TEREX CORP
Form 10-Q
July 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

F O R M 10 – Q

(Mark One)

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

For the quarterly period ended June 30, 2013

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

Commission file number 1-10702

Terex Corporation
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 34-1531521 |
| (State of Incorporation) | (IRS Employer Identification No.) |

200 Nyala Farm Road, Westport, Connecticut 06880
(Address of principal executive offices)

(203) 222-7170
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, 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 filed and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES x NO o

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

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

Number of outstanding shares of common stock: 111.3 million as of July 24, 2013.
The Exhibit Index begins on page 60.

INDEX

TEREX CORPORATION AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation generally speaks as of June 30, 2013 unless specifically noted otherwise, and includes financial information with respect to the subsidiaries of the Company listed below (all of which are 100%-owned) which were guarantors on June 30, 2013 (the "Guarantors") of the Company's 4% Convertible Senior Subordinated Notes due 2015 (the "4% Convertible Notes"), its 6% Senior Notes Due 2021 (the "6% Notes") and its 6-1/2% Senior Notes Due 2020 (the "6-1/2% Notes"). See Note O – "Consolidating Financial Statements" to the Company's June 30, 2013 Condensed Consolidated Financial Statements included in this Quarterly Report. Unless otherwise indicated, Terex Corporation, together with its consolidated subsidiaries, is hereinafter referred to as "Terex," the "Registrant," "us," "we," "our" or the "Company."

Guarantor Information

| Guarantor | State or other jurisdiction of incorporation or organization | I.R.S. employer identification number |
|---|---|---|
| A.S.V., Inc. | Minnesota | 41-1459569 |
| CMI Terex Corporation | Oklahoma | 73-0519810 |
| Fantuzzi Noell USA, Inc. | Illinois | 36-3865231 |
| Genie Financial Services, Inc. | Washington | 91-1712115 |
| Genie Holdings, Inc. | Washington | 91-1666966 |
| Genie Industries, Inc. | Washington | 91-0815489 |
| Genie International, Inc. | Washington | 91-1975116 |
| GFS National, Inc. | Washington | 91-1959375 |
| Loegering Mfg. Inc. | North Dakota | 45-0310755 |
| Powerscreen Holdings USA Inc. | Delaware | 61-1265609 |
| Powerscreen International LLC | Delaware | 61-1340898 |
| Powerscreen North America Inc. | Delaware | 61-1340891 |
| Powerscreen USA, LLC | Kentucky | 31-1515625 |
| Schaeff Incorporated | Iowa | 42-1097891 |
| Schaeff of North America, Inc. | Delaware | 75-2852436 |
| Terex Advance Mixer, Inc. | Delaware | 06-1444818 |
| Terex Aerials, Inc. | Wisconsin | 39-1028686 |
| Terex Financial Services, Inc. | Delaware | 45-0497096 |
| Terex South Dakota, Inc. | South Dakota | 41-1603748 |
| Terex USA, LLC | Delaware | 75-3262430 |
| Terex Utilities, Inc. | Oregon | 93-0557703 |
| Terex Washington, Inc. | Washington | 91-1499412 |

Forward-Looking Information

Certain information in this Quarterly Report includes forward-looking statements regarding future events or our future financial performance that involve certain contingencies and uncertainties, including those discussed below in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contingencies and Uncertainties." In addition, when included in this Quarterly Report or in documents incorporated herein by reference, the words "may," "expects," "should," "intends," "anticipates," "believes," "plans," "projects," "estimates 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 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 Quarterly Report and the forward-looking statements contained in documents incorporated herein by reference speak only as of the date of the respective documents. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained or incorporated by reference in this Quarterly Report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TEREX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)
(in millions, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net sales | $1,908.2 | $2,011.5 | $3,631.3 | $3,830.9 |
| Cost of goods sold | (1,551.7 ) | (1,582.9 ) | (2,947.3 ) | (3,071.5 ) |
| Gross profit | 356.5 | 428.6 | 684.0 | 759.4 |
| Selling, general and administrative expenses | (271.2 ) | (253.6 ) | (530.3 ) | (520.6 ) |
| Income (loss) from operations | 85.3 | 175.0 | 153.7 | 238.8 |
| Other income (expense) | | | | |
| Interest income | 1.8 | 2.5 | 3.5 | 5.1 |
| Interest expense | (31.4 ) | (46.9 ) | (64.8 ) | (87.4 ) |
| Loss on early extinguishment of debt | (5.2 ) | (2.4 ) | (5.2 ) | (2.4 ) |
| Other income (expense) – net | (2.8 ) | (3.6 ) | (4.9 ) | 0.9 |
| Income (loss) from continuing operations before income taxes | 47.7 | 124.6 | 82.3 | 155.0 |
| (Provision for) benefit from income taxes | (28.1 ) | (44.1 ) | (43.4 ) | (52.9 ) |
| Income (loss) from continuing operations | 19.6 | 80.5 | 38.9 | 102.1 |
| Income (loss) from discontinued operations – net of tax | — | — | — | 2.5 |
| Gain (loss) on disposition of discontinued operations – net of tax | — | 2.3 | 3.0 | 2.3 |
| Net income (loss) | 19.6 | 82.8 | 41.9 | 106.9 |
| Net loss (income) attributable to noncontrolling interest | 1.7 | 3.1 | 3.3 | 2.0 |
| Net income (loss) attributable to Terex Corporation | $21.3 | $85.9 | $45.2 | $108.9 |
| Amounts attributable to Terex Corporation common stockholders: | | | | |
| Income (loss) from continuing operations | $21.3 | $83.6 | $42.2 | $104.1 |
| Income (loss) from discontinued operations – net of tax | — | — | — | 2.5 |
| Gain (loss) on disposition of discontinued operations – net of tax | — | 2.3 | 3.0 | 2.3 |
| Net income (loss) attributable to Terex Corporation | $21.3 | $85.9 | $45.2 | $108.9 |
| Basic Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders: | | | | |
| Income (loss) from continuing operations | $0.19 | $0.76 | $0.38 | $0.95 |
| Income (loss) from discontinued operations – net of tax | — | — | — | 0.02 |
| Gain (loss) on disposition of discontinued operations – net of tax | — | 0.02 | 0.03 | 0.02 |
| Net income (loss) attributable to Terex Corporation | $0.19 | $0.78 | $0.41 | $0.99 |
| Diluted Earnings (Loss) per Share Attributable to Terex Corporation Common Stockholders: | | | | |
| Income (loss) from continuing operations | $0.18 | $0.75 | $0.36 | $0.94 |
| Income (loss) from discontinued operations – net of tax | — | — | — | 0.02 |
| Gain (loss) on disposition of discontinued operations – net of tax | — | 0.02 | 0.03 | 0.02 |
| Net income (loss) attributable to Terex Corporation | $0.18 | $0.77 | $0.39 | $0.98 |
| Weighted average number of shares outstanding in per share calculation | | | | |
| Basic | 111.2 | 110.4 | 111.0 | 110.2 |
| Diluted | 115.8 | 111.4 | 115.8 | 111.5 |

| | | | | |
|---|---|---|---|---|
| Comprehensive income (loss) | (13.2 ) | (9.7 ) | (69.8 ) | 80.3 |
| Comprehensive loss (income) attributable to noncontrolling interest | 1.7 | 3.1 | 3.3 | 2.0 |
| Comprehensive income (loss) attributable to Terex Corporation | $(11.5 ) | $(6.6 ) | $(66.5 ) | $82.3 |

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

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

| | June 30, 2013 | December 31, 2012 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $548.2 | $678.0 |
| Trade receivables (net of allowance of $34.9 and $38.8 at June 30, 2013 and December 31, 2012, respectively) | 1,179.7 | 1,077.7 |
| Inventories | 1,670.0 | 1,715.6 |
| Other current assets | 310.7 | 326.1 |
| Total current assets | 3,708.6 | 3,797.4 |
| Non-current assets | | |
| Property, plant and equipment – net | 780.1 | 813.3 |
| Goodwill | 1,207.5 | 1,245.3 |
| Intangible assets – net | 447.2 | 474.4 |
| Other assets | 411.6 | 415.8 |
| Total assets | $6,555.0 | $6,746.2 |
| | | |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Notes payable and current portion of long-term debt | $70.3 | $83.8 |
| Trade accounts payable | 735.8 | 635.5 |
| Accrued compensation and benefits | 239.2 | 226.2 |
| Accrued warranties and product liability | 96.8 | 97.6 |
| Customer advances | 331.1 | 312.9 |
| Other current liabilities | 365.8 | 352.8 |
| Total current liabilities | 1,839.0 | 1,708.8 |
| Non-current liabilities | | |
| Long-term debt, less current portion | 1,800.1 | 2,014.9 |
| Retirement plans | 421.9 | 430.7 |
| Other non-current liabilities | 285.4 | 313.6 |
| Total liabilities | 4,346.4 | 4,468.0 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 226.6 | 246.9 |
| Stockholders' equity | | |
| Common stock, $.01 par value – authorized 300.0 shares; issued 123.5 and 122.9 shares at June 30, 2013 and December 31, 2012, respectively | 1.2 | 1.2 |
| Additional paid-in capital | 1,277.2 | 1,260.7 |
| Retained earnings | 1,512.9 | 1,467.7 |
| Accumulated other comprehensive income (loss) | (235.8 ) | (124.1 ) |
| Less cost of shares of common stock in treasury – 13.0 shares at June 30, 2013 and December 31, 2012 | (599.7 ) | (597.8 ) |
| Total Terex Corporation stockholders' equity | 1,955.8 | 2,007.7 |
| Noncontrolling interest | 26.2 | 23.6 |

| | | |
|---|---|---|
| Total stockholders’ equity | 1,982.0 | 2,031.3 |
| Total liabilities, redeemable noncontrolling interest and stockholders’ equity | $6,555.0 | $6,746.2 |

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

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

| | Six Months Ended June 30, 2013 | 2012 |
|---|---|---|
| Operating Activities of Continuing Operations | | |
| Net income | $41.9 | $106.9 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities of continuing operations: | | |
| Discontinued operations | (3.0) | (4.8) |
| Depreciation and amortization | 78.3 | 76.6 |
| Deferred taxes | (18.0) | 15.0 |
| (Gain) loss on sale of assets | 2.4 | (9.5) |
| Stock-based compensation expense | 21.9 | 15.5 |
| Changes in operating assets and liabilities (net of effects of acquisitions and divestitures): | | |
| Trade receivables | (130.3) | (87.9) |
| Inventories | (71.8) | (83.6) |
| Trade accounts payable | 120.9 | 91.6 |
| Customer advances | 25.0 | 12.8 |
| Other assets and liabilities | 31.5 | (162.9) |
| Other operating activities, net | 31.1 | 48.1 |
| Net cash provided by (used in) operating activities of continuing operations | 129.9 | 17.8 |
| Investing Activities of Continuing Operations | | |
| Capital expenditures | (41.4) | (35.3) |
| Other investments | — | (14.1) |
| Proceeds from sale of assets | 40.7 | 13.6 |
| Other investing activities, net | (0.7) | (5.2) |
| Net cash (used in) provided by investing activities of continuing operations | (1.4) | (41.0) |
| Financing Activities of Continuing Operations | | |
| Repayments of debt | (276.3) | (212.3) |
| Proceeds from issuance of debt | 45.9 | 321.1 |
| Distributions to noncontrolling interest | (18.4) | (4.9) |
| Other financing activities, net | 8.6 | (3.0) |
| Net cash provided by (used in) financing activities of continuing operations | (240.2) | 100.9 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (18.1) | (10.3) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (129.8) | 67.4 |
| Cash and Cash Equivalents at Beginning of Period | 678.0 | 774.1 |
| Cash and Cash Equivalents at End of Period | $548.2 | $841.5 |

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

TEREX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013
(unaudited)
NOTE A – BASIS OF PRESENTATION

Basis of Presentation. The accompanying unaudited Condensed Consolidated Financial Statements of Terex Corporation and subsidiaries as of June 30, 2013 and for the three and six months ended June 30, 2013 and 2012 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America to be included in full-year financial statements. The accompanying Condensed Consolidated Balance Sheet as of December 31, 2012 has been derived from and should be read in conjunction with the audited Consolidated Balance Sheet as of that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

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

In the opinion of management, all adjustments considered necessary for fair statement of these interim financial statements have been made. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the three and six months ended June 30, 2013 are not necessarily indicative of results that may be expected for the year ending December 31, 2013.

Cash and cash equivalents at June 30, 2013 and December 31, 2012 include $12.1 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.

Reclassification. Certain prior year amounts have been reclassified to conform to the current year's presentation. Subsequent to December 31, 2012, the Company realigned certain operations, which were formerly included in the Aerial Work Platforms ("AWP") and Material Handling & Port Solutions ("MHPS") segments, in an effort to strengthen its ability to service customers and to recognize certain organizational efficiencies and are now included in the Cranes segment. Effective July 1, 2012, the Company realigned certain operations, which were formerly included in the Cranes segment, to provide a single source for serving port equipment customers and are now included in the MHPS segment. See Note B – "Business Segment Information."

Recent Accounting Pronouncements. In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. 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 the Accounting Standards

Codification ("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. The Company is currently evaluating the impact that adoption will have on the determination or reporting of its 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. The Company is currently evaluating the impact that adoption will have on the determination or reporting of its financial results.

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 collectibility. 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 M – "Litigation and Contingencies." Substantially all receivables were trade receivables at June 30, 2013 and December 31, 2012.

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 the 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. The Company recognized $0.1 million and $0.2 million of asset impairments for the three and six months ended June 30, 2013, respectively. The Company recognized $0.3 million and $1.2 million of asset impairments for the three and six months ended June 30, 2012, respectively.

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 I – "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.

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 Condensed Consolidated Balance Sheet. The liability is established using historical warranty claim experience for each product sold. Historical claim experience may be adjusted for known design improvements or for the impact of unusual product quality issues. Warranty reserves are reviewed quarterly to ensure critical assumptions are updated for known events that may affect the potential warranty liability.

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

| | Six Months Ended June 30, 2013 |
|---|---|
| Balance at beginning of period | $110.4 |
| Accruals for warranties issued during the period | 42.9 |
| Changes in estimates | 0.2 |
| Settlements during the period | (41.9) |
| Foreign exchange effect/other | (1.9) |
| Balance at end of period | $109.7 |

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) Materials Processing ("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 heavy and compact construction equipment, roadbuilding equipment, including asphalt and concrete equipment and landfill compactors, as well as their related replacement parts and components. Customers use these products in construction and infrastructure projects, in building roads and bridges, in quarrying and mining operations and for material handling applications.

On March 8, 2013, the Company closed on its previously announced definitive agreement to divest its Roadbuilding operations in Brazil and assets for its asphalt paver, reclaimer stabilizer and material transfer product lines manufactured in Oklahoma City. The Company intends to sell the remaining roadbuilding product lines that it manufactures in Oklahoma City.

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, utility equipment and truck-mounted cranes (boom trucks), 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, utility 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 carriers, gantry cranes, ship-to-shore 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. 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. Effective July 1, 2012, the Company realigned certain operations to provide a single source for serving port equipment customers. The Company's reach stacker product line manufactured in France and legacy port equipment business, both formerly part of the Cranes segment, are now consolidated within the MHPS segment.

The 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 MP 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 renting, leasing and acquiring its products through Terex Financial Services ("TFS"). TFS uses its equipment financing experience to provide financing solutions to the Company's customers.

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 will be run together as the Company's Terex Services business. The historical results have been reclassified to give effect to these changes.

Business segment information is presented below (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net Sales | | | | |
| AWP | $606.6 | $516.6 | $1,115.7 | $936.4 |
| Construction | 274.8 | 388.8 | 554.6 | 751.9 |
| Cranes | 521.2 | 505.1 | 992.1 | 960.3 |
| MHPS | 369.8 | 442.8 | 709.0 | 880.9 |
| MP | 176.3 | 190.3 | 330.6 | 359.5 |
| Corporate and Other / Eliminations | (40.5) | (32.1) | (70.7) | (58.1) |
| Total | $1,908.2 | $2,011.5 | $3,631.3 | $3,830.9 |
| Income (loss) from Operations | | | | |
| AWP | $101.2 | $78.1 | $173.6 | $117.3 |
| Construction | (5.0) | 9.6 | (18.1) | 9.6 |
| Cranes | 23.4 | 49.6 | 55.9 | 62.6 |
| MHPS | (57.2) | 10.8 | (86.3) | 11.4 |
| MP | 24.5 | 28.6 | 36.2 | 43.9 |
| Corporate and Other / Eliminations | (1.6) | (1.7) | (7.6) | (6.0) |
| Total | $85.3 | | | |