TEREX CORP
Form 10-Q
August 01, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 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, 2018

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o
Smaller reporting company o	Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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: 73.7 million as of July 30, 2018.
The Exhibit Index begins on page 55.

TEREX CORPORATION AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation generally speaks as of June 30, 2018 unless specifically noted otherwise. Unless otherwise indicated, Terex Corporation, together with its consolidated subsidiaries, is hereinafter referred to as "Terex," the "Registrant," "us," "we," "our" or the "Company."

Forward-Looking Information

Certain information in this Quarterly Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995) 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" and the negatives thereof and analogous or similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statement is not forward-looking. We have based these forward-looking statements on current expectations and projections about future events. These statements are not guarantees of future performance. Such statements are inherently subject to a variety of risks and uncertainties that could cause actual results to differ materially from those reflected in such forward-looking statements. Such risks and uncertainties, many of which are beyond our control, include, among others:

- our business is cyclical and weak general economic conditions affect the sales of our products and financial results;
- our need to comply with restrictive covenants contained in our debt agreements;
- our ability to generate sufficient cash flow to service our debt obligations and operate our business;
- our ability to access the capital markets to raise funds and provide liquidity;
- our business is sensitive to government spending;
- our business is highly competitive and is affected by our cost structure, pricing, product initiatives and other actions taken by competitors;
- our retention of key management personnel;
- the financial condition of suppliers and customers, and their continued access to capital;
- our providing financing and credit support for some of our customers;
- we may experience losses in excess of recorded reserves;
- we are dependent upon third-party suppliers, making us vulnerable to supply shortages and price increases;
- the imposition of tariffs and related actions on trade by the U.S. and foreign governments;
- our business is global and subject to changes in exchange rates between currencies, commodity price changes, regional economic conditions and trade restrictions;
- our operations are subject to a number of potential risks that arise from operating a multinational business, including compliance with changing regulatory environments, the Foreign Corrupt Practices Act and other similar laws and political instability;
- a material disruption to one of our significant facilities;
- possible work stoppages and other labor matters;
- compliance with changing laws and regulations, particularly environmental and tax laws and regulations;
- litigation, product liability claims, intellectual property claims, class action lawsuits and other liabilities;
- our ability to comply with an injunction and related obligations imposed by the United States Securities and Exchange Commission ("SEC");

- disruption or breach in our information technology systems and storage of sensitive data;
- our ability to successfully implement our Execute to Win strategy; 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net sales	$1,402.5	$1,181.7	$2,663.4	$2,188.6
Cost of goods sold	(1,123.2)	(941.0)	(2,153.2)	(1,795.6)
Gross profit	279.3	240.7	510.2	393.0
Selling, general and administrative expenses	(175.9)	(163.0)	(335.5)	(320.0)
Income (loss) from operations	103.4	77.7	174.7	73.0
Other income (expense)				
Interest income	2.0	1.5	5.4	3.3
Interest expense	(18.2)	(15.1)	(34.2)	(36.5)
Loss on early extinguishment of debt	—	(6.5)	(0.7)	(51.9)
Other income (expense) – net	(2.4)	60.9	(1.4)	42.0
Income (loss) from continuing operations before income taxes	84.8	118.5	143.8	29.9
(Provision for) benefit from income taxes	(28.9)	(23.1)	(40.3)	5.2
Income (loss) from continuing operations	55.9	95.4	103.5	35.1
Gain (loss) on disposition of discontinued operations – net of tax	1.9	5.4	4.6	61.1
Net income (loss)	$57.8	$100.8	$108.1	$96.2
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$0.74	$0.99	$1.33	$0.35
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.06	0.06	0.61
Net income (loss)	$0.77	$1.05	$1.39	$0.96
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$0.73	$0.98	$1.30	$0.34
Gain (loss) on disposition of discontinued operations – net of tax	0.02	0.06	0.06	0.60
Net income (loss)	$0.75	$1.04	$1.36	$0.94
Weighted average number of shares outstanding in per share calculation				
Basic	75.5	95.7	77.6	100.4
Diluted	76.7	97.1	79.3	102.2
Comprehensive income (loss)	$(17.1)	$158.5	$59.4	$582.0
Dividends declared per common share	$0.10	$0.08	$0.20	$0.16

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, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$373.6	$ 626.5
Trade receivables (net of allowance of $14.8 and $16.2 at June 30, 2018 and December 31, 2017, respectively)	724.8	579.9
Inventories	1,004.6	969.6
Prepaid and other current assets	188.1	207.0
Total current assets	2,291.1	2,383.0
Non-current assets		
Property, plant and equipment – net	329.1	311.0
Goodwill	270.1	273.6
Intangible assets – net	12.6	13.8
Other assets	434.2	481.1
Total assets	$3,337.1	$ 3,462.5
Liabilities and Stockholders’ Equity		
Current liabilities		
Notes payable and current portion of long-term debt	$5.2	$ 5.2
Trade accounts payable	669.3	592.4
Other current liabilities	410.3	437.9
Total current liabilities	1,084.8	1,035.5
Non-current liabilities		
Long-term debt, less current portion	1,089.0	979.6
Retirement plans	143.6	151.3
Other non-current liabilities	71.6	73.6
Total liabilities	2,389.0	2,240.0
Commitments and contingencies		
Stockholders’ equity		
Common stock, $.01 par value – authorized 300.0 shares; issued 131.2 and 130.4 shares at June 30, 2018 and December 31, 2017, respectively	1.3	1.3
Additional paid-in capital	1,326.8	1,322.0
Retained earnings	2,090.9	1,995.9
Accumulated other comprehensive income (loss)	(288.2)	(239.5)
Less cost of shares of common stock in treasury – 58.1 and 50.2 shares at June 30, 2018 and December 31, 2017, respectively	(2,183.2)	(1,857.7)
Total Terex Corporation stockholders’ equity	947.6	1,222.0
Noncontrolling interest	0.5	0.5
Total stockholders’ equity	948.1	1,222.5
Total liabilities and stockholders’ equity	$3,337.1	$ 3,462.5

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, 2018	2017
Operating Activities		
Net income (loss)	$108.1	$96.2
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	31.3	31.3
(Gain) loss on disposition of discontinued operations	(4.6)	(61.1)
Deferred taxes	11.1	(14.9)
Loss on early extinguishment of debt	0.7	51.9
Stock-based compensation expense	18.5	20.2
Inventory and other non-cash charges	8.9	14.1
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):		
Trade receivables	(161.6)	(181.4)
Inventories	(61.0)	(8.3)
Trade accounts payable	89.6	18.1
Other assets and liabilities	1.0	(70.7)
Foreign exchange and other operating activities, net	(6.4)	(18.5)
Net cash provided by (used in) operating activities	35.6	(123.1)
Investing Activities		
Capital expenditures	(50.7)	(17.6)
Acquisitions, net of cash acquired	(6.6)	—
Proceeds from disposition of investments	19.8	—
Proceeds (payments) from disposition of discontinued operations	3.0	768.0
Proceeds from sales of assets	0.8	578.7
Net cash provided by (used in) investing activities	(33.7)	1,329.1
Financing Activities		
Repayments of debt	(443.9)	(1,585.0)
Proceeds from issuance of debt	552.1	999.0
Share repurchases	(323.0)	(506.8)
Dividends paid	(15.3)	(15.7)
Payment of debt extinguishment costs	(0.5)	(35.8)
Other financing activities, net	(13.8)	(30.2)
Net cash provided by (used in) financing activities	(244.4)	(1,174.5)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(10.5)	25.2
Net Increase (Decrease) in Cash and Cash Equivalents	(253.0)	56.7
Cash and Cash Equivalents at Beginning of Period	630.1	501.9
Cash and Cash Equivalents at End of Period	$377.1	$558.6

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

TEREX CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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, 2018 and for the three and six months ended June 30, 2018 and 2017 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 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, 2017 has been derived from the audited consolidated financial statements as of that date, but does not include all disclosures required by accounting principles generally accepted in the United States. 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, 2017.

The Condensed Consolidated Financial Statements include 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 intercompany balances, transactions and profits have been eliminated. Certain prior period amounts have been reclassified to conform with the 2018 presentation.

In the opinion of management, adjustments considered necessary for the 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, 2018 are not necessarily indicative of results that may be expected for the year ending December 31, 2018.

Cash and cash equivalents at June 30, 2018 and December 31, 2017 include $5.6 million and $5.0 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.

The following table provides amounts of cash and cash equivalents presented in the Condensed Consolidated Statement of Cash Flows (in millions):

	June 30, 2018	December 31, 2017
Cash and cash equivalents:		
Cash and cash equivalents - continuing operations	$ 373.6	$ 626.5
Cash and cash equivalents - held for sale	3.5	3.6
Total cash and cash equivalents	$ 377.1	$ 630.1

Recently Issued Accounting Standards

Accounting Standards Implemented in 2018

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09"). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. Subsequently, the FASB issued the following standards related to ASU 2014-09: ASU 2016-08, "Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," ("ASU 2016-08"); ASU 2016-10, "Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing," ("ASU 2016-10"); ASU 2016-12, "Revenue from Contracts with Customers (Topic 606) Narrow-Scope Improvements and Practical Expedients," ("ASU 2016-12"); and ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers," ("ASU 2016-20"), which provided additional guidance and clarity to ASU 2014-09 (collectively, the "New Revenue Standards"). The Company adopted the New Revenue Standards on January 1, 2018 using the modified retrospective approach and elected the significant financing component and costs of obtaining a contract practical expedients. Adoption of the New Revenue Standards did not have a material effect on the Company's consolidated financial statements. The Company's revenue recognition policy adopted as a result of the New Revenue Standards is presented below.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," ("ASU 2016-01"). The amendments in ASU 2016-01, among other things, require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income   require public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes   require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables)   and eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost. The Company adopted ASU 2016-01 on January 1, 2018. Adoption did not have a material effect on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740) - Intra-Entity Transfer of Assets Other than Inventory," ("ASU 2016-16"). ASU 2016-16 requires recognition of current and deferred income taxes resulting from an intra-entity transfer of any asset (excluding inventory) when the transfer occurs. This is a change from existing U.S. generally accepted accounting principles which prohibits recognition of current and deferred income taxes until the asset is sold to a third party. The Company adopted ASU 2016-16 on January 1, 2018. Adoption did not have a material effect on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230) - Restricted Cash," ("ASU 2016-18"). ASU 2016-18 requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The

Company adopted ASU 2016-18 on January 1, 2018. Adoption did not have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," ("ASU 2017-01"). ASU 2017-01 provides guidance in ascertaining whether a collection of assets and activities is considered a business. The Company adopted ASU 2017-01 on January 1, 2018. Adoption did not have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” (“ASU 2017-04”). ASU 2017-04 eliminates Step 2 from the goodwill impairment test. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, if any. The loss recognized should not exceed total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring goodwill impairment. The Company early adopted ASU 2017-04 on January 1, 2018. Adoption did not have a material effect on the Company’s consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, “Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets,” (“ASU 2017-05”). ASU 2017-05 is meant to clarify the scope of ASC Subtopic 610-20, “Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets” and to add guidance for partial sales of nonfinancial assets. The Company adopted ASU 2017-05 on January 1, 2018 using the modified retrospective approach. Adoption did not have a material effect on the Company’s consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” (“ASU 2017-07”). ASU 2017-07 changes how employers that sponsor defined benefit pension plans and other postretirement plans present net periodic benefit cost in the income statement. An employer is required to report the service cost component in the same line item or items as other compensation costs arising from services rendered by pertinent employees during the period. Other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The amendment also allows only the service cost component to be eligible for capitalization, when applicable. The Company adopted ASU 2017-07 on January 1, 2018. Adoption did not have a material effect on the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, “Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting,” (“ASU 2017-09”). ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance reduces diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if the award’s fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. The Company adopted ASU 2017-09 on January 1, 2018. Adoption did not have a material effect on the Company’s consolidated financial statements.

In February 2018, the FASB issued ASU 2018-03, “Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities,” (“ASU 2018-3”). ASU 2018-03 clarifies certain aspects of the guidance issued in ASU 2016-01. During the second quarter of 2018, the Company early adopted ASU 2018-03 effective January 1, 2018. Adoption did not have a material effect on the Company’s consolidated financial statements.

Accounting Standards to be Implemented

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” (“ASU 2016-02”). The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months and requires the disclosure of key information about leasing arrangements. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Company plans to adopt ASU 2016-02 in the first quarter of fiscal year 2019. During the second quarter of 2018, the Company completed a preliminary assessment of the impact of ASU 2016-02 and expects adoption to have a material effect on its consolidated financial statements due to the recognition of ROU assets and lease liabilities on the consolidated balance sheet. The Company is in the process of identifying changes to its business processes, systems and controls to support accounting for leases under the new standard which includes implementation of its newly acquired global lease accounting system.

Subsequently, the FASB issued the following standards related to ASU 2016-02: ASU 2018-01, “Land Easement Practical Expedient for Transition to Topic 842,” (“ASU 2018-01”), ASU 2018-10, “Codification Improvements to Topic 842, Leases” (“ASU 2018-10”) and ASU 2018-11, “Leases (Topic 842): Targeted Improvements” (“ASU 2018-11”). ASU 2018-01 permits an entity to elect an optional transition practical expedient under Topic 842 related to existing or expired land easements that were not previously accounted for as leases under Topic 840. ASU 2018-10 clarifies certain guidance within ASU 2016-02 and ASU 2018-11 is intended to reduce costs and ease implementation of ASU 2016-02. The Company will evaluate the impact and adopt ASU 2018-01, ASU 2018-10 and ASU 2018-11 in conjunction with its adoption of ASU 2016-02.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses,” (“ASU 2016-13”). ASU 2016-13 sets forth a “current expected credit loss” model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supportable forecasts. The guidance in this new standard replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. The effective date will be the first quarter of fiscal year 2020 and early adoption is permitted after 2018. ASU 2016-13 will be applied using a modified retrospective approach. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, “Receivables--Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities,” (“ASU 2017-08”). ASU 2017-08 shortens the amortization period for callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount. The effective date will be the first quarter of fiscal year 2019 and early adoption is permitted. Adoption will be applied on a modified retrospective basis, resulting in a cumulative-effect adjustment directly to retained earnings. Adoption is not expected to have a material effect on the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,” (“ASU 2017-12”). ASU 2017-12 expands an entity’s ability to apply hedge accounting for nonfinancial and financial risk components and allow for a simplified approach for fair value hedging of interest rate risk. ASU 2017-12 eliminates the need to separately measure and report hedge ineffectiveness and generally requires the entire change in fair value of a hedging instrument to be presented in the same income statement line as the hedged item. Additionally, ASU 2017-12 simplifies the hedge documentation and effectiveness assessment requirements under the previous guidance. The effective date will be the first quarter of fiscal year 2019 and early adoption is permitted. Adoption will be applied through a cumulative-effect adjustment to cash flows and prospectively for presentation and disclosure. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” (“ASU 2018-2”). ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from H.R. 1 “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (the “2017 Federal Tax Act”). The effective date will be the first quarter of fiscal year 2019. The Company is evaluating the impact that adoption of this new standard will have on its consolidated financial statements.

Accrued Warranties. The Company records accruals for potential warranty claims based on its claims 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 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 current portion of the product warranty liability is included in Other current liabilities and the non-current portion is included in Other non-current liabilities in the Company’s Condensed Consolidated Balance Sheet. The liability is established using historical warranty claims experience for each product sold. Historical claims 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, 2018
Balance at beginning of period	$ 52.6
Accruals for warranties issued during the period	31.9
Changes in estimates	(0.9)
Settlements during the period	(28.4)
Foreign exchange effect/other	(2.0)
Balance at end of period	$ 53.2

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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 foreign exchange contracts, cross currency swaps and a debt conversion feature on a convertible promissory note discussed in Note J – “Derivative Financial Instruments” and debt discussed in Note L – “Long-term Obligations”. These instruments 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.

Revenue Recognition. The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customer   (ii) determination of performance obligations (iii) measurement of the transaction price   (iv) allocation of the transaction price to the performance obligations   and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

In the United States, we have the ability to enter into a security agreement and receive a security interest in the product by filing an appropriate Uniform Commercial Code (“UCC”) financing statement. However, a significant portion of our revenue is generated outside of the United States. In many countries outside of the United States, as a matter of statutory law, a seller retains title to a product until payment is made. The laws do not provide for a seller’s retention of a security interest in goods in the same manner as established in the UCC. In these countries, we retain title to goods delivered to a customer until the customer makes payment so that we can recover the goods in the event of customer default on payment. In these circumstances, the Company considers the following events in order to determine when it is appropriate to recognize revenue: (i) the customer has physical possession of the product; (ii) the customer has legal title to the product; (iii) the customer has assumed the risks and rewards of ownership and (iv) the customer has communicated acceptance of the product. These events serve as indicators, along with the details contained within the contract, that it is appropriate to recognize revenue.

The Company generates revenue through the sale of machines, parts and service, and extended warranties. Revenue from product sales is recorded when the performance obligation is fulfilled, usually at the time of shipment, at the net sales price (transaction price). Estimates of variable consideration, such as volume discounts and rebates, reduce transaction price when it is probable that a customer will attain these types of sales incentives. These estimates are primarily derived from contractual terms and historical experience. The Company elected to present revenue net of sales tax and other similar taxes and account for shipping and handling activities as fulfillment costs rather than separate performance obligations. Payments are typically due either 30 or 60 days, depending on geography, following delivery of products or completion of services.

Revenue from extended warranties is recognized over time on a straight line basis because the customer benefits evenly from the extended warranty throughout the period; beginning upon expiration of the standard warranty and through end of the term. Revenue from services is recognized based on cost input method as the time and materials used in the repair portrays the most accurate depiction of completion of the performance obligation. During the six months ended June 30, 2018, revenues generated from the sale of extended warranties and services were an immaterial portion of revenue.

Revenue from sales-type leases, which is accounted for under Topic 840, is recognized at the inception of the lease. Income from operating leases is recognized ratably over the lease term. The Company routinely sells equipment subject to operating leases and related lease payments. If a substantial risk of ownership in the equipment is not retained, the transaction is recorded as a sale. If a substantial risk of ownership is retained, the transaction is recorded as a borrowing, the operating lease payments are recognized as revenue over the term of the lease and the debt is amortized over a similar period.

For detailed sales information see Note B - “Business Segment Information”.

NOTE B – BUSINESS SEGMENT INFORMATION

Terex is a global manufacturer of aerial work platforms, cranes and materials processing machinery. The Company designs, builds and supports products used in construction, maintenance, manufacturing, energy, minerals and materials management applications. Terex's products are manufactured in North and South America, Europe, Australia and Asia and sold worldwide. The Company engages with customers through all stages of the product life cycle, from initial specification and financing to parts and service support. The Company operates in three reportable segments: (i) Aerial Work Platforms ("AWP"); (ii) Cranes; and (iii) Materials Processing ("MP").

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

The Cranes segment designs, manufactures, services, refurbishes and markets a wide variety of cranes, including mobile telescopic cranes, lattice boom crawler cranes, tower cranes, and utility equipment, as well as their related components and replacement parts. Customers use these products primarily for construction, repair and maintenance of commercial buildings, manufacturing facilities, construction and maintenance of utility and telecommunication lines, tree trimming and certain construction and foundation drilling applications and a wide range of infrastructure projects.

The MP segment designs, manufactures and markets materials processing and specialty equipment, including crushers, washing systems, screens, apron feeders, material handlers, wood processing, biomass and recycling equipment, concrete mixer trucks and concrete pavers, and their related components and replacement parts. Customers use these products in construction, infrastructure and recycling projects, in various quarrying and mining applications, as well as in landscaping and biomass production industries, material handling applications, and in building roads and bridges.

The Company assists customers in their rental, leasing and acquisition of its products through Terex Financial Services ("TFS"). TFS uses its equipment financing experience to provide financing solutions to customers who purchase the Company's equipment. TFS is included in the Corporate and Other category.

Business segment information is presented below (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net Sales				
AWP	$751.1	$593.0	$1,390.0	$1,065.4
Cranes	335.3	303.8	649.3	567.7
MP	318.7	280.5	622.0	529.6
Corporate and Other / Eliminations	(2.6)	4.4	2.1	25.9
Total	$1,402.5	$1,181.7	$2,663.4	$2,188.6
Income (loss) from Operations				
AWP	$101.7	$60.8	$161.8	$82.5
Cranes	(12.3)	15.4	(22.0)	(16.5)
MP	42.4	35.5	81.3	61.1
Corporate and Other / Eliminations	(28.4)	(34.0)	(46.4)	(54.1)
Total	$103.4	$77.7	$174.7	$73.0

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	June 30, 2018	December 31, 2017
Identifiable Assets		
AWP	$1,498.5	$ 1,358.5
Cranes	1,671.4	1,685.7
MP	1,246.5	1,219.5
Corporate and Other / Eliminations (1)	(1,079.3)	(801.2)
Total	$3,337.1	$ 3,462.5

(1) Decrease due to lower cash balances, primarily related to share repurchases during the first six months of 2018.

	Three Months Ended June 30, 2018				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Product Type					
Aerial Work Platforms	$642.2	$—	$—	$ 0.4	$642.6
Mobile Cranes	—	189.9	—	1.0	190.9
Materials Processing Equipment	—	—	208.9	0.4	209.3
Other (1)	108.9	145.4	109.8	(4.4)	359.7
Total	$751.1	$335.3	$318.7	$ (2.6)	$1,402.5

(1) Includes other product types, intercompany sales and eliminations.

	Six Months Ended June 30, 2018				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Product Type					
Aerial Work Platforms	$1,195.0	$—	$—	$ 0.8	$1,195.8
Mobile Cranes	—	367.0	—	1.5	368.5
Materials Processing Equipment	—	—	422.2	0.8	423.0
Other (1)	195.0	282.3	199.8	(1.0)	676.1
Total	$1,390.0	$649.3	$622.0	$ 2.1	$2,663.4

(1) Includes other product types, intercompany sales and eliminations.

	Three Months Ended June 30, 2017				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Product Type					
Aerial Work Platforms	$493.5	$—	$—	$ 0.4	$493.9
Mobile Cranes	—	170.1	—	0.3	170.4
Materials Processing Equipment	—	—	187.3	0.3	187.6
Other (1)	99.5	133.7	93.2	0.4	326.8

Compact Construction Equipment (2)	—	—	—	3.0	3.0
Total	$593.0	$303.8	$280.5	$ 4.4	$1,181.7

(1) Includes other product types, intercompany sales and eliminations.
(2) Remaining Compact Construction product lines divested in 2017.

	Six Months Ended June 30, 2017				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Product Type					
Aerial Work Platforms	$898.2	$—	$—	$ 1.1	$899.3
Mobile Cranes	—	318.1	—	0.8	318.9
Materials Processing Equipment	0.6	—	353.4	0.5	354.5
Other (1)	166.6	249.6	176.2	(9.7)	582.7
Compact Construction Equipment (2)	—	—	—	33.2	33.2
Total	$1,065.4	$567.7	$529.6	$ 25.9	$2,188.6

(1) Includes other product types, intercompany sales and eliminations.
(2) Remaining Compact Construction product lines divested in 2017.

	Three Months Ended June 30, 2018				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Region					
North America	$502.2	$159.7	$133.4	$ 23.0	$818.3
Western Europe	145.4	71.2	96.4	0.2	313.2
Asia-Pacific	64.6	37.9	55.7	0.5	158.7
Rest of World (1)	38.9	66.5	33.2	(26.3)	112.3
Total	$751.1	$335.3	$318.7	$ (2.6)	$1,402.5

(1) Includes intercompany sales and eliminations.

	Six Months Ended June 30, 2018				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Region					
North America	$860.2	$290.8	$270.8	$ 39.3	$1,461.1
Western Europe	349.6	131.4	178.8	0.4	660.2
Asia-Pacific	115.0	77.6	100.9	0.9	294.4
Rest of World (1)	65.2	149.5	71.5	(38.5)	247.7
Total	$1,390.0	$649.3	$622.0	$ 2.1	$2,663.4

(1) Includes intercompany sales and eliminations.

	Three Months Ended June 30, 2017				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Region					
North America	$363.6	$121.5	$138.4	$ 37.1	$660.6
Western Europe	112.9	74.6	74.8	0.9	263.2
Asia-Pacific	64.8	56.6	35.0	3.1	159.5
Rest of World (1)	51.7	51.1	32.3	(36.7)	98.4
Total	$593.0	$303.8	$280.5	$ 4.4	$1,181.7

(1) Includes intercompany sales and eliminations.

	Six Months Ended June 30, 2017				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Region					
North America	$643.2	$247.1	$267.8	$ 48.7	$1,206.8
Western Europe	215.9	135.9	135.2	18.4	505.4
Asia-Pacific	121.2	80.8	67.8	11.5	281.3
Rest of World (1)	85.1	103.9	58.8	(52.7)	195.1
Total	$1,065.4	$567.7	$529.6	$ 25.9	$2,188.6

(1) Includes intercompany sales and eliminations.

NOTE C – INCOME TAXES

During the three months ended June 30, 2018, the Company recognized income tax expense of $28.9 million on income of $84.8 million, an effective tax rate of 34.1%, as compared to income tax expense of $23.1 million on income of $118.5 million, an effective tax rate of 19.5%, for the three months ended June 30, 2017. The higher effective tax rate for the three months ended June 30, 2018 is primarily due to low-taxed appreciation of Konecranes Plc, a Finnish public company limited by shares, ("Konecranes") shares and favorable geographic mix of earnings in the second quarter of 2017, partially offset by tax expense from applying a lower estimated annual effective tax rate in the second quarter of 2017 to the loss reported in the first quarter of 2017, when compared with the three months ended June 30, 2018.

During the six months ended June 30, 2018, the Company recognized income tax expense of $40.3 million on income of $143.8 million, an effective tax rate of 28.0%, as compared to income tax benefit of $5.2 million on income of $29.9 million, an effective tax rate of (17.4)%, for the six months ended June 30, 2017. The higher effective tax rate for the six months ended June 30, 2018 is primarily due to low-taxed appreciation of Konecranes shares, a tax benefit for a non-U.S. interest deduction, and favorable geographic mix of earnings, offset in part by an agreement with a non-US tax authority with respect to certain prior year tax matters in the six months ended June 30, 2017, when compared with the six months ended June 30, 2018.

During the fourth quarter of 2017, the Company recorded provisional amounts for the effects of the 2017 Federal Tax Act pursuant to Staff Accounting Bulletin No. 118. In the second quarter of 2018, the Company recorded measurement period adjustments that did not have a material effect on the condensed consolidated financial statements. The Company will continue to update its calculations as additional information is obtained and analyzed, interpretations of law and assumptions are refined, and additional guidance is issued. The Company anticipates finalizing the 2017 provisional amounts in the fourth quarter of 2018.

NOTE D – DISCONTINUED OPERATIONS

MHPS

On May 16, 2016, Terex agreed to sell its Material Handling and Port Solutions ("MHPS") business to Konecranes by entering into a Stock and Asset Purchase Agreement, as amended (the "SAPA"), with Konecranes. On January 4, 2017, the Company completed the disposition of its MHPS business to Konecranes (the "Disposition"), pursuant to the SAPA, effective as of January 1, 2017. In connection with the Disposition, the Company received 19.6 million newly issued Class B shares of Konecranes and approximately $835 million in cash after adjustments for estimated cash, debt and net working capital at closing and the divestiture of Konecranes' Stahl Crane Systems business, which was undertaken by Konecranes in connection with the Disposition. During the three and six months ended June 30, 2017, the Company recognized a gain on the Disposition (net of tax) of $5.4 million and $58.1 million, respectively.

During the three months ended June 30, 2017, the Company sold 7.0 million Konecranes shares for proceeds of approximately $277.0 million and recorded a $61.1 million net gain on sale of shares which included a gain of $53.5 million attributable to foreign exchange rate changes. During the six months ended June 30, 2017, the Company sold 14.5 million Konecranes shares for proceeds of approximately $549 million and recorded a $38.6 million net gain on sale of shares which included a gain of $44.2 million attributable to foreign exchange rate changes. The net gain is recorded as a component of Other income (expense) - net in the Condensed Consolidated Statement of Comprehensive Income (Loss).

On March 23, 2017, Konecranes declared a dividend of €1.05 per share to holders of record as of March 27, 2017, which was paid on April 4, 2017. During the six months ended June 30, 2017, the Company recognized dividend income of $13.5 million as a component of Other income (expense) - net in the Condensed Consolidated Statement of Comprehensive Income (Loss).

Loss Contract

Related to the Disposition, the Company and Konecranes entered into an agreement for Konecranes to manufacture certain crane products on behalf of the Company for an original period of 12 months, which was subsequently amended for a total of 36 months on October 11, 2017. The Company recorded an expense of $6.3 million related to losses expected to be incurred over the original agreement's life during the six months ended June 30, 2017.

Gain (loss) on disposition of discontinued operations - net of tax

	Three Months Ended June 30,			
	2018			2017
	MHPS	Trucks	Total	MHPS
Gain (loss) on disposition of discontinued operations	$(0.6)	$ —	$(0.6)	$ —
(Provision for) benefit from income taxes	0.1	2.4	2.5	5.4
Gain (loss) on disposition of discontinued operations – net of tax	$(0.5)	$ 2.4	$1.9	$ 5.4

	Six Months Ended June 30,						
	2018				2017		
	MHPS	Trucks	Atlas	Total	MHPS	Atlas	Total
Gain (loss) on disposition of discontinued operations	$(0.6)	$ —	$3.2	$2.6	$79.5	$3.5	$83.0
(Provision for) benefit from income taxes	0.1	2.4	(0.5)	2.0	(21.4)	(0.5)	(21.9)

Gain (loss) on disposition of discontinued operations – net of tax	$(0.5)	$ 2.4	$2.7	$4.6	$58.1	$3.0	$61.1

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NOTE E – EARNINGS PER SHARE

(in millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income (loss) from continuing operations	$55.9	$95.4	$103.5	$35.1
Gain (loss) on disposition of discontinued operations–net of tax	1.9	5.4	4.6	61.1
Net income (loss)	$57.8	$100.8	$108.1	$96.2
Basic shares:				
Weighted average shares outstanding	75.5	95.7	77.6	100.4
Earnings (loss) per share – basic:				
Income (loss) from continuing operations	$0.74	$0.99	$1.33	$0.35
Gain (loss) on disposition of discontinued operations–net of tax	0.03	0.06	0.06	0.61
Net income (loss)	$0.77	$1.05	$1.39	$0.96
Diluted shares:				
Weighted average shares outstanding - basic	75.5	95.7	77.6	100.4
Effect of dilutive securities:				
Stock options and restricted stock awards	1.2	1.4	1.7	1.8
Diluted weighted average shares outstanding	76.7	97.1	79.3	102.2
Earnings (loss) per share – diluted:				
Income (loss) from continuing operations	$0.73	$0.98	$1.30	$0.34
Gain (loss) on disposition of discontinued operations–net of tax	0.02	0.06	0.06	0.60
Net income (loss)	$0.75	$1.04	$1.36	$0.94

Weighted average options to purchase approximately 8,000 shares of the Company’s common stock, par value $0.01 per share (“Common Stock”), were outstanding during the three and six months ended June 30, 2017, but were not included in the computation of diluted shares as the effect would be anti-dilutive. There were no options outstanding as of June 30, 2018. Weighted average restricted stock awards of 99,000 and 29,000 were outstanding during the three and six months ended June 30, 2018, respectively, but were not included in the computation of diluted shares as the effect would be anti-dilutive or performance targets were not expected to be achieved for awards contingent upon performance. Weighted average restricted stock awards of 47,000 and 90,000 were outstanding during the three and six months ended June 30, 2017, respectively, but were not included in the computation of diluted shares as the effect would be anti-dilutive or performance targets were not expected to be achieved for awards contingent upon performance. ASC 260, “Earnings per Share,” requires that employee stock options and non-vested restricted shares granted by the Company be treated as potential common shares outstanding in computing diluted earnings per share. Under the treasury stock method, the amount the employee must pay for exercising stock options and the amount of compensation cost for future services that the Company has not yet recognized are assumed to be used to repurchase shares.

NOTE F – FINANCE RECEIVABLES

The Company, primarily through TFS, leases equipment and provides financing to customers for the purchase and use of Terex equipment. In the normal course of business, TFS assesses credit risk, establishes structure and pricing of financing transactions, documents the finance receivable, and records and funds the transactions. The Company bills and collects cash from the end customer.

The Company primarily conducts on-book business in the U.S., with limited business in China, Germany and Italy. The Company does business with various types of customers consisting of rental houses, end user customers and Terex equipment dealers.

The Company's net finance receivable balances include both sales-type leases and commercial loans. Finance receivables that management intends to hold until maturity are stated at their outstanding unpaid principal balances, net of an allowance for loan losses as well as any deferred fees and costs. Finance receivables originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value, on an individual asset basis. During the three and six months ended June 30, 2018, the Company transferred finance receivables of $64.8 million and $156.1 million, respectively, to third party financial institutions, which qualified for sales treatment under ASC 860. During the three and six months ended June 30, 2017, the Company transferred finance receivables of $45.5 million and $88.9 million, respectively, to third party financial institutions, which qualified for sales treatment under ASC 860. At June 30, 2018, the Company had $28.1 million of held for sale finance receivables recorded in Prepaid and other current assets in the Condensed Consolidated Balance Sheet.

Revenue attributable to finance receivables management intends to hold until maturity is recognized on the accrual basis using the effective interest method. The Company bills customers and accrues interest income monthly on the unpaid principal balance. The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has significant doubts about further collectability of contractual payments, even though the loan may be currently performing. A receivable may remain on accrual status if it is in the process of collection and is either guaranteed or secured. Interest received on non-accrual finance receivables is typically applied against principal. Finance receivables are generally restored to accrual status when the obligation is brought current and the borrower has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The Company has a history of enforcing the terms of these separate financing agreements.

Finance receivables, net consisted of the following (in millions):

	June 30, 2018	December 31, 2017
Commercial loans	$132.9	$ 180.2
Sales-type leases	41.6	26.5
Total finance receivables, gross	174.5	206.7
Allowance for credit losses	(4.5)	(6.6)
Total finance receivables, net	$170.0	$ 200.1

Approximately $70 million and $85 million of finance receivables are recorded in Prepaid and other current assets and approximately $100 million and $116 million are recorded in Other assets in the Condensed Consolidated Balance Sheet at June 30, 2018 and December 31, 2017, respectively.

Credit losses are charged against the allowance for credit losses when management ceases active collection efforts. Subsequent recoveries, if any, are credited to earnings. The allowance for credit losses is maintained at a level set by management which represents evaluation of known and inherent risks in the portfolio at the consolidated balance sheet date. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, market-based loss experience, specific customer situations, estimated value of any underlying collateral, current economic conditions, and other relevant factors. This evaluation is inherently subjective, since it requires estimates that may be susceptible to significant change. Although specific and general loss allowances are established in accordance with management's best estimate, actual losses are dependent upon future events and, as such, further additions to or decreases from the level of loss allowances may be necessary.

The following table presents an analysis of the allowance for credit losses (in millions):

	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Balance, beginning of period	$2.3	$ 1.5	$3.8	$5.6	$ 0.4	$6.0
Provision for credit losses	0.7	—	0.7	0.4	—	0.4
Charge offs	—	—	—	(0.1)	—	(0.1)
Balance, end of period	$3.0	$ 1.5	$4.5	$5.9	$ 0.4	$6.3

	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Balance, beginning of period	$5.7	$ 0.9	$6.6	$5.9	$ 0.4	$6.3
Provision for credit losses	(1.6)	0.6	(1.0)	0.1	—	0.1
Charge offs	(1.1)	—	(1.1)	(0.1)	—	(0.1)
Balance, end of period	$3.0	$ 1.5	$4.5	$5.9	$ 0.4	$6.3

The Company utilizes a two tier approach to set allowances: (1) identification of impaired finance receivables and establishment of specific loss allowances on such receivables; and (2) establishment of general loss allowances on the remainder of its portfolio. Specific loss allowances are established based on circumstances and factors of specific receivables. The Company regularly reviews the portfolio which allows for early identification of potentially impaired receivables. The process takes into consideration, among other things, delinquency status, type of collateral and other factors specific to the borrower.

General loss allowance levels are determined based upon a combination of factors including, but not limited to, TFS experience, general market loss experience, performance of the portfolio, current economic conditions, and management's judgment. The two primary risk characteristics inherent in the portfolio are (1) the customer's ability to meet contractual payment terms, and (2) the liquidation values of the underlying primary and secondary collaterals. The Company records a general or unallocated loss allowance that is calculated by applying the reserve rate to its portfolio, including the unreserved balance of accounts that have been specifically reserved. All delinquent accounts are reviewed for potential impairment. A receivable is deemed to be impaired when based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Amount of impairment is measured as the difference between the balance outstanding and underlying collateral value of equipment being financed, as well as any other collateral. All finance receivables identified as impaired are evaluated individually. Generally, the Company does not change terms and conditions of existing finance receivables.

The following table presents individually impaired finance receivables (in millions):

	June 30, 2018			December 31, 2017		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Recorded investment	$1.5	$ —	$1.5	$6.0	$ —	$6.0
Related allowance	0.6	—	0.6	2.4	—	2.4
Average recorded investment	3.2	—	3.2	3.7	—	3.7

The average recorded investment for impaired finance receivables was $2.5 million for commercial loans at June 30, 2017. There were no impaired sales-type leases at June 30, 2017.

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The allowance for credit losses and finance receivables by portfolio, segregated by those amounts that are individually evaluated for impairment and those that are collectively evaluated for impairment, was as follows (in millions):

	June 30, 2018			December 31, 2017		
Allowance for credit losses, ending balance:	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Individually evaluated for impairment	$0.6	$ —	$0.6	$2.4	$ —	$2.4
Collectively evaluated for impairment	2.4	1.5	3.9	3.3	0.9	4.2
Total allowance for credit losses	$3.0	$ 1.5	$4.5	$5.7	$ 0.9	$6.6
Finance receivables, ending balance:						
Individually evaluated for impairment	$1.5	$ —	$1.5	$6.0	$ —	$6.0
Collectively evaluated for impairment	131.4	41.6	173.0	174.2	26.5	200.7
Total finance receivables	$132.9	$ 41.6	$174.5	$180.2	$ 26.5	$206.7

Accounts are considered delinquent when the billed periodic payments of the finance receivables exceed 30 days past the due date.

The following tables present analysis of aging of recorded investment in finance receivables (in millions):

	June 30, 2018					
	Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Total Finance Receivables
Commercial loans	$123.6	$ 1.5	$ —	$ 7.8	$9.3	$ 132.9
Sales-type leases	41.6	—	—	—	—	41.6
Total finance receivables	$165.2	$ 1.5	$ —	$ 7.8	$9.3	$ 174.5

	December 31, 2017					
	Current	31-60 days past due	61-90 days past due	Greater than 90 days past due	Total past due	Total Finance Receivables
Commercial loans	$174.2	$ 2.1	$ —	$ 3.9	$6.0	$ 180.2
Sales-type leases	26.5	—	—	—	—	26.5
Total finance receivables	$200.7	$ 2.1	$ —	$ 3.9	$6.0	$ 206.7

Commercial loans in the amount of $6.1 million and $10.5 million were on non-accrual status as of June 30, 2018 and December 31, 2017, respectively. At June 30, 2018 and December 31, 2017, there were no sales-type leases on non-accrual status.

Credit Quality Information

Credit quality is reviewed periodically based on customers' payment status. In addition to delinquency status, any information received regarding a customer (such as bankruptcy filings, etc.) will also be considered to determine the credit quality of the customer. Collateral asset values are also monitored regularly to determine the potential loss exposures on any given transaction.

The Company uses the following internal credit quality indicators, based on an internal risk rating system, using certain external credit data, listed from the lowest level of risk to highest level of risk. The internal rating system considers factors affecting specific borrowers' ability to repay.

Finance receivables by risk rating (in millions):

Rating	June 30, 2018	December 31, 2017
Superior	$4.1	$ 3.3
Above Average	26.1	31.8
Average	36.5	73.1
Below Average	90.7	79.6
Sub Standard	17.1	18.9
Total	$174.5	$ 206.7

During the six months ended June 30, 2018, the Company reduced its portfolio relative to 2017 by syndicating its finance receivables to financial institutions. The receivables sold were primarily rated Average. The Company believes the finance receivables retained, net of allowance for credit losses, are collectible.

NOTE G – INVENTORIES

Inventories consist of the following (in millions):

	June 30, 2018	December 31, 2017
Finished equipment	$393.9	$ 419.6
Replacement parts	158.4	163.3
Work-in-process	181.3	165.6
Raw materials and supplies	271.0	221.1
Inventories	$1,004.6	$ 969.6

Reserves for lower of cost or net realizable value and excess and obsolete inventory were $83.4 million and $85.8 million at June 30, 2018 and December 31, 2017, respectively.

NOTE H – PROPERTY, PLANT AND EQUIPMENT

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

	June 30, 2018	December 31, 2017
Property	$48.2	$ 43.3
Plant	177.1	144.7
Equipment	467.3	479.3

Property, plant and equipment – gross	692.6	667.3
Less: Accumulated depreciation	(363.5)	(356.3)
Property, plant and equipment – net	$ 329.1	$ 311.0

NOTE I – GOODWILL AND INTANGIBLE ASSETS, NET

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

	AWP	Cranes	MP	Total
Balance at December 31, 2017, gross	$140.2	$179.3	$195.2	$514.7
Accumulated impairment	(38.6)	(179.3)	(23.2)	(241.1)
Balance at December 31, 2017, net	101.6	—	172.0	273.6
Foreign exchange effect and other	(0.5)	—	(3.0)	(3.5)
Balance at June 30, 2018, gross	139.7	179.3	192.2	511.2
Accumulated impairment	(38.6)	(179.3)	(23.2)	(241.1)
Balance at June 30, 2018, net	$101.1	$—	$169.0	$270.1

Intangible assets, net were comprised of the following as of June 30, 2018 and December 31, 2017 (in millions):

		June 30, 2018			December 31, 2017		
	Weighted Average Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:							
Technology	7	$18.4	$ (17.6)	$ 0.8	$18.8	$ (17.8)	$ 1.0
Customer Relationships	20	32.9	(28.5)	4.4	33.2	(28.3)	4.9
Land Use Rights	81	4.5	(0.6)	3.9	4.8	(0.6)	4.2
Other	8	26.4	(22.9)	3.5	26.5	(22.8)	3.7
Total definite-lived intangible assets		$82.2	$ (69.6)	$ 12.6	$83.3	$ (69.5)	$ 13.8

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2018	2017	2018	2017
Aggregate Amortization Expense	$0.5	$0.5	$1.0	$1.0

Estimated aggregate intangible asset amortization expense (in millions) for each of the next five years below is:

2018	$2.0
2019	$1.7
2020	$1.7
2021	$1.6
2022	$1.4

NOTE J – DERIVATIVE FINANCIAL INSTRUMENTS

The Company operates internationally, with manufacturing and sales facilities in various locations around the world. In the normal course of business, the Company primarily uses cash flow derivatives to manage foreign currency and interest rate exposures on third party and intercompany forecasted transactions. For a derivative to qualify for hedge accounting treatment at inception and throughout the hedge period, the Company formally documents the nature and relationships between hedging instruments and hedged items, as well as its risk-management objectives and strategies for undertaking various hedge transactions, and the method of assessing hedge effectiveness. Additionally, for hedges of forecasted transactions, significant characteristics and expected terms of a forecasted transaction must be specifically identified, and it must be probable that each forecasted transaction will occur. If it is deemed probable the forecasted transaction will not occur, then the gain or loss would be recognized in current earnings. Financial instruments qualifying for hedge accounting must maintain a specified level of effectiveness between the hedging instrument and the item being hedged, both at inception and throughout the hedged period. The Company does not engage in trading or other speculative use of financial instruments. The Company records all derivative contracts at fair value on a recurring basis. All of the Company's derivative financial instruments are categorized under Level 2 of the ASC 820 hierarchy, see Note A - "Basis of Presentation," for an explanation of the ASC 820 hierarchy.

Foreign Exchange Contracts

The Company enters into foreign exchange contracts to manage the variability of future cash flows associated with recognized assets or liabilities or forecasted transactions due to changing currency exchange rates. Primary currencies to which the Company is exposed are the Euro, British Pound and Australian Dollar. These foreign exchange contracts are designated as cash flow hedging instruments. Fair values of these contracts are derived using quoted forward foreign exchange prices to interpolate values of outstanding trades at the reporting date based on their maturities. Most of the foreign exchange contracts outstanding as of June 30, 2018 mature on or before June 30, 2019. At June 30, 2018 and December 31, 2017, the Company had \$320.5 million and \$313.4 million notional amount, respectively, of foreign exchange contracts outstanding that were initially designated as cash flow hedge contracts. The effective portion of unrealized gains and losses associated with foreign exchange contracts are deferred as a component of Accumulated other comprehensive income (loss) ("AOCI") until the underlying hedged transactions settle and are reclassified to Cost of goods sold ("COGS") in the Company's Condensed Consolidated Statement of Comprehensive Income (Loss).

Certain foreign exchange contracts entered into by the Company have not been designated as hedging instruments to mitigate its exposure to changes in foreign currency exchange rates on third party forecasted transactions and recognized assets and liabilities. The Company had \$80.2 million and \$113.2 million notional amount of foreign exchange contracts outstanding that were not designated as hedging instruments at June 30, 2018 and December 31, 2017, respectively. The majority of gains and losses recognized from foreign exchange contracts not designated as hedging instruments were offset by changes in the underlying hedged items, resulting in no material net impact on earnings. Changes in the fair value of these derivative financial instruments were recognized as gains or losses in Other income (expense) – net in the Condensed Consolidated Statement of Comprehensive Income (Loss).

Other

Other derivatives include cross currency swaps and a debt conversion feature on a convertible promissory note. Changes in the fair value of our cross currency swaps are deferred in AOCI. Gains or losses on cross currency swaps are reclassified to Other income (expense) - net in the Condensed Consolidated Statement of Comprehensive Income (Loss) when the underlying hedged item is re-measured. Changes in fair value of the debt conversion feature are recorded in Other income (expense) - net in the Condensed Consolidated Statement of Comprehensive Income (Loss).

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

	Balance Sheet Account	June 30, 2018 Derivatives designated as hedges	June 30, 2018 Derivatives not designated as hedges	December 31, 2017 Derivatives designated as hedges	December 31, 2017 Derivatives not designated as hedges
Foreign exchange contracts	Other current assets	$2.8	$ 0.1	$ 5.8	$ 0.3
Cross currency swap	Other current assets	0.8	—	0.7	—
Debt conversion feature	Other assets	—	2.2	—	1.5
Foreign exchange contracts	Other current liabilities	(6.7)	(0.1)	(1.6)	—
Cross currency swap	Other non-current liabilities	(4.7)	—	(5.3)	—
Net derivative asset (liability)		$(7.8)	$ 2.2	$ (0.4)	$ 1.8

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

Gain (Loss) Recognized on Derivatives in AOCI, net of tax:	Three Months Ended June 30,		Six Months Ended June 30,	
Cash Flow Derivatives	2018	2017	2018	2017
Foreign exchange contracts	$(6.3)	$4.4	$(6.8)	$5.5
Cross currency swap	0.3	—	(0.5)	—
Total	$(6.0)	$4.4	$(7.3)	$5.5

Gain (Loss) Reclassified from AOCI into Income (Effective):	Three Months Ended June 30,		Six Months Ended June 30,	
Account	2018	2017	2018	2017
Cost of goods sold	$0.4	$(0.8)	$2.6	$(2.8)
Other income (expense) – net	2.6	(0.7)	1.3	(0.7)
Total	$3.0	$(1.5)	$3.9	$(3.5)

Gain (Loss) Recognized on Derivatives (Ineffective) in Income :	Three Months Ended June 30,		Six Months Ended June 30,	
Account	2018	2017	2018	2017
Cost of goods sold	$0.5	$0.4	$1.5	$0.8
Other income (expense) – net	(0.6)	(0.3)	0.1	(0.1)
Total	$(0.1)	$0.1	$1.6	$0.7

Derivatives not designated as hedges are used to offset foreign exchange gains or losses resulting from the underlying exposures of foreign currency denominated assets and liabilities. The following table provides the effect of non-designated derivatives outstanding at the end of the period in the Condensed Consolidated Statement of Comprehensive Income (Loss) (in millions):

Gain (Loss) Recognized in Income on Derivatives not designated as hedges:	Three Months Ended June 30,	Six Months Ended June 30,

Account	2018	2017	2018	2017
Other income (expense) – net	$ 0.4	$ (1.5)	$ 0.5	$ (2.3)

In the Condensed Consolidated Statement of Comprehensive Income, the Company records hedging activity related to foreign exchange contracts, cross currency swaps and the debt conversion feature in the accounts for which the hedged items are recorded. On the Condensed Consolidated Statement of Cash Flows, the Company presents cash flows from hedging activities in the same manner as it records the underlying item being hedged.

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

See Note O - "Stockholders' Equity" for unrealized net gains (losses), net of tax, included in AOCI. Within the unrealized net gains (losses) included in AOCI as of June 30, 2018, it is estimated that $3.0 million of losses are expected to be reclassified into earnings in the next twelve months.

NOTE K – RESTRUCTURING AND OTHER CHARGES

The Company continually evaluates its cost structure to be appropriately positioned to respond to changing market conditions. From time to time, the Company may initiate certain restructuring programs to better utilize its workforce and optimize facility utilization to match demand for its products.

Restructuring

During 2016, the Company established restructuring programs in its Cranes segment to transfer production between existing facilities and close certain facilities in order to maximize labor efficiencies and reduce overhead costs. The programs are expected to cost $57.2 million, result in the reduction of approximately 550 team members and be completed in 2020.

The following table provides information for all restructuring activities by segment regarding the amount of expense/(income) incurred during the six months ended June 30, 2018, the cumulative amount of expenses incurred since inception of the programs through June 30, 2018, and the total amount expected to be incurred (in millions):

	Amount incurred during the six months ended June 30, 2018	Cumulative amount incurred through June 30, 2018	Total amount expected to be incurred
AWP	$ —	$ 0.2	$ 0.2
Cranes	(3.9)	57.2	57.2
MP	—	0.1	0.1
Corp & Other	0.9	3.0	3.0
Total	$ (3.0)	$ 60.5	$ 60.5

The following table provides information by type of restructuring activity with respect to the amount of expense/(income) incurred during the six months ended June 30, 2018, the cumulative amount of expenses incurred since inception of the programs and the total amount expected to be incurred (in millions):

	Employee Termination Costs	Facility Exit Costs	Asset Disposal and Other Costs	Total
Amount incurred during the six months ended June 30, 2018	$ (4.7)	$ 1.7	$ —	$(3.0)
Cumulative amount incurred through June 30, 2018	$ 40.9	$ 6.8	$ 12.8	$60.5
Total amount expected to be incurred	$ 40.9	$ 6.8	$ 12.8	$60.5

During the six months ended June 30, 2018, restructuring charges/(reductions) of ($2.5) million and $(0.5) million, were included in COGS and SG&A, respectively. During the six months ended June 30, 2017, restructuring charges/(reductions) of $(0.6) million and $1.0 million were included in COGS and SG&A, respectively.

The following table provides a roll forward of the restructuring reserve by type of restructuring activity for the six months ended June 30, 2018 (in millions):

	Employee Termination Costs
Restructuring reserve at December 31, 2017	$ 29.7
Restructuring reserve increase (decrease)	(4.7)
Cash expenditures	(8.2)
Foreign exchange	(0.3)
Restructuring reserve at June 30, 2018	$ 16.5

Other Charges

During the six months ended June 30, 2018, the Company recorded $0.5 million and $2.8 million as components of COGS and SG&A, respectively, for severance charges across all segments and corporate functions. During the six months ended June 30, 2017, the Company recorded an $18.0 million reduction to COGS, primarily due to the decrease in severance accruals for our Cranes segment established in the fourth quarter of 2016 as production volumes were expected to exceed earlier forecasts requiring us to maintain a higher headcount. During the six months ended June 30, 2017, the Company recorded $4.8 million as a component of SG&A for severance charges across all segments and corporate functions.

NOTE L – LONG-TERM OBLIGATIONS

2017 Credit Agreement

On January 31, 2017, the Company entered into a new credit agreement (as amended, the “2017 Credit Agreement”), with the lenders and issuing banks party thereto and Credit Suisse AG, Cayman Islands Branch (“CSAG”), as administrative agent and collateral agent. The 2017 Credit Agreement includes a revolving line of credit as further described below and a $400 million senior secured term loan (the “Term Loan”), which will mature on January 31, 2024. In connection with the 2017 Credit Agreement, the Company terminated its 2014 Credit Agreement (as defined below), among the Company and certain of its subsidiaries, the lenders thereunder and CSAG, as administrative agent and collateral agent, and related agreements and documents.

On August 17, 2017, the Company entered into an Incremental Assumption Agreement and Amendment No. 1 to the 2017 Credit Agreement which lowered the interest rate on the Company’s Term Loan by 0.25%. On February 28, 2018, the Company entered into an Incremental Assumption Agreement and Amendment No. 2 (“Amendment No. 2”) to the 2017 Credit Agreement which lowered the interest rate on the Company’s Term Loan by an additional 0.25%. The Term Loan portion of the 2017 Credit Agreement bears interest at a rate of London Interbank Offered Rate (“LIBOR”) plus 2.00% with a 0.75% LIBOR floor. On April 10, 2018, the Company entered into an Incremental Revolving Credit Assumption Agreement to the 2017 Credit Agreement which increased the size of the revolving line of credit from $450 million to $600 million available through January 31, 2022. The 2017 Credit Agreement allows unlimited incremental commitments, which may be extended at the option of the existing or new lenders and can be in the form of revolving credit commitments, term loan commitments, or a combination of both, with incremental amounts in excess of $300 million as long as the Company satisfies a senior secured leverage ratio contained in the 2017 Credit Agreement.

The 2017 Credit Agreement requires the Company to comply with a number of covenants, which limit, in certain circumstances, the Company’s ability to take a variety of actions, including but not limited to: incur indebtedness; create or maintain liens on its property or assets; make investments, loans and advances; repurchase shares of its common stock; engage in acquisitions, mergers, consolidations and asset sales; redeem debt; and pay dividends and distributions. If the Company's borrowings under its revolving line of credit are greater than 30% of the total revolving credit commitments, the 2017 Credit Agreement requires the Company to comply with certain financial tests, as defined in the 2017 Credit Agreement. If applicable, the minimum required levels of the interest coverage ratio would be 2.5 to 1.0 and the maximum permitted levels of the senior secured leverage ratio would be 2.75 to 1.0. The 2017 Credit Agreement also contains customary default provisions.

During the six months ended June 30, 2018, the Company recorded a loss on early extinguishment of debt related to Amendment No. 2 to the 2017 Credit Agreement of approximately $0.7 million.

As of June 30, 2018 and December 31, 2017, the Company had $393.2 million and $395.1 million, net of discount, respectively, in the Term Loan outstanding under the 2017 Credit Agreement. The weighted average interest rate on the Term Loan at June 30, 2018 and December 31, 2017 was 4.33% and 3.94%, respectively. The Company had $110.5 million revolving credit amounts outstanding as of June 30, 2018. The weighted average interest rate on the revolving credit amounts at June 30, 2018 was 4.73%. The Company had no revolving credit amounts outstanding as of December 31, 2017.

The 2017 Credit Agreement incorporates facilities for issuance of letters of credit up to $400 million. Letters of credit issued under the 2017 Credit Agreement letter of credit facility decrease availability under the revolving line of credit (which was increased to $600 million on April 10, 2018). As of June 30, 2018 and December 31, 2017, the Company had no letters of credit issued under the 2017 Credit Agreement. The 2017 Credit Agreement also permits the Company to have additional letter of credit facilities up to $300 million, and letters of credit issued under such additional facilities do not decrease availability under the revolving lines of credit. The Company had letters of credit issued under the additional letter of credit facilities of the 2017 Credit Agreement that totaled $33.7 million and $34.3 million as of June 30, 2018 and December 31, 2017, respectively.

The Company also has bilateral arrangements to issue letters of credit with various other financial institutions. These additional letters of credit do not reduce the Company's availability under the 2017 Credit Agreement. The Company had letters of credit issued under these additional arrangements of $33.6 million and $23.1 million as of June 30, 2018 and December 31, 2017, respectively.

In total, as of June 30, 2018 and December 31, 2017, the Company had letters of credit outstanding of $67.3 million and $57.4 million, respectively. The letters of credit generally serve as collateral for certain liabilities included in the Condensed Consolidated Balance Sheet. Certain letters of credit serve as collateral guaranteeing the Company's performance under contracts.

Furthermore, the Company and certain of its subsidiaries agreed to take certain actions to secure borrowings under the 2017 Credit Agreement. As a result, on January 31, 2017, Terex and certain of its subsidiaries entered into a Guarantee and Collateral Agreement with CSAG, as collateral agent for the lenders, granting security and guarantees to the lenders for amounts borrowed under the 2017 Credit Agreement. Pursuant to the Guarantee and Collateral Agreement, Terex is required to (a) pledge as collateral the capital stock of the Company's material domestic subsidiaries and 65% of the capital stock of certain of the Company's material foreign subsidiaries, and (b) provide a first priority security interest in substantially all of the Company's domestic assets.

2014 Credit Agreement

On August 13, 2014 the Company entered into a credit agreement (as amended, the "2014 Credit Agreement"), with the lenders party thereto and CSAG, as administrative agent and collateral agent. The 2014 Credit Agreement provided the Company with a senior secured revolving line of credit of up to $600 million that was available through August 13, 2019, a $230.0 million senior secured term loan and a €200.0 million senior secured term loan.

On January 31, 2017, in connection with the 2017 Credit Agreement, the Company terminated its 2014 Credit Agreement, among the Company and certain of its subsidiaries, the lenders thereunder and CSAG, as administrative agent and collateral agent, and related agreements and documents.

During the six months ended June 30, 2017, the Company recorded a loss on early extinguishment of debt related to its 2014 Credit Agreement of $8.2 million.

6-1/2% Senior Notes

On March 27, 2012, the Company sold and issued $300.0 million aggregate principal amount of Senior Notes Due 2020 (“6-1/2% Notes”) at par. The proceeds from these notes were used for general corporate purposes. The 6-1/2% Notes became redeemable by the Company beginning in April 2016 at an initial redemption price of 103.25% of principal amount. The Company redeemed $45.8 million principal amount of the 6-1/2% Notes in the first quarter of 2017 for $47.9 million, including market premiums of $1.2 million and accrued but unpaid interest of $0.9 million. The Company redeemed the remaining $254.2 million principal amount of the 6-1/2% Notes on April 3, 2017 for $266.7 million, including accrued but unpaid interest of $8.4 million and a call premium of $4.1 million (which was recorded as Loss on early extinguishment of debt on that date). The 6-1/2% Notes were jointly and severally guaranteed by certain of the Company’s domestic subsidiaries.

6% Senior Notes

On November 26, 2012, the Company sold and issued $850.0 million aggregate principal amount of Senior Notes due 2021 (“6% Notes”) at par. The proceeds from this offering plus other cash were used to redeem all $800.0 million principal amount of the outstanding 8% Senior Subordinated Notes. During the first quarter of 2017, the Company redeemed all $850.0 million of the 6% Notes for $887.2 million including redemption premiums of $25.9 million and accrued but unpaid interest of $11.3 million.

5-5/8% Senior Notes

On January 31, 2017, the Company sold and issued $600.0 million aggregate principal amount of Senior Notes Due 2025 (“5-5/8% Notes”) at par in a private offering. The proceeds from the 5-5/8% Notes, together with cash on hand, including cash from the sale of our MHPS business, was used: (i) to complete a tender offer for up to $550.0 million of our 6% Notes, (ii) to redeem and discharge such portion of the 6% Senior Notes not purchased in the tender offer, (iii) to fund a $300.0 million partial redemption of the 6% Notes, (iv) to fund repayment of all $300.0 million aggregate principal amount outstanding of our 6-1/2% Notes on or before April 3, 2017, (v) to pay related premiums, fees, discounts and expenses, and (vi) for general corporate purposes, including repayment of borrowings outstanding under the 2014 Credit Agreement. The 5-5/8% Notes are jointly and severally guaranteed by certain of the Company’s domestic subsidiaries.

During the three and six months ended June 30, 2017, the Company recorded a loss on early extinguishment of debt related to its 6% Notes and its 6-1/2% Notes of $6.5 million and $43.7 million, respectively.

Fair Value of Debt

Based on indicative price quotations from financial institutions multiplied by the amount recorded on the Company’s Condensed Consolidated Balance Sheet (“Book Value”), the Company estimates the fair values (“FV”) of its debt set forth below as of June 30, 2018, as follows (in millions, except for quotes):

	Book Value	Quote	FV
5-5/8% Notes	$600.0	$0.98750	$593
2017 Credit Agreement Term Loan (net of discount)	$393.2	$1.00042	$393

The fair value of debt reported in the table above is based on price quotations on the debt instrument in an active market and therefore categorized under Level 1 of the ASC 820 hierarchy. See Note A – “Basis of Presentation,” for an explanation of the ASC 820 hierarchy. The Company believes that the carrying value of its other borrowings, including amounts outstanding, if any, for the revolving credit line under the 2017 Credit Agreement approximate fair market value based on maturities for debt of similar terms. The fair value of these other borrowings are categorized under Level 2 of the ASC 820 hierarchy.

NOTE M – RETIREMENT PLANS AND OTHER BENEFITS

The Company maintains defined benefit plans in the United States, France, Germany, India, Switzerland and the United Kingdom for some of its subsidiaries, including a nonqualified Supplemental Executive Retirement Plan ("SERP") in the United States. In Italy there are mandatory termination indemnity plans providing a benefit that is payable upon termination of employment in substantially all cases of termination. The Company also has several programs that provide postemployment benefits, including health and life insurance benefits, to certain former salaried and hourly employees. Information regarding the Company's plans, including the SERP, was as follows (in millions):

	Three Months Ended June 30,						Six Months Ended June 30,					
	2018			2017			2018			2017		
	U.S. Pension	Non-U.S. Pension	Other	U.S. Pension	Non-U.S. Pension	Other	U.S. Pension	Non-U.S. Pension	Other	U.S. Pension	Non-U.S. Pension	Other
Components of net periodic cost:												
Service cost	$0.1	$ 0.7	$—	$0.1	$ 0.7	$—	$0.2	$ 1.4	$—	$0.3	$ 1.4	$—
Interest cost	1.4	1.3	0.1	1.5	1.3	0.1	2.9	2.5	0.1	3.2	2.5	0.1
Expected return on plan assets	(2.0)	(1.4)	—	(1.9)	(1.2)	—	(4.0)	(2.7)	—	(3.9)	(2.4)	—
Amortization of actuarial loss	1.1	0.8	—	1.2	0.8	—	2.1	1.7	—	2.3	1.6	—
Other costs	—	0.2	—	—	—	—	—	0.2	—	—	—	—
Net periodic cost	$0.6	$ 1.6	$ 0.1	$0.9	$ 1.6	$ 0.1	$1.2	$ 3.1	$ 0.1	$1.9	$ 3.1	$ 0.1

Components of Net periodic cost other than the Service cost component are included in Other income (expense) - Net in the Condensed Consolidated Statement of Comprehensive Income.

NOTE N – LITIGATION AND CONTINGENCIES

General

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

Securities and Stockholder Derivative Lawsuits

In 2010, the Company received complaints seeking certification of class action lawsuits as follows:

- A consolidated class action complaint for violations of securities laws was filed in the United States District Court, District of Connecticut on November 18, 2010 and is entitled Sheet Metal Workers Local 32 Pension Fund and Ironworkers St. Louis Council Pension Fund, individually and on behalf of all others similarly situated v. Terex Corporation, et al.
- A stockholder derivative complaint for violation of the Securities and Exchange Act of 1934, breach of fiduciary duty, waste of corporate assets and unjust enrichment was filed on April 12, 2010 in the United States District Court, District of Connecticut and is entitled Peter Derrer, derivatively on behalf of Terex Corporation v. Ronald M. DeFeo, Phillip C. Widman, Thomas J. Riordan, G. Chris Andersen, Donald P. Jacobs, David A. Sachs, William H. Fike, Donald DeFosset, Helge H. Wehmeier, Paula H.J. Cholmondeley, Oren G. Shaffer, Thomas J. Hansen, and David C. Wang, and Terex Corporation.

These lawsuits generally cover the time period from February 2008 to February 2009 and allege, among other things, that certain of the Company's SEC filings and other public statements contained false and misleading statements which resulted in damages to the Company, the plaintiffs and the members of the purported class when they purchased the Company's securities and that there were breaches of fiduciary duties. The stockholder derivative complaint also alleges waste of corporate assets relating to the repurchase of the Company's shares in the market and unjust enrichment as a result of securities sales by certain officers and directors. The complaints seek, among other things, unspecified compensatory damages, costs and expenses. As a result, the Company is unable to estimate a possible loss or a range of losses for these lawsuits. The stockholder derivative complaint also seeks amendments to the Company's corporate governance procedures in addition to unspecified compensatory damages from the individual defendants in its favor.

On March 31, 2018, the securities lawsuit was dismissed against all of the named defendants except Mr. Riordan and Terex. In addition, certain claims were also narrowed. However, as all claims against Mr. Riordan were not dismissed, the case will continue against both Mr. Riordan and as a result Terex as well. The Company believes that the remaining allegations in the securities suit and allegations in the stockholder derivative claim are without merit, and Terex, its directors and the named executives will vigorously defend against them. The Company believes that it has acted, and continues to act, in compliance with federal securities laws and Delaware law with respect to these matters. However, the outcome of the lawsuits cannot be predicted and, if determined adversely, could ultimately result in the Company incurring significant liabilities.

Demag Cranes AG Appraisal Proceedings

In connection with the Company's purchase of Demag Cranes AG ("DCAG") in 2011, certain former shareholders of DCAG initiated appraisal proceedings relating to (i) a domination and profit loss transfer agreement between DCAG and Terex Germany GmbH & Co. KG (the "DPLA Proceeding") and (ii) the squeeze out of the former DCAG shareholders (the "Squeeze out Proceeding") alleging that the Company did not pay fair value for the shares of DCAG. In April 2018, the Company reached an agreement with the former shareholders of DCAG to settle the DPLA Proceeding for an amount not material to the Company's consolidated financial statements. The Squeeze out Proceeding will continue and is still in the relatively early stages. While the Company believes the position of the former shareholders of DCAG is without merit and is vigorously opposing it, no assurance can be given as to the final resolution of the Squeeze out Proceeding or that the Company will not ultimately be required to make an additional payment as a result of such dispute.

Other

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

Credit Guarantees

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

As of June 30, 2018 and December 31, 2017, the Company's maximum exposure to such credit guarantees was $52.0 million and $49.2 million, respectively. Terms of these guarantees coincide with the financing arranged by the customer and generally do not exceed five years. Given the Company's position as original equipment manufacturer and its knowledge of end markets, the Company, when called upon to fulfill a guarantee, generally has been able to liquidate the financed equipment at a minimal loss, if any, to the Company.

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

Residual Value Guarantees

The Company issues residual value guarantees under sales-type leases. A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. Maximum exposure for residual value guarantees issued by the Company totaled $3.3 million and $4.2 million as of June 30, 2018 and December 31, 2017, respectively. The Company is generally able to mitigate some risk associated with these guarantees because the maturity of guarantees is staggered, limiting the amount of used equipment entering the marketplace at any one time.

The Company has recorded an aggregate liability within Other current liabilities and Other non-current liabilities in the Condensed Consolidated Balance Sheet of approximately $4 million as of June 30, 2018 and December 31, 2017, respectively, for estimated fair value of all guarantees provided.

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

NOTE O – STOCKHOLDERS' EQUITY

Changes in Accumulated Other Comprehensive Income (Loss)

The table below presents changes in AOCI by component for the three and six months ended June 30, 2018 and 2017. All amounts are net of tax (in millions).

	Three Months Ended June 30, 2018					Three Months Ended June 30, 2017				
	CTA	Derivative Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj.	Total	CTA	Derivative Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj.	Total
Beginning balance	$(113.3)	$ 0.8	$ 0.8	$(101.6)	$(213.3)	$(244.3)	$ (1.3)	$ 0.7	$(106.4)	$(351.3)
Other comprehensive income (loss) before reclassifications	(74.5)	(3.8)	(0.1)	4.2	(74.2)	49.1	3.4	0.6	(2.7)	50.4
Amounts reclassified from AOCI	—	(2.2)	—	1.5	(0.7)	4.9	1.0	—	1.4	7.3
Net Other Comprehensive Income (Loss)	(74.5)	(6.0)	(0.1)	5.7	(74.9)	54.0	4.4	0.6	(1.3)	57.7
Ending balance	$(187.8)	$ (5.2)	$ 0.7	$(95.9)	$(288.2)	$(190.3)	$ 3.1	$ 1.3	$(107.7)	$(293.6)

	Six Months Ended June 30, 2018					Six Months Ended June 30, 2017				
	CTA	Derivative Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj.	Total	CTA (1)	Derivative Hedging Adj.	Debt & Equity Securities Adj.	Pension Liability Adj. (2)	Total
Beginning balance	$(144.7)	$ 2.1	$ 4.3	$(101.2)	$(239.5)	$(615.3)	$ (2.4)	$ 0.6	$(162.3)	$(779.4)
Other comprehensive income (loss) before reclassifications	(43.1)	(4.7)	(3.6)	2.3	(49.1)	68.0	2.8	0.6	(3.5)	67.9
Amounts reclassified from AOCI	—	(2.6)	—	3.0	0.4	357.0	2.7	0.1	58.1	417.9
Net Other Comprehensive Income (Loss)	(43.1)	(7.3)	(3.6)	5.3	(48.7)	425.0	5.5	0.7	54.6	485.8
Ending balance	$(187.8)	$ (5.2)	$ 0.7	$(95.9)	$(288.2)	$(190.3)	$ 3.1	$ 1.3	$(107.7)	$(293.6)

(1) Reclassification of $352.1 million of losses (net of $1.5 million of tax benefits) from AOCI to Gain (loss) on disposition of discontinued operations - net of tax in connection with the sale of the MHPS business during the six months ended June 30, 2017.
(2) Reclassification of AOCI during the six months ended June 30, 2017 primarily relates to $55.4 million of losses (net of $23.9 million of tax benefits) reclassified from AOCI to Gain (loss) on disposition of discontinued operations - net of tax in connection with the sale of the MHPS business.

Stock-Based Compensation

During the six months ended June 30, 2018, the Company awarded 1.0 million shares of restricted stock to its employees with a weighted average grant date fair value of $40.15 per share. Approximately 60% of these awards are time-based and vest ratably on each of the first three anniversary dates. Approximately 26% cliff vest at the end of a three year period and are subject to performance targets that may or may not be met and for which the performance period has not yet been completed. Approximately 14% cliff vest and are based on performance targets containing a market condition determined over a three year period. The Company used the Monte Carlo method to determine grant date fair value of $41.57 per share for the awards with a market condition granted on March 8, 2018. The Monte Carlo method is a statistical simulation technique used to provide the grant date fair value of an award. The following table presents the weighted-average assumptions used in the valuation:

	Grant date March 8, 2018	
Dividend yields	1.00	%
Expected volatility	40.41	%
Risk free interest rate	2.38	%
Expected life (in years)	3	

Share Repurchases and Dividends

In February 2015, the Company announced authorization by its Board of Directors for the repurchase of up to $200 million of the Company’s outstanding shares of common stock of which approximately $131 million of this authorization was utilized prior to January 1, 2017. In February 2017, the Company announced authorization by its Board of Directors for the repurchase of up to an additional $350 million of the Company’s outstanding shares of common stock. In May 2017, the Company announced the completion of the February 2015 and February 2017 authorizations and the Company’s Board of Directors had authorized the repurchase of up to an additional $280 million of the Company’s outstanding shares of common stock. In September 2017, the Company announced the completion of the May 2017 authorization and the Company’s Board of Directors authorized a repurchase of up to an additional $225 million of the Company’s outstanding shares of common stock. In February 2018, the Company announced authorization by its Board of Directors for the repurchase of up to an additional $325 million of the Company’s outstanding shares of common stock. During the six months ended June 30, 2018, the Company repurchased 8.0 million shares for $325 million under this program. A portion of the share repurchases was executed prior to June 30, 2018 but cash settled in July. In July 2018, the Company announced the completion of the February 2018 authorization and the Company’s Board of Directors authorized the repurchase of up to an additional $300 million of the Company’s outstanding shares of common stock. In the first and second quarter of 2018, the Company’s Board of Directors declared a dividend of $0.10 per share, which was paid to its shareholders. In July 2018, the Company’s Board of Directors declared a dividend of $0.10 per share which will be paid on September 19, 2018.

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

BUSINESS DESCRIPTION

Terex is a global manufacturer of aerial work platforms, cranes and materials processing machinery. We design, build and support products used in construction, maintenance, manufacturing, energy, minerals and materials management applications. Our products are manufactured in North and South America, Europe, Australia and Asia and sold worldwide. We engage with customers through all stages of the product life cycle, from initial specification and financing to parts and service support.

We manage and report our business in the following segments: (i) Aerial Work Platforms (“AWP”); (ii) Cranes; and (iii) Materials Processing (“MP”). Further information about our industry and reportable segments, including geographic information, appears below and in Note B – “Business Segment Information” in the Notes to the Condensed Consolidated Financial Statements.

Non-GAAP Measures

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

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

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

We calculate a non-GAAP measure of free cash flow. We define free cash flow as Net cash provided by (used in) operating activities, plus (minus) increases (decreases) in Terex Financial Services finance receivables consisting of sales-type leases and commercial loans (“TFS Assets”), less Capital expenditures (excluding the acquisition of our Northern Ireland properties). We believe that this measure of free cash flow provides management and investors further useful information on cash generation or use in our primary operations.

We discuss forward looking information related to expected earnings per share (“EPS”) excluding restructuring charges and other items. Our 2018 outlook for earnings per share is a non-GAAP financial measure because it excludes items such as restructuring and other related charges, transformation costs, the impact of the release of tax valuation allowances, gains and losses on divestitures and other unusual items such as the impact of H.R. 1 “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018” (the “2017 Federal Tax Act”). The Company is not able to reconcile these forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures without unreasonable efforts because the Company is unable to predict with a reasonable degree of certainty the exact timing and impact of such items. The unavailable information could have a significant impact on the Company’s full-year 2018 GAAP financial results. Adjusted EPS provides guidance to investors about our EPS expectations excluding restructuring and other charges that we do not believe are reflective of our ongoing operations.

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

Non-GAAP measures we also use include Net Operating Profit After Tax ("NOPAT") as adjusted, income (loss) from operations as adjusted, annualized effective tax rate as adjusted, cash and cash equivalents as adjusted, Debt as defined below and Terex Corporation stockholders' equity as adjusted, which are used in the calculation of our after tax return on invested capital ("ROIC") (collectively the "Non-GAAP Measures"), which are discussed in detail below.

Overview

Focus, Simplify and Execute to Win are the three pillars of our business strategy. With the Focus element of the Terex Strategy complete, we remain committed to Simplifying the Company and deploying our Execute to Win business system. We believe we have entered a period of broad-based growth potential. In this environment, it is important our operations execute at a high level, and in parallel continue our transformational initiatives that will drive fundamental improvements in Terex for the long term. We continued to invest in our Execute to Win business system, which remains focused on enhancing our capabilities in Commercial Excellence, Lifecycle Solutions and Strategic Sourcing. We are seeing benefits from Commercial Excellence in our performance, and expect to start to realize benefits from Strategic Sourcing in the second half of 2018.

We had a very strong second quarter of 2018. We increased sales, operating margin and backlog in AWP and MP. AWP executed well with excellent production and sales in the second quarter of 2018, building off its strong first quarter. MP continued to execute, notching its seventh consecutive quarter of year-over-year margin expansion. Cranes' results in the second quarter were consistent with our expectations as we continue to experience supply chain challenges in our mobile cranes operations. We see positive momentum in our backlog (firm orders expected to be filled within one year) for our segments, which was up 31% year-over-year, excluding Corporate and Other. This is the sixth consecutive quarter of year-over-year backlog growth in each of our business segments.

Our AWP segment's second quarter 2018 results included continued strong net sales and improved operating margins, although increased commodity prices, mostly for steel, were a headwind. AWP continues to execute well and has done a very good job ramping up production to meet strong, broad-based demand in North America, Western Europe and China. We believe we are at an early point in the growth cycle for aerial work platforms, both in North America and Western Europe. China and other developing markets are still in the early phase of adopting the products, and there we expect significant growth ahead. Detailed modeling of the AWP fleet, macro-economic fundamentals, and discussions with our customers, all suggest we are in a multi-year growth period. This can be seen in AWP's backlog, which is up $54 million, or 11% on a year-over-year basis. We expect margins to be improved for the full year 2018 versus 2017 on the incremental sales volume although higher material costs is a potential headwind.

While our Cranes segment's second quarter financial performance declined year-over-year, it was in-line with our expectations for the quarter. Global crane markets were fairly stable with pockets of growth as expected. We increased sales and backlog in mobile cranes, tower cranes and utilities equipment. However, as expected, our mobile cranes operations continued to be negatively impacted by challenges in the supply chain. After several years of lower production schedules, elements of the supply base did not ramp up as quickly as we needed. We are improving our materials management capabilities and better aligning production schedules with detailed commitments from our suppliers. We are beginning to realize better production rates and improving productivity. While we expect Cranes financial performance to improve in the second half of the year, it is likely Cranes will generate an operating loss in the third quarter in line or slightly better than the second quarter before returning to profitability in the fourth quarter.

Our MP segment had another excellent quarter, with its operating profit improving on increased net sales. Growth was driven by our mobile crushing and screening and scrap material handling product lines. Broad-based economic growth, construction activity and aggregate consumption continue to be primary drivers of demand for our crushing and screening equipment. We expect global demand for crushing and screening equipment to continue to grow. We also expect demand to grow for our scrap material handling product line due to improving markets. We are encouraged by our backlog for the segment, which is up 75% compared to prior year. We expect margins to improve for the full year 2018 versus 2017 on incremental sales volume, although higher input costs are a potential headwind.

Geographically, our largest market is North America, which represents approximately 54% of our global sales in continuing operations. Our sales grew globally, with sales up by double digit percentages in both North America and Western Europe.

We continued to execute on our disciplined capital allocation strategy in the second quarter of 2018. We also continued to invest in our Transformation priority areas. These targeted investments in high-impact areas are starting to pay off, and are expected to result in performance improvements over the longer term. An element of our strategy is making strategic investments in manufacturing capability. We have made and will continue to make investments to improve our manufacturing. We also repurchased approximately 3 million Terex shares in the second quarter for approximately $116 million. See Part II, Item 2 “Unregistered Sales of Equity Securities and Use of Proceeds” for further information on our share repurchases. In total, over the past 18 months, we have repurchased approximately 34 million shares for $1.25 billion, which is the mid-point of the $1.0 to $1.5 billion commitment we made at our December 2016 Investor Day. In July 2018, our Board of Directors authorized the repurchase of up to an additional $300 million of Terex stock. The timing of share repurchases will be based on available liquidity, cash flows, general market conditions and compliance with covenants in our debt agreements.

In April 2018, we increased our revolving line of credit to $600 million, providing $150 million of additional liquidity. We believe our liquidity continues to be sufficient to meet our business plans. See “Liquidity and Capital Resources” for a detailed description of liquidity and working capital levels, including the primary factors affecting such levels.

An important development in the first half of 2018 was the announcement of the Section 232 tariffs on steel imports into the United States. Steel prices had been trending up and market prices and futures prices for steel rose dramatically in the first half of 2018. We addressed the significant increase in steel prices by implementing surcharges on product lines that were impacted by these increases. We are working closely with our customers, being open and transparent, to share increases equitably with them. Another significant potential change in market dynamics is the implementation of new tariffs on certain Chinese imports beginning in early July 2018. These developments highlight that there are uncertainties in the global environment including tariffs, international trade issues, political instability and supplier constraints that could impact us. We have developed plans to limit the impact of the tariffs. For the purposes of our guidance set forth below, we are assuming the tariffs to have minimal impact on our 2018 financial performance. By executing our strategy and building capabilities in key areas, we believe we are well positioned to execute our plans and respond favorably as needed to changing market dynamics.

As a result of the Company’s strong operational performance and capital market actions we took in the first half of 2018, as well as the market and operational dynamics we anticipate over the balance of the year, we are updating our full year 2018 guidance. We now expect 2018 earnings per share (“EPS”) to be between $2.80 and $3.00, excluding restructuring and other unusual items and any additional share repurchases, on net sales of approximately $5.1 billion.

ROIC

ROIC and other Non-GAAP Measures (as calculated below) assist in showing how effectively we utilize capital invested in our operations. ROIC is determined by dividing the sum of NOPAT for each of the previous four quarters by the average of Debt less Cash and cash equivalents plus Terex Corporation stockholders' equity for the previous five quarters. NOPAT for each quarter is calculated by multiplying Income (loss) from operations by one minus the annualized effective tax rate.

In the calculation of ROIC, we adjust income (loss) from operations, annualized effective tax rate, cash and cash equivalents and Terex Corporation stockholders' equity to remove the effects of the impact of certain transactions in order to create a measure that is useful to understanding our operating results and the ongoing performance of our underlying business without the impact of unusual items as shown in the tables below. Furthermore, we believe returns on capital deployed in TFS do not represent our primary operations and, therefore, TFS Assets and results from operations have been excluded from the Non-GAAP Measures. Debt is calculated using amounts for Notes payable and current portion of long-term debt plus Long-term debt, less current portion. We calculate ROIC using the last four quarters' adjusted NOPAT as this represents the most recent 12-month period at any given point of determination. In order for the denominator of the ROIC ratio to properly match the operational period reflected in the numerator, we include the average of five quarters' ending balance sheet amounts so that the denominator includes the average of the opening through ending balances (on a quarterly basis) thereby providing, over the same time period as the numerator, four quarters of average invested capital.

Terex management and Board of Directors use ROIC as one measure to assess operational performance, including in connection with certain compensation programs. We use ROIC as a metric because we believe it measures how effectively we invest our capital and provides a better measure to compare ourselves to peer companies to assist in assessing how we drive operational improvement. We believe ROIC measures return on the amount of capital invested in our primary businesses, excluding TFS, as opposed to another metric such as return on stockholders' equity that only incorporates book equity, and is thus a more accurate and descriptive measure of our performance. We also believe adding Debt less Cash and cash equivalents to Terex Corporation stockholders' equity provides a better comparison across similar businesses regarding total capitalization, and ROIC highlights the level of value creation as a percentage of capital invested. As the tables below show, our ROIC at June 30, 2018 was 15.1%.

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

	Jun '18	Mar '18	Dec '17	Sep '17	Jun '17
Annualized effective tax rate, as adjusted	23.0 %	23.0 %	26.9 %	26.9 %	
Income (loss) from operations as adjusted	$116.1	$71.2	$45.6	$72.1	
Multiplied by: 1 minus Effective tax rate	77.0 %	77.0 %	73.1 %	73.1 %	
Adjusted net operating income (loss) after tax	$89.4	$54.8	$33.3	$52.7	
Debt as defined above	$1,094.2	$1,083.0	$984.8	$984.9	$992.0
Less: Cash and cash equivalents as adjusted	(377.1)	(451.4)	(630.1)	(595.7)	(558.6)
Debt less Cash and cash equivalents as adjusted	717.1	631.6	354.7	389.2	433.4
Total Terex Corporation stockholders' equity as adjusted	770.7	893.2	1,009.9	1,125.3	1,274.2
Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted	$1,487.8	$1,524.8	$1,364.6	$1,514.5	$1,707.6

June 30, 2018 ROIC	15.1 %
NOPAT as adjusted (last 4 quarters)	$230.2
Average Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted (5 quarters)	$1,519.9

	Three months ended 6/30/18	Three months ended 3/31/18	Three months ended 12/31/17	Three months ended 9/30/17
Reconciliation of income (loss) from operations:				
Income (loss) from operations, as reported	$103.4	$71.3	$41.0	$65.9
Adjustments:				
Deal related	—	—	7.1	(0.3)
Restructuring and related	6.9	(2.2)	(7.8)	(0.8)
Transformation	7.8	7.3	9.8	9.1
Other	—	(2.8)	—	—
(Income) loss from TFS	(2.0)	(2.4)	(4.5)	(1.8)
Income (loss) from operations as adjusted	$116.1	$71.2	$45.6	$72.1

	As of 6/30/18	As of 3/31/18	As of 12/31/17	As of 9/30/17	As of 6/30/17
Reconciliation of Cash and cash equivalents:					
Cash and cash equivalents - continuing operations	$373.6	$447.9	$626.5	$592.7	$555.5
Cash and cash equivalents - assets held for sale	3.5	3.5	3.6	3.0	3.1
Cash and cash equivalents, as adjusted	$377.1	$451.4	$630.1	$595.7	$558.6
Debt as defined above	$1,094.2	$1,083.0	$984.8	$984.9	$992.0
Reconciliation of Terex Corporation stockholders' equity:					
Terex Corporation stockholders' equity as reported	$947.6	$1,078.4	$1,222.0	$1,379.7	$1,539.8
TFS Assets	(154.0)	(152.0)	(181.7)	(220.5)	(228.7)
Effects of adjustments, net of tax:					
Deal related	(39.2)	(39.2)	(39.2)	(44.5)	(42.2)
Restructuring and related	(12.4)	(17.2)	(15.5)	(9.8)	(9.2)
Transformation	38.6	32.6	27.0	19.8	13.1
Extinguishment of debt	5.8	5.8	5.3	5.3	4.8
Asset impairment	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Other	(6.6)	(5.4)	—	—	—
(Income) loss from TFS	(7.9)	(8.6)	(6.8)	(3.5)	(2.2)
Terex Corporation stockholders' equity as adjusted	$770.7	$893.2	$1,009.9	$1,125.3	$1,274.2

2018	Income (loss) from continuing operations before income taxes	(Provision for) benefit from income taxes	Income tax rate
Reconciliation of annualized effective tax rate:			
Income tax rate, as reported	$ 143.8	$ (40.3)	28.0 %
Effect of adjustments:			
Restructuring and related	4.1	(1.2)	
Transformation	15.1	(2.5)	
Extinguishment of debt	0.7	(0.1)	
Other	(8.5)	1.3	
Tax related	—	7.1	
Annualized effective income tax rate, as adjusted	$ 155.2	$ (35.7)	23.0 %

2017	Income (loss) from continuing operations before income taxes	(Provision for) benefit from income taxes	Income tax rate
Reconciliation of annualized effective tax rate:			
Income tax rate, as reported	$ 112.0	$ (52.0)	46.4 %
Effect of adjustments:			
Deal related	(20.9)	(11.3)	
Restructuring and related	(12.2)	(0.5)	
Transformation	45.2	(10.1)	
Extinguishment of debt	53.1	(19.0)	
Asset impairment	(1.6)	0.6	
Tax related	—	(5.3)	
2017 Federal Tax Act	—	50.4	
Annualized effective income tax rate, as adjusted	$ 175.6	$ (47.2)	26.9 %

RESULTS OF OPERATIONS

Three Months Ended June 30, 2018 Compared with Three Months Ended June 30, 2017

Consolidated

	Three Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$1,402.5	—	$1,181.7	—	18.7 %
Gross profit	$279.3	19.9%	$240.7	20.4%	16.0 %
SG&A	$175.9	12.5%	$163.0	13.8%	7.9 %
Income (loss) from operations	$103.4	7.4 %	$77.7	6.6 %	33.1 %

Net sales for the three months ended June 30, 2018 increased $220.8 million when compared to the same period in 2017. The increase in net sales was primarily due to higher demand for equipment in our AWP, Cranes and MP segments. Changes in foreign exchange rates positively impacted consolidated net sales by approximately $40 million.

Gross profit for the three months ended June 30, 2018 increased $38.6 million when compared to the same period in 2017. The increase was primarily due to higher sales and production volume in our AWP and MP segments and the positive impact of foreign exchange rate changes in our AWP segment and Corporate, partially offset by supply chain challenges in our mobile cranes operations and reductions taken in the prior year to severance accruals in our Cranes segment.

SG&A costs for the three months ended June 30, 2018 increased $12.9 million when compared to the same period in 2017. The increase was primarily due to increased variable expenses related to higher sales and the negative impact of foreign exchange rate changes.

Income from operations for the three months ended June 30, 2018 increased $25.7 million when compared to the same period in 2017. The increase was primarily due to higher sales and production volume in our AWP and MP segments and the positive effects of exchange rate changes in our AWP segment and Corporate, partially offset by supply chain challenges in our mobile cranes operations and reductions taken in the prior year to severance accruals in our Cranes segment.

Aerial Work Platforms

	Three Months Ended June 30, 2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$751.1	—	$593.0	—	26.7 %
Income from operations	$101.7	13.5%	$60.8	10.3%	67.3 %

Net sales for the AWP segment for the three months ended June 30, 2018 increased $158.1 million when compared to the same period in 2017 primarily due to improved inventory availability and higher broad-based demand for aerial equipment primarily in North America, particularly with respect to booms, from a combination of fleet replacement and growth in rental fleets due to improving rental utilization rates. Net sales were positively impacted by effects of foreign exchange rate changes, particularly in Europe, of approximately $16 million.

Income from operations for the three months ended June 30, 2018 increased $40.9 million when compared to the same period in 2017. The increase was primarily due to increased sales volume, improved factory utilization and the positive impact of foreign exchange rate changes.

Cranes

	Three Months Ended June 30, 2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$335.3	—	$303.8	—	10.4 %
(Loss) income from operations	$(12.3)	(3.7)%	$15.4	5.1%	(179.9)%

Net sales for the Cranes segment for the three months ended June 30, 2018 increased $31.5 million when compared to the same period in 2017 primarily due to higher demand for mobile cranes, including new product introductions, tower cranes in Europe, North America and Asia and utility equipment. These increases were generally from favorable macroeconomic trends and construction activity and were partially offset by lower sales of crawler cranes as the wind power sector has softened in India and Central Europe. Net sales were positively impacted by effects of foreign exchange rate changes, particularly in Europe, of approximately $13 million.

Loss from operations for the three months ended June 30, 2018 was $12.3 million compared to income from operations of $15.4 million for the same period in 2017. The change was primarily due to supply chain challenges in our mobile cranes operations and reductions taken in the prior year to severance accruals, partially offset by increased sales volume.

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Materials Processing

	Three Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$318.7	—	$280.5	—	13.6 %
Income from operations	$42.4	13.3%	$35.5	12.7%	19.4 %

Net sales for the MP segment for the three months ended June 30, 2018 increased $38.2 million when compared to the same period in 2017, primarily due to higher demand for mobile crushing and screening equipment and parts as a result of broad-based economic growth, construction activity and aggregate consumption and material handlers from a stronger scrap market, partially offset by lower demand for concrete mixer trucks in North America due to emission regulations associated with sales of refurbished trucks. Net sales were positively impacted by effects of foreign exchange rate changes, particularly in Europe, of approximately $12 million.

Income from operations for the three months ended June 30, 2018 increased $6.9 million when compared to the same period in 2017, primarily due to increased sales and production volume.

Corporate and Other / Eliminations

	Three Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$(2.6)	—	$4.4	—	(159.1)%
Loss from operations	$(28.4)	*	$(34.0)	*	16.5 %

* - Not a meaningful percentage

Net sales amounts in 2018 include on-book financing of TFS and elimination of intercompany sales activity among segments while net sales in 2017 also include sales in various construction equipment product lines. The net sales decrease is primarily attributable to approximately $28 million of lower governmental sales and the divestiture of our construction product lines, partially offset by approximately $22 million related to increased TFS revenue from syndications in 2018 and lower intercompany sales eliminations.

Loss from operations for the three months ended June 30, 2018 decreased $5.6 million when compared to the same period in 2017. The decrease in operating loss is primarily due to higher foreign exchange transactional gains.

Interest Expense, Net of Interest Income

During the three months ended June 30, 2018, our interest expense net of interest income was $16.2 million, or $2.6 million higher than the same period in the prior year due to an increase in average borrowings at higher rates and lower interest income due to lower cash balances.

Loss on Early Extinguishment of Debt

During the three months ended June 30, 2017, we recorded a loss on early extinguishment of debt of $6.5 million related to the retirement of our 6-1/2% Notes. See Note L - “Long-Term Obligations” for further information regarding our early extinguishment of debt.

Other Income (Expense) – Net

Other income (expense) – net for the three months ended June 30, 2018 was expense of $2.4 million, or a $63.3 million decrease in income, when compared to the same period in the prior year. The decrease was due primarily to a net gain on sale of our Konecranes shares, including the effects of foreign exchange rate changes, of $61.1 million during the three months ended June 30, 2017 and the negative effects of changes in foreign exchange rate changes in the current period, partially offset by investment gains recognized in the current year period as a result of the adoption of a new accounting pronouncement.

Income Taxes

During the three months ended June 30, 2018, we recognized income tax expense of $28.9 million on income of $84.8 million, an effective tax rate of 34.1%, as compared to income tax expense of $23.1 million on income of $118.5 million, an effective tax rate of 19.5%, for the three months ended June 30, 2017. The higher effective tax rate for the three months ended June 30, 2018 is primarily due to low-taxed appreciation of Konecranes shares and favorable geographic mix of earnings in the second quarter of 2017, partially offset by tax expense from applying a lower estimated annual effective tax rate in the second quarter of 2017 to the loss reported in the first quarter of 2017, when compared with the three months ended June 30, 2018.

Gain (Loss) on Disposition of Discontinued Operations

During the three months ended June 30, 2018, we recognized a gain on disposition of discontinued operations - net of tax of $1.9 million, primarily related to the previous sale of our Atlas heavy construction equipment and knuckle-boom cranes businesses (“Atlas”). During the three months ended June 30, 2017, we recognized a gain on disposition of discontinued operations - net of tax of $5.4 million related to the sale of our Material Handling and Port Solutions (“MHPS”) business.

Six Months Ended June 30, 2018 Compared with Six Months Ended June 30, 2017

Consolidated

	Six Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$2,663.4	—	$2,188.6	—	21.7 %
Gross profit	$510.2	19.2%	$393.0	18.0%	29.8 %
SG&A	$335.5	12.6%	$320.0	14.6%	4.8 %
Income (loss) from operations	$174.7	6.6 %	$73.0	3.3 %	139.3 %

Net sales for the six months ended June 30, 2018 increased $474.8 million when compared to the same period in 2017. The increase in net sales was primarily due to higher demand for equipment in our AWP, Cranes and MP segments. Changes in foreign exchange rates positively impacted consolidated net sales by approximately $104 million.

Gross profit for the six months ended June 30, 2018 increased $117.2 million when compared to the same period in 2017. The increase was primarily due to higher sales and production volume in our AWP and MP segments and the positive impact of foreign exchange rate changes in all segments, partially offset by supply chain challenges in our mobile cranes operations and reductions taken in the prior year to severance accruals in our Cranes segment.

SG&A costs for the six months ended June 30, 2018 increased $15.5 million when compared to the same period in 2017. The increase was primarily due to the negative impact of foreign exchange rate changes and increased variable expenses related to higher sales.

Income from operations for the six months ended June 30, 2018 increased $101.7 million when compared to the same period in 2017. The increase was primarily due to higher sales and production volume in our AWP and MP segments and the positive effects of exchange rate changes in our AWP and MP segments, partially offset by supply chain challenges in our mobile cranes operations and reductions taken in the prior year to severance accruals in our Cranes segment.

Aerial Work Platforms

	Six Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$1,390.0	—	$1,065.4	—	30.5 %
Income from operations	$161.8	11.6%	$82.5	7.7%	96.1 %

Net sales for the AWP segment for the six months ended June 30, 2018 increased $324.6 million when compared to the same period in 2017 primarily due to improved inventory availability and higher broad-based demand for aerial equipment primarily in North America and Western Europe, particularly with respect to booms and scissors, from a combination of fleet replacement and growth in rental fleets due to improving rental utilization rates. Net sales were positively impacted by effects of foreign exchange rate changes, particularly in Europe, of approximately $40 million.

Income from operations for the six months ended June 30, 2018 increased $79.3 million when compared to the same period in 2017. The increase was primarily due to increased sales volume, improved factory utilization and the positive impact of foreign exchange rate changes.

Cranes

	Six Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$649.3	—	$567.7	—	14.4 %
Loss from operations	$(22.0)	(3.4)%	$(16.5)	(2.9)%	(33.3)%

Net sales for the Cranes segment for the six months ended June 30, 2018 increased $81.6 million when compared to the same period in 2017 primarily due to higher demand for mobile cranes, including new product introductions, tower cranes in Europe, North America and Asia and utility equipment. These increases were generally from favorable macroeconomic trends and construction activity. Net sales were positively impacted by effects of foreign exchange rate changes, particularly in Europe, of approximately $36 million.

Loss from operations for the six months ended June 30, 2018 increased $5.5 million when compared to the same period in 2017. The increase in operating loss was primarily due to supply chain challenges in our mobile cranes operations and reductions taken in the prior year to severance accruals, partially offset by increased sales volume and structural cost savings.

Materials Processing

	Six Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$622.0	—	$529.6	—	17.4 %
Income from operations	$81.3	13.1%	$61.1	11.5%	33.1 %

Net sales for the MP segment for the six months ended June 30, 2018 increased $92.4 million when compared to the same period in 2017, primarily due to higher demand for mobile crushing and screening equipment and parts as a result of broad-based economic growth, construction activity and aggregate consumption and material handlers from a stronger scrap market, partially offset by lower demand for concrete mixer trucks in North America due to emission regulations associated with sales of refurbished trucks. Net sales were positively impacted by effects of foreign exchange rate changes, particularly in Europe, of approximately $29 million.

Income from operations for the six months ended June 30, 2018 increased $20.2 million when compared to the same period in 2017, primarily due to increased sales and production volume as well as the positive impact of foreign exchange rate changes.

Corporate and Other / Eliminations

	Six Months Ended June 30,				
	2018		2017		
		% of Sales		% of Sales	% Change In Reported Amounts
	($ amounts in millions)				
Net sales	$2.1	—	$25.9	—	(91.9)%
Loss from operations	$(46.4)	*	$(54.1)	*	14.2 %

* - Not a meaningful percentage

Net sales amounts in 2018 include on-book financing of TFS and elimination of intercompany sales activity among segments while net sales in 2017 also include sales in various construction equipment product lines. The net sales decrease is primarily attributable to approximately $59 million related to the divestiture of our construction product lines and lower governmental sales, partially offset by approximately $37 million related to lower intercompany sales eliminations and increased TFS revenue from syndications in 2018.

Loss from operations for the six months ended June 30, 2018 decreased $7.7 million when compared to the same period in 2017. The decrease in operating loss is primarily due to income related to increased TFS revenue and higher foreign exchange transactional gains, partially offset by higher accruals for team member incentive compensation and gains in the prior year on the sale of certain construction product line assets.

Interest Expense, Net of Interest Income

During the six months ended June 30, 2018, our interest expense net of interest income was $28.8 million, or $4.4 million lower than the same period in the prior year due to lower average borrowings, partially offset by higher interest rates and lower interest income due primarily to lower cash balances.

Loss on Early Extinguishment of Debt

During the six months ended June 30, 2018, we recorded a loss on early extinguishment of debt of $0.7 million related to an amendment to the 2017 Credit Agreement which lowered the interest rate on the Company’s senior secured term loan by 0.25%. During the six months ended June 30, 2017, we recorded a loss on early extinguishment of debt of $51.9 million related to the termination of our 2014 Credit Agreement and the retirement of our 6% Notes and our 6-1/2% Notes. See Note L - “Long-Term Obligations” for further information regarding our early extinguishment of debt.

Other Income (Expense) – Net

Other income (expense) – net for the six months ended June 30, 2018 was expense of $1.4 million, or a $43.4 million increase in expense, when compared to the same period in the prior year. The change was due primarily to a net gain on sale of our Konecranes shares, including the effects of foreign exchange rate changes, of $38.6 million and dividend income of $13.5 million during the six months ended June 30, 2017, partially offset by $4.0 million of investment gains related to the adoption of a new accounting standard.

Income Taxes

During the six months ended June 30, 2018, we recognized income tax expense of $40.3 million on income of $143.8 million, an effective tax rate of 28.0%, as compared to income tax benefit of $5.2 million on income of $29.9 million, an effective tax rate of (17.4)%, for the six months ended June 30, 2017. The higher effective tax rate for the six months ended June 30, 2018 is primarily due to low-taxed appreciation of Konecranes shares, a tax benefit for a non-U.S. interest deduction, and favorable geographic mix of earnings, offset in part by an agreement with a non-US tax authority with respect to certain prior year tax matters in the six months ended June 30, 2017, when compared with the six months ended June 30, 2018.

Gain (Loss) on Disposition of Discontinued Operations

During the six months ended June 30, 2018, we recognized a gain on disposition of discontinued operations - net of tax of $4.6 million, due primarily to income related to the previous sale of Atlas and our former truck business. During the six months ended June 30, 2017, we recognized a gain on disposition of discontinued operations - net of tax of $58.1 million related to the sale of our MHPS business and $3.0 million related to the sale of Atlas.

LIQUIDITY AND CAPITAL RESOURCES

We are focused on generating cash and maintaining liquidity (cash and availability under our revolving line of credit) for the efficient operation of our business. At June 30, 2018, we had cash and cash equivalents of $377.1 million and undrawn availability under our revolving line of credit of $489.5 million, giving us total liquidity of approximately $867 million. During the six months ended June 30, 2018, our liquidity decreased by approximately $214 million from December 31, 2017 primarily due to share repurchases of $323.0 million and capital expenditures of $50.7 million, partially offset by cash provided by our operations of $35.6 million and increasing the size of the revolving line of credit by $150 million.

Typically, we have invested our cash in a combination of highly rated, liquid money market funds and in short-term bank deposits with large, highly rated banks. Our investment objective is to preserve capital and liquidity while earning a market rate of interest.

We seek to use cash held by our foreign subsidiaries to support our operations and continued growth plans outside and inside the United States through funding of capital expenditures, operating expenses or other similar cash needs of these operations. Most of this cash could be used in the U.S., if necessary. Cash repatriated to the U.S. could be subject to incremental foreign and state taxation. We will continue to seek opportunities to tax-efficiently mobilize and redeploy funds. There are no trends, demands or uncertainties as a result of the Company's cash deployment strategies that are reasonably likely to have a material effect on us as a whole or that may be relevant to our financial flexibility.

We had free cash flow of $65.8 million in the three months ended June 30, 2018 and had negative free cash flow of $21.8 million in the six months ended June 30, 2018. We expect to generate more cash from operations than initially anticipated. We are maintaining our forecast of free cash flow to be approximately $100 million as we are increasing our capital expenditure outlook to $90 million for the full year 2018.

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

	Three Months Ended 6/30/2018	Six Months Ended 6/30/2018
Net cash provided by (used in) operating activities	$ 80.0	$ 35.6
Increase (decrease) in TFS assets	2.0	(27.7)
Capital expenditures	(16.2)	(50.7)
Acquisition of MP Northern Ireland properties	—	21.0
Free cash flow	$ 65.8	$ (21.8)

Our main sources of funding are cash generated from operations, including cash generated from the sale of receivables, loans from our bank credit facilities and funds raised in capital markets. Pursuant to terms of our trade accounts receivable factoring arrangements, during the six months ended June 30, 2018, we sold, without recourse, approximately $480 million of trade accounts receivable to provide additional liquidity. During the six months ended June 30, 2018, we also sold approximately $156 million of sales-type leases and commercial loans.

We believe cash generated from operations, including cash generated from the sale of receivables, together with access to our bank credit facilities and cash on hand, provide adequate liquidity to continue to support internal operating initiatives and meet our operating and debt service requirements for at least the next 12 months. See Item 1A “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 for a detailed description of the risks resulting from our debt and our ability to generate sufficient cash flow to operate our business.

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

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

Working capital as a percent of trailing three month annualized net sales was 18.2% at June 30, 2018 compared to 22.0% at June 30, 2017, demonstrating our continued improvement of working capital management.

The following tables show the calculation of our working capital in continuing operations and trailing three months annualized sales as of June 30, 2018 and 2017 (in millions):

	Three Months Ended 6/30/2018	Three Months Ended 6/30/2017
Net Sales	$ 1,402.5	$ 1,181.7
x	4	4
Trailing Three Month Annualized Net Sales	$ 5,610.0	$ 4,726.8

	As of 6/30/18	As of 6/30/17
Inventories	$ 1,004.6	$ 912.5
Trade Receivables	724.8	726.6
Trade Accounts Payable	(669.3)	(563.2)
Customer Advances	(40.1)	(35.7)
Working Capital	$ 1,020.0	$ 1,040.2

On January 31, 2017, we entered into a new credit agreement (as amended, the "2017 Credit Agreement"). On August 17, 2017, we amended the 2017 Credit Agreement to lower our interest rate on the U.S. dollar senior secured term loan (the "Term Loan") by 0.25%. On February 28, 2018, we again amended 2017 Credit Agreement to lower the interest rate on the Term Loan by an additional 0.25%. On April 10, 2018, we amended the 2017 Credit Agreement to increase the size of the revolving line of credit from $450 million to $600 million available through January 31, 2022. The 2017 Credit Agreement allows unlimited incremental commitments, which may be extended at the option of existing or new lenders and can be in the form of revolving credit commitments, term loan commitments, or a combination of both, with incremental amounts in excess of $300 million requiring the Company to satisfy a senior secured leverage ratio contained in the 2017 Credit Agreement. Interest rates charged under the revolving line of credit in the 2017 Credit Agreement are subject to adjustment based on our consolidated leverage ratio. The Term Loan bears interest at a rate of London Interbank Offer Rate ("LIBOR") plus 2.00%, with a LIBOR floor of 0.75%. See Note L - "Long-Term Obligations," in our Condensed Consolidated Financial Statements for information concerning the 2017 Credit Agreement.

Borrowings under the 2017 Credit Agreement at June 30, 2018 were $393.2 million, net of discount, on our Term Loan and $110.5 million on our revolving line of credit. At June 30, 2018, the weighted average interest rate was 4.33% on the Term Loan and was 4.73% on the revolving line of credit under the 2017 Credit Agreement.

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

Our investment in TFS financial services assets was approximately $154 million, net at June 30, 2018. We remain focused on expanding financing solutions in key markets like the U.S. and Europe. We also anticipate using TFS to drive incremental sales by increasing direct customer financing through TFS in certain instances.

In February 2015, we announced authorization by our Board of Directors for the repurchase of up to $200 million of our outstanding shares of common stock of which approximately $131 million of this authorization was utilized prior to January 1, 2017. In February 2017, we announced authorization by our Board of Directors for the repurchase of up to an additional $350 million of our outstanding shares of common stock. In May 2017, we announced the completion of the February 2015 and February 2017 authorizations and our Board of Directors had authorized the repurchase of up to an additional $280 million of our outstanding shares of common stock. In September 2017, we announced the completion of the May 2017 authorization and our Board of Directors had authorized the repurchase of up to an additional $225 million of our outstanding shares of common stock. In February 2018, we announced authorization by our Board of Directors for the repurchase of up to an additional $325 million of our outstanding shares of common stock. During the six months ended June 30, 2018, we repurchased a total of 8 million shares for $325 million under these programs. In July 2018, we announced the completion of the February 2018 authorization and our Board of Directors authorized the repurchase of up to an additional $300 million of our outstanding shares of common stock. In the first and second quarter of 2018, our Board of Directors declared a dividend of $0.10 per share, which was paid to our shareholders. In July 2018, our Board of Directors declared a dividend of $0.10 per share which will be paid on September 19, 2018.

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

Cash Flows

Cash provided by operations for the six months ended June 30, 2018 totaled $35.6 million, compared to cash used in operations of $123.1 million for the six months ended June 30, 2017. The change in cash from operations was primarily driven by improved working capital management and profitability.

Cash used in investing activities for the six months ended June 30, 2018 was $33.7 million, compared to $1,329.1 million of cash provided by investing activities for the six months ended June 30, 2017. The decrease in cash provided by investing activities was primarily due to cash received from the sale of our MHPS business, including the subsequent sale of Konecranes stock in the six months ended June 30, 2017.

Cash used in financing activities was $244.4 million for the six months ended June 30, 2018, compared to cash used in financing activities for the six months ended June 30, 2017 of $1,174.5 million. The decrease in cash used in financing was primarily due to redemption of our 6% Notes, partial redemption of our 6 1/2% Notes and a reduction in term loans, partially offset by the issuance of our 5-5/8% Notes all in the prior year period. Additionally, we repurchased $323 million and $507 million of our common stock during the six months ended June 30, 2018 and June 30, 2017, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

Guarantees

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

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

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

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

CONTINGENCIES AND UNCERTAINTIES

Foreign Exchange and Interest Rate Risk

Our products are sold in over 100 countries around the world and, accordingly, our revenues are generated in foreign currencies, while costs associated with those revenues are only partly incurred in the same currencies. We enter into foreign exchange contracts to manage the variability of future cash flows associated with recognized assets or liabilities or forecasted transactions due to changing currency exchange rates. Primary currencies to which we are exposed are the Euro, British Pound and Australian Dollar.

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

See Note J – "Derivative Financial Instruments" in the Notes to the Condensed Consolidated Financial Statements for further information about our derivatives and Item 3 "Quantitative and Qualitative Disclosures About Market Risk" below for a discussion of the impact that changes in foreign currency exchange rates and interest rates may have on our financial performance.

Other

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

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

RECENT ACCOUNTING STANDARDS

Please refer to Note A – “Basis of Presentation” in the accompanying Condensed Consolidated Financial Statements for a summary of recently issued accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Exchange Risk

Our products are sold in over 100 countries around the world. The reporting currency for our consolidated financial statements is the U.S. dollar. Certain of our assets, liabilities, expenses, revenues and earnings are denominated in other countries' currencies, including the Euro, British Pound and Australian dollar. Those assets, liabilities, expenses, revenues and earnings are translated into U.S. dollars at the applicable exchange rates to prepare our consolidated financial statements. Therefore, increases or decreases in exchange rates between the U.S. dollar and those other currencies affect the value of those items as reflected in our consolidated financial statements, even if their value remains unchanged in their original currency. Due to the continued volatility of foreign currency exchange rates to the U.S. dollar, fluctuations in currency exchange rates may have an impact on the accuracy of our financial guidance. Such fluctuations in foreign currency rates relative to the U.S. dollar may cause our actual results to differ materially from those anticipated in our guidance and have a material adverse effect on our business or results of operations. We note that the upcoming withdrawal of the U.K. from the E.U. may negatively impact the value of the British Pound as compared to the U.S. dollar and other currencies as the U.K. negotiates and executes its exit from the E.U., which is scheduled to occur in 2019. We assess foreign currency risk based on transactional cash flows, identify naturally offsetting positions and purchase hedging instruments to partially offset anticipated exposures.

At June 30, 2018, we performed a sensitivity analysis on the impact that aggregate changes in the translation effect of foreign currency exchange rate changes would have on our operating income. Based on this sensitivity analysis, we have determined that a change in the value of the U.S. dollar relative to other currencies by 10% to amounts already incorporated in the financial statements for the six months ended June 30, 2018 would have had approximately a $10 million impact on the translation effect of foreign currency exchange rate changes already included in our reported operating income for the period.

Interest Rate Risk

We are exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposure includes movements in the U.S. prime rate and LIBOR. We manage interest rate risk by establishing a mix of indebtedness bearing interest at both floating and fixed rates at inception and maintain an ongoing balance between floating and fixed rates on this mix of indebtedness using interest rate swaps when necessary. At June 30, 2018, approximately 46% of our debt was floating rate debt and the weighted average interest rate for all debt was 5.00%.

At June 30, 2018, we performed a sensitivity analysis for our derivatives and other financial instruments that have interest rate risk. We calculated the pretax earnings effect on our interest sensitive instruments. Based on this sensitivity analysis, we have determined that an increase of 10% in our average floating interest rates at June 30, 2018 would have increased interest expense by $1.1 million for the six months ended June 30, 2018.

Commodities Risk

In the absence of labor strikes or other unusual circumstances, substantially all materials and components are normally available from multiple suppliers. However, certain of our businesses receive materials and components from a single source supplier, although alternative suppliers of such materials may be generally available. Delays in our suppliers' abilities, especially any sole suppliers for a particular business, to provide us with necessary materials and components may delay production at a number of our manufacturing locations, or may require us to seek alternative supply sources. Delays in obtaining supplies may result from a number of factors affecting our suppliers, including capacity constraints, labor disputes, suppliers' impaired financial condition, suppliers' allocations to other purchasers, weather emergencies or acts of war or terrorism. Any delay in receiving supplies could impair our ability to deliver products to our customers and, accordingly, could have a material adverse effect on our business, results of operations and financial condition. Current and potential suppliers are evaluated regularly on their ability to meet our requirements and standards. We actively manage our material supply sourcing, and employ various methods to limit risk associated with commodity cost fluctuations and availability. We have designed and implemented plans to mitigate the impact of these risks by using alternate suppliers, expanding our supply base globally, leveraging our overall purchasing volumes to obtain favorable pricing and quantities and developing a closer working relationship with key suppliers. One key element of our Execute to Win strategy is to focus on strategic sourcing to gain efficiencies using our global purchasing power, which includes building a global sourcing organization and standardizing our sourcing processes across our businesses.

Principal materials and components used in our various manufacturing processes include steel, castings, engines, tires, hydraulics, cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. Increases in the cost of these materials and components may affect our financial performance. If we are not able to recover increased raw material or component costs from our customers, our margins could be adversely affected. During the first six months of 2018, unfavorable input cost changes in some areas, largely related to steel prices, were partially offset by favorable changes in other areas. Steel prices in the United States rose appreciably in the first quarter of 2018 and continued to rise in the second quarter due in large part to the U.S. Commerce Department's decision to levy tariffs on certain steel and aluminum imports. In order to offset the higher input costs, we implemented steel surcharges on many of our products in the first quarter and maintained these surcharges throughout the second quarter. We will continue to monitor steel prices, and intend to continue to apply steel surcharges until the price of steel normalizes. Another inflationary pressure on input cost is the implementation of incremental 25% tariffs on certain Chinese origin goods. These incremental tariffs impact the cost of material that we import directly from our manufacturing operations in China as well as material imported on our behalf by suppliers. We will continue to monitor international trade policy and will make adjustments to our supply base where possible to mitigate the impact on our costs. For more information on commodities risk, see Part II Item 1A. Risk Factors.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required financial disclosure. In connection with the preparation of this Quarterly Report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, as of June 30, 2018, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2018.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

During the second half of 2018, we plan to perform a technical upgrade to our main Enterprise Resource Planning system as well as implement a new financial consolidation and reporting system and a global lease accounting system.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

For information concerning litigation and other contingencies and uncertainties, including our securities class action and stockholder derivative lawsuits as well as proceedings involving certain former shareholders of Demag Cranes AG, see Note N - "Litigation and Contingencies," in the Notes to the Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the quarterly period ended June 30, 2018 in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, other than updates to the risk factors as set forth below:

The risk factor presented below updates and replaces the similarly named risk factor disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017.

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

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

Principal materials and components used in our various manufacturing processes include steel, castings, engines, tires, hydraulics, cylinders, drive trains, electric controls and motors, and a variety of other commodities and fabricated or manufactured items. Increases in the cost of these materials and components may affect our financial performance. The U.S. has initiated tariffs on steel and certain other foreign goods, and in response, certain foreign governments, including China, have imposed and are considering imposing additional tariffs on certain U.S. goods. In particular, steel prices rose appreciably in the first quarter of 2018 and continued to rise in the second quarter due in large part to the U.S. Commerce Department's decision to levy tariffs on certain steel and aluminum imports. The tariffs on certain Chinese origin goods impact the cost of material that we import directly from our manufacturing operations in China as well as material imported on our behalf by suppliers. The tariffs and the possibility of trade conflicts stemming from the tariffs could negatively impact global trade and economic conditions in many of the regions where we do business. This could result in further significant price increases in our materials and components, and adversely impact demand for our products. If we are not able to recover increased raw material or component costs from our customers, our margins could be adversely affected.

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities

The following table provides information about our purchases during the quarter ended June 30, 2018 of our common stock that is registered by us pursuant to the Exchange Act.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (in thousands) (2)
April 1, 2018 - April 30, 2018	775,151	$36.88	750,139	$92,227
May 1, 2018 - May 31, 2018	933,401	$40.57	910,207	$55,324
June 1, 2018 - June 30, 2018	1,268,625	$40.46	1,265,235	$4,132
Total	2,977,177	$39.56	2,925,581	$4,132

(1) Amount includes shares of common stock purchased to satisfy requirements under the Company's deferred compensation obligations to employees.

(2) In February 2018, our Board of Directors authorized and the Company publicly announced the repurchase of up to an additional $325 million of the Company's outstanding common shares.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits set forth below are filed as part of this Form 10-Q.

Exhibit No.	Exhibit
10.1	Incremental Revolving Credit Assumption Agreement dated as of April 10, 2018, to the Credit Agreement dated as of January 31, 2017, among Terex Corporation, the Lenders named therein and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated April 10, 2018 and filed with the Commission on April, 10, 2018).
10.2	Terex Corporation 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of the Form 8-K Current Report, Commission File No. 1-10702, dated May 11, 2018 and filed with the Commission on May, 15, 2018).
12	Calculation of Ratio of Earnings to Fixed Charges. *
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). *
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a). *
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002. **
101.INS	XBRL Instance Document. *
101.SCH	XBRL Taxonomy Extension Schema Document. *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. *

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

SIGNATURES

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

TEREX CORPORATION
(Registrant)

Date:	August 1, 2018	/s/ John D. Sheehan John D. Sheehan Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	August 1, 2018	/s/ Mark I. Clair Mark I. Clair Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)