share - basic:			
Income (loss) from continuing operations	$1.88	$0.70	$0.22
Income (loss) from discontinued operations-net of tax	0.13	0.26	0.18
Gain (loss) on disposition of discontinued operations-net of tax	0.02	—	0.01
Net income (loss) attributable to Terex Corporation	$2.03	$0.96	$0.41
Diluted shares:			
Weighted average shares outstanding	111.1	110.3	109.5
Effect of dilutive securities:			
Stock options, restricted stock awards and convertible notes	5.9	3.6	1.2
Diluted weighted average shares outstanding	117.0	113.9	110.7
Earnings per share - diluted:			
Income (loss) from continuing operations	$1.79	$0.68	$0.22
Income (loss) from discontinued operations-net of tax	0.12	0.25	0.18
Gain (loss) on disposition of discontinued operations-net of tax	0.02	—	0.01
Net income (loss) attributable to Terex Corporation	$1.93	$0.93	$0.41

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

Reconciliation of amounts attributable to common stockholders:	2013	2012	2011
Income (loss) from continuing operations	$203.9	$74.8	$20.2
Noncontrolling interest attributed to income (loss) from continuing operations	5.1	2.2	4.5
Income (loss) from continuing operations attributable to common stockholders	$209.0	$77.0	$24.7

Weighted average options to purchase 0.2 million shares of the Company's common stock, par value $0.01 per share ("Common Stock"), were outstanding during 2013, 2012 and 2011, respectively, but were not included in the computation of diluted shares as the effect would be anti-dilutive. Weighted average restricted stock awards of 0.3 million shares, 0.3 million shares and 0.2 million shares were outstanding during 2013, 2012 and 2011, respectively, but were not included in the computation of diluted shares because the effect would be anti-dilutive or performance targets were not yet achieved for awards contingent upon performance. ASC 260, "Earnings per Share," requires that employee stock options and non-vested restricted shares granted by the Company be treated as potential common shares outstanding in computing diluted earnings per share. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. The Company includes the impact of pro forma deferred tax assets in determining the amount of tax benefits for potential windfalls and shortfalls (the differences between tax deductions and book expense) in this calculation.

The 4% Convertible Senior Subordinated Notes due 2015 (the "4% Convertible Notes") described in Note M – "Long-Term Obligations" are dilutive to the extent the volume-weighted average price of the Common Stock for the period evaluated was greater than $16.25 per share and earnings from continuing operations were positive. The number of shares that were contingently issuable for the 4% Convertible Notes during 2013 and 2012 was 4.6 million and 2.9 million, respectively. The volume-weighted average price of the Common Stock was not greater than $16.25 per share for the year ended 2011 and therefore no shares were contingently issuable during this period. In August 2012, the Company repurchased approximately 25% of the principal amount outstanding of the 4% Convertible notes. See Note M – "Long-Term Obligations."

NOTE F – INVENTORIES

Inventories consist of the following (in millions):

	December 31,	
	2013	2012
Finished equipment	$450.0	$459.8
Replacement parts	168.4	178.7
Work-in-process	527.3	505.6
Raw materials and supplies	467.5	488.1
Inventories	$1,613.2	$1,632.2

Reserves for lower of cost or market value, excess and obsolete inventory were $132.5 million and $131.9 million at December 31, 2013 and 2012, respectively.

NOTE G – PROPERTY, PLANT AND EQUIPMENT

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

	December 31,	
	2013	2012
Property	$121.2	$123.0
Plant	412.5	393.5
Equipment	720.1	671.9
Property, Plant and Equipment – Gross	1,253.8	1,188.4
Less: Accumulated depreciation	(464.4)	(381.6)
Property, plant and equipment – net	$789.4	$806.8

Depreciation expense for the years ended December 31, 2013, 2012 and 2011, was $104.4 million, $99.7 million and $88.5 million, respectively.

NOTE H – EQUIPMENT SUBJECT TO OPERATING LEASES

Operating leases arise from leasing the Company's products to customers. Initial noncancellable lease terms typically range up to 84 months. The net book value of equipment subject to operating leases was approximately $80 million and $58 million (net of accumulated depreciation of approximately $40 million and $33 million) at December 31, 2013 and 2012, respectively, and is included in Other assets on the Company's Consolidated Balance Sheet. The equipment is depreciated on a straight-line basis over its estimated useful life.

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

Years ending December 31,	
2014	$16.4
2015	8.9
2016	5.9
2017	2.7
2018	1.9
Thereafter	1.5
	$37.3

The Company received approximately $16 million and $14 million of rental income from assets subject to operating leases with lease terms greater than one year during 2013 and 2012, respectively, none of which represented contingent rental payments.

NOTE I – ACQUISITIONS

2012 Acquisitions

In April 2012, the Company completed a small acquisition in the Cranes segment that had an aggregate purchase price of less than $11 million. This acquisition did not have a material impact on the Company's financial results.

2011 Acquisitions

TMHPS AG Acquisition

On August 16, 2011, the Company acquired approximately 81% of the shares of TMHPS AG at a price of €45.50 per share, for total cash consideration of approximately $1.1 billion, bringing the Company's ownership to 82%. TMHPS AG is active in the development, planning, production, distribution, and marketing of industrial cranes and hoists and port technology, as well as the provision of services in these areas. TMHPS AG's business is highly complementary to the Company's existing business both in terms of product and geographical fit. The acquisition of TMHPS AG is consistent with the Company's strategy to expand its position as a globally active manufacturer of machinery and industrial products in niche market segments.

In January 2012, the Company entered into a Domination and Profit and Loss Transfer Agreement (the "DPLA") with TMHPS AG. The DPLA was approved by the TMHPS AG shareholders on March 16, 2012 and became effective following registration of the DPLA in the commercial register of TMHPS AG. In July 2013, the Company acquired approximately 14% of the outstanding TMHPS AG shares for approximately $228 million. In January 2014, the Company paid approximately $77 million for the remaining outstanding shares of TMHPS AG. The Company now owns 100% of TMHPS AG. See Note P – "Stockholders' Equity" for a discussion of the financial statement impact of these items.

Net Assets Acquired

The Company has applied purchase accounting to TMHPS AG and the results of operations are included in the Company's consolidated financial statements following the acquisition date. The application of purchase accounting under ASC 805 requires the recognition and measurement of the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree. The net assets and liabilities of TMHPS AG were recorded at their estimated fair value using Level 3 inputs. The noncontrolling interest was recorded at fair value using Level 1 inputs. See Note A – "Basis of Presentation," for an explanation of Level 1 and 3 inputs. In valuing acquired assets and liabilities, fair value estimates are based on, but are not limited to, future expected cash flows, market rate assumptions for contractual obligations, actuarial assumptions for benefit plans, and appropriate discount and growth rates. The estimated fair values of assets acquired and liabilities assumed are based on the information that was available as of the date of this filing to estimate the fair value of assets acquired and liabilities assumed. The Company believes that such information provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed. The Company finalized the valuation and completed the purchase price adjustments during the period ended September 30, 2012.

During 2012, the Company made an election, for U.S. tax purposes, to characterize most aspects of the TMHPS AG acquisition as a purchase of assets, rather than as a purchase of shares of TMHPS AG. As a result of the U.S. tax election, a net $38.4 million deferred tax liability related to the investment basis difference was no longer required. Since the deferred tax liability was recorded in purchase accounting as an increase to goodwill, its elimination was recorded as a reduction to goodwill. In addition, during 2012, additional measurement period adjustments of $9.8 million related principally to uncertain tax position amounts and deferred tax liabilities for the investment basis differences in certain TMHPS AG subsidiaries were recorded as an increase to goodwill. The total measurement period adjustment in 2012 to MHPS goodwill for tax-related purchase accounting items was a decrease of $28.6 million and the TMHPS AG acquisition date balance sheet (shown below) has been adjusted to reflect such decrease.

The fair value of the noncontrolling interest in TMHPS AG at the acquisition date was $253.0 million. The valuation techniques and significant inputs used to measure the fair value of the noncontrolling interest was quoted market prices.

The following table summarizes the estimated fair values of the TMHPS AG assets acquired and liabilities assumed and related deferred income taxes as of acquisition date (in millions).

Assets acquired	
Current assets	$603.4
Trade receivables	253.3
Property, plant and equipment	308.0
Intangible assets not subject to amortization	129.7
Intangible assets subject to amortization	302.3
Other assets	131.0
Goodwill	821.5
Total assets acquired	2,549.2
Liabilities assumed	
Current liabilities, including current portion of long-term debt	471.4
Long-term debt	169.5
Post-employment benefit obligation	188.9
Other non-current liabilities	329.8
Total liabilities assumed	1,159.6
Net assets acquired	$1,389.6

Goodwill of $821.5 million, resulting from the acquisition of a majority interest in TMHPS AG was assigned to the newly created MHPS segment. Goodwill consists of intangible assets that do not qualify for separate recognition which includes assembled workforce. As part of the final valuation of the acquisition, the Company determined which entities and to what extent the benefit of the acquisition applied and, as required by U.S. GAAP, recorded the appropriate intangibles and goodwill to each entity. With the exception of tax deductible goodwill existing prior to the acquisition, the purchased intangibles and goodwill are not deductible for tax purposes. However, purchase accounting allows for the establishment of deferred tax liabilities on purchased intangibles (other than goodwill) that will be reflected as a tax benefit on the Company's future Consolidated Statements of Income in proportion to and over the amortization period of the related intangible asset.

Acquisition-Related Expenses

The Company has incurred transaction costs directly related to the TMHPS AG acquisition of $15.8 million for the year ended December 31, 2011, which is recorded in Other income (expense) – net.

Unaudited Actual and Pro Forma Information

The Company's consolidated Net sales and Net loss attributable to Terex Corporation from August 16, 2011 through December 31, 2011 includes $617.0 million and $10.2 million, respectively, related to the TMHPS AG business.

The following unaudited pro forma information has been presented as if the TMHPS AG transaction occurred on January 1, 2011. This information is based on historical results of operations, adjusted for acquisition accounting adjustments, and is not necessarily indicative of what the results would have been had the Company operated the business since January 1, 2011, nor does it intend to be a projection of future results. No pro forma adjustments have been made for the Company's incremental transaction costs or other transaction-related costs.

(in millions, except per share data)	Year Ended December 31, 2011
Net sales	$7,068.1
Net income attributable to Terex Corporation	$33.6
Basic earnings per share attributable to Terex Corporation common stockholders	$0.31

Diluted earnings per share attributable to Terex Corporation common stockholders	$0.30

The fiscal year-ends for the Company and TMHPS AG were different. TMHPS AG fiscal year end was September 30. The results of TMHPS AG for the 12 month period ended September 30, 2011 was used in these computations.

Other 2011 Acquisitions

In May 2011, the Company completed a small acquisition in the MP segment that had an aggregate purchase price of less than $5 million. In October 2011, the Company completed a small acquisition in the Cranes segment that had an aggregate purchase price of less than $25 million. These acquisitions did not have a material impact on the Company's financial results.

NOTE J – GOODWILL AND INTANGIBLE ASSETS, NET

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

	AWP	Construction (2)	Cranes	MHPS	MP	Total
Balance at December 31, 2011, gross	$139.7	$274.4	$221.0	$740.2	$198.0	$1,573.3
Accumulated impairment	(38.6)	(274.4)	(4.2)	—	(23.2)	(340.4)
Balance at December 31, 2011, net (1)	101.1	—	216.8	740.2	174.8	1,232.9
Acquisitions	0.2	—	15.5	(4.1)	—	11.6
Change in control of joint venture	—	—	(4.6)	—	—	(4.6)
Foreign exchange effect and other	—	—	2.0	(3.3)	6.7	5.4
Balance at December 31, 2012, gross	139.9	274.4	233.9	732.8	204.7	1,585.7
Accumulated impairment	(38.6)	(274.4)	(4.2)	—	(23.2)	(340.4)
Balance at December 31, 2012, net	101.3	—	229.7	732.8	181.5	1,245.3
Foreign exchange effect and other	0.7	—	2.0	(5.3)	2.9	0.3
Balance at December 31, 2013, gross	140.6	274.4	235.9	727.5	207.6	1,586.0
Accumulated impairment	(38.6)	(274.4)	(4.2)	—	(23.2)	(340.4)
Balance at December 31, 2013, net	$102.0	$—	$231.7	$727.5	$184.4	$1,245.6

(1) Includes a $10.8 million reclassification of goodwill from AWP to Cranes related to segment realignment. See Note A – "Basis of Presentation."

(2) Includes a $164.4 million write-off of goodwill, gross and accumulated impairment, in the Construction segment related to discontinued operations.

Intangible assets, net were comprised of the following as of December 31, 2013 and 2012 (in millions):

		December 31, 2013			December 31, 2012		
	Weighted Average Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Technology	8	$91.6	$ 48.7	$ 42.9	$87.9	$ 36.5	$51.4
Customer Relationships	15	354.7	105.2	249.5	353.5	78.9	274.6
Land Use Rights	57	18.4	1.5	16.9	17.0	1.1	15.9
Other	7	52.2	40.4	11.8	51.9	38.1	13.8
Total definite-lived intangible assets		$516.9	$ 195.8	$ 321.1	$510.3	$ 154.6	$355.7
Indefinite-lived intangible assets:							
Tradenames		$123.7			$118.7		

Total indefinite-lived intangible assets	$123.7	$118.7

	For the Year Ended December 31,		
(in millions)	2013	2012	2011
Aggregate Amortization Expense	$38.6	$43.0	$28.9

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

2014	$36.7
2015	$35.7
2016	$33.7
2017	$29.2
2018	$23.2

NOTE K – DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company enters into two types of derivatives to hedge its interest rate exposure and foreign currency exposure: hedges of fair value exposures and hedges of cash flow exposures. Fair value exposures relate to recognized assets or liabilities and firm commitments, while cash flow exposures relate to the variability of future cash flows associated with recognized assets or liabilities or forecasted transactions. Additionally, the Company entered into derivative contracts that were intended to partially mitigate risks associated with the shares of common stock of Bucyrus acquired in connection with the sale of the Mining business and the risks associated with Euro payment for the purchase of TMHPS AG. These contracts were not designated as hedges because they did not meet the requirements for hedge accounting.

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

The Company has used and may use forward contracts and options to mitigate its exposure to changes in foreign currency exchange rates on third party and intercompany forecasted transactions. The primary currencies to which the Company is exposed are the Euro, British Pound and Australian Dollar. The effective portion of unrealized gains and losses associated with forward contracts and the intrinsic value of option contracts are deferred as a component of Accumulated other comprehensive income until the underlying hedged transactions are reported in the Company's Consolidated Statement of Income. The Company has used and may use interest rate swaps to mitigate its exposure to changes in interest rates related to existing issuances of variable rate debt and changes in the fair value of fixed rate debt. Primary exposure includes movements in the London Interbank Offer Rate ("LIBOR").

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

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

In November 2007, the Company entered into an interest rate swap agreement that converted a fixed rate interest payment into a variable rate interest payment. In November 2012, this interest rate swap agreement was terminated. Furthermore, as discussed in Note M – "Long-Term Obligations," the Company redeemed the 8% Senior Subordinated notes associated with this swap and therefore, as a result of the termination and redemption, recorded a gain of approximately $16 million which decreased the Loss on early extinguishment of debt associated with the redemption.

The Company had entered into a prior interest rate swap agreement that converted a fixed rate interest payment into a variable rate interest payment. At December 31, 2006, the Company had $200.0 million notional amount of this interest rate swap agreement outstanding, which would have matured in 2014. To maintain an appropriate balance between floating and fixed rate obligations on its mix of indebtedness, the Company exited this interest rate swap agreement on January 15, 2007 and paid $5.4 million. This loss was recorded as an adjustment to the carrying value of the hedged debt and was amortized through January 15, 2011, which was the effective date that the hedged debt was extinguished.

The Company is also a party to currency exchange forward contracts that generally mature within one year to manage its exposure to changing currency exchange rates. At December 31, 2013, the Company had $511.8 million notional amount of currency exchange forward contracts outstanding, most of which mature on or before December 31, 2014. The fair market value of these contracts at December 31, 2013 was a net gain of $3.8 million. At December 31, 2013, $454.1 million notional amount ($4.0 million of fair value gains) of these forward contracts have been designated as, and are effective as, cash flow hedges of forecasted and specifically identified transactions. During 2013 and 2012, the Company recorded the change in fair value for these cash flow hedges to Accumulated other comprehensive income and reclassified to earnings a portion of the deferred gain or loss from Accumulated other comprehensive income as the hedged transactions occurred and were recognized in earnings.

The Company records the interest rate swap and foreign exchange contracts at fair value on a recurring basis. There were no interest rate swaps recorded as of December 31, 2013 and 2012. The foreign exchange contracts designated as hedging instruments are categorized under Level 1 of the ASC 820 hierarchy and are recorded at December 31, 2013 and 2012 as a net asset of $3.8 million and a net liability of $0.4 million, respectively. See Note A – “Basis of Presentation,” for an explanation of the ASC 820 hierarchy. The fair values of these foreign exchange forward contracts are based on quoted forward foreign exchange prices at the reporting date. The fair values of these contracts are based on the contract rate specified at the anticipated contracts’ settlement date and quoted forward foreign exchange prices at the reporting date.

The Company entered into a stockholders agreement with Bucyrus that contained certain restrictions, including providing for Terex’s commitment that it would not directly or indirectly sell or otherwise transfer its economic interest in the shares of Bucyrus stock received by it for a period of one year, subject to certain exceptions. As a result, in order to partially mitigate the risks associated with the shares of Bucyrus stock, the Company entered into derivative contracts using a basket of stocks whose prices had historically been highly correlated with the Bucyrus stock price. The one year lock-up contained in the stockholders agreement expired on February 19, 2011. All of the derivative contracts purchased by the Company expired unexercised during the year ended December 31, 2011. The Company recognized $0.3 million loss in Other income (expense) – net on the Consolidated Statement of Income related to these derivative contracts for the year ended December 31, 2011.

The Company entered into contingent participating forward foreign currency contracts to purchase up to €450.0 million in May 2011 in connection with the acquisition of TMHPS AG to hedge against its exposure to changes in the exchange rate for the Euro, as the acquisition purchase price was paid in Euros. Such contracts were not designated as hedging instruments. The contingent participating forward foreign currency contracts were settled during the year ended December 31, 2011, resulting in a loss of $16.1 million recorded in Other income (expense) – net in the Consolidated Statement of Income.

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

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

Asset Derivatives	Balance Sheet Account	December 31, 2013	December 31, 2012
Foreign exchange contracts	Other current assets	$10.0	$5.2
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	6.2	5.6
Total Derivatives		$3.8	$(0.4)

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

Asset Derivatives	Balance Sheet Account	December 31, 2013	December 31, 2012
Foreign exchange contracts	Other current assets	$4.1	$1.0
Liability Derivatives			
Foreign exchange contracts	Other current liabilities	0.8	—
Total Derivatives		$3.3	$1.0

The following tables provide the effect of derivative instruments that are designated as hedges in the Consolidated Statements of Income, Comprehensive Income and Accumulated other comprehensive income ("OCI") (in millions):

Gain Recognized on Derivatives in Income:		Year Ended December 31,		
Fair Value Derivatives	Location	2013	2012	2011
Interest rate contract	Interest expense	$—	$16.3	$19.3
Interest rate contract	Loss on early extinguishment of debt	—	16.0	—
Total		$—	$32.3	$19.3

(Loss) Gain Recognized on Derivatives in OCI:	Year Ended December 31,	
Cash Flow Derivatives	2013	2012
Foreign exchange contracts	$3.1	$3.2

(Loss) Gain Reclassified from Accumulated OCI into Income (Effective):	Year Ended December 31,		
Account	2013	2012	2011
Cost of goods sold	$1.2	$(5.2)	$(4.7)
Other income (expense) – net	3.2	(5.1)	(0.8)
Total	$4.4	$(10.3)	$(5.5)

Gain (Loss) Recognized on Derivatives (Ineffective) in Income:	Year Ended December 31,		
Account	2013	2012	2011
Other income (expense) – net	$(2.8)	$4.9	$1.5

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

Gain (Loss) Recognized on Derivatives not designated as hedges in Income:	Year Ended December 31,		
Account	2013	2012	2011
Cost of Goods Sold	$0.7	$(0.8)	$0.5
Other income (expense) – net	1.6	—	(16.4)
Total	$2.3	$(0.8)	$(15.9)

Counterparties to the Company's interest rate swap agreement and currency exchange forward contracts are major financial institutions with credit ratings of investment grade or better and no collateral is required. There are no significant risk concentrations. Management continues to monitor counterparty risk and believes the risk of incurring losses on derivative contracts related to credit risk is unlikely and any losses would be immaterial.

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

	Year Ended December 31,		
	2013	2012	2011
Balance at beginning of period	$(0.4)	$(3.6)	$(2.1)
Additional gains (losses) – net	6.1	(1.9)	(2.3)
Amounts reclassified to earnings	(3.0)	5.1	0.8
Balance at end of period	$2.7	$(0.4)	$(3.6)

The estimated amount of existing gains (losses) for derivative contracts recorded in OCI as of December 31, 2013 that are expected to be reclassified into earnings in the next 12 months is $2.7 million.

NOTE L – RESTRUCTURING AND OTHER CHARGES

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

To optimize facility utilization, the Company established a restructuring program to move its crushing and screening manufacturing business within the MP segment from Cedar Rapids, Iowa to other facilities, primarily in North America in 2010. Engineering, sales and service functions for materials processing equipment currently made at the plant will be retained at the facility for the near future. The total program cost recognized in 2011 were $2.4 million. The program resulted in reductions of 186 team members and was completed in 2011.

The Company established a restructuring program within the MP segment to realize cost synergies and support its joint brand strategy by consolidating certain of its crushing equipment manufacturing businesses. This program resulted in the relocation of its crusher manufacturing operations in Coalville, England to Omagh, Northern Ireland. The global design center for crushing equipment and certain component manufacturing was retained at Coalville. The program was completed in 2011. The Company has subsequently revised its plans for this site and intends to invest in its design and engineering team and re-implement manufacturing based at this location. The Coalville facility will become the MP center for research and development, with responsibility for providing new and innovative products. As a result of these revised plans, $2.4 million of restructuring reserve was reversed in the year ended December 31, 2012.

During the year ended December 31, 2011, the Company established restructuring programs within the MHPS segment to optimize facility utilization and consolidate certain manufacturing operations. These programs cost $25.6 million, resulted in the reduction of approximately 206 team members and was completed in 2012 except for certain benefits mandated by governmental agencies.

During the year ended December 31, 2011, certain areas of the MHPS segment were reorganized to better utilize the Company’s workforce. The program cost $0.9 million, resulted in the reduction of approximately 6 team members and was completed in 2012.

During the year ended December 31, 2011, the Company reorganized certain areas within the Construction segment to enhance operational efficiency. The program cost $1.4 million, resulted in the reduction of approximately 5 team members and was completed in 2012.

During the year ended December 31, 2012, the Company established a restructuring program in the MHPS segment to realize cost synergies and to optimize the SG&A expense structure. This program resulted in the closing of a production site in Spain and outsourcing of the related future production. The program is expected to cost $3.0

million, result in the reduction of approximately 26 team members and is expected to be completed in 2014.

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

During the second quarter of 2012, the Company closed a parts distribution center in its Construction segment. The program cost $0.3 million, resulted in the reduction of approximately 9 team members and was completed in 2012.

During the year ended December 31, 2013, the Company established a restructuring program in the MHPS segment resulting in the consolidation of certain production facilities and the redesign of certain back office functions. The program is expected to cost $21.5 million, result in the reduction of 299 team members and be completed in 2014.

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

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

	Amount incurred during the year ended December 31, 2013	Cumulative amount incurred through December 31, 2013	Total amount expected to be incurred
Construction	$(0.6)	$13.0	$13.0
MHPS	21.5	50.1	50.1
Total	$20.9	$63.1	$63.1

The following table provides information by type of restructuring activity with respect to the amount of expense incurred during the year ended December 31, 2013, the cumulative amount of expenses incurred since inception of the programs and the total amount expected to be incurred (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
Amount incurred in the year ended December 31, 2013	$20.6	$0.3	$—	$20.9
Cumulative amount incurred through December 31, 2013	$46.4	$6.8	$9.9	$63.1
Total amount expected to be incurred	$46.4	$6.8	$9.9	$63.1

The following table provides a roll forward of the restructuring reserve by type of restructuring activity for the year ended December 31, 2013 (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
Restructuring reserve at December 31, 2012	$17.1	$0.2	$—	$17.3
Restructuring charges	20.6	0.3	—	20.9
Cash expenditures	(12.3)	(0.5)	—	(12.8)
Restructuring reserve at December 31, 2013	$25.4	$—	$—	$25.4

During the years ended December 31, 2013, 2012 and 2011 $11.0 million, $8.4 million and $19.1 million, respectively, of restructuring charges were included in Cost of goods sold (“COGS”). During the years ended December 31, 2013, 2012 and 2011 $9.9 million, $3.5 million and $10.4 million, respectively, of restructuring charges were included in SG&A costs. There were no asset impairments included in restructuring costs for the year ended December 31, 2013. There were $5.7 million and $8.8 million of asset impairments included in restructuring costs for the years ended December 31, 2012 and 2011, respectively.

NOTE M – LONG-TERM OBLIGATIONS

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

	December 31, 2013	2012
6-1/2% Senior Notes due April 1, 2020	$300.0	$300.0
6% Senior Notes due May 15, 2021	850.0	850.0
4% Convertible Senior Subordinated Notes due June 1, 2015	116.7	109.2
2011 Credit Agreement – term debt	495.3	710.1
2011 Credit Agreement – revolver	117.7	—
Capital lease obligations	5.0	5.8
Other	92.0	123.6
Total debt	1,976.7	2,098.7
Less: Notes payable and current portion of long-term debt	(86.8)	(83.8)
Long-term debt, less current portion	$1,889.9	$2,014.9

2011 Credit Agreement

The Company entered into an amended and restated credit agreement (the “2011 Credit Agreement”) on August 5, 2011, with the lenders party thereto and Credit Suisse AG, as administrative agent and collateral agent.

The 2011 Credit Agreement provided the Company with a $460.1 million term loan and a €200.0 million term loan. The term loans are scheduled to mature on April 28, 2017. In addition, the 2011 Credit Agreement provides the Company with a revolving line of credit of up to $500 million. The revolving line of credit consists of $250 million of available domestic revolving loans and $250 million of available multicurrency revolving loans. The revolving lines of credit are scheduled to mature on April 29, 2016.

On October 12, 2012, the Company and its lenders entered into an amendment of the 2011 Credit Agreement (the “2012 Amendment”). As a result of the 2012 Amendment, the Company reduced the interest rates on its U.S. Dollar and Euro denominated term loans. Additionally, the 2012 Amendment also provided greater flexibility for the Company (i) for complying with its financial covenants, (ii) in issuing additional debt under the credit agreement and (iii) in the Company's covenant baskets for additional letter of credit facilities, maximum letter of credit exposure, acquired debt, foreign subsidiary debt, general debt, restricted payments, receivables transactions and prepayment of other debt. As a result of the 2012 Amendment the Company recorded a loss on early extinguishment of debt of $1.9 million in the consolidated statement of income for the year ended December 31, 2012 which included non-cash charges for accelerated amortization of debt acquisition costs and original issue discount. In preparing the consolidated Statement of Cash Flows these non-cash items were added to net income. On November 13, 2013, the Company and its lenders entered into an amendment of the 2011 Credit Agreement (the “2013 Amendment”). As a result of the 2013 Amendment, the Company reduced the interest rates on its U.S. Dollar and Euro denominated term loans. Additionally, the 2013 Amendment also provided greater flexibility for the Company in providing customer financing, securitizing leases and loans to customers and selling loans and leases to third parties with recourse.

The 2011 Credit Agreement allows unlimited incremental commitments, which may be extended at the option of the lenders and can be in the form of revolving credit commitments, term loan commitments, or a combination of both as long as the Company satisfies a secured debt financial ratio contained in the credit facilities.

The 2011 Credit Agreement requires the Company to comply with a number of covenants, which include certain financial tests. The minimum required levels of the interest coverage ratio shall be 2.5 to 1.00. The maximum permitted levels of the senior secured leverage ratio shall be to 2.5 to 1.00.

The covenants also limit, in certain circumstances, the Company's ability to take a variety of actions, including: incur indebtedness; create or maintain liens on its property or assets; make investments, loans and advances; repurchase shares of its Common Stock; engage in acquisitions, mergers, consolidations and asset sales; redeem debt; and pay dividends and distributions. The 2011 Credit Agreement also contains customary default provisions. The Company's future compliance with its financial covenants under the 2011 Credit Agreement will depend on its ability to generate earnings and manage its interest expense and senior secured debt effectively. The 2011 Credit Agreement also has various non-financial covenants, both requiring the Company to refrain from taking certain future actions (as described above) and requiring the Company to take certain actions, such as keeping in good standing its corporate existence, maintaining insurance, and providing its bank lending group with financial information on a timely basis.

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

As of December 31, 2013 and 2012, the Company had $495.3 million and $710.1 million, respectively, in U.S. dollar and Euro denominated term loans outstanding under the 2011 Credit Agreement. The weighted average interest rate on the term loans at December 31, 2013 and 2012 was 3.66% and 4.68%, respectively. The Company had $117.7 million in U.S. dollar denominated revolving credit amounts outstanding as of December 31, 2013 and had no revolving credit amounts outstanding at December 31, 2012. The weighted average interest rate on the revolving credit facility at December 31, 2013 was 5.30%.

The 2011 Credit Agreement incorporates facilities for issuance of letters of credit up to $300 million. Letters of credit issued under the 2011 Credit Agreement letter of credit facility decrease availability under the $500 million revolving line of credit. As of December 31, 2013 and 2012, the Company had letters of credit issued under the 2011 Credit Agreement that totaled $54.2 million and $45.4 million, respectively. The 2011 Credit Agreement also permits the Company to have additional letter of credit facilities up to $200 million, and letters of credit issued under such additional facilities do not decrease availability under the revolving line of credit. The Company had letters of credit issued under the additional letter of credit facilities of the 2011 Credit Agreement that totaled $3.1 million as of December 31, 2013 and 2012.

The Company also has bilateral arrangements to issue letters of credit with various other financial institutions. These additional letters of credit do not reduce the Company's availability under the 2011 Credit Agreement. The Company had letters of credit issued under these additional arrangements of $283.1 million and $275.5 million as of December 31, 2013 and 2012, respectively.

In total, as of December 31, 2013 and 2012, the Company had letters of credit outstanding of $340.4 million and $324.0 million, respectively.

The Company and certain of its subsidiaries agreed to take certain actions to secure borrowings under the 2011 Credit Agreement. As a result, the Company and certain of its subsidiaries entered into a Guarantee and Collateral Agreement with Credit Suisse, as collateral agent for the lenders, granting security to the lenders for amounts borrowed under the 2011 Credit Agreement. The Company is required to (a) pledge as collateral the capital stock of the Company's material domestic subsidiaries and 65% of the capital stock of certain of the Company's material foreign subsidiaries, and (b) provide a first priority security interest in, and mortgages on, substantially all of the Company's domestic assets.

6-1/2% Senior Notes

On March 27, 2012, the Company sold and issued $300 million aggregate principal amount of Senior Notes Due 2020 (“6-1/2% Notes”) at par. The proceeds from these notes were used for general corporate purposes, including cash requirements resulting from the effectiveness of the DPLA. The 6-1/2% Notes are redeemable by the Company beginning in April 2016 at an initial redemption price of 103.25% of principal amount. The 6-1/2% Notes are jointly and severally guaranteed by certain of the Company’s domestic subsidiaries (see Note R – “Consolidating Financial Statements”).

6% Senior Notes

On November 26, 2012, the Company sold and issued $850 million aggregate principal amount of Senior Notes due 2021 (“6% Notes”) at par. The proceeds from this offering plus other cash was used to redeem all $800 million principal amount of the outstanding 8% Notes. The 6% Notes are redeemable by the Company beginning in November 2016 at an initial redemption price of 103.00% of principal amount. The 6% Notes are jointly and severally guaranteed by certain of the Company’s domestic subsidiaries (see Note R – “Consolidating Financial Statements”).

10-7/8% Senior Notes

On June 3, 2009, the Company sold and issued $300 million aggregate principal amount of Senior Notes Due 2016 (“10-7/8% Notes”). On September 28, 2012, the Company repaid the outstanding $299.9 million principal amount of its 10-7/8% Notes. The total cash paid to redeem the 10-7/8% Notes was $347.3 million which included a make whole call premium of 12.265%, totaling $36.8 million plus accrued and unpaid interest of $10.6 million at the redemption date.

The Company recorded a loss on early extinguishment of debt of $42.9 million in the Consolidated Statement of Income for the year ended December 31, 2012, which includes (a) cash payments of $36.8 million for call premiums associated with the repayment of $299.9 million of outstanding debt and (b) $6.1 million of non-cash charges for accelerated amortization of debt acquisition costs related to the redemption of the 10-7/8% Notes, and original issue discount, which all flow into the calculation of net income. In preparing the Consolidated Statement of Cash Flows, the non-cash item (b) was added to net income to reflect cash flow appropriately.

4% Convertible Senior Subordinated Notes

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

The Company, as issuer of the 4% Convertible Notes, must separately account for the liability and equity components of the 4% Convertible Notes in a manner that reflects the Company’s nonconvertible debt borrowing rate at the date of issuance when interest cost is recognized in subsequent periods. The Company allocated $54.3 million of the $172.5 million principal amount of the 4% Convertible Notes to the equity component, which represents a discount to the debt and will be amortized into interest expense using the effective interest method through June 2015. The Company recorded a related deferred tax liability of $19.4 million on the equity component. During the third quarter of 2012, the Company purchased approximately 25% of the principal amount outstanding of its 4% Convertible Notes due 2015 for approximately $64 million, including $0.3 million of accrued interest. These purchases reduced the balance of the 4% Convertible Notes outstanding by $36.1 million and reduced equity by $19.1 million. The Company recorded a loss on early retirement of debt in the Consolidated Statement of Income of $6.5 million for the year ended December 31, 2012, which includes (a) cash payments of $5.9 million for debt principal over book value and (b) $0.6 million for non-cash charges for accelerated amortization of debt issuance costs.

The balance of the 4% Convertible Notes was $116.7 million and $109.2 million at December 31, 2013 and 2012, respectively, reflecting the impact of the purchase discussed above. The Company recognized interest expense of $12.6 million and $14.2 million on the 4% Convertible Notes for the years ended December 31, 2013 and 2012, respectively. The interest expense recognized for the 4% Convertible Notes will increase as the discount is amortized using the effective interest method, which accretes the debt balance over its term to $128.8 million at maturity. Interest expense on the 4% Convertible Notes throughout its term includes 4% annually of cash interest on the maturity balance of $128.8 million plus non-cash interest expense accreted to the debt balance as described.

The Company paid a dividend of $0.05 per share on December 20, 2013. Under the terms of the 4% Convertible Notes, this dividend changed the initial conversion ratio from 61.5385 to 61.6206 shares of common stock.

8% Senior Subordinated Notes

On November 13, 2007, the Company sold and issued $800 million aggregate principal amount of 8% Notes. The 8% Notes were redeemable by the Company beginning in November 2012 at an initial redemption price of 104.00% of principal amount.

In the fourth quarter of 2012, the Company used the net proceeds from the 6% Notes offering plus other cash to redeem, via tender and subsequent call, all $800 million principal amount of its outstanding 8% Notes. Total cash paid to redeem the 8% Notes was $837.3 million and included tender/call premiums of $34.6 million and accrued interest of $2.7 million.

The Company recorded a loss on early extinguishment of debt of $28.7 million in the Consolidated Statement of Income for the year ended December 31, 2012, which includes (a) cash payments of $35.4 million for call premiums and other expenses associated with the repayment of outstanding debt, (b) $9.3 million of non-cash charges for accelerated amortization of debt acquisition costs related to the redemption of the 8% Notes and (c) $16.0 million of gain related to the termination of the swap agreement associated with the redemption of the Notes, which all flow into the calculation of net income. In preparing the Consolidated Statement of Cash Flows, the non-cash item (b) was added to net income and the swap termination item (c) was added to Loss on early extinguishment of debt, to reflect cash flow appropriately.

7-3/8% Senior Subordinated Notes

On November 25, 2003, the Company sold and issued $300 million aggregate principal amount of 7-3/8% Notes. The 7-3/8% Notes were jointly and severally guaranteed by certain domestic subsidiaries of the Company (see Note R – "Consolidating Financial Statements"). The 7-3/8% Notes were redeemable by the Company beginning in January 2009 at an initial redemption price of 103.688% of principal amount. On January 18, 2011, the Company exercised its early redemption option and repaid the outstanding $297.6 million principal amount of its 7-3/8% Notes. The total cash paid to redeem the 7-3/8% Notes was $312.3 million that included a call premium of 1.229% as set forth in the indenture for the 7-3/8% Notes, totaling $3.6 million plus accrued and unpaid interest.

The Loss on early extinguishment of debt of $7.7 million in the Consolidated Statement of Income for the year ended December 31, 2011 includes (a) cash payments of $3.6 million for call premiums associated with the repayment of $297.6 million of outstanding debt and (b) $4.1 million of non-cash charges for accelerated amortization of debt acquisition costs related to the redemption of the 7-3/8% notes and termination of the 2006 Credit Agreement, original issue discount and loss on a terminated swap associated with the outstanding debt, which all flow into the calculation of Net income. In preparing the Consolidated Statement of Cash Flows, the non-cash item (b) was added to Net income to reflect cash flow appropriately.

Schedule of Debt Maturities

Scheduled annual maturities of the principal portion of long-term debt outstanding at December 31, 2013 in the successive five-year period are summarized below. Amounts shown are exclusive of minimum lease payments for capital lease obligations disclosed in Note N – "Lease Commitments" (in millions):

2014	$ 85.8
2015	387.2
2016	15.6
2017	330.6
2018	1.0
Thereafter	1,151.5
Total	$ 1,971.7

Based on indicative price quotations from financial institutions multiplied by the amount recorded on the Company's Consolidated Balance Sheet ("Book Value"), the Company estimates the fair values ("FV") of its debt set forth below as of December 31, 2013 and 2012 , as follows (in millions, except for quotes):

2013	Book Value	Quote	FV
6-1/2% Notes	$300.0	$1.06750	$320
6% Notes	$850.0	$1.03250	$878
4% Convertible Notes (net of discount)	$116.7	$2.62875	$307
2011 Credit Agreement Term Loan (net of discount) – USD	$340.4	$1.00500	$342
2011 Credit Agreement Term Loan (net of discount) – EUR	$154.9	$1.00250	$155

2012	Book Value	Quote	FV
6-1/2% Senior Notes	$300.0	$1.06250	$319
6% Notes	$850.0	$1.05250	$895
4% Convertible Notes (net of discount)	$109.2	$1.83000	$200
2011 Credit Agreement Term Loan (net of discount) – USD	$451.0	$1.01000	$456
2011 Credit Agreement Term Loan (net of discount) – EUR	$259.1	$1.00000	$259

The fair value of debt reported in the tables above is based on price quotations on the debt instrument in an active market and therefore categorized under Level 1 of the ASC 820 hierarchy. See Note A – "Basis of Presentation," for an explanation of the ASC 820 hierarchy. The Company believes that the carrying value of its other borrowings, including amounts outstanding for the revolving line of credit under the 2011 Credit Agreement, approximates fair market value based on maturities for debt of similar terms. The fair value of these other borrowings are categorized under Level 2 of the ASC 820 hierarchy.

The Company paid $114.8 million, $156.0 million and $134.4 million of interest in 2013, 2012 and 2011, respectively.

NOTE N – LEASE COMMITMENTS

The Company leases certain facilities, machinery, equipment and vehicles with varying terms. Under most leasing arrangements, the Company pays the property taxes, insurance, maintenance and expenses related to the leased property. Certain of the equipment leases are classified as capital leases and the related assets have been included in Property, Plant and Equipment. Net assets under capital leases were $13.0 million and $13.2 million, net of accumulated amortization of $5.2 million and $4.1 million, at December 31, 2013 and 2012, respectively.

Future minimum capital and noncancellable operating lease payments and the related present value of capital lease payments at December 31, 2013 are as follows (in millions):

	Capital Leases	Operating Leases
2014	$1.0	$61.4
2015	0.8	50.9
2016	0.7	42.2
2017	0.8	31.1
2018	0.9	22.1
Thereafter	1.0	51.8
Total minimum obligations	5.2	$259.5
Less: amount representing interest	(0.2)	
Present value of net minimum obligations	5.0	
Less: current portion	(0.9)	
Long-term obligations	$4.1	

Most of the Company's operating leases provide the Company with the option to renew the leases for varying periods after the initial lease terms. These renewal options enable the Company to renew the leases based upon the fair rental values at the date of expiration of the initial lease. Total rental expense under operating leases was $77.1 million, $78.5 million, and $60.3 million in 2013, 2012 and 2011, respectively.

NOTE O – RETIREMENT PLANS AND OTHER BENEFITS

U.S. Pension Plan

As of December 31, 2013, the Company maintained one qualified defined benefit pension plan covering certain domestic employees (the “Terex Plan”). Participation in the Terex Plan for all employees has been frozen. Participants are credited with post-freeze service for purposes of determining vesting and retirement eligibility only. The benefits covering salaried employees are based primarily on years of service and employees’ qualifying compensation during the final years of employment. The benefits covering bargaining unit employees are based primarily on years of service and a flat dollar amount per year of service. It is the Company’s policy generally to fund the Terex Plan based on the requirements of the Employee Retirement Income Security Act of 1974 (“ERISA”). Plan assets consist primarily of common stocks, bonds and short-term cash equivalent funds.

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

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

Non-U.S. Plans

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

On August 16, 2011, the Company acquired TMHPS AG which has defined benefit plans in Germany and Switzerland. The plans in Germany are unfunded plans. The plan in Switzerland is funded and the Company funds this plan in accordance with funding regulations in Switzerland. The impact of these plans was included from the date of acquisition and resulted in an additional liability of approximately $200 million in Retirement plans on the Consolidated Balance Sheet. See Note I – “Acquisitions.”

Other Postemployment Benefits

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

Savings Plans

The Company sponsors various tax deferred savings plans into which eligible employees may elect to contribute a portion of their compensation. The Company may, but is not obligated to, contribute to certain of these plans. The Company’s Common Stock held in a rabbi trust pursuant to the Deferred Compensation Plan is treated in a manner similar to treasury stock. The number of shares of the Company’s Common Stock held in the rabbi trust at December 31, 2013 and 2012 totaled and 0.8 million and 0.7 million, respectively.

Charges recognized for the Deferred Compensation Plan and these other savings plans were $16.6 million, $16.3 million and $11.8 million for the years ended December 31, 2013, 2012 and 2011, respectively. For the years ended December 31, 2013 and 2012, Company matching contribution to tax deferred savings plans were invested at the direction of plan participants.

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

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2013	2012	2013	2012	2013	2012
Accumulated benefit obligation at end of year	$155.8	$175.2	$492.8	$505.9		
Change in benefit obligation:						
Benefit obligation at beginning of year	$182.3	$185.1	$511.6	$397.0	$7.6	$8.0
Service cost	1.1	1.2	6.0	7.8	—	—
Interest cost	6.6	7.2	16.6	17.0	0.3	0.3
Acquisitions and divestitures	—	—	(4.7)	12.0	—	—
Actuarial loss (gain)	(17.9)	(0.8)	(20.1)	88.6	(1.4)	0.2
Benefits paid	(10.0)	(10.4)	(21.2)	(22.7)	(0.7)	(0.9)
Foreign exchange effect	—	—	15.8	11.9	—	—
Benefit obligation at end of year	162.1	182.3	504.0	511.6	5.8	7.6
Change in plan assets:						
Fair value of plan assets at beginning of year	123.6	111.4	132.5	119.7	—	—
Actual return on plan assets	6.4	14.8	8.5	8.5	—	—
Employer contribution	5.8	7.8	18.5	21.4	0.7	0.9
Employee contribution	—	—	0.6	0.5	—	—
Benefits paid	(10.0)	(10.4)	(21.2)	(22.7)	(0.7)	(0.9)
Foreign exchange effect	—	—	3.0	5.1	—	—
Fair value of plan assets at end of year	125.8	123.6	141.9	132.5	—	—
Funded status	$(36.3)	$(58.7)	$(362.1)	$(379.1)	$(5.8)	$(7.6)
Amounts recognized in the statement of financial position consist of:						
Current liabilities	$0.2	$0.2	$15.0	$13.3	$0.8	$1.1
Non-current liabilities	36.1	58.5	347.1	365.8	5.0	6.5
Total liabilities	$36.3	$58.7	$362.1	$379.1	$5.8	$7.6
Amounts recognized in accumulated other comprehensive income consist of:						
Actuarial net loss	$60.9	$80.1	$93.7	$116.9	$0.9	$2.4
Prior service cost	0.7	0.9	0.4	0.4	(0.1)	(0.1)
Total amounts recognized in accumulated other comprehensive income	$61.6	$81.0	$94.1	$117.3	$0.8	$2.3

	U.S. Pension Benefits			Non-U.S.Pension Benefits			Other Benefits		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Weighted-average assumptions as of December 31:									
Discount rate	4.64 %	3.75 %	4.00 %	3.78 %	3.39 %	4.55 %	4.17 %	3.75 %	4.00 %
Expected return on plan assets	7.50 %	7.50 %	8.00 %	5.49 %	5.59 %	5.59 %	N/A	N/A	N/A
Rate of compensation increase	3.75 %	3.75 %	3.75 %	1.56 %	1.67 %	1.75 %	N/A	N/A	N/A

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	U.S. Pension Benefits			Non-U.S. Pension Benefits			Other Benefits		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Components of net periodic cost:									
Service cost	$1.1	$1.2	$2.1	$6.0	$7.8	$4.4	$—	$—	$—
Interest cost	6.6	7.2	8.2	16.6	17.0	12.8	0.3	0.3	0.4
Expected return on plan assets	(9.0)	(8.8)	(8.3)	(7.0)	(6.8)	(6.0)	—	—	—
Recognition of prior service cost	0.1	0.1	0.2	—	10.8	—	—	—	—
Amortization of actuarial loss	4.0	4.8	3.3	5.3	0.4	0.3	0.1	—	—
Other costs	—	—	—	(0.6)	(0.5)	(0.2)	—	—	—
Net periodic cost	$2.8	$4.5	$5.5	$20.3	$28.7	$11.3	$0.4	$0.3	$0.4

Due to clarification of requirements in Brazil, during the year ended December 31, 2012, the Company recognized a liability of $10.8 million related to a provision for post-employment benefits. This amount is included above in Net periodic cost as Recognition of prior service cost.

	U.S. Pension Benefits		Non-U.S. Pension Benefits		Other Benefits	
	2013	2012	2013	2012	2013	2012
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:						
Net (gain) loss	$(15.3)	$(6.8)	$(21.6)	$86.9	$(1.4)	$0.2
Amortization of actuarial losses	(4.0)	(4.8)	(5.5)	(0.7)	(0.1)	(0.2)
Amortization of prior service cost	(0.1)	(0.1)	—	—	—	—
Foreign exchange effect	—	—	3.9	3.8	—	—
Total recognized in other comprehensive income	$(19.4)	$(11.7)	$(23.2)	$90.0	$(1.5)	$—

	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Benefits
Amounts expected to be recognized as components of net periodic cost for the year ending December 31, 2014:			
Actuarial net loss	$2.8	$3.2	$0.1
Prior service cost	0.1	—	—
Total amount expected to be recognized as components of net periodic cost for the year ending December 31, 2014	$2.9	$3.2	$0.1

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

	U.S. Pension Benefits		Non-U.S. Pension Benefits	
	2013	2012	2013	2012
Projected benefit obligation	$162.1	$182.3	$504.0	$511.6
Accumulated benefit obligation	$155.8	$175.2	$492.8	$505.9
Fair value of plan assets	$125.8	$123.6	$141.9	$132.5

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

The rate used for the expected return on plan assets for the U.S. plan is based on a review of long-term historical asset performances aligned with the Company's investment strategy and portfolio mix. While the Company examines performance annually, it also views historic asset portfolios and performance over a long period of years before recommending a change. In the short term, there may be fluctuations of positive and negative yields year-over-year, but over the long-term, the return is expected to be approximately 7.5%.

The Company's overall investment strategy for the U.S. defined benefit plan balances two objectives, investing in fixed income securities whose maturity broadly matches the maturity of the pension liabilities and investing in equities and other assets expected to generate higher returns. The Company invests through a number of investment funds with diversified asset types, strategies and managers. Equity securities, including investments in large to small-cap companies in the U.S. and internationally, constitute approximately 32% and 34% of the portfolio at December 31, 2013 and 2012, respectively. Fixed income securities including corporate bonds of companies from diversified industries, U.S. Treasuries and other securities, which may include mortgage-backed securities, asset-backed securities and collateralized mortgage obligations, constitute approximately 68% and 66% of the portfolio at December 31, 2013 and 2012, respectively. The target investment allocation for 2014 is approximately 25% to 38% for equity securities and approximately 62% to 75% for fixed income securities.

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

The overall investment strategy for the Non-U.S. defined benefit plans is to achieve a mix of investments to support long-term growth and minimize volatility while maximizing rates of return by diversification of asset types, fund strategies and fund managers. Fixed income investments include investments in European government securities and European corporate bonds and constitute approximately 58% and 60% of the portfolio at December 31, 2013 and 2012, respectively. Equity investments, multi-asset investment funds and real estate investments that invest in a diversified range of property principally in the retail, office and industrial/warehouse sectors constitute approximately 42% and 40% of the portfolio at December 31, 2013 and 2012, respectively. Investments of the plans primarily include investments in companies from diversified industries with approximately 93% invested internationally and 7% invested in North America. The target investment allocations to support the investment strategy for 2014 are approximately 80%-88% fixed income securities and approximately 12%-20% equity securities, multi-asset investment funds and real estate investments.

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

The fair value of the Company's plan assets at December 31, 2013 are as follows (in millions):

	U.S. Pension Plan			Non-U.S. Pension Plans		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Cash, including money market funds	$9.4	$9.4	$—	$3.5	$3.5	$—
U.S. equities	25.0	—	25.0	8.4	—	8.4
Non-U.S. equities	10.2	—	10.2	35.0	—	35.0
U.S. corporate bonds	56.9	—	56.9	1.0	—	1.0
Non-U.S. corporate bonds	—	—	—	28.0	—	28.0
U.S. government securities	18.1	—	18.1	0.1	—	0.1

Non-U.S. government securities	0.8	—	0.8	42.7	—	42.7
Real estate	—	—	—	9.0	—	9.0
Other securities	5.4	—	5.4	14.2	—	14.2
Total investments measured at fair value	$125.8	$9.4	$116.4	$141.9	$3.5	$138.4

The fair value of the Company’s plan assets at December 31, 2012 are as follows (in millions):

	U.S. Pension Plan			Non-U.S. Pension Plans		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Cash, including money market funds	$4.7	$4.7	$—	$5.6	$5.6	$—
U.S. equities	30.6	—	30.6	8.2	—	8.2
Non-U.S. equities	10.6	—	10.6	29.8	—	29.8
U.S. corporate bonds	55.4	—	55.4	1.0	—	1.0
Non-U.S. corporate bonds	—	—	—	26.5	—	26.5
U.S. government securities	16.9	—	16.9	—	—	—
Non-U.S. government securities	0.8	—	0.8	40.8	—	40.8
Real estate	—	—	—	7.9	—	7.9
Other securities	4.6	—	4.6	12.7	—	12.7
Total investments measured at fair value	$123.6	$4.7	$118.9	$132.5	$5.6	$126.9

The Company plans to contribute approximately $7 million to its U.S. defined benefit pension and post-retirement plans and approximately $19 million to its non-U.S. defined benefit pension plans in 2014. During the year ended December 31, 2013, the Company contributed $6.5 million to its U.S. defined benefit pension plans and post-retirement plans and $18.5 million to its non-U.S. defined benefit pension plans.

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

Year Ending December 31,	U.S. Pension Benefits	Non-U.S. Pension Benefits	Other Benefits
2014	$ 10.1	$21.4	$0.8
2015	$ 11.1	$20.7	$0.7
2016	$ 11.0	$21.2	$0.6
2017	$ 11.0	$22.6	$0.5
2018	$ 11.0	$23.0	$0.4
2019-2023	$ 54.5	$124.0	$1.9

For the other benefits, for measurement purposes, a 8.00% rate of increase in the per capita cost of covered health care benefits was assumed for 2014, decreasing one-percentage-point per year until it reaches 5.00% for 2017 and thereafter. Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plan.

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

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	$0.2	$(0.2)
Effect on postretirement benefit obligation	$1.3	$(1.0)

NOTE P– STOCKHOLDERS’ EQUITY

On December 31, 2013, there were 123.7 million shares of Common Stock issued and 109.9 million shares of Common Stock outstanding. Of the 176.3 million unissued shares of Common Stock at that date, 3.9 million shares of Common Stock were reserved for issuance for the exercise of stock options and the vesting of restricted stock. Additionally, 7.9 million shares of Common Stock were reserved for issuance for the shares that are contingently issuable for the 4% Convertible Notes.

Common Stock in Treasury. The Company values treasury stock on an average cost basis. As of December 31, 2013, the Company held 13.8 million shares of Common Stock in treasury totaling $630.2 million, including 0.8 million shares held in a trust for the benefit of the Company's Deferred Compensation Plan at a total of $16.1 million.

Preferred Stock. The Company's certificate of incorporation was amended in June 1998 to authorize 50.0 million shares of preferred stock, $0.01 par value per share. As of December 31, 2013 and 2012, there were no shares of preferred stock outstanding.

Long-Term Incentive Plans. In May 2009, the stockholders approved the Terex Corporation 2009 Omnibus Incentive Plan (the “2009 Plan”). The purpose of the 2009 Plan is to provide a means whereby employees, directors and third-party service providers of the Company develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its stockholders. The 2009 Plan provides for incentive compensation in the form of (i) options to purchase shares of Common Stock, (ii) stock appreciation rights, (iii) restricted stock awards and restricted stock units, (iv) other stock awards, (v) cash awards, and (vi) performance awards. In May 2013, the stockholders approved an increase in the number of shares of Common Stock authorized for issuance under the 2009 Plan from 5.0 million shares to 8.0 million shares. The maximum number of shares available for issuance under the 2009 Plan is 8.0 million shares plus the number of shares remaining available for issuance under the Terex Corporation 2000 Incentive Plan (the “2000 Plan”) and the 1996 Terex Corporation Long-Term Incentive Plan (the “1996 Plan”). As of December 31, 2013, 4.7 million shares were available for grant under the 2009 Plan.

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

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

Substantially all stock option grants under the 2000 Plan and the 1996 Plan vested over a four year period and have a contractual life of ten years. There were no options granted during the years ended December 31, 2013, 2012 or 2011. The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was $1.2 million, $0.2 million and $0.3 million, respectively.

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

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2012	519,224	$ 23.00		
Exercised	(302,667)	$ 11.47		
Canceled or expired	(7,000)	$ 44.96		
Outstanding at December 31, 2013	209,557	$ 38.92	1.84	$1.45
Exercisable at December 31, 2013	209,557	$ 38.92	1.84	$1.45
Vested at December 31, 2013	209,557	$ 38.92	1.84	$1.45

Under the 2009 Plan, 2000 Plan and the 1996 Plan, approximately 13% of all restricted stock awards vest over a four year period, with 25% of each grant vesting on each of the first four anniversary dates of the grant; approximately 11% of all restricted stock awards vest over a five year period and approximately 76% of all restricted stock awards vest over a three year period with approximately 38% of these awards vesting on the first three anniversary dates and approximately 36% vesting at the end of the three year period. Approximately 47% of the outstanding restricted stock awards are subject to performance targets that may or may not be met and for which the performance period has not yet been completed. The fair value of the restricted stock awards is based on the market price at the date of grant except for 1.0 million shares of performance grants based on a market condition. The Company uses the Monte Carlo method to provide grant date fair value for awards with a market condition. The Monte Carlo method is a statistical simulation technique used to provide the grant date fair value of an award. The following table presents the weighted-average assumptions used in the valuations:

	February 27, 2013	February 29, 2012	March 27, 2012	March 22, 2011
Dividend yields	—%	—%	—%	—%
Expected volatility	60.03%	59.15%	56.83%	80.29%
Risk free interest rate	0.35%	0.41%	0.47%	1.04%
Expected life (in years)	3	3	3	3
Grant date fair value per share	$32.96	$32.58	$29.50	$41.96

As of December 31, 2013, unrecognized compensation costs related to restricted stock totaled approximately $47.8 million, which will be expensed over a weighted average period of 1.7 years. The grant date weighted average fair value for restricted stock awards during the years ended December 31, 2013, 2012 and 2011 was $33.84, $25.74 and $34.99, respectively. The total fair value of shares vested for restricted stock awards was $19.0 million, $16.1 million and $26.3 million for the years ended December 31, 2013, 2012 and 2011, respectively.

During the year ended December 31, 2013, the Company issued 53 thousand shares of its outstanding Common Stock which were contributed into a deferred compensation plan under a Rabbi Trust.

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

	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2012	3,272,719	$25.17
Granted	1,353,279	$33.84
Vested	(729,921)	$26.08
Canceled or expired	(174,653)	$25.94
Nonvested at December 31, 2013	3,721,424	$26.14

Compensation expense recognized under all stock-based compensation arrangements was $44.7 million, $29.8 million and $23.6 million for the years ended December 31, 2013, 2012 and 2011, respectively. The stock-based compensation expense was included in Selling, general and administrative expenses in the Consolidated Statements of Income. The related tax benefit was $13.5 million, $9.1 million and $7.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Cash received from option exercises under all stock-based compensation arrangements totaled $2.9 million.

The excess tax benefit for all stock-based compensation is included in the Consolidated Statement of Cash Flows as an operating cash outflow and a financing cash inflow.

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

Accumulated Other Comprehensive Income (Loss) Attributable to Terex Corporation

	Pension Liability Adjustment	Cumulative Translation Adjustment	Derivative Hedging Adjustment	Debt & Equity Securities Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2011	$(59.7)	$61.4	$(2.1)	$100.8	$100.4
Current year change	(23.5)	(101.0)	(1.5)	(99.9)	(225.9)
Balance at December 31, 2011	(83.2)	(39.6)	(3.6)	0.9	(125.5)
Current year change	(56.5)	53.7	3.2	1.0	1.4

Balance at December 31, 2012	(139.7)	14.1	(0.4)	1.9	(124.1)
Current year change	28.4	(22.0)	3.1	(1.9)	7.6
Balance at December 31, 2013	$(111.3)	$(7.9)	$2.7	$—	$ (116.5)

Accumulated Other Comprehensive Income (Loss) Attributable to Noncontrolling Interest

	Pension Liability Adjustment	Cumulative Translation Adjustment	Derivative Hedging Adjustment	Debt & Equity Securities Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2011	$—	$0.9	$—	$—	$ 0.9
Current year change	—	(0.9)	—	—	(0.9)
Balance at December 31, 2011	—	—	—	—	—
Current year change	—	0.5	—	—	0.5
Balance at December 31, 2012	—	0.5	—	—	0.5
Current year change	—	0.4	—	—	0.4
Balance at December 31, 2013	$—	$0.9	$—	$—	$ 0.9

Accumulated Other Comprehensive Income (Loss)

	Pension Liability Adjustment	Cumulative Translation Adjustment	Derivative Hedging Adjustment	Debt & Equity Securities Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2011	$(59.7)	$62.3	$(2.1)	$100.8	$101.3
Current year change	(23.5)	(101.9)	(1.5)	(99.9)	(226.8)
Balance at December 31, 2011	(83.2)	(39.6)	(3.6)	0.9	(125.5)
Current year change	(56.5)	54.2	3.2	1.0	1.9
Balance at December 31, 2012	(139.7)	14.6	(0.4)	1.9	(123.6)
Current year change	28.4	(21.6)	3.1	(1.9)	8.0
Balance at December 31, 2013	$(111.3)	$(7.0)	$2.7	$—	$(115.6)

As of December 31, 2013, other accumulated comprehensive income for the pension liability adjustment and the derivative hedging adjustment are net of tax benefits of $45.1 million and a tax provision of $1.3 million, respectively.

Changes in Accumulated Other Comprehensive Income

The table below presents changes in AOCI by component for the year ended ended December 31, 2013. All amounts are net of tax (in millions).

	Pension Liability Adjustments	Cumulative Translation Adjustments	Derivative Hedging Adjustments	Debt & Equity Securities Adjustment	Total
Beginning balance - January 1, 2013	$ (139.7)	$ 14.6	$ (0.4)	$ 1.9	$(123.6)
Other comprehensive income before reclassifications	21.9	(19.0)	6.1	—	9.0
Amounts reclassified from AOCI (1)	6.5	(2.6)	(3.0)	(1.9)	(1.0)
Net Other Comprehensive Income (Loss)	28.4	(21.6)	3.1	(1.9)	8.0
Ending balance - December 31, 2013	$ (111.3)	$ (7.0)	$ 2.7	$—	$(115.6)

(1) See table on the next page for details about these reclassifications.

The table below presents reclassifications out of AOCI for the year ended ended December 31, 2013 (in millions).

Details about AOCI components	Year Ended December 31, 2013 Amount reclassified from AOCI	Affected line item in the statement where net income is presented
Pension liability adjustment:		
Actuarial gain (losses)	$(9.6)	(1)
	3.1	(Provision for) benefit from income taxes
	$(6.5)	Net of tax
Cumulative translation adjustments:		
Gain on sale of business	$2.5	Other income (expense) - net
	0.1	(Provision for) benefit from income taxes
	$2.6	Net of tax
Derivative hedging adjustment:		
Foreign exchange contracts	$1.2	Cost of goods sold
	3.4	Other income (expense) - net
	(1.6)	(Provision for) benefit from income taxes
	$3.0	Net of tax
Unrealized gains and losses on debt and equity securities:		
Gain on sale of securities	$2.5	Other income (expense) - net
	(0.6)	(Provision for) benefit from income taxes
	$1.9	Net of tax
Total reclassifications	$1.0	Net of tax

(1) These AOCI components are included in the computation of net periodic benefit cost. See Note O - Retirement Plans and Other Benefits for additional details.

Redeemable Noncontrolling Interest

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

Upon effectiveness of the DPLA on April 18, 2012, the Company became obligated to purchase shares of TMHPS AG held by the noncontrolling interest shareholders for a cash payment upon demand. See Note I – “Acquisitions.” The DPLA is a binding agreement. However, noncontrolling interest shareholders of TMHPS AG initiated appraisal proceedings in the German court system that challenges the fair value determination of the €45.52 tender price and €3.33 annual guaranteed payment. If a higher price is determined, the additional obligation would be recorded as an adjustment directly to additional paid in capital with a corresponding increase to the Company’s DPLA obligation. Beginning on the effective date of the DPLA, the costs of the annual guaranteed payment are reflected as Other income (expense) in the Consolidated Statement of Income.

The following is a summary of redeemable noncontrolling interest as of December 31, 2013 and 2012 (in millions):

Balance at January 1, 2012	$—
Reclassification from noncontrolling interest (as of April 18, 2012)	247.5
Adjustment for maximum redemption value	12.5
Redemptions	(3.6)
Accrued guaranteed payment obligation	11.3
Foreign currency translation	(20.8)
Balance at December 31, 2012	$246.9
Redemptions and Purchases	(174.1)
Accrued guaranteed payment obligation	3.7
Payments of guaranteed obligations	(18.4)
Reversal of guaranteed obligations	(5.7)
Foreign currency translation	1.5
Balance at December 31, 2013	$53.9

This obligation approximates the cost if all remaining shares were purchased by the Company on December 31, 2013 and is presented in the Consolidated Balance Sheet in Redeemable noncontrolling interest, which is considered temporary equity. During the year ended December 31, 2013, the Company acquired approximately 14% of the shares of TMHPS AG for approximately $228 million, of which $174.1 million was recorded as a reduction of redeemable noncontrolling interest and $54.0 million was recorded as a reduction in additional paid-in capital for the excess of the purchase price over the carrying value of redeemable noncontrolling interest.

NOTE Q – LITIGATION AND CONTINGENCIES

General

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

ERISA, Securities and Stockholder Derivative Lawsuits

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

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

- A consolidated class action complaint for violations of securities laws in the securities lawsuit was filed in the United States District Court, District of Connecticut on November 18, 2010 and is entitled Sheet Metal Workers Local 32

Pension Fund and Ironworkers St. Louis Council Pension Fund, individually and on behalf of all others similarly situated v. Terex Corporation, et al.

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

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

The Company believes that the allegations in the suits are without merit, and Terex, its directors and the named executives will continue to vigorously defend against them. The Company believes that it has acted, and continues to act, in compliance with federal securities laws and ERISA law with respect to these matters. Accordingly, on November 19, 2010 the Company filed a motion to dismiss the ERISA lawsuit and on January 18, 2011 the Company filed a motion to dismiss the securities lawsuit. These motions are currently pending before the court. The plaintiff in the stockholder derivative lawsuit has agreed with the Company to put this lawsuit on hold pending the outcome of the motion to dismiss in connection with the securities lawsuit.

Powerscreen Patent Infringement Lawsuit

On December 6, 2010, the Company received an adverse jury verdict in a patent infringement lawsuit brought against Powerscreen International Distribution Limited and Terex by Metso Minerals Inc. in the United States District Court for the Eastern District of New York. The Company previously reported that it had appealed the verdict and believed that it would ultimately succeed on appeal. On May 14, 2013, the Company prevailed on appeal and the jury verdict and judgment were reversed in the Company's favor. In January 2014, the United States Supreme Court denied certiorari and as a result the appellate ruling in the Company's favor is final.

Other

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

The Company's outstanding letters of credit totaled $340.4 million at December 31, 2013. The letters of credit generally serve as collateral for certain liabilities included in the Consolidated Balance Sheet. Certain of the letters of credit serve as collateral guaranteeing the Company's performance under contracts.

Credit Guarantees

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

As of December 31, 2013 and 2012, the Company's maximum exposure to such credit guarantees was $53.6 million and $64.3 million, respectively, including total guarantees issued by Terex Cranes Germany GmbH, part of the Cranes segment, of $34.7 million and $45.8 million, respectively; and Genie Holdings, Inc. and its affiliates ("Genie"), part of the AWP segment, of $6.1 million and $9.7 million, respectively. The terms of these guarantees coincide with the financing arranged by the customer and generally do not exceed five years. Given the Company's position as the original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

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

Residual Value and Buyback Guarantees

The Company issues residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date. The maximum exposure for residual value guarantees issued by the Company totaled $2.7 million and $5.7 million as of December 31, 2013 and 2012, respectively. The Company is generally able to mitigate some of the risk associated with these guarantees because the maturity of the guarantees is staggered, limiting the amount of used equipment entering the marketplace at any one time.

The Company from time to time guarantees that it will buy equipment from its customers in the future at a stated price if certain conditions are met by the customer. Such guarantees are referred to as buyback guarantees. These conditions generally pertain to the functionality and state of repair of the machine. As of December 31, 2013 and 2012, the Company's maximum exposure pursuant to buyback guarantees was $46.7 million and $73.8 million, respectively, including total guarantees issued by Genie of $6.0 million and $25.3 million, respectively. Included in the December 31, 2013 and 2012 amounts are guarantees issued by entities in the MHPS segment of $35.1 million and $43.6 million. The Company is generally able to mitigate some of the risk of these guarantees because the maturity of the guarantees is staggered, limiting the amount of used equipment entering the marketplace at any one time and through leveraging its access to the used equipment markets provided by the Company's original equipment manufacturer status.

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

The Company has recorded an aggregate liability within Other current liabilities and Other non-current liabilities in the Consolidated Balance Sheet of approximately $4 million and $6 million as of December 31, 2013 and 2012, respectively, for the estimated fair value of all guarantees provided.

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

NOTE R – CONSOLIDATING FINANCIAL STATEMENTS

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

The following summarized condensed consolidating financial information for the Company segregates the financial information of Terex Corporation, the Wholly-owned Guarantors and the non-guarantor subsidiaries. The results and financial position of businesses acquired are included from the dates of their respective acquisitions.

Terex Corporation consists of parent company operations. Subsidiaries of the parent company are reported on the equity basis. Wholly-owned Guarantors combine the operations of the Wholly-owned Guarantor subsidiaries. Subsidiaries of Wholly-owned Guarantors that are not themselves guarantors are reported on the equity basis. Non-guarantor subsidiaries combine the operations of subsidiaries which have not provided a guarantee of the Notes. Subsidiaries of non-guarantor subsidiaries that are guarantors are reported on the equity basis. Debt and goodwill allocated to subsidiaries are presented on a “push-down” accounting basis.

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

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$173.2	$ 3,156.1	$ 4,814.2	$(1,059.5)	$7,084.0
Cost of goods sold	(162.3)	(2,542.4)	(3,999.3)	1,059.5	(5,644.5)
Gross profit	10.9	613.7	814.9	—	1,439.5
Selling, general and administrative expenses	(23.9)	(234.1)	(762.4)	—	(1,020.4)
Income (loss) from operations	(13.0)	379.6	52.5	—	419.1
Interest income	272.4	337.8	11.9	(615.4)	6.7
Interest expense	(431.6)	(151.1)	(158.8)	615.4	(126.1)
Income (loss) from subsidiaries	392.6	35.0	(0.6)	(427.0)	—
Loss on early extinguishment of debt	—	—	(5.2)	—	(5.2)
Other income (expense) – net	(57.4)	3.6	50.6	—	(3.2)
Income (loss) from continuing operations before income taxes	163.0	604.9	(49.6)	(427.0)	291.3
(Provision for) benefit from income taxes	50.6	(125.6)	(12.4)	—	(87.4)
Income (loss) from continuing operations	213.6	479.3	(62.0)	(427.0)	203.9
Income from discontinued operations – net of tax	12.8	—	1.6	—	14.4
Gain (loss) on disposition of discontinued operations – net of tax	(0.4)	—	3.0	—	2.6
Net income (loss)	226.0	479.3	(57.4)	(427.0)	220.9
Net loss attributable to noncontrolling interest	—	—	5.1	—	5.1
Net income (loss) attributable to Terex Corporation	$226.0	$ 479.3	$ (52.3)	$(427.0)	$226.0
Comprehensive income (loss), net of tax	$233.6	$ 484.3	$ (95.7)	$(393.3)	$228.9
Comprehensive loss (income) attributable to noncontrolling interest	—	—	4.7	—	4.7
Comprehensive income (loss) attributable to Terex Corporation	$233.6	$ 484.3	$ (91.0)	$(393.3)	$233.6

TEREX CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2012
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$195.8	$ 2,656.1	$ 4,992.8	$(862.5)	$6,982.2
Cost of goods sold	(177.3)	(2,226.5)	(4,040.8)	862.5	(5,582.1)
Gross profit	18.5	429.6	952.0	—	1,400.1
Selling, general and administrative expenses	(31.9)	(208.2)	(793.2)	—	(1,033.3)
Income (loss) from operations	(13.4)	221.4	158.8	—	366.8
Interest income	225.5	258.2	10.6	(485.5)	8.8
Interest expense	(364.3)	(109.3)	(176.5)	485.5	(164.6)
Income (loss) from subsidiaries	310.3	(4.1)	(0.6)	(305.6)	—
Loss on early extinguishment of debt	(79.6)	—	(3.4)	—	(83.0)
Other income (expense) – net	(33.1)	32.4	(1.0)	—	(1.7)
Income (loss) from continuing operations before income taxes	45.4	398.6	(12.1)	(305.6)	126.3
(Provision for) benefit from income taxes	50.2	(76.3)	(25.4)	—	(51.5)
Income (loss) from continuing operations	95.6	322.3	(37.5)	(305.6)	74.8
Income (loss) from discontinued operations – net of tax	12.1	—	16.3	—	28.4
Gain (loss) on disposition of discontinued operations – net of tax	(1.9)	—	2.3	—	0.4
Net income (loss)	105.8	322.3	(18.9)	(305.6)	103.6
Net loss attributable to noncontrolling interest	—	—	2.2	—	2.2
Net income (loss) attributable to Terex Corporation	$105.8	$ 322.3	$ (16.7)	$(305.6)	$105.8
Comprehensive income (loss), net of tax	107.2	323.3	(69.0)	(256.0)	105.5
Comprehensive loss (income) attributable to noncontrolling interest	—	—	1.7	—	1.7
Comprehensive income (loss) attributable to Terex Corporation	$107.2	$ 323.3	$ (67.3)	$(256.0)	$107.2

TEREX CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2011
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net sales	$301.0	$ 2,340.8	$ 4,390.5	$(874.3)	$6,158.0
Cost of goods sold	(276.1)	(2,044.1)	(3,788.6)	874.3	(5,234.5)
Gross profit	24.9	296.7	601.9	—	923.5
Selling, general and administrative expenses	(26.9)	(226.3)	(610.4)	—	(863.6)
Income (loss) from operations	(2.0)	70.4	(8.5)	—	59.9
Interest income	161.1	201.1	15.1	(363.0)	14.3
Interest expense	(302.1)	(74.4)	(121.4)	363.0	(134.9)
Income (loss) from subsidiaries	71.1	(7.7)	(0.8)	(62.6)	—
Loss on early extinguishment of debt	(7.7)	—	—	—	(7.7)
Other income (expense) – net	93.2	(11.2)	52.0	—	134.0
Income (loss) from continuing operations before income taxes	13.6	178.2	(63.6)	(62.6)	65.6
(Provision for) benefit from income taxes	20.7	(66.9)	0.8	—	(45.4)
Income (loss) from continuing operations	34.3	111.3	(62.8)	(62.6)	20.2
Income (loss) from discontinued operations – net of tax	13.2	—	6.5	—	19.7
Gain (loss) on disposition of discontinued operations – net of tax	(2.3)	—	3.1	—	0.8
Net income (loss)	45.2	111.3	(53.2)	(62.6)	40.7
Net income attributable to noncontrolling interest	—	—	4.5	—	4.5
Net income (loss) attributable to Terex Corporation	$45.2	$ 111.3	$ (48.7)	$(62.6)	$45.2
Comprehensive income (loss), net of tax	$(180.7)	$ 140.7	$ (113.1)	$(33.0)	$(186.1)
Comprehensive loss (income) attributable to noncontrolling interest	—	—	5.4	—	5.4
Comprehensive income (loss) attributable to Terex Corporation	$(180.7)	$ 140.7	$ (107.7)	$(33.0)	$(180.7)

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

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

TEREX CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Assets					
Current assets					
Cash and cash equivalents	$39.6	$ 0.4	$ 638.0	$—	$678.0
Trade receivables – net	25.8	214.0	786.8	—	1,026.6
Intercompany receivables	95.2	142.5	68.4	(306.1)	—
Inventories	28.5	387.6	1,216.1	—	1,632.2
Other current assets	102.1	37.2	180.3	—	319.6
Current assets – discontinued operations	28.0	—	113.0	—	141.0
Total current assets	319.2	781.7	3,002.6	(306.1)	3,797.4
Property, plant and equipment – net	69.7	110.8	626.3	—	806.8
Goodwill	—	149.6	1,095.7	—	1,245.3
Non-current intercompany receivables	1,294.8	1,562.5	39.6	(2,896.9)	—
Investment in and advances to (from) subsidiaries	3,294.0	157.3	66.1	(3,430.9)	86.5
Other assets	54.3	178.8	565.6	—	798.7
Non-current assets – discontinued operations	—	—	11.5	—	11.5
Total assets	$5,032.0	$ 2,940.7	$ 5,407.4	$(6,633.9)	$6,746.2
Liabilities and Stockholders’ Equity					
Current liabilities					
Notes payable and current portion of long-term debt	$4.6	$ 0.1	$ 79.1	$—	$83.8
Trade accounts payable	10.7	157.2	432.3	—	600.2
Intercompany payables	15.7	61.0	229.4	(306.1)	—
Accruals and other current liabilities	97.1	125.9	754.5	—	977.5
Current liabilities – discontinued operations	3.5	—	43.8	—	47.3
Total current liabilities	131.6	344.2	1,539.1	(306.1)	1,708.8
Long-term debt, less current portion	1,254.6	1.7	758.6	—	2,014.9
Non-current intercompany payables	1,516.8	41.8	1,338.3	(2,896.9)	—
Other non-current liabilities	121.3	33.3	584.1	—	738.7
Non-current liabilities – discontinued operations	—	—	5.6	—	5.6
Redeemable non-controlling interest	—	—	246.9	—	246.9
Total stockholders’ equity	2,007.7	2,519.7	934.8	(3,430.9)	2,031.3
Total liabilities, redeemable noncontrolling interest and stockholders’ equity	$5,032.0	$ 2,940.7	$ 5,407.4	$(6,633.9)	$6,746.2

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

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	$(244.1)	$ 599.9	$ 7.7	$(175.0)	$188.5
Cash flows from investing activities					
Capital expenditures	(9.4)	(24.5)	(48.9)	—	(82.8)
Proceeds from sale of assets	4.4	35.1	6.6	—	46.1
Intercompany investing activities (1)	253.1	(18.7)	(0.6)	(233.8)	—
Other investing activities, net	(2.8)	—	2.1	—	(0.7)
Net cash provided by (used in) investing activities	245.3	(8.1)	(40.8)	(233.8)	(37.4)
Cash flows from financing activities					
Repayments of debt	(54.0)	(0.1)	(517.7)	—	(571.8)
Proceeds from issuance of debt	61.8	3.8	359.6	—	425.2
Purchase of noncontrolling interest	—	—	(228.1)	—	(228.1)
Distributions to noncontrolling interest	—	—	(18.5)	—	(18.5)
Intercompany financing activities (1)	—	(592.0)	183.2	408.8	—
Share repurchases	(31.4)	—	—	—	(31.4)
Dividends paid	(5.5)	—	—	—	(5.5)
Other financing activities, net	4.6	—	5.4	—	10.0
Net cash provided by (used in) financing activities	(24.5)	(588.3)	(216.1)	408.8	(420.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	(0.9)	—	(0.9)
Net increase (decrease) in cash and cash equivalents	(23.3)	3.5	(250.1)	—	(269.9)
Cash and cash equivalents, beginning of period	39.6	0.4	638.0	—	678.0
Cash and cash equivalents, end of period	$16.3	$ 3.9	$ 387.9	$—	$408.1

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

TEREX CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	$(15.5)	$ 136.5	$ 171.3	$—	$292.3
Cash flows from investing activities					
Capital expenditures	(7.1)	(17.1)	(58.3)	—	(82.5)
Acquisition of business, net of cash acquired	—	—	(3.4)	—	(3.4)
Other investments	(4.5)	—	(19.6)	—	(24.1)
Proceeds from sale of assets	0.6	6.1	27.9	—	34.6
Intercompany investing activities	(89.6)	(127.3)	134.0	82.9	—
Other investing activities, net	—	—	(0.9)	—	(0.9)
Net cash provided by (used in) investing activities	(100.6)	(138.3)	79.7	82.9	(76.3)
Cash flows from financing activities					
Repayments of debt	(1,260.4)	(0.1)	(272.5)	—	(1,533.0)
Proceeds from issuance of debt	1,175.0	—	59.3	—	1,234.3
Purchase of noncontrolling interest	—	—	(3.5)	—	(3.5)
Distributions to noncontrolling interest	—	—	(4.9)	—	(4.9)
Intercompany financing activities	(6.0)	—	88.9	(82.9)	—
Other financing activities, net	(16.9)	—	0.7	—	(16.2)
Net cash provided by (used in) financing activities	(108.3)	(0.1)	(132.0)	(82.9)	(323.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	11.2	—	11.2
Net increase (decrease) in cash and cash equivalents	(224.4)	(1.9)	130.2	—	(96.1)
Cash and cash equivalents, beginning of period	264.0	2.3	507.8	—	774.1
Cash and cash equivalents, end of period	$39.6	$ 0.4	$ 638.0	$—	$678.0

TEREX CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011
(in millions)

	Terex Corporation	Wholly-owned Guarantors	Non-guarantor Subsidiaries	Intercompany Eliminations	Consolidated
Net cash provided by (used in) operating activities	$(7.1)	$17.0	$12.8	$—	$22.7
Cash flows from investing activities					
Capital expenditures	(10.4)	(22.5)	(46.2)	—	(79.1)
Acquisition of business net of cash acquired	—	(2.0)	(1,033.2)	—	(1,035.2)
Other investments	(16.1)	—	—	—	(16.1)
Proceeds from sale of assets	531.8	0.1	7.7	—	539.6
Intercompany investing activities	(526.1)	12.6	(47.6)	561.1	—
Other investing activities, net	—	—	(1.7)	—	(1.7)
Net cash provided by (used in) investing activities	(20.8)	(11.8)	(1,121.0)	561.1	(592.5)
Cash flows from financing activities					
Repayments of debt	(302.4)	(0.5)	(144.9)	—	(447.8)
Proceeds from issuance of debt	455.5	1.9	469.3	—	926.7
Purchase of noncontrolling interest	—	(6.3)	—	—	(6.3)
Intercompany financing activities	(2.5)	—	563.6	(561.1)	—
Other financing activities, net	(22.9)	—	0.9	—	(22.0)
Net cash provided by (used in) financing activities	127.7	(4.9)	888.9	(561.1)	450.6
Effect of exchange rate changes on cash and cash equivalents	—	—	(0.9)	—	(0.9)
Net increase (decrease) in cash and cash equivalents	99.8	0.3	(220.2)	—	(120.1)
Cash and cash equivalents, beginning of period	164.2	2.0	728.0	—	894.2
Cash and cash equivalents, end of period	$264.0	$2.3	$507.8	$—	$774.1

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(Amounts in millions)

	Balance Beginning of Year	Additions		Deductions (2)	Balance End of Year
		Charges to Earnings	Other (1)		
Year ended December 31, 2013					
Deducted from asset accounts:					
Allowance for doubtful accounts	$38.5	$7.1	$5.6	$ (3.6)	$47.6
Reserve for inventory	131.9	37.6	(0.3)	(36.7)	132.5
Valuation allowances for deferred tax assets	172.2	5.8	3.8	—	181.8
Totals	$342.6	$50.5	$9.1	$ (40.3)	$361.9
Year ended December 31, 2012					
Deducted from asset accounts:					
Allowance for doubtful accounts	$42.2	$5.6	$(6.2)	$ (3.1)	$38.5
Reserve for inventory	117.2	35.6	13.8	(34.7)	131.9
Valuation allowances for deferred tax assets	183.3	14.2	(25.3)	—	172.2
Totals	$342.7	$55.4	$(17.7)	$ (37.8)	$342.6
Year ended December 31, 2011					
Deducted from asset accounts:					
Allowance for doubtful accounts	$45.9	$13.4	$(8.2)	$ (8.9)	$42.2
Reserve for inventory	102.9	52.4	(1.7)	(36.4)	117.2
Valuation allowances for deferred tax assets	157.6	18.1	7.6	—	183.3
Totals	$306.4	$83.9	$(2.3)	$ (45.3)	$342.7

(1) Primarily represents the impact of foreign currency exchange, purchase accounting adjustments for deferred tax assets and business divestitures.

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