OSHKOSH CORP
Form 10-Q
July 29, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2014

or

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

Commission file number: 1-31371

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

Wisconsin (State or other jurisdiction of incorporation or organization)	39-0520270 (I.R.S. Employer Identification No.)
P.O. Box 2566 Oshkosh, Wisconsin (Address of principal executive offices)	54903-2566 (Zip Code)

Registrant's telephone number, including area code: (920) 235-9151

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. ý Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
ý Yes o No

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

Large accelerated filer 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 Act). o Yes ý No

As of July 22, 2014, 85,013,940 shares of the registrant’s Common Stock were outstanding.

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FOR THE QUARTER ENDED JUNE 30, 2014

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ITEM 1. FINANCIAL STATEMENTS
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OSHKOSH CORPORATION
Condensed Consolidated Statements of Income
(In millions, except per share amounts; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Net sales	$1,932.4	$2,204.4	$5,140.5	$5,938.6
Cost of sales	1,585.5	1,818.9	4,247.3	5,003.7
Gross income	346.9	385.5	893.2	934.9
Operating expenses:				
Selling, general and administrative	158.7	146.0	461.4	451.6
Amortization of purchased intangibles	13.9	13.9	41.6	42.8
Total operating expenses	172.6	159.9	503.0	494.4
Operating income	174.3	225.6	390.2	440.5
Other income (expense):				
Interest expense	(14.1)	(16.6)	(57.3)	(49.4)
Interest income	0.4	3.1	1.4	7.3
Miscellaneous, net	0.8	(4.7)	(0.4)	(4.3)
Income from continuing operations before income taxes and equity in earnings (losses) of unconsolidated affiliates	161.4	207.4	333.9	394.1
Provision for income taxes	56.0	59.9	103.6	115.7
Income from continuing operations before equity in earnings (losses) of unconsolidated affiliates	105.4	147.5	230.3	278.4
Equity in earnings (losses) of unconsolidated affiliates	(0.3)	0.9	1.2	2.2
Income from continuing operations, net of tax	105.1	148.4	231.5	280.6
Income from discontinued operations, net of tax	—	0.3	—	1.1
Net income	$105.1	$148.7	$231.5	$281.7
Earnings per share attributable to common shareholders-basic:				
From continuing operations	$1.24	$1.69	$2.72	$3.16
From discontinued operations	—	—	—	0.01
	$1.24	$1.69	$2.72	$3.17
Earnings per share attributable to common shareholders-diluted:				
From continuing operations	$1.22	$1.67	$2.68	$3.12
From discontinued operations	—	—	—	0.01
	$1.22	$1.67	$2.68	$3.13
Cash dividends per share on Common Stock	$0.15	$—	$0.45	$—

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(In millions; unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Net income	$105.1	$148.7	$231.5	$281.7
Other comprehensive income (loss), net of tax:				
Employee pension and postretirement benefits	(4.1)	1.2	(3.6)	3.2
Currency translation adjustments	(0.6)	(3.4)	5.6	(4.8)
Total other comprehensive income (loss), net of tax	(4.7)	(2.2)	2.0	(1.6)
Comprehensive income	$100.4	$146.5	$233.5	$280.1

The accompanying notes are an integral part of these financial statements
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OSHKOSH CORPORATION
Condensed Consolidated Balance Sheets
(In millions, except share and per share amounts; unaudited)

	June 30, 2014	September 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$525.7	$733.5
Receivables, net	1,034.3	794.3
Inventories, net	929.2	822.0
Deferred income taxes, net	72.0	67.6
Prepaid income taxes	18.0	100.4
Other current assets	34.7	35.6
Total current assets	2,613.9	2,553.4
Investment in unconsolidated affiliates	22.2	20.9
Property, plant and equipment, net	373.4	362.2
Goodwill	1,043.7	1,041.0
Purchased intangible assets, net	673.5	714.7
Other long-term assets	84.6	73.5
Total assets	$4,811.3	$4,765.7
Liabilities and Shareholders' Equity		
Current liabilities:		
Revolving credit facility and current maturities of long-term debt	$20.0	$65.0
Accounts payable	592.9	531.7
Customer advances	302.3	294.4
Payroll-related obligations	136.5	146.9
Accrued warranty	94.6	101.3
Deferred revenue	17.6	23.8
Other current liabilities	174.0	217.6
Total current liabilities	1,337.9	1,380.7
Long-term debt, less current maturities	880.0	890.0
Deferred income taxes, net	106.0	143.0
Other long-term liabilities	266.4	244.2
Commitments and contingencies		
Shareholders' equity:		
Preferred Stock ($.01 par value; 2,000,000 shares authorized; none issued and outstanding)	—	—
Common Stock ($.01 par value; 300,000,000 shares authorized; 92,101,465 shares issued)	0.9	0.9
Additional paid-in capital	751.0	725.6
Retained earnings	1,774.9	1,581.5
Accumulated other comprehensive loss	(12.6)	(14.6)
Common Stock in treasury, at cost (7,098,125 and 5,566,890 shares, respectively)	(293.2)	(185.6)
Total shareholders’ equity	2,221.0	2,107.8
Total liabilities and shareholders' equity	$4,811.3	$4,765.7

The accompanying notes are an integral part of these financial statements

OSHKOSH CORPORATION
Condensed Consolidated Statements of Shareholders' Equity
(In millions, except per share amounts; unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury at Cost	Total
Balance at September 30, 2012	$0.9	$703.5	$1,263.5	$ (101.4)	$(13.0)	$1,853.5
Net income	—	—	281.7	—	—	281.7
Employee pension and postretirement benefits, net of tax of $1.9	—	—	—	3.2	—	3.2
Currency translation adjustments, net	—	—	—	(4.8)	—	(4.8)
Repurchases of Common Stock	—	—	—	—	(169.0)	(169.0)
Exercise of stock options	—	(1.5)	—	—	21.4	19.9
Stock-based compensation expense	—	15.3	—	—	—	15.3
Tax shortfall related to stock-based compensation	—	(0.9)	—	—	—	(0.9)
Other	—	(0.8)	—	—	0.6	(0.2)
Balance at June 30, 2013	$0.9	$715.6	$1,545.2	$ (103.0)	$(160.0)	$1,998.7

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock in Treasury at Cost	Total
Balance at September 30, 2013	$0.9	$725.6	$1,581.5	$ (14.6)	$(185.6)	$2,107.8
Net income	—	—	231.5	—	—	231.5
Employee pension and postretirement benefits, net of tax of $2.1	—	—	—	(3.6)	—	(3.6)
Currency translation adjustments, net	—	—	—	5.6	—	5.6
Cash dividends ($0.45 per share)	—	—	(38.1)	—	—	(38.1)
Repurchases of Common Stock	—	—	—	—	(152.8)	(152.8)
Exercise of stock options	—	6.3	—	—	44.1	50.4
Stock-based compensation expense	—	15.8	—	—	—	15.8
Tax benefit related to stock-based compensation	—	6.3	—	—	—	6.3
Other	—	(3.0)	—	—	1.1	(1.9)
Balance at June 30, 2014	$0.9	$751.0	$1,774.9	$ (12.6)	$(293.2)	$2,221.0

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
Condensed Consolidated Statements of Cash Flows
(In millions; unaudited)

	Nine Months Ended June 30, 2014	2013
Operating activities:		
Net income	$231.5	$281.7
Depreciation and amortization	95.2	95.2
Stock-based compensation expense	15.8	15.3
Deferred income taxes	(39.2)	(17.2)
Other non-cash adjustments	2.5	(2.7)
Changes in operating assets and liabilities	(236.4)	(124.8)
Net cash provided by operating activities	69.4	247.5
Investing activities:		
Additions to property, plant and equipment	(54.6)	(25.2)
Additions to equipment held for rental	(15.9)	(13.1)
Contribution to rabbi trust	(1.9)	(19.4)
Proceeds from sale of equipment held for rental	5.5	6.9
Other investing activities	(1.0)	(3.0)
Net cash used by investing activities	(67.9)	(53.8)
Financing activities:		
Repurchases of Common Stock	(152.8)	(169.0)
Repayment of long-term debt	(705.0)	—
Proceeds from issuance of long-term debt	650.0	—
Debt issuance costs	(19.1)	—
Proceeds from exercise of stock options	50.4	19.9
Dividends paid	(38.1)	—
Excess tax benefit from stock-based compensation	6.1	0.6
Net cash used by financing activities	(208.5)	(148.5)
Effect of exchange rate changes on cash	(0.8)	(0.1)
Increase (decrease) in cash and cash equivalents	(207.8)	45.1
Cash and cash equivalents at beginning of period	733.5	540.7
Cash and cash equivalents at end of period	$525.7	$585.8
Supplemental disclosures:		
Cash paid for interest	$34.2	$35.0
Cash paid for income taxes	27.3	45.4

The accompanying notes are an integral part of these financial statements

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OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments (which include normal recurring adjustments, unless otherwise noted) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. These Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in the Annual Report on Form 10-K of Oshkosh Corporation (the "Company") for the year ended September 30, 2013. The interim results are not necessarily indicative of results for the full year.

In March 2013, the Company discontinued production of ambulances, which were sold under the Medtec brand name. Medtec was previously included in the Company's fire & emergency segment. Due to the closure of this business, it has been segregated from continuing operations and reported as discontinued operations in the Condensed Consolidated Statements of Income. Results of discontinued operations were immaterial for all periods presented.

2. New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which clarifies the principles for recognizing revenue. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company will be required to adopt ASU No. 2014-09 as of October 1, 2017. The Company is currently evaluating the impact of ASU No. 2014-09 on the Company’s financial condition, results of operations and cash flows.

3. Receivables

Receivables consisted of the following (in millions):

	June 30, 2014	September 30, 2013
U.S. government:		
Amounts billed	$109.7	$118.3
Costs and profits not billed	44.1	31.7
	153.8	150.0
Other trade receivables	856.5	607.6
Finance receivables	8.4	3.3
Notes receivable	24.6	22.2
Other receivables	32.9	51.4
	1,076.2	834.5
Less allowance for doubtful accounts	(23.9)	(20.4)
	$1,052.3	$814.1

Costs and profits not billed includes undefinitized change orders on existing long-term contracts and “not-to-exceed” undefinitized contracts whereby the Company cannot invoice the customer the full price under the contract or contract change order until such contract or change order is definitized and agreed to with the customer following a review of costs under such a contract or change order, even though the contract deliverables may have been met. Definitization of a change order on an existing long-term contract or a sole source contract begins when the U.S. government customer undertakes a detailed review of the Company’s submitted costs and proposed margin related to the contract and concludes with a final change order. The Company recognizes revenue on undefinitized contracts to the extent that it can reasonably and reliably estimate the expected final contract price and when collectability is reasonably assured. At June 30, 2014, the Company had recorded $5.1 million of revenue on contracts which remained undefinitized as of that date. To the extent that contract definitization results in changes to previously estimated or incurred costs or revenues, the Company records those adjustments as a change in estimate. The Company recorded pre-tax income of $5.0 million for the three months ended June 30, 2013 related to changes in estimates on undefinitized contracts. The changes increased net income by $3.1 million, or $0.04 per diluted share, for the three months ended June 30, 2013. The Company recorded pre-tax income of $7.5 million and $9.6 million for the nine months ended June 30, 2014 and 2013, respectively, related to changes in estimates on these contracts. The changes increased net income by $4.7 million, or $0.05 per diluted share, and $6.1 million, or $0.07 per diluted share, respectively.

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

	June 30, 2014	September 30, 2013
Current receivables	$1,034.3	$794.3
Long-term receivables	18.0	19.8
	$1,052.3	$814.1

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

	Finance Receivables		Notes Receivable	
	June 30, 2014	September 30, 2013	June 30, 2014	September 30, 2013
Aging of receivables that are past due:				
Greater than 30 days and less than 60 days	$—	$—	$—	$—
Greater than 60 days and less than 90 days	—	—	—	—
Greater than 90 days	—	—	—	—
Receivables on nonaccrual status	1.8	0.6	19.7	20.2
Receivables past due 90 days or more and still accruing	—	—	—	—
Receivables subject to general reserves	8.4	3.3	—	—
Allowance for doubtful accounts	(0.1)	—	—	—
Receivables subject to specific reserves	—	—	24.6	22.2
Allowance for doubtful accounts	—	—	(13.8)	(11.0)

Finance Receivables: Finance receivables represent sales-type leases resulting from the sale of the Company's products and the purchase of finance receivables from lenders pursuant to customer defaults under program agreements with finance companies. Finance receivables originated by the Company generally include a residual value component. Residual values are determined based on the expectation that the underlying equipment will have a minimum fair market value at the end of the lease term. This residual value accrues to the Company at the end of the lease. The Company uses its experience and knowledge as an original equipment manufacturer and participant in end markets for the related products along with third-party studies to estimate residual values. The Company monitors these values for impairment on a periodic basis and reflects any resulting reductions in value in current earnings. Finance receivables are written down if management determines that the specific borrower does not have the ability to repay the loan amounts due in full.

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

Notes Receivable: Notes receivable include amounts related to refinancing of trade accounts and finance receivables. As of June 30, 2014, approximately 93% of the notes receivable balance outstanding was due from three parties. The Company routinely evaluates the creditworthiness of its customers and establishes reserves where the Company believes collectability is no longer reasonably assured. Notes receivable are written down if management determines that the specific borrower does not have the ability to repay the loan in full. Certain notes receivable are collateralized by a security interest in the underlying assets and/or other assets owned by the debtor. The Company may incur losses in excess of recorded allowances if the financial condition of its customers were to deteriorate or the full amount of any anticipated proceeds from the sale of the collateral supporting its customers' financial obligations is not realized.

Quality of Finance and Notes Receivable: The Company does not accrue interest income on finance and notes receivables in circumstances where the Company believes collectability is no longer reasonably assured. Any cash payments received on nonaccrual finance and notes receivables are applied first to principal balances. The Company does not resume accrual of interest income until the customer has shown that it is capable of meeting its financial obligations by making timely payments over a sustained period of time. For the nine months ended June 30, 2014 and 2013, the Company recognized interest income as the result of the receipt of payment from a customer on a note receivable on nonaccrual status of $0.1 million and $6.3 million, respectively. The Company determines past due or delinquency status based upon the due date of the receivable.

Receivables subject to specific reserves also include loans that the Company has modified in troubled debt restructurings as a concession to customers experiencing financial difficulty. To minimize the economic loss, the Company may modify certain finance and notes receivable. Modifications generally consist of restructured payment terms and time frames in which no payments are required. At June 30, 2014, restructured finance and notes receivables were $1.2 million and $19.7 million, respectively. Losses on troubled debt restructurings were not significant during the three and nine months ended June 30, 2014.

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

	Three Months Ended June 30, 2014				Three Months Ended June 30, 2013			
	Finance	Notes	Trade and Other	Total	Finance	Notes	Trade and Other	Total
Allowance for doubtful accounts at beginning of period	$0.2	$13.8	$10.0	$24.0	$1.3	$11.0	$11.0	$23.3
Provision for doubtful accounts, net of recoveries	(0.1)	—	(0.3)	(0.4)	(0.2)	—	(0.6)	(0.8)
Charge-off of accounts	—	—	(0.1)	(0.1)	—	—	(0.6)	(0.6)
Foreign currency translation	—	—	0.4	0.4	—	—	—	—
Allowance for doubtful accounts at end of period	$0.1	$13.8	$10.0	$23.9	$1.1	$11.0	$9.8	$21.9

	Nine Months Ended June 30, 2014				Nine Months Ended June 30, 2013			
	Finance	Notes	Trade and Other	Total	Finance	Notes	Trade and Other	Total
Allowance for doubtful accounts at beginning of period	$—	$11.0	$9.4	$20.4	$1.4	$8.0	$8.6	$18.0
	0.1	2.8	0.8	3.7	(0.3)	3.0	2.2	4.9

Provision for doubtful accounts, net of recoveries								
Charge-off of accounts	—	(0.1)	(0.2)	(0.3)	—	—	(1.0)	(1.0)
Foreign currency translation	—	0.1	—	0.1	—	—	—	—
Allowance for doubtful accounts at end of period	$0.1	$13.8	$10.0	$23.9	$1.1	$11.0	$9.8	$21.9

4. Inventories

Inventories consisted of the following (in millions):

	June 30, 2014	September 30, 2013
Raw materials	$469.8	$428.4
Partially finished products	254.0	272.4
Finished products	329.6	312.6
Inventories at FIFO cost	1,053.4	1,013.4
Less: Progress/performance-based payments on U.S. government contracts	(43.2)	(114.9)
Excess of FIFO cost over LIFO cost	(81.0)	(76.5)
	$929.2	$822.0

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

5. Investments in Unconsolidated Affiliates

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

	June 30, 2014	September 30, 2013
RiRent (The Netherlands)	$11.5	$11.9
Mezcladoras (Mexico)	10.7	9.0
	$22.2	$20.9

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

The Company and an unaffiliated third party are joint venture partners in RiRent Europe BV ("RiRent"). RiRent maintains a fleet of access equipment for short-term lease to rental companies throughout most of Europe. The re-rental fleet provides rental companies with equipment to support requirements on short notice. RiRent does not provide services directly to end users. The Company recognized sales to RiRent of $2.5 million and $1.5 million during the nine months ended June 30, 2014 and 2013, respectively. The Company recognizes income on sales to RiRent at the time of shipment in proportion to the outside third-party interest in RiRent and recognizes the remaining income ratably over the estimated useful life of the equipment, which is generally five years. Indebtedness of RiRent is secured by the underlying leases and assets of RiRent. All such RiRent indebtedness is non-recourse to the Company and its partner. Under RiRent’s €12.0 million bank credit facility, the partners of RiRent have committed that RiRent will maintain an overall equity to asset ratio of at least 30.0% (RiRent's equity to asset ratio was 71.5% as of June 30, 2014).

The Company and an unaffiliated third party are joint venture partners in Mezcladoras Y Trailers de Mexico, S.A. de C.V. ("Mezcladoras"). Mezcladoras is a manufacturer and distributor of industrial, commercial and agricultural machinery with primary operations in Mexico. The Company recognized sales to Mezcladoras of $4.9 million and $8.1 million during the nine months ended June 30, 2014 and 2013, respectively. The Company recognizes income on sales to Mezcladoras at the time of shipment in proportion to the outside third-party interest in Mezcladoras and recognizes the remaining income upon the joint venture's sale of inventory to an unaffiliated customer.

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OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

6. Property, Plant and Equipment

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

	June 30, 2014	September 30, 2013
Land and land improvements	$47.9	$47.8
Buildings	247.3	242.6
Machinery and equipment	611.6	583.1
Equipment on operating lease to others	30.6	19.6
Construction in progress	9.7	—
	947.1	893.1
Less accumulated depreciation	(573.7)	(530.9)
	$373.4	$362.2

Depreciation expense recorded in continuing operations was $17.0 million and $16.8 million for the three months ended June 30, 2014 and 2013, respectively. Depreciation expense recorded in continuing operations was $48.2 million and $48.8 million for the nine months ended June 30, 2014 and 2013, respectively. Capitalized interest was insignificant for all reported periods.

Equipment on operating lease to others represents the cost of equipment shipped to customers for whom the Company has guaranteed the residual value and equipment on short-term leases. These transactions are accounted for as operating leases with the related assets capitalized and depreciated over their estimated economic lives of five to ten years. Cost less accumulated depreciation for equipment on operating lease to others at June 30, 2014 and September 30, 2013 was $23.1 million and $14.0 million, respectively.

7. Goodwill and Purchased Intangible Assets

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

The following table presents changes in goodwill during the nine months ended June 30, 2014 (in millions):

	Access Equipment	Fire & Emergency	Commercial	Total
Net goodwill at September 30, 2013	$913.5	$106.1	$21.4	$1,041.0
Foreign currency translation	2.8	—	(0.1)	2.7
Net goodwill at June 30, 2014	$916.3	$106.1	$21.3	$1,043.7

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

	June 30, 2014			September 30, 2013		
	Gross	Accumulated Impairment	Net	Gross	Accumulated Impairment	Net
Access equipment	$1,848.4	$(932.1)	$916.3	$1,845.6	$(932.1)	$913.5

Fire & emergency	114.3	(8.2	)	106.1	114.3	(8.2	)	106.1
Commercial	197.2	(175.9	)	21.3	197.3	(175.9	)	21.4
	$2,159.9	$(1,116.2	)	$1,043.7	$2,157.2	$(1,116.2	)	$1,041.0

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OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

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

	June 30, 2014			
	Weighted-Average Life	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	$55.4	$(24.8)	$30.6
Non-compete	10.5	56.3	(56.1)	0.2
Technology-related	11.9	103.9	(73.0)	30.9
Customer relationships	12.7	567.5	(345.8)	221.7
Other	16.6	16.6	(13.7)	2.9
	14.3	799.7	(513.4)	286.3
Non-amortizable trade names		387.2	—	387.2
		$1,186.9	$(513.4)	$673.5

	September 30, 2013			
	Weighted-Average Life	Gross	Accumulated Amortization	Net
Amortizable intangible assets:				
Distribution network	39.1	$55.4	$(23.7)	$31.7
Non-compete	10.5	56.4	(56.1)	0.3
Technology-related	11.9	103.9	(66.8)	37.1
Customer relationships	12.7	566.2	(311.1)	255.1
Other	16.6	16.6	(13.3)	3.3
	14.4	798.5	(471.0)	327.5
Non-amortizable trade names		387.2	—	387.2
		$1,185.7	$(471.0)	$714.7

The estimated future amortization expense of purchased intangible assets for the remainder of fiscal 2014 and the five years succeeding September 30, 2014 are as follows: 2014 (remaining three months) - $13.9 million; 2015 - $54.7 million; 2016 - $54.2 million; 2017 - $45.9 million; 2018 - $38.1 million and 2019 - $36.7 million.

8. Credit Agreements

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

	June 30, 2014	September 30, 2013
Senior Secured Term Loan	$400.0	$455.0
8¼% Senior notes due March 2017	—	250.0
8½% Senior notes due March 2020	250.0	250.0
5.375% Senior notes due March 2022	250.0	—
	900.0	955.0
Less current maturities	(20.0)	(65.0)
	$880.0	$890.0

Revolving Credit Facility	$—	$—
Current maturities of long-term debt	20.0	65.0
	$20.0	$65.0

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On March 21, 2014, the Company entered into an Amended and Restated Credit Agreement with various lenders (the "Credit Agreement"). The Credit Agreement provides for (i) a revolving credit facility ("Revolving Credit Facility") that matures in March 2019 with an initial maximum aggregate amount of availability of $600.0 million and (ii) a $400.0 million term loan ("Term Loan") due in quarterly principal installments of $5.0 million commencing September 30, 2014 with a balloon payment of $310.0 million due at maturity in March 2019. At June 30, 2014, outstanding letters of credit of $86.4 million reduced available capacity under the Revolving Credit Facility to $513.6 million.

The Company's obligations under the Credit Agreement are guaranteed by certain of its subsidiaries, and the Company will guarantee the obligations of certain of its subsidiaries under the Credit Agreement. Subject to certain exceptions, the Credit Agreement is collateralized by (i) a first-priority perfected lien on substantially all of the personal property of the Company and each subsidiary guarantor, (ii) mortgages upon certain real property of the Company and certain of its domestic subsidiaries and (iii) a pledge of the equity of each material subsidiary of the Company.
Under the Credit Agreement, the Company must pay (i) an unused commitment fee ranging from 0.225% to 0.35% per annum of the average daily unused portion of the aggregate revolving credit commitments under the Credit Agreement and (ii) a fee ranging from 0.625% to 2.00% per annum of the maximum amount available to be drawn under each performance letter of credit issued and outstanding under the Credit Agreement.

Borrowings under the Credit Agreement bear interest at a variable rate equal to (i) LIBOR plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied, or (ii) for dollar-denominated loans only, the base rate (which is the highest of (a) the administrative agent's prime rate, (b) the federal funds rate plus 0.50% or (c) the sum of 1% plus one-month LIBOR) plus a specified margin, which may be adjusted upward or downward depending on whether certain criteria are satisfied. At June 30, 2014, the interest spread on the Revolving Credit Facility and Term Loan was 150 basis points. The weighted-average interest rate on borrowings outstanding under the Term Loan at June 30, 2014 was 1.65%.

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

The Credit Agreement contains the following financial covenants:

- Leverage Ratio: A maximum leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated indebtedness to consolidated net income before interest, taxes, depreciation, amortization, non-cash charges and certain other items ("EBITDA")) as of the last day of any fiscal quarter of 4.50 to 1.0.
- Interest Coverage Ratio: A minimum interest coverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated EBITDA to the Company's consolidated cash interest expense) as of the last day of any fiscal quarter of 2.50 to 1.0.
- Senior Secured Leverage Ratio: A maximum senior secured leverage ratio (defined as, with certain adjustments, the ratio of the Company's consolidated secured indebtedness to the Company's consolidated EBITDA) of 3.00 to 1.0.

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

1.00, and the Company would not be subject to any additional requirement to limit its senior secured leverage ratio.

The Company was in compliance with the financial covenants contained in the Credit Agreement as of June 30, 2014.

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

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

In March 2010, the Company issued $250.0 million of 8¼% unsecured senior notes due March 1, 2017 (the “2017 Senior Notes”) and $250.0 million of 8½% unsecured senior notes due March 1, 2020 (the “2020 Senior Notes”). On February 21, 2014, the Company issued $250.0 million of 5.375% unsecured senior notes due March 1, 2022 (the “2022 Senior Notes”). The Company used the net proceeds from the sale of the 2022 Senior Notes, together with available cash, to redeem all of the 2017 Senior Notes at a price of 104.125%. The Company recognized approximately $10.5 million of expense associated with the 2022 Senior Notes transaction, comprised of unamortized debt issuance costs, call premium and third-party costs in the three month period ended March 31, 2014. Expenses related to the transaction are included in interest expense. Additionally, approximately $6.0 million of debt issuance costs were capitalized to prepaid assets in connection with the transaction. The Company has the option to redeem the 2020 Senior Notes and the 2022 Senior Notes for a premium after March 1, 2015 and March 1, 2017, respectively.

The 2020 Senior Notes and the 2022 Senior Notes were issued pursuant to separate indentures (the “Indentures”) among the Company, the subsidiary guarantors named therein and a trustee. The Indentures contain customary affirmative and negative covenants. Certain of the Company’s subsidiaries jointly, severally, fully and unconditionally guarantee the Company’s obligations under the 2020 Senior Notes and 2022 Senior Notes. See Note 21 of the Notes to Condensed Consolidated Financial Statements for separate financial information of the subsidiary guarantors.

The fair value of the long-term debt is estimated based upon Level 2 inputs to reflect market rate of the Company’s debt. At June 30, 2014, the fair value of the 2020 Senior Notes and the 2022 Senior Notes was estimated to be $270 million and $257 million, respectively, and the fair value of the Term Loan approximated book value. See Note 13 of the Notes to Condensed Financial Statements for the definition of a Level 2 input.

9. Warranties

The Company’s products generally carry explicit warranties that extend from six months to five years, based on terms that are generally accepted in the marketplace. Selected components (such as engines, transmissions, tires, etc.) included in the Company’s end products may include manufacturers’ warranties. These manufacturers’ warranties are generally passed on to the end customer of the Company’s products, and the customer would generally deal directly with the component manufacturer.

Changes in the Company’s warranty liability were as follows (in millions):

	Nine Months Ended June 30,

	2014		2013	
Balance at beginning of period	$101.3		$95.0	
Warranty provisions	33.5		38.0	
Settlements made	(39.9	)	(37.3	)
Changes in liability for pre-existing warranties, net	(0.4	)	5.0	
Foreign currency translation	0.1		(1.1	)
Balance at end of period	$94.6		$99.6	

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

10. Guarantee Arrangements

The Company is party to multiple agreements whereby it guarantees an aggregate of $420.4 million in indebtedness of customers. The Company estimated that its maximum loss exposure under these agreements at June 30, 2014 was $109.4 million. Under the terms of these and various related agreements and upon the occurrence of certain events, the Company generally has the ability to, among other things, take possession of the underlying collateral. If the financial condition of the customers were to deteriorate and result in their inability to make payments, then additional accruals may be required. While the Company does not expect to experience losses under these agreements that are materially in excess of the amounts reserved, it cannot provide any assurance that the financial condition of the customers will not deteriorate resulting in the customers' inability to meet their obligations. In the event that this occurs, the Company cannot guarantee that the collateral underlying the agreements will be sufficient to avoid losses materially in excess of the amounts reserved. Any losses under these guarantees would generally be mitigated by the value of any underlying collateral, including financed equipment, and are generally subject to the finance company's ability to provide the Company clear title to foreclosed equipment and other conditions. During periods of economic weakness, collateral values generally decline and can contribute to higher exposure to losses.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Balance at beginning of period	$4.4	$4.8	$4.3	$5.0
Provision for new credit guarantees	0.6	1.3	1.3	1.7
Settlements made	(0.3)	(0.1)	(0.4)	(0.2)
Changes for pre-existing guarantees, net	0.1	(0.1)	0.1	(0.4)
Amortization of previous guarantees	(0.5)	(0.3)	(1.0)	(0.5)
Foreign currency translation	—	(0.1)	—	(0.1)
Balance at end of period	$4.3	$5.5	$4.3	$5.5

11. Shareholders' Equity

On February 4, 2014, the Company's Board of Directors increased the Company's Common Stock repurchase authorization from the balance then remaining from prior authorizations of 1,787,199 shares to 11.0 million shares. The Company did not repurchase any shares between February 4, 2014 and June 30, 2014. As a result, 11.0 million shares of Common Stock remained available for repurchase under the repurchase authorization at June 30, 2014. The Company is restricted by its Credit Agreement from repurchasing shares in certain situations. See Note 8 of the Notes to Condensed Consolidated Financial Statements for information regarding these restrictions.

12. Derivative Financial Instruments and Hedging Activities

The Company has used forward foreign currency exchange contracts (“derivatives”) to reduce the exchange rate risk of specific foreign currency denominated transactions. These derivatives typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date. At times, the Company has designated these hedges as either cash flow hedges or fair value hedges under FASB Accounting Standards Codification ("ASC") Topic 815, Derivatives and Hedging. At June 30, 2014, the total notional U.S. dollar equivalent of outstanding forward foreign exchange contracts designated as hedges in accordance with ASC Topic 815 was $0.7 million. At June 30, 2013, the Company had no forward foreign exchange contracts designated as hedges. Net gains or losses related to hedge ineffectiveness were insignificant for all periods. Ineffectiveness is included in "Miscellaneous, net" in the Condensed Consolidated Statements of Income along with mark-to-market adjustments on outstanding non-designated derivatives.

The Company has entered into forward foreign currency exchange contracts to create an economic hedge to manage foreign exchange risk exposure associated with non-functional currency denominated payables resulting from global sourcing activities. The Company has not designated these derivative contracts as hedge transactions under FASB ASC Topic 815, and accordingly, the mark-to-market impact of these derivatives is recorded each period in current earnings. The fair value of foreign currency related derivatives is included in the Condensed Consolidated Balance Sheets in “Other current assets” and “Other current liabilities.” At June 30, 2014, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled $145.9 million in notional amounts, including $58.6 million in contracts to sell Euro, $35.0 million in contracts to sell Australian dollars, $19.8 million in contracts to buy U.K. pound sterling and $20.6 million in contracts to buy Euro and sell U.K pound sterling, with the remaining contracts covering a variety of foreign currencies.

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

	June 30, 2014		September 30, 2013	
	Other Current Assets	Other Current Liabilities	Other Current Assets	Other Current Liabilities
Not designated as hedging instruments:				
Foreign exchange contracts	$0.4	$1.2	$0.2	$1.9

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

	Classification of Gains (Losses)	Three Months Ended June 30,		Nine Months Ended June 30,	
		2014	2013	2014	2013
Not designated as hedging instruments:					
Foreign exchange contracts	Miscellaneous, net	$(0.9)	$1.1	$(1.8)	$1.2

13. Fair Value Measurement

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

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

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

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

There were no transfers of assets between levels during the three and nine months ended June 30, 2014.

As of June 30, 2014, the fair values of the Company’s financial assets and liabilities were as follows (in millions):

	Level 1	Level 2	Level 3	Total
Assets:				
SERP plan assets [(a)]	$22.4	$—	$—	$22.4
Foreign currency exchange derivatives [(b)]	—	0.4	—	0.4
Liabilities:				
Foreign currency exchange derivatives [(b)]	$—	$1.2	$—	$1.2

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

(b) Based on observable market transactions of forward currency prices.

14. Stock-Based Compensation

In February 2009, the Company’s shareholders approved the 2009 Incentive Stock and Awards Plan. In January 2012, the Company's shareholders approved amendments to the 2009 Incentive Stock and Awards Plan (as amended, the “2009 Stock Plan”) to add 6.0 million shares to the number of shares available for issuance under the plan. The 2009 Stock Plan replaced the 2004 Incentive Stock and Awards Plan, as amended (the “2004 Stock Plan”). While no new awards will be granted under the 2004 Stock Plan, awards previously made under the 2004 Stock Plan that remained outstanding as of the initial approval date of the 2009 Stock Plan will remain outstanding and continue to be governed by the provisions of the 2004 Stock Plan. At June 30, 2014, the Company had reserved 7,614,336 shares of Common Stock available for issuance under the 2009 Stock Plan to provide for the exercise of outstanding stock options and the issuance of Common Stock under incentive compensation awards, including awards issued prior to the effective date of the 2009 Stock Plan.

The Company recognizes stock-based compensation expense over the requisite service period for vesting of an award, or to an employee's eligible retirement date, if earlier and applicable. Total stock-based compensation expense, including cash-based liability awards, included in the Condensed Consolidated Statements of Income for the three and nine months ended June 30, 2014 was $5.2 million ($3.3 million net of tax) and $21.2 million ($13.4 million net of tax), respectively. Total stock-based compensation expense, including cash-based liability awards, included in the Condensed Consolidated Statements of Income for the three and nine months ended June 30, 2013 was $4.4 million ($2.7 million net of tax) and $23.1 million ($14.6 million net of tax), respectively.

15. Employee Benefit Plans

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Components of net periodic benefit cost				

Service cost	$2.8	$3.7	$8.4	$11.3
Interest cost	4.4	3.9	13.2	11.9
Expected return on plan assets	(4.7)	(4.1)	(14.0)	(12.4)
Amortization of prior service cost	0.5	0.4	1.5	1.3
Curtailment	0.3	—	4.4	2.8
Amortization of net actuarial loss	0.2	1.1	0.7	3.3
Net periodic benefit cost	$3.5	$5.0	$14.2	$18.2

In connection with staffing reductions in the defense segment that the Company announced in April 2014 and completed in June 2014 as a result of declining sales to the U.S. Department of Defense, a pension curtailment charge of $4.4 million was recorded during the nine months ended June 30, 2014. The Company does not expect to make contributions to its pension plans in fiscal 2014.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Components of net periodic benefit cost				
Service cost	$0.6	$1.6	$1.8	$5.4
Interest cost	0.5	0.8	1.5	2.4
Amortization of prior service cost	(0.5)	(0.1)	(1.3)	(0.3)
Curtailment	(10.0)	(1.9)	(10.0)	(2.9)
Amortization of net actuarial loss	0.1	0.2	0.2	0.8
Net periodic benefit cost	$(9.3)	$0.6	$(7.8)	$5.4

In connection with staffing reductions in the defense segment, an other post-employment benefit curtailment gain of $10.0 million was recorded during the three months ended June 30, 2014.

The Company made contributions to fund benefit payments of $1.5 million and $1.3 million for the nine months ended June 30, 2014 and 2013, respectively, under its other post-employment benefit plans. The Company estimates that it will make additional contributions of approximately $0.5 million under these other post-employment benefit plans prior to the end of fiscal 2014.

16. Income Taxes

The Company's effective income tax rate was 34.7% and 28.9% of pre-tax income for the three months ended June 30, 2014 and 2013, respectively. The effective income tax rate for the three months ended June 30, 2013 as compared to the statutory income tax rate was favorably impacted by a $0.7 million benefit (30 basis points) related to the reinstatement of the U.S. research and development tax credit, a $4.4 million benefit (210 basis points) related to provision to return adjustments and a reduction in valuation allowances on state net operating losses of $2.3 million (110 basis points).

The Company's effective income tax rate was 31.0% and 29.4% of pre-tax income for the nine months ended June 30, 2014 and 2013, respectively. The effective income tax rate for the nine months ended June 30, 2014 as compared to the statutory income tax rate was favorably impacted by the $12.1 million reduction of a valuation allowance (360 basis points) on net operating losses and deferred interest. The effective income tax rate for the nine months ended June 30, 2013 as compared to the statutory income tax rate was favorably impacted by a $5.3 million benefit (130 basis points) related to the U.S. research and development tax credit, a $4.4 million benefit (110 basis points) related to provision to return adjustments upon filing the Company's fiscal 2012 tax returns, the elimination of valuation allowances on state net operating loss carryforwards of $2.3 million (60 basis points) and lower foreign income taxes.

The Company's liability for gross unrecognized tax benefits, excluding related interest and penalties, was $43.5 million and $36.9 million as of June 30, 2014 and September 30, 2013, respectively. As of June 30, 2014, net unrecognized tax benefits, excluding interest and penalties, of $30.1 million would affect the Company's net income if recognized.

The Company recognizes accrued interest and penalties, if any, related to unrecognized tax benefits in the "Provision for income taxes" in the Condensed Consolidated Statements of Income. During the nine months ended June 30, 2014 and 2013, the Company recognized charges of $3.3 million and $1.7 million, respectively, related to interest and penalties. At June 30, 2014, the Company had accruals for the payment of interest and penalties of $20.6 million. During the next twelve months, it is reasonably possible that federal, state and foreign tax audit resolutions could reduce net unrecognized tax benefits by approximately $16.2 million because the Company's tax positions are sustained on audit, the Company agrees to their disallowance or the applicable statutes of limitations expire.

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The Company files federal income tax returns as well as multiple state, local and non-U.S. jurisdiction tax returns. The Company is regularly audited by federal, state and foreign tax authorities. At June 30, 2014, the Company was under audit by the U.S. Internal Revenue Service for the taxable years ended September 30, 2011 and 2010.

17. Accumulated Other Comprehensive Income (Loss)

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

	Three Months Ended June 30, 2014			Three Months Ended June 30, 2013		
	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	$(22.5)	$14.6	$(7.9)	$(97.6)	$(3.2)	$(100.8)
Other comprehensive income (loss) before reclassifications	(4.3)	(0.6)	(4.9)	—	(3.4)	(3.4)
Amounts reclassified from accumulated other comprehensive income (loss)	0.2	—	0.2	1.2	—	1.2
Net current period other comprehensive income (loss)	(4.1)	(0.6)	(4.7)	1.2	(3.4)	(2.2)
Balance at end of period	$(26.6)	$14.0	$(12.6)	$(96.4)	$(6.6)	$(103.0)

	Nine Months Ended June 30, 2014			Nine Months Ended June 30, 2013		
	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)	Employee Pension and Postretirement Benefits, Net of Tax	Cumulative Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
Balance at beginning of period	$(23.0)	$8.4	$(14.6)	$(99.6)	$(1.8)	$(101.4)
Other comprehensive income (loss) before reclassifications	(4.3)	5.6	1.3	—	(4.8)	(4.8)
Amounts reclassified from accumulated other comprehensive income (loss)	0.7	—	0.7	3.2	—	3.2
Net current period other comprehensive income (loss)	(3.6)	5.6	2.0	3.2	(4.8)	(1.6)
Balance at end of period	$(26.6)	$14.0	$(12.6)	$(96.4)	$(6.6)	$(103.0)

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Amortization of employee pension and postretirement benefits items				
Prior service costs	$—	$(0.1)	$(0.2)	$(1.0)
Actuarial losses	(0.3)	(1.9)	(0.9)	(4.1)
Total before tax	(0.3)	(2.0)	(1.1)	(5.1)
Tax benefit	0.1	0.8	0.4	1.9
Net of tax	$(0.2)	$(1.2)	$(0.7)	$(3.2)

18. Earnings Per Share

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

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Income from continuing operations, net of tax	$105.1	$148.4	$231.5	$280.6
Income from discontinued operations, net of tax	—	0.3	—	1.1
Net income	105.1	148.7	231.5	281.7
Earnings allocated to participating securities	(0.4)	(0.9)	(0.9)	(1.8)
Earnings available to common shareholders	$104.7	$147.8	$230.6	$279.9
Basic Earnings Per Share:				
Weighted-average common shares outstanding	84,635,817	87,110,576	84,666,189	88,174,280
Diluted Earnings Per Share:				
Basic weighted-average common shares outstanding	84,635,817	87,110,576	84,666,189	88,174,280
Dilutive stock options and other equity-based compensation awards	1,489,220	1,396,076	1,509,735	1,304,075
Participating restricted stock	(215,972)	(260,326)	(205,065)	(207,382)
Diluted weighted-average common shares outstanding	85,909,065	88,246,326	85,970,859	89,270,973

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Stock awards	4,000	1,130,650	595,500	1,167,350

19. Contingencies, Significant Estimates and Concentrations

Environmental - As part of its routine business operations, the Company disposes of and recycles or reclaims certain industrial waste materials, chemicals and solvents at third-party disposal and recycling facilities that are licensed by appropriate governmental agencies. In some instances, these facilities have been and may be designated by the United States Environmental Protection Agency ("EPA") or a state environmental agency for remediation. Under the Comprehensive Environmental Response, Compensation, and Liability Act and similar state laws, each potentially responsible party ("PRP") that contributed hazardous substances may be jointly and severally liable for the costs associated with cleaning up these sites. Typically, PRPs negotiate a resolution with the EPA and/or the state environmental agencies. PRPs also negotiate with each other regarding allocation of the cleanup costs.

The Company had reserves of $0.5 million and $1.9 million for losses related to environmental matters that were probable and estimable at June 30, 2014 and September 30, 2013, respectively. The amount recorded for identified contingent liabilities is based on estimates. Amounts recorded are reviewed periodically and adjusted to reflect additional technical and legal information that becomes available. Actual costs incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating certain exposures. Subject to the imprecision in estimating future contingent liability costs, the Company does not expect that any sum it may have to pay in connection with these matters in excess of the amounts recorded will have a material adverse effect on the Company’s financial position, results of operations or cash flows.

Personal Injury Actions and Other - Product and general liability claims are made against the Company from time to time in the ordinary course of business. The Company is generally self-insured for future claims up to $5.0 million per claim ($3.0 million per claim prior to April 1, 2013). Accordingly, a reserve is maintained for the estimated costs of such claims. At June 30, 2014 and September 30, 2013, the estimated net liabilities for product and general liability claims were $39.6 million and $45.6 million, respectively, based on available information. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses in excess of established reserves will not have a material adverse effect on the Company’s financial condition, results of operations or cash flows.

Market Risks - The Company was contingently liable under bid, performance and specialty bonds totaling $276.8 million and open standby letters of credit issued by the Company’s banks in favor of third parties totaling $86.4 million at June 30, 2014.

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

Major contracts for military systems are performed over extended periods of time and are subject to changes in scope of work and delivery schedules. Pricing negotiations on changes and settlement of claims often extend over prolonged periods of time. The Company’s ultimate profitability on such contracts may depend on the eventual outcome of an equitable settlement of contractual issues with the Company’s customers. The Company reduced net sales by $10.7 million during the three months ended June 30, 2014 resulting from a reduction in other post-employment benefit eligible costs under historical cost-plus government contracts.

20. Business Segment Information

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

In accordance with FASB ASC Topic 280, Segment Reporting, for purposes of business segment performance measurement, the Company does not allocate to individual business segments costs or items that are of a non-operating nature or organizational or functional expenses of a corporate nature. The caption “Corporate” includes corporate office expenses, share-based compensation, costs of certain business initiatives and shared services benefiting multiple segments, and results of insignificant operations. Identifiable assets of the business segments exclude general corporate assets, which principally consist of cash and cash equivalents, certain property, plant and equipment, and certain other assets pertaining to corporate activities. Intersegment sales generally include amounts invoiced by a segment for work performed for another segment. Amounts are based on actual work performed and agreed-upon pricing, which is intended to be reflective of the contribution made by the supplying business segment.

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

	Three Months Ended June 30,					
	2014			2013		
	External Customers	Inter-segment	Net Sales	External Customers	Inter-segment	Net Sales
Access equipment						
Aerial work platforms	$558.1	$—	$558.1	$485.4	$—	$485.4
Telehandlers	324.4	—	324.4	317.3	—	317.3
Other	156.7	—	156.7	138.8	—	138.8
Total access equipment	1,039.2	—	1,039.2	941.5	—	941.5
Defense	470.6	0.1	470.7	878.9	0.7	879.6
Fire & emergency	177.5	10.0	187.5	192.9	11.4	204.3
Commercial						
Concrete placement	138.0	—	138.0	101.2	—	101.2
Refuse collection	73.5	—	73.5	65.8	—	65.8
Other	33.6	2.2	35.8	24.1	3.6	27.7
Total commercial	245.1	2.2	247.3	191.1	3.6	194.7
Intersegment eliminations	—	(12.3)	(12.3)	—	(15.7)	(15.7)
Consolidated sales	$1,932.4	$—	$1,932.4	$2,204.4	$—	$2,204.4

	Nine Months Ended June 30,					
	2014			2013		
	External Customers	Inter-segment	Net Sales	External Customers	Inter-segment	Net Sales
Access equipment						
Aerial work platforms	$1,295.6	$—	$1,295.6	$1,116.9	$—	$1,116.9
Telehandlers	841.8	—	841.8	831.6	—	831.6
Other	436.4	—	436.4	391.6	0.1	391.7
Total access equipment	2,573.8	—	2,573.8	2,340.1	0.1	2,340.2
Defense	1,436.2	0.2	1,436.4	2,533.4	2.5	2,535.9
Fire & emergency	513.4	28.2	541.6	526.1	34.3	560.4
Commercial						
Concrete placement	313.1	—	313.1	256.7	—	256.7
Refuse collection	214.9	—	214.9	207.9	—	207.9
Other	89.1	5.1	94.2	74.4	18.5	92.9
Total commercial	617.1	5.1	622.2	539.0	18.5	557.5
Intersegment eliminations	—	(33.5)	(33.5)	—	(55.4)	(55.4)
Consolidated sales	$5,140.5	$—	$5,140.5	$5,938.6	$—	$5,938.6

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OSHKOSH CORPORATION
Notes to Condensed Consolidated Financial Statements
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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Operating income (loss) from continuing operations:				
Access equipment	$166.8	$154.5	$373.7	$298.4
Defense	19.1	85.8	78.4	213.7
Fire & emergency	6.2	6.5	14.1	14.6
Commercial	19.9	10.0	35.5	25.6
Corporate	(37.7)	(31.2)	(111.4)	(111.8)
Intersegment eliminations	—	—	(0.1)	—
Consolidated	174.3	225.6	390.2	440.5
Interest expense net of interest income	(13.7)	(13.5)	(55.9)	(42.1)
Miscellaneous other income (expense)	0.8	(4.7)	(0.4)	(4.3)
Income from continuing operations before income taxes and equity in earnings (losses) of unconsolidated affiliates	$161.4	$207.4	$333.9	$394.1

	June 30, 2014	September 30, 2013
Identifiable assets:		
Access equipment:		
U.S.	$1,919.7	$1,673.7
Europe [a]	762.0	709.0
Rest of World	247.2	227.6
Total access equipment	2,928.9	2,610.3
Defense - U.S.	320.6	370.4
Fire & emergency - U.S.	514.0	537.1
Commercial:		
U.S.	388.2	327.4
Rest of World [a]	38.9	32.6
Total commercial	427.1	360.0
Corporate:		
U.S. [b]	607.8	878.0
Rest of World	12.9	9.9
Total corporate	620.7	887.9
Consolidated	$4,811.3	$4,765.7

[a] Includes investments in unconsolidated affiliates.
[b] Primarily includes cash and short-term investments.

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

	Nine Months Ended June 30,	
	2014	2013
Net sales:		
United States	$3,940.6	$4,688.7
Other North America	268.4	177.4

Europe, Africa and Middle East	534.0	723.0
Rest of World	397.5	349.5
Consolidated	$5,140.5	$5,938.6

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21. Separate Financial Information of Subsidiary Guarantors of Indebtedness

The 2020 Senior Notes and the 2022 Senior Notes are jointly, severally, fully and unconditionally guaranteed on a senior unsecured basis by all of the Company’s wholly-owned existing and future subsidiaries that from time to time guarantee obligations under the Credit Agreement, with certain exceptions (the “Guarantors”).

On June 30, 2014, the Company completed a holding company reorganization pursuant to which the Company became the parent holding company for the Company's entire group of businesses, including the Company's defense business, which prior to the reorganization, the Company operated directly. As part of the reorganization, the Company formed a new, wholly-owned subsidiary, Oshkosh Defense, LLC ("Oshkosh Defense"), and Oshkosh Defense succeeded to the Company's defense business. As a result, Oshkosh Defense became a guarantor of the Company's obligations under the Credit Agreement, as well as the 2020 Senior Notes and the 2022 Senior Notes. Historical information has been reclassified to reflect Oshkosh Defense as a guarantor subsidiary for all periods presented.

Under the Indentures governing the 2020 Senior Notes and 2022 Senior Notes, a Guarantor’s guarantee of such Senior Notes will be automatically and unconditionally released and will terminate upon the following customary circumstances: (i) the sale of such Guarantor or substantially all of the assets of such Guarantor if such sale complies with the indenture; (ii) if such Guarantor no longer guarantees certain other indebtedness of the Company; or (iii) the defeasance or satisfaction and discharge of the indenture. The following condensed supplemental consolidating financial information reflects the summarized financial information of Oshkosh Corporation, the Guarantors on a combined basis and Oshkosh Corporation’s non-guarantor subsidiaries on a combined basis (in millions):

Condensed Consolidating Statement of Income and Comprehensive Income
For the Three Months Ended June 30, 2014

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$—	$1,647.3	$309.8	$(24.7)	$1,932.4
Cost of sales	0.9	1,383.0	226.3	(24.7)	1,585.5
Gross income	(0.9)	264.3	83.5	—	346.9
Selling, general and administrative expenses	36.6	102.4	19.7	—	158.7
Amortization of purchased intangibles	—	10.0	3.9	—	13.9
Operating income (loss)	(37.5)	151.9	59.9	—	174.3
Interest expense	(58.2)	(12.3)	(0.8)	57.2	(14.1)
Interest income	0.7	14.6	42.3	(57.2)	0.4
Miscellaneous, net	15.5	(51.2)	36.5	—	0.8
Income (loss) from continuing operations before income taxes	(79.5)	103.0	137.9	—	161.4
Provision for (benefit from) income taxes	(32.2)	41.1	47.1	—	56.0
Income (loss) from continuing operations before equity in earnings	(47.3)	61.9	90.8	—	105.4

of affiliates					
Equity in earnings of consolidated subsidiaries	152.4	65.4	53.1	(270.9)	—
Equity in earnings of unconsolidated affiliates	—	—	(0.3)	—	(0.3)
Income from continuing operations	105.1	127.3	143.6	(270.9)	105.1
Discontinued operations, net of tax	—	—	—	—	—
Net income	105.1	127.3	143.6	(270.9)	105.1
Other comprehensive income (loss), net of tax	(4.7)	(3.7)	(1.2)	4.9	(4.7)
Comprehensive income	$100.4	$123.6	$142.4	$(266.0)	$100.4

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Condensed Consolidating Statement of Income and Comprehensive Income
For the Three Months Ended June 30, 2013

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$—	$1,980.4	$253.5	$(29.5)	$2,204.4
Cost of sales	0.9	1,630.6	217.0	(29.6)	1,818.9
Gross income	(0.9)	349.8	36.5	0.1	385.5
Selling, general and administrative expenses	31.8	96.2	18.0	—	146.0
Amortization of purchased intangibles	—	10.0	3.9	—	13.9
Operating income (loss)	(32.7)	243.6	14.6	0.1	225.6
Interest expense	(54.9)	(14.1)	(0.9)	53.3	(16.6)
Interest income	0.8	14.5	41.1	(53.3)	3.1
Miscellaneous, net	12.1	(61.9)	45.1	—	(4.7)
Income (loss) from continuing operations before income taxes	(74.7)	182.1	99.9	0.1	207.4
Provision for (benefit from) income taxes	(22.9)	57.8	25.0	—	59.9
Income (loss) from continuing operations before equity in earnings of affiliates	(51.8)	124.3	74.9	0.1	147.5
Equity in earnings of consolidated subsidiaries	200.5	40.8	66.0	(307.3)	—
Equity in earnings of unconsolidated affiliates	—	—	0.9	—	0.9
Income from continuing operations	148.7	165.1	141.8	(307.2)	148.4
Discontinued operations, net of tax	—	0.3	—	—	0.3
Net income	148.7	165.4	141.8	(307.2)	148.7
Other comprehensive income (loss), net of tax	(2.2)	(6.0)	2.5	3.5	(2.2)
Comprehensive income	$146.5	$159.4	$144.3	$(303.7)	$146.5

Condensed Consolidating Statement of Income and Comprehensive Income
For the Nine Months Ended June 30, 2014

	Oshkosh Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	$—	$4,418.5	$787.2	$(65.2)	$5,140.5
Cost of sales	2.1	3,706.8	603.3	(64.9)	4,247.3
Gross income	(2.1)	711.7	183.9	(0.3)	893.2
Selling, general and administrative expenses	110.1	283.0	68.3	—	461.4
Amortization of purchased intangibles	—	30.0	11.6	—	41.6

Operating income (loss)	(112.2	) 398.7	104.0	(0.3	) 390.2
Interest expense	(189.8	) (36.8	)		