TEREX CORP
Form 10-Q
May 02, 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 March 31, 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: 76.0 million as of April 30, 2018.
The Exhibit Index begins on page 51.

TEREX CORPORATION AND SUBSIDIARIES

GENERAL

This Quarterly Report on Form 10-Q filed by Terex Corporation generally speaks as of March 31, 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;
- 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
TEREX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in millions, except per share data)

	Three Months Ended March 31,	
	2018	2017
Net sales	$1,260.9	$1,006.9
Cost of goods sold	(1,030.0)	(854.6)
Gross profit	230.9	152.3
Selling, general and administrative expenses	(159.6)	(157.0)
Income (loss) from operations	71.3	(4.7)
Other income (expense)		
Interest income	3.4	1.8
Interest expense	(16.0)	(21.4)
Loss on early extinguishment of debt	(0.7)	(45.4)
Other income (expense) – net	1.0	(18.9)
Income (loss) from continuing operations before income taxes	59.0	(88.6)
(Provision for) benefit from income taxes	(11.4)	28.3
Income (loss) from continuing operations	47.6	(60.3)
Gain (loss) on disposition of discontinued operations – net of tax	2.7	55.7
Net income (loss)	$50.3	$(4.6)
Basic earnings (loss) per share:		
Income (loss) from continuing operations	$0.60	$(0.57)
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.53
Net income (loss)	$0.63	$(0.04)
Diluted earnings (loss) per share:		
Income (loss) from continuing operations	$0.59	$(0.57)
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.53
Net income (loss)	$0.62	$(0.04)
Weighted average number of shares outstanding in per share calculation		
Basic	79.7	105.2
Diluted	81.7	105.2
Comprehensive income (loss)	$76.5	$423.5
Dividends declared per common share	$0.10	$0.08

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)

	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$447.9	$ 626.5
Trade receivables (net of allowance of $15.9 and $16.2 at March 31, 2018 and December 31, 2017, respectively)	687.6	579.9
Inventories	1,009.1	969.6
Prepaid and other current assets	195.1	207.0
Total current assets	2,339.7	2,383.0
Non-current assets		
Property, plant and equipment – net	334.6	311.0
Goodwill	279.1	273.6
Intangible assets – net	13.5	13.8
Other assets	453.2	481.1
Total assets	$3,420.1	$ 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	657.9	592.4
Other current liabilities	371.5	437.9
Total current liabilities	1,034.6	1,035.5
Non-current liabilities		
Long-term debt, less current portion	1,077.8	979.6
Retirement plans	152.0	151.3
Other non-current liabilities	76.8	73.6
Total liabilities	2,341.2	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 March 31, 2018 and December 31, 2017, respectively	1.3	1.3
Additional paid-in capital	1,315.1	1,322.0
Retained earnings	2,040.8	1,995.9
Accumulated other comprehensive income (loss)	(213.3)	(239.5)
Less cost of shares of common stock in treasury – 55.2 and 50.2 shares at March 31, 2018 and December 31, 2017, respectively	(2,065.5)	(1,857.7)
Total Terex Corporation stockholders' equity	1,078.4	1,222.0
Noncontrolling interest	0.5	0.5
Total stockholders' equity	1,078.9	1,222.5
Total liabilities and stockholders' equity	$3,420.1	$ 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)

	Three Months Ended March 31,	
	2018	2017
Operating Activities		
Net income (loss)	$50.3	$(4.6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	16.0	16.3
(Gain) loss on disposition of discontinued operations	(2.7)	(55.7)
Deferred taxes	(1.6)	(24.9)
Loss on early extinguishment of debt	0.7	45.4
Stock-based compensation expense	7.9	9.7
Inventory and other non-cash charges	(0.3)	17.7
Changes in operating assets and liabilities (net of effects of acquisitions and divestitures):		
Trade receivables	(101.4)	(130.7)
Inventories	(26.2)	(39.4)
Trade accounts payable	59.7	24.9
Other assets and liabilities	(47.1)	(20.7)
Foreign exchange and other operating activities, net	0.3	(2.6)
Net cash provided by (used in) operating activities	(44.4)	(164.6)
Investing Activities		
Capital expenditures	(34.5)	(10.6)
Proceeds from disposition of investments	19.8	—
Proceeds (payments) from disposition of discontinued operations	—	764.3
Proceeds from sales of assets	(0.6)	294.6
Net cash provided by (used in) investing activities	(15.3)	1,048.3
Financing Activities		
Repayments of debt	(118.2)	(1,329.5)
Proceeds from issuance of debt	215.5	999.0
Share repurchases	(205.3)	(178.2)
Dividends paid	(7.8)	(8.3)
Payment of debt extinguishment costs	(0.5)	(31.5)
Other financing activities, net	(12.0)	(27.7)
Net cash provided by (used in) financing activities	(128.3)	(576.2)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	9.3	7.0
Net Increase (Decrease) in Cash and Cash Equivalents	(178.7)	314.5
Cash and Cash Equivalents at Beginning of Period	630.1	501.9
Cash and Cash Equivalents at End of Period	$451.4	$816.4

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 March 31, 2018 and for the three months ended March 31, 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 and should be read in conjunction with the audited Consolidated Balance Sheet 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 months ended March 31, 2018 are not necessarily indicative of results that may be expected for the year ending December 31, 2018.

Cash and cash equivalents at March 31, 2018 and December 31, 2017 include $5.1 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.

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 the 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 the 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 the 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 the 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 the 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.

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 model (“ROU”) 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 effective date will be the first quarter of fiscal year 2019 and early adoption is permitted. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While the Company continues to assess the effect of adoption, it currently believes that ASU 2016-02 may have a material effect on its consolidated financial statements with the most significant changes likely related to the recognition of new ROU assets and lease liabilities on the consolidated balance sheet.

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 January 2018, the FASB issued ASU 2018-01, “Land Easement Practical Expedient for Transition to Topic 842,” (“ASU 2018-01”). ASU 2018-01 permits an entity to elect an optional transition practical expedient to exclude in their evaluation of Topic 842 existing or expired land easements that were not previously accounted for as leases under Topic 840. The Company will adopt ASU 2018-01 in conjunction with its adoption of ASU 2016-02. The Company is evaluating the impact that adoption of ASU 2018-01 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” (formerly known as “Tax Cuts and Jobs 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.

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. The effective date will be the third quarter of fiscal year 2018. 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):

	Three Months Ended March 31, 2018
Balance at beginning of period	$ 52.6
Accruals for warranties issued during the period	16.0
Changes in estimates	(1.5)
Settlements during the period	(13.9)
Foreign exchange effect/other	0.3
Balance at end of period	$ 53.5

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, are reviewed and revised periodically by management. 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 period ended March 31, 2018 revenue 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 March 31,	
	2018	2017
Net Sales		
AWP	$638.9	$472.4
Cranes	314.0	263.9
MP	303.3	249.1
Corporate and Other / Eliminations	4.7	21.5
Total	$1,260.9	$1,006.9
Income (loss) from Operations		
AWP	$60.1	$21.7
Cranes	(9.7)	(31.9)
MP	38.9	25.6
Corporate and Other / Eliminations	(18.0)	(20.1)
Total	$71.3	$(4.7)

	March 31, 2018	December 31, 2017
Identifiable Assets		
AWP	$1,470.6	$ 1,358.5
Cranes	1,662.0	1,685.7
MP	1,293.2	1,219.5
Corporate and Other / Eliminations (1)	(1,005.7)	(801.2)
Total	$3,420.1	$ 3,462.5

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

	Three Months Ended March 31, 2018				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Product Type					
Aerial Work Platforms	$552.8	$—	$—	$ 0.4	$553.2
Mobile Cranes	—	177.1	—	0.5	177.6
Materials Processing Equipment	—	—	213.3	0.4	213.7
Other (1)	86.1	136.9	90.0	3.4	316.4
Total	$638.9	$314.0	$303.3	$ 4.7	$1,260.9

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

	Three Months Ended March 31, 2017				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Product Type					
Aerial Work Platforms	$404.7	$—	$—	$ 0.7	$405.4
Mobile Cranes	—	148.0	—	0.5	148.5
Materials Processing Equipment	0.6	—	166.1	0.2	166.9
Other (1)	67.1	115.9	83.0	(10.1)	255.9
Compact Construction Equipment (2)	—	—	—	30.2	30.2
Total	$472.4	$263.9	$249.1	$ 21.5	$1,006.9

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

	Three Months Ended March 31, 2018				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Region					
North America	$358.0	$131.1	$137.4	$ 16.3	$642.8
Western Europe	204.2	60.2	82.4	0.2	347.0
Asia-Pacific	50.4	39.7	45.2	0.4	135.7
Rest of World (1)	26.3	83.0	38.3	(12.2)	135.4
Total	$638.9	$314.0	$303.3	$ 4.7	$1,260.9

(1) Includes intercompany sales and eliminations.

	Three Months Ended March 31, 2017				
	AWP	Cranes	MP	Corporate and Other / Eliminations	Total
Net Sales by Region					
North America	$279.6	$125.6	$129.4	$ 11.6	$546.2
Western Europe	103.0	61.3	60.4	17.5	242.2
Asia-Pacific	56.4	24.2	32.8	8.4	121.8
Rest of World (1)	33.4	52.8	26.5	(16.0)	96.7
Total	$472.4	$263.9	$249.1	$ 21.5	$1,006.9

(1) Includes intercompany sales and eliminations.

NOTE C – INCOME TAXES

During the three months ended March 31, 2018, the Company recognized an income tax expense of $11.4 million on income of $59.0 million, an effective tax rate of 19.3%, as compared to an income tax benefit of $28.3 million on a loss of $88.6 million, an effective tax rate of 31.9%, for the three months ended March 31, 2017. The lower effective tax rate for the three months ended March 31, 2018 is primarily due to a tax benefit for a non-U.S. interest deduction for the three months ended March 31, 2017.

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NOTE D – DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

MHPS

On May 16, 2016, Terex agreed to sell its Material Handling and Port Solutions (“MHPS”) business to Konecranes Plc, a Finnish public company limited by shares, (“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 months ended March 31, 2017, the Company recognized a gain on the Disposition (net of tax) of $52.7 million.

During the three months ended March 31, 2017, the Company sold 7.5 million Konecranes shares for proceeds of approximately $272 million and recorded a $22.5 million net loss on sale of shares which included a loss of $9.3 million attributable to foreign exchange rate changes. The net loss 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 three months ended March 31, 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 three months ended March 31, 2017.

Cranes

The Company is actively seeking a buyer for its utility hot lines tools business located in South America and, accordingly, assets and liabilities are reported as held for sale. During three months ended March 31, 2017, a non-cash impairment charge of $1.2 million was recorded to adjust net asset value to estimated fair value within Selling, general and administrative expenses (“SG&A”) in the Condensed Consolidated Statement of Comprehensive Income (Loss).

Construction

In December 2016, the Company entered into an agreement to sell its Coventry, UK-based compact construction business. During the three months ended March 31, 2017, the Company completed the sale of Coventry, UK-based compact construction business and remaining UK-based compact construction product lines and recognized a loss of $0.6 million within SG&A in the Condensed Consolidated Statement of Comprehensive Income (Loss) related to the sale.

During the three months ended March 31, 2017, the Company recognized a gain of $5.6 million within SG&A resulting from a post-closing adjustment related to the 2016 sale of its midi/mini excavators, wheeled excavators, and

compact wheel loader business in Germany.

In March 2017, the Company signed a sale agreement with a buyer to sell its Indian compact construction business. The Company completed the sale during the second quarter of 2017.

The operating results for these construction product lines are reported in continuing operations, within the Corporate and Other category in our segment disclosures.

Assets and liabilities held for sale

Assets and liabilities held for sale consist of portions of the Company's Cranes segment. Such assets and liabilities are classified as held for sale upon meeting the requirements of ASC 360 - "Property, Plant and Equipment", and are recorded at lower of carrying amount or fair value less costs to sell. Assets are no longer depreciated once classified as held for sale.

The following table provides the amounts of assets and liabilities held for sale related to our Cranes segment recorded in the Condensed Consolidated Balance Sheet (in millions):

	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 3.5	$ 3.6
Trade receivables – net	2.6	2.2
Inventories	2.3	1.7
Prepaid and other current assets	0.4	0.5
Impairment reserve	(4.4)	(4.4)
Included in Prepaid and other current assets	$ 4.4	$ 3.6
Property, plant and equipment – net	$ 0.4	$ 0.4
Intangible assets	2.9	2.9
Impairment reserve	(3.3)	(3.3)
Included in Other assets	$ —	$ —
Liabilities		
Trade accounts payable	0.9	0.5
Accruals and other current liabilities	1.6	1.5
Included in Other current liabilities	$ 2.5	$ 2.0
Retirement plans and other non-current liabilities	0.8	0.7
Other non-current liabilities	0.3	0.3
Included in Other non-current liabilities	$ 1.1	$ 1.0

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

	March 31, 2018	December 31, 2017
Cash and cash equivalents:		
Cash and cash equivalents - continuing operations	$ 447.9	$ 626.5
Cash and cash equivalents - held for sale	3.5	3.6
Total cash and cash equivalents	$ 451.4	$ 630.1

Cash and cash equivalents held for sale at March 31, 2018 and December 31, 2017 include no amounts which were not immediately available for use.

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

	Three Months Ended March 31,			
	2018	2017		
	Atlas	MHPS	Atlas	Total
Gain (loss) on disposition of discontinued operations	$3.2	$79.5	$3.5	$83.0
(Provision for) benefit from income taxes	(0.5)	(26.8)	(0.5)	(27.3)
Gain (loss) on disposition of discontinued operations – net of tax	$2.7	$52.7	$3.0	$55.7

During the three months ended March 31, 2018, the Company recognized a gain on disposition of discontinued operations - net of tax of $2.7 million, related to the sale of its Atlas heavy construction equipment and knuckle-boom cranes businesses (“Atlas”). The Company converted the earnout in the former agreement into a note receivable of $3.2 million, which is recorded in Other Assets in the Condensed Consolidated Balance Sheet. During the three months ended March 31, 2017, the Company recognized a gain on disposition of discontinued operations - net of tax of $55.7 million, $52.7 million of which is due to the sale of the MHPS business. The remaining $3.0 million is related to the sale of Atlas.

NOTE E – EARNINGS PER SHARE

(in millions, except per share data)	Three Months Ended March 31,	
	2018	2017
Income (loss) from continuing operations	$47.6	$(60.3)
Gain (loss) on disposition of discontinued operations–net of tax	2.7	55.7
Net income (loss)	$50.3	$(4.6)
Basic shares:		
Weighted average shares outstanding	79.7	105.2
Earnings (loss) per share – basic:		
Income (loss) from continuing operations	$0.60	$(0.57)
Gain (loss) on disposition of discontinued operations–net of tax	0.03	0.53
Net income (loss)	$0.63	$(0.04)
Diluted shares:		
Weighted average shares outstanding - basic	79.7	105.2
Effect of dilutive securities:		
Stock options and restricted stock awards	2.0	—
Diluted weighted average shares outstanding	81.7	105.2
Earnings (loss) per share – diluted:		
Income (loss) from continuing operations	$0.59	$(0.57)
Gain (loss) on disposition of discontinued operations–net of tax	0.03	0.53
Net income (loss)	$0.62	$(0.04)

Weighted average options to purchase approximately 60 and 8,000 shares of the Company’s common stock, par value $0.01 per share (“Common Stock”), were outstanding during the three months ended March 31, 2018 and March 31, 2017, respectively, but were not included in the computation of diluted shares as the effect would be anti-dilutive. Weighted average restricted stock awards of 125,200 and 2,288,000 were outstanding during the three months ended March 31, 2018 and March 31, 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 months ended March 31, 2018 and 2017, the Company transferred finance receivables of $91.3 million and $43.5 million, respectively, to third party financial institutions, which qualified for sales treatment under ASC 860. At March 31, 2018, the Company had $29.3 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):

	March 31, 2018	December 31, 2017
Commercial loans	$ 131.3	$ 180.2
Sales-type leases	41.9	26.5
Total finance receivables, gross	173.2	206.7
Allowance for credit losses	(3.8)	(6.6)
Total finance receivables, net	$ 169.4	$ 200.1

Approximately $74 million and $85 million of finance receivables are recorded in Prepaid and other current assets and approximately $95 million and $116 million are recorded in Other assets in the Condensed Consolidated Balance Sheet at March 31, 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 March 31, 2018			Three Months Ended March 31, 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	(2.3)	0.6	(1.7)	(0.3)	—	(0.3)
Charge offs	(1.1)	—	(1.1)	—	—	—
Balance, end of period	$2.3	$ 1.5	$3.8	$5.6	$ 0.4	$6.0

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 for. 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):

	March 31, 2018			December 31, 2017		
	Commercial Loans	Sales-Type Leases	Total	Commercial Loans	Sales-Type Leases	Total
Recorded investment	$1.0	$ —	$1.0	$6.0	$ —	$6.0
Related allowance	0.2	—	0.2	2.4	—	2.4
Average recorded investment	4.4	—	4.4	3.7	—	3.7

The average recorded investment for impaired finance receivables was $2.4 million for commercial loans at March 31, 2017, which were fully reserved. There were no impaired sales-type leases at March 31, 2017.

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):

	March 31, 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	$0.2	$ —	$0.2	$2.4	$ —	$2.4
Collectively evaluated for impairment	2.1	1.5	3.6	3.3	0.9	4.2
Total allowance for credit losses	$2.3	$ 1.5	$3.8	$5.7	$ 0.9	$6.6
Finance receivables, ending balance:						
Individually evaluated for impairment	$1.0	$ —	$1.0	$6.0	$ —	$6.0
Collectively evaluated for impairment	130.3	41.9	172.2	174.2	26.5	200.7
Total finance receivables	$131.3	$ 41.9	$173.2	$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):

	March 31, 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	$118.4	$4.2	$7.3	$ 1.4	$12.9	$ 131.3
Sales-type leases	41.6	0.3	—	—	0.3	41.9
Total finance receivables	$160.0	$4.5	$7.3	$ 1.4	$13.2	$ 173.2

	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 $5.6 million and $10.5 million were on non-accrual status as of March 31, 2018 and December 31, 2017, respectively. At March 31, 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	March 31, 2018	December 31, 2017
Superior	$4.2	$ 3.3
Above Average	32.3	31.8
Average	35.3	73.1
Below Average	82.3	79.6
Sub Standard	19.1	18.9
Total	$173.2	$ 206.7

During the three months ended March 31, 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):

	March 31, 2018	December 31, 2017
Finished equipment	$ 407.1	$ 419.6
Replacement parts	161.8	163.3
Work-in-process	190.9	165.6
Raw materials and supplies	249.3	221.1
Inventories	$ 1,009.1	$ 969.6

Reserves for lower of cost or net realizable value and excess and obsolete inventory were $87.0 million and $85.8 million at March 31, 2018 and December 31, 2017, respectively.

NOTE H – PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2018	December 31, 2017
Property	$ 48.3	$ 43.3
Plant	180.5	144.7
Equipment	470.6	479.3
Property, plant and equipment – gross	699.4	667.3
Less: Accumulated depreciation	(364.8)	(356.3)
Property, plant and equipment – net	$ 334.6	$ 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	0.7	—	4.8	5.5
Balance at March 31, 2018, gross	140.9	179.3	200.0	520.2
Accumulated impairment	(38.6)	(179.3)	(23.2)	(241.1)
Balance at March 31, 2018, net	$102.3	$—	$176.8	$279.1

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

		March 31, 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	$19.3	$ (18.3)	$ 1.0	$18.8	$ (17.8)	$ 1.0
Customer Relationships	20	33.5	(28.9)	4.6	33.2	(28.3)	4.9
Land Use Rights	81	4.8	(0.6)	4.2	4.8	(0.6)	4.2
Other	8	26.7	(23.0)	3.7	26.5	(22.8)	3.7
Total definite-lived intangible assets		$84.3	$ (70.8)	$ 13.5	$83.3	$ (69.5)	$ 13.8

	Three Months Ended March 31,	
(in millions)	2018	2017
Aggregate Amortization Expense	$0.5	$0.5

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 March 31, 2018 mature on or before March 31, 2019. At March 31, 2018 and December 31, 2017, the Company had $345.7 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 $86.4 million and $113.2 million notional amount of foreign exchange contracts outstanding that were not designated as hedging instruments at March 31, 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):

		March 31, 2018		December 31, 2017	
	Balance Sheet Account	Derivatives designated as hedges	Derivatives not designated as hedges	Derivatives designated as hedges	Derivatives not designated as hedges
Foreign exchange contracts	Other current assets	$ 5.8			