

TEREX CORP
Form 10-K
February 25, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2018

or

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

Commission file number 1-10702

TEREX CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

34-1531521

(State of Incorporation)

(IRS Employer Identification No.)

200 Nyala Farm Road, Westport, Connecticut 06880

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

COMMON STOCK, \$.01 PAR VALUE

(Title of Class)

NEW YORK STOCK EXCHANGE

(Name of Exchange on which Registered)

Securities registered pursuant to Section 12(g) of the Act: NONE

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Act.

YES NO

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 NO

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YES NO

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

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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 Accelerated Filer Non-accelerated Filer
Smaller Reporting Company Emerging growth company

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.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates of the Registrant was approximately \$3,721 million based on the last sale price on June 29, 2018.

Number of outstanding shares of common stock: 70.4 million as of February 20, 2019.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Terex Corporation Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to the 2019 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

As used in this Annual Report on Form 10-K, unless otherwise indicated, Terex Corporation, together with its consolidated subsidiaries, is referred to as “Terex,” the “Registrant,” “us,” “we,” “our” or the “Company.” This Annual Report generally speaks as of December 31, 2018, unless specifically noted otherwise.

Forward-Looking Information

Certain information in this Annual Report includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 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 Annual 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;
- changes in import/export regulatory regimes and the escalation of global trade conflicts could continue to negatively impact sales of our products and our financial results;
- our financial results could be adversely impacted by the United Kingdom’s (“U.K.”) departure from the European Union (“E.U.”);
- 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;
- exposure from 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;
- 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 Annual Report and the forward-looking statements contained in documents incorporated herein by reference speak only as of the date of the respective documents. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained or incorporated by reference in this Annual Report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

TEREX CORPORATION AND SUBSIDIARIES
 Index to Annual Report on Form 10-K
 For the Year Ended December 31, 2018

<u>PART I</u>	PAGE
<u>Item 1. Business</u>	<u>4</u>
<u>Item 1A. Risk Factors</u>	<u>16</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>23</u>
<u>Item 2. Properties</u>	<u>24</u>
<u>Item 3. Legal Proceedings</u>	<u>24</u>
<u>Item 4. Mine Safety Disclosure</u>	<u>24</u>
 <u>PART II</u>	
<u>Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>25</u>
<u>Item 6. Selected Financial Data</u>	<u>27</u>
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>50</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>52</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>52</u>
<u>Item 9A. Controls and Procedures</u>	<u>52</u>
<u>Item 9B. Other Information</u>	<u>53</u>
 <u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>53</u>
<u>Item 11. Executive Compensation</u>	<u>53</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>54</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>54</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>54</u>
 <u>PART IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>55</u>
<u>Item 16. Form 10-K Summary</u>	<u>57</u>

PART I

ITEM 1. BUSINESS

GENERAL

Our Company was incorporated in Delaware in October 1986 as Terex U.S.A., Inc. Since that time, we have changed significantly, and much of this change has been historically accomplished through acquisitions and managing our portfolio of companies by divestiture of non-core businesses and products. Today, 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 continue to focus on becoming an industry leading operating company.

We manage and report our business in the following segments: (i) Aerial Work Platforms (“AWP”); (ii) Cranes; and (iii) Material Processing (“MP”).

Further information about our industry and reportable segments appears in Part II, Item 7. – “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note B – “Business Segment Information” in the Notes to the Consolidated Financial Statements.

AERIAL WORK PLATFORMS

Our AWP segment designs, manufactures, services and markets aerial work platform equipment, telehandlers and light towers. Products include portable material lifts, portable aerial work platforms, trailer-mounted articulating booms, self-propelled articulating and telescopic booms, scissor lifts, telehandlers and trailer-mounted 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. We market aerial work platform products principally under the Terex® and Genie® brand names.

AWP has the following significant manufacturing operations:

• Aerial work platform equipment is manufactured in Redmond and Moses Lake, Washington, Rock Hill, South Carolina, Umbertide, Italy and Changzhou, China;

• Telehandlers are manufactured in Oklahoma City, Oklahoma and Umbertide, Italy; and

• Trailer-mounted light towers, trailer-mounted booms and self-propelled aeriels are manufactured in Rock Hill, South Carolina.

We have a parts and logistics center located in North Bend, Washington for our aerial work platform equipment. Additionally, a portion of our aerial work platform parts business is conducted at a shared Terex facility in Southaven, Mississippi. Our European, Asian Pacific and Latin American parts and logistics operations are conducted through outsourced facilities.

CRANES

Our Cranes segment designs, manufactures, services, refurbishes and markets mobile telescopic cranes (all terrain cranes, rough terrain cranes, truck-mounted cranes (boom trucks), truck cranes, and pick and carry 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, energy related projects, construction and maintenance of utility and telecommunication lines, tree trimming, certain construction and foundation drilling applications and a wide range of infrastructure projects. We market our Cranes products principally under the Terex® and Demag® brand names.

Cranes has the following significant manufacturing operations:

- Rough terrain cranes are manufactured in Crespellano, Italy and Oklahoma City, Oklahoma;
- All-terrain cranes are manufactured in Zweibrücken, Germany;
- Truck cranes and truck-mounted cranes are manufactured in Oklahoma City, Oklahoma;
- Tower cranes are manufactured in Fontanafredda, Italy;
- Lattice boom crawler cranes are manufactured in Oklahoma City, Oklahoma and Zweibrücken, Germany;
- Pick and carry cranes are manufactured in Brisbane, Australia; and
- Utility products are manufactured in Watertown and Huron, South Dakota and Betim, Brazil.

We also provide service and support for utility and aerial products in the U.S. through a network of service branches and field service operations. We have announced plans to exit and sell our utility hot lines tools business in Betim, Brazil.

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

MATERIALS PROCESSING

Our 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. We market our MP products principally under the Terex®, Powerscreen®, Fuchs®, EvoQuip®, Canica®, Cedarrapids®, CBI™, Simplicity®, Terex Ecotec®, Terex Finlay®, Terex Washing Systems, Terex MPS, Terex Jaques®, Terex Advance®, Terex Conveying Systems and Terex Bid-Well® brand names and business lines.

MP has the following significant manufacturing operations:

- Mobile crushers, mobile screens, track conveyors and washing systems are manufactured in Omagh and Dungannon, Northern Ireland;
- Mobile crushers, mobile screens, base crushers, base screens, modular and wheeled crushing and screening plants, track conveyors and washing systems are manufactured in Hosur, India;
- Modular, mobile and static crushing and screening equipment and base crushers are manufactured in Oklahoma City, Oklahoma;
- Static crushers and screens are manufactured in Subang Jaya, Malaysia;
- Crushing and screening equipment is manufactured in Durand, Michigan;
- Static and mobile crushers are manufactured in Coalville, England;
- Fabrications, sub-assemblies and steel kits are manufactured in Ballymoney, Northern Ireland;

Wood processing, biomass and recycling equipment systems are manufactured in Newton, New Hampshire, and Dungannon, Northern Ireland.

Material handlers are manufactured in Bad Schönborn, Germany;

Concrete pavers are manufactured in Canton, South Dakota; and

Front discharge concrete mixer trucks are manufactured in Fort Wayne, Indiana.

We have North American distribution centers in Louisville, Kentucky and Southaven, Mississippi and service centers in Australia, Thailand, Turkey and Malaysia.

OTHER

We may assist customers in their rental, leasing and acquisition of our products through Terex Financial Services (“TFS”). TFS uses its equipment financing experience to provide financing solutions to our customers who purchase our equipment. TFS continually evaluates the level to which it provides direct customer financing versus utilizing third party funding to meet its business objectives.

In the United States and on a limited basis in China, TFS originates and services financing transactions directly with end-user customers, distributors and rental companies. Most of the transactions are fixed and floating rate loans; however, TFS also provides sales-type leases, operating leases and rentals. In the normal course of business, loans and leases are sold to third party financial institutions. Globally, TFS facilitates financing transactions directly between our customers and third party financial institutions. In addition, wholesale financing may be arranged between dealers and distributors who sell our equipment and financial institutions with which TFS has established relationships.

TFS continually monitors used equipment values of Terex equipment in the secondary market sales channels for all of our equipment categories. This provides a basis to project future values of equipment for the underwriting of leases or loans. These secondary market sales channels are also used for re-marketing any equipment which is returned at end of lease, or is repossessed in case of a customer default. When equipment is received, TFS uses the resale channel which maximizes proceeds and/or mitigates risk for Terex and our funding partners.

DISCONTINUED OPERATIONS

Material Handling and Port Solutions (“MHPS”)

On January 4, 2017, we completed the disposition of our MHPS business (the “Disposition”) to Konecranes Plc (“Konecranes”). The MHPS business sold constituted the entirety of one of our previous reportable segments and comprised two of our six previous reporting units, represented a significant portion of our revenues and assets, and is therefore accounted for as a discontinued operation for all periods presented. The Disposition represented a significant strategic shift in our business away from universal, process, mobile harbor and ship-to-shore cranes that had a major effect on our operating results.

See Note D – “Discontinued Operations and Other Divestitures” in the Notes to the Consolidated Financial Statements for further information regarding the Disposition and our discontinued operations.

SUBSEQUENT EVENTS

On February 22, 2019, we entered into an Asset and Stock Purchase Agreement (the “ASPA”) with Tadano Ltd. (“Tadano”). Pursuant to the ASPA, we are selling our Demag® mobile cranes business to Tadano for an enterprise value of \$215 million (the “Transaction”). The consideration is being paid in cash and the cash received will be net of indebtedness. The purchase price is subject to post-closing adjustments based upon the level of net working capital and cash and debt in the Demag® mobile cranes business at the closing date. The products to be divested are our Demag® all terrain cranes and large lattice boom crawler cranes. The Transaction, which is subject to governmental regulatory approvals and other customary closing conditions, is targeted to close in mid-2019. In addition to selling our Demag® mobile cranes business, we will exit the North American mobile crane product lines manufactured in our Oklahoma City facility.

As a result, we realigned certain operations formerly part of our Cranes segment. For financial reporting periods beginning on or after January 1, 2019, our utilities business will be consolidated within our AWP segment, our pick and carry cranes business will be consolidated within our MP segment and our rough terrain and tower cranes

businesses will be consolidated within Corporate. Prior period reportable segment information will be adjusted in succeeding periods to reflect the realignment of our operations.

BUSINESS STRATEGY

Terex is a specialized manufacturer of capital equipment and related services. Our goal is to design, manufacture and market equipment and services that provide superior life-cycle return on invested capital to our customers (“Customer ROIC”). Customer ROIC is a key focus of our organization and is central to our ability to generate returns for investors.

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

Integrity: Integrity reflects honesty, ethics, transparency and accountability. We are committed to maintaining high ethical standards in all of our business dealings and we never sacrifice our integrity for profit.

Respect: Respect incorporates concern for safety, health, teamwork, diversity, inclusion and performance. We treat all our team members, customers and suppliers with respect and dignity.

Improvement: Improvement encompasses quality, problem-solving systems, a continuous improvement culture and collaboration. We continuously search for new and better ways of doing things, focusing on continuous improvement and the elimination of waste.

Servant Leadership: Servant leadership requires service to others, humility, authenticity and leading by example. We work to serve the needs of our customers, investors and team members.

Courage: Courage entails willingness to take risks, responsibility, action and empowerment. We have the courage to make a difference even when it is difficult.

Citizenship: Citizenship means social responsibility and environmental stewardship. We comply with all laws, respect all people’s values and cultures, and are good global, national and local citizens.

During 2016, Terex began implementing a strategic transformation that has three principal elements:

1. Focus the portfolio on businesses best positioned to generate returns above the cost of capital through the cycle.
2. Simplify company structure, systems and footprint to improve efficiency and enhance global competitiveness.
3. Execute to Win, driving process discipline, execution rigor, and accountability in core processes.

The “Focus” element of this strategy concentrated our business portfolio in product categories where we are among the market leaders. Where we were not among the market leaders our strategy has been to either divest those product lines or pursue a business strategy which we believe will enable us to become a market leader. Work related to this strategic theme involved review of all businesses in the portfolio from the perspectives of market attractiveness and competitive position. Several portfolio actions were taken as a result, including the sale of our former MHPS segment and sale of certain of our former Construction segment product lines. Though the original objectives have been met, the principles on which the focus element was based will continue to be applied to our Company’s business portfolio. Businesses that do not lead in their markets or do not achieve reasonable return expectations will be reviewed. Meanwhile, businesses that do lead and do deliver attractive returns will be candidates for additional investment.

The “Simplify” element of the Terex strategy is centered on complexity reduction and cost management. Historically, Terex has grown through acquisitions and our businesses were generally operated autonomously. This resulted in a complex legal entity structure, multiple financial systems, and high organizational complexity. As part of our transformational strategy, we are addressing these issues and are implementing strategic initiatives to simplify our structure, footprint and processes. We are working to flatten and streamline the organization. We have undertaken finance initiatives to simplify the way that we measure and manage the Company day-to-day. We also simplified the Company’s manufacturing footprint by reducing the number of production facilities, sharing facilities across businesses, and driving aggressive productivity improvement within the facilities we operate. We operate capital goods businesses that must be efficiently managed in order to remain competitive and the definition of what it means to be efficient is constantly changing. Continued refinement of business processes and the effective deployment to modern technology are both important to the ongoing simplification of our Company.

The third major theme of the Terex strategy is Execute to Win, which is a focus on three key management processes: Talent development, strategy development and deployment, and operational excellence. Execute to Win represents a major change in the philosophy of our Company in terms of where and how work is done. Our goal is to become

operationally excellent, balancing desire for business autonomy with the need for overall efficiency and relying on process excellence as a critical enabler of both business and company performance. We are implementing three specific near-term transformational priorities in our Execute to Win initiatives.

1. Lifecycle Solutions are comprehensive solutions that include our equipment and other offerings such as financing, spare parts, technical and repair services, operator training, and technology solutions that drive Customer ROIC.
2. Commercial Excellence is about driving process discipline and execution in our commercial operations, such as sales, pricing, marketing, and sales support.
3. Strategic Sourcing will involve implementing a standard, Terex-wide strategic sourcing process that will help us leverage our spending, thereby achieving lower costs from suppliers.

Each of these activities is being managed as a company-wide priority, with leadership from the center and support from within Terex businesses. Implementation involves a wide-ranging set of actions that are intended to deliver step-change performance improvement. These actions appropriately balance the unique needs of specific businesses with overall potential for efficiency and for leverage on investments. Our long-term financial plan includes major contributions in these three areas as well as improved processes that will become foundational drivers for differentiating Terex in the years ahead.

Capital allocation is an important part of our overall strategy. We view capital allocation priorities (in order) as follows:

1. Maintain an optimal capital structure (~2.5 x average net debt to EBITDA over the cycle)
2. Organic growth investments (product & service development, maintenance capex, geographic expansion)
3. Restructuring investments (transformation initiatives, general & administrative cost reduction, footprint rationalization)
4. Efficient return of capital to shareholders (dividends and share repurchases)

During 2018, we returned \$455 million to shareholders in the form of dividends and share repurchases.

PRODUCTS

AERIAL WORK PLATFORMS

AERIAL WORK PLATFORMS. Aerial work platform equipment position workers and materials easily and quickly to elevated work areas, enhancing safety and productivity at height. These products have been developed as alternatives to scaffolding and ladders. We offer a variety of aerial lifts that are categorized into six product families: portable material lifts; portable aerial work platforms; trailer-mounted articulating booms; self-propelled articulating and self-propelled telescopic booms; and scissor lifts.

Portable material lifts are used primarily indoors in the construction, industrial and theatrical markets.

Portable aerial work platforms are used primarily indoors in a variety of markets to perform overhead maintenance.

Trailer-mounted articulating booms are used both indoors and outdoors. They provide versatile reach, and they have the ability to be towed between job sites.

Self-propelled articulating booms are primarily used in construction and industrial applications, both indoors and outdoors. They feature lifting versatility with up, out and over position capabilities to access difficult to reach overhead areas.

Self-propelled telescopic booms are used outdoors in commercial and industrial construction, as well as highway and bridge maintenance projects.

Scissor lifts are used in indoor and outdoor applications in a variety of construction, industrial and commercial settings.

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

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

CRANES

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

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

Rough terrain cranes move materials and equipment on rugged or uneven terrain and are often located on a single construction or work site for long periods. Rough terrain cranes cannot be driven on highways (other than in Italy) and accordingly must be transported by truck to the work site.

Truck cranes have two cabs and can travel rapidly from job site to job site at highway speeds. Truck cranes are often used for multiple local jobs, primarily in urban or suburban areas.

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

- All-terrain cranes are a cross between rough terrain and truck cranes, and are designed to travel across both rough terrain and highways.

Pick and carry cranes are designed for a wide variety of applications, including use at mine sites, large fabrication yards, building and construction sites and in machinery maintenance and installation. They combine high road speed with all-terrain capability.

LATTICE BOOM CRAWLER CRANES. Lattice boom crawler and lattice boom pedestal cranes are designed to lift material on rough terrain. The boom is made of tubular steel sections, which, together with the base unit, are transported to and erected at a construction site. Applications include infrastructure building, wind turbine erection, construction of nuclear power and petrochemical plants and heavy lifting within oil refineries and the construction industry.

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

Self-erecting tower cranes unfold from sections and can be trailer mounted; certain larger models have a telescopic tower and folding jib. These cranes can be assembled on site in a few hours. Applications include residential and small commercial construction.

Hammerhead tower cranes have a tower and a horizontal jib assembled from sections. The tower extends above the jib into an A-frame to which suspension cables supporting the jib are attached. These cranes are assembled on-site in one to three days depending on height, and can increase in height with the project.

Flat top tower cranes have a tower and a horizontal jib assembled from sections. There is no A-frame above the jib, which is self-supporting and consists of reinforced jib sections. These cranes are assembled on-site in one to two days, and can increase in height with the project.

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

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

Digger derricks are insulated products used to dig holes, hoist and set utility poles, as well as lift transformers and other materials at job sites near energized power lines. Auger drills are used to dig holes for utility poles or construction foundations requiring larger diameter holes in difficult soil conditions.

Insulated aerial devices are used to elevate workers and material to work areas at the top of utility poles near energized transmission and distribution lines and for trimming trees near energized electrical lines, as well as for miscellaneous purposes such as sign maintenance.

SERVICES. We offer a range of services for aerial work platform and utility equipment consisting of inspections, preventative maintenance, general repairs, reconditioning, refurbishment, modernization and spare parts, as well as consultancy and training services. Our services are provided on our own products and on third-party products and related equipment.

MATERIALS PROCESSING

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

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

Jaw crushers are used for crushing larger rock, primarily at the quarry face or on recycling duties. Applications include hard rock, sand and gravel and recycled materials. Cone crushers are used in secondary and tertiary applications to reduce a number of materials, including quarry rock and riverbed gravel.

Horizontal shaft impactors are primary and secondary crushers. They are typically applied to reduce soft to medium hard materials, as well as recycled materials. Vertical shaft impactors are secondary and tertiary crushers that reduce material utilizing various rotor configurations and are highly adaptable to any application.

Our screening and feeder equipment includes:

Heavy duty inclined and horizontal screens and feeders, which are used in low to high tonnage applications and are available as either stationary or heavy-duty mobile equipment. Screens are used in all phases of plant design from handling quarried material to fine screening. Dry screening is used to process materials such as sand, gravel, quarry rock, coal, ore, construction and demolition waste, soil, compost and wood chips.

Feeders are used to unload materials from hoppers and bulk material storage at controlled rates. They are available for applications ranging from primary feed hoppers to fine material bin unloading. Our range includes apron feeders, grizzly feeders and pan feeders.

Washing system products include mobile and static wash plants incorporating separation, washing, scrubbing, dewatering and stockpiling. We manufacture mobile and stationary rinsing screens, scrubbing systems, sand screw dewaterers, bucket-wheel dewaterers, water management systems, hydrocyclone plants for efficient silt extraction and a range of stockpiling conveyors. Washing systems operate in the aggregates, recycling, mining and industrial sands segments.

Wood processing, biomass and recycling equipment includes shredders, grinders, trommels, chippers, compost turners and specialty systems. This equipment is used in, among other things, recycling, wood energy, green waste/construction, demolition recycling industries and pulp and paper.

We manufacture a range of conveyors which include tracked mobile conveyors. Conveyors are mechanical machines used to transport and stockpile materials such as aggregates and minerals after processing.

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

- Material handlers are designed for handling logs, scrap, recycling and other bulky materials with clamshell, magnet or grapple attachments.

- Concrete mixer trucks are machines with a large revolving drum in which cement is mixed with other materials to make concrete. We offer models with custom chassis with configurations from three to seven axles.

- Our concrete pavers are used to finish bridges, concrete streets, highways and airport surfaces.

BACKLOG

Our backlog as of December 31, 2018 and 2017 was as follows:

	December 31,	
	2018	2017
	(in millions)	
AWP	\$867.9	\$763.0
Cranes	583.3	550.4
MP	490.5	317.7
Total	\$1,941.7	\$1,631.1

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

Our management views backlog as one of many indicators of the performance of our business. Because many variables can cause changes in backlog and these changes may or may not be of any significance, we consequently view backlog as an important, but not necessarily determinative, indicator of future results.

Our overall backlog amounts at December 31, 2018 increased \$310.6 million from our backlog amounts at December 31, 2017, primarily due to higher orders across all business segments. The negative impact of foreign exchange rate changes on 2018 backlog was approximately 3% when compared to 2017.

AWP segment backlog at December 31, 2018 increased approximately 14% from our backlog amounts at December 31, 2017. This increase from the prior year was driven primarily by higher orders in North America and Asia.

Cranes segment backlog at December 31, 2018 increased approximately 6% from our backlog amounts at December 31, 2017. This increase from the prior year was driven primarily by higher orders in our Utilities business. The negative impact of foreign exchange rate changes on 2018 backlog was approximately 2% when compared to 2017.

MP segment backlog at December 31, 2018 increased approximately 54% from our backlog amounts at December 31, 2017. This increase from the prior year was driven primarily by increased demand for crushing and screening products globally and concrete mixer trucks in North America. Foreign exchange negatively impacted 2018 backlog by approximately 6% when compared to 2017.

DISTRIBUTION

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

AERIAL WORK PLATFORMS

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

CRANES

We market our crane products globally, optimizing assorted channel marketing systems, including a distribution network and a direct sales force. We have direct sales, primarily to specialized crane rental companies, in certain crane markets such as Australia, Singapore, the United Kingdom, Germany, Spain, Belgium, the Netherlands, Italy, France, Scandinavia, the Middle East and China to offer comprehensive service and support to customers. Distribution via a distributor network is often utilized in other geographic areas, including the United States and Canada where we also sell directly to key accounts.

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

MATERIALS PROCESSING

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

RESEARCH, DEVELOPMENT AND ENGINEERING

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

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

Product change driven by new regulations continues to be a focus of the Company, including the newest diesel engine emission reduction program introduced in Europe, known as Stage V, which is driving further engine emissions related product development and introduction in 2019. Product innovation has become a core element of our growth strategy. We have re-invigorated and increased our emphasis on creating new models and meeting the demands of our customers. Robust product development pipelines are in place, which we expect will continue to bring new, differentiated products to the market in the years ahead. We have also focused on producing more cost-effective product solutions across various segments.

We will continue our commitment to appropriate levels of research, development and engineering spending in order to meet our customer needs, uphold competitive functionality of our products and maintain regulatory compliance in all the markets we serve.

MATERIALS

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

COMPETITION

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

BUSINESS SEGMENT	PRODUCTS	PRIMARY COMPETITORS
Aerial Work Platforms	Portable Material Lifts and Portable Aerial Work Platforms	Oshkosh (JLG), Vestil, Sumner and Wesco
	Boom Lifts	Oshkosh (JLG), Haulotte, Linamar (Skyjack), Xtreme/Tanfield (Snorkel), JCB and Aichi
	Scissor Lifts	Oshkosh (JLG), Linamar (Skyjack), Haulotte, Manitou and Xtreme/Tanfield (Snorkel), JCB and Dingli
	Telehandlers	Oshkosh (JLG, Skytrak, Caterpillar and Lull brands), JCB, CNH, Merlo and Manitou (Gehl)
	Trailer-mounted Light Towers	Allmand Bros., Generac, Wacker Neuson and Doosan
Cranes	Mobile Telescopic Cranes	Liebherr, Manitowoc (Grove), Tadano-Faun, Link-Belt, XCMG, Kato, Zoomlion and Sany
	Tower Cranes	Liebherr, Manitowoc (Potain), Comansa, Jaso, Zoomlion, XCMG and Wolffkran
	Lattice Boom Crawler Cranes	Manitowoc, Link-Belt, Liebherr, Sennebogen, Hitachi, Kobelco, XCMG, Zoomlion, Fushun and Sany
	Truck-Mounted Cranes	Manitowoc (National Crane), Altec and Manitex
	Utility Equipment	Altec and Time Manufacturing
Materials Processing	Crushing & Screening Equipment	Metso, Astec Industries, Sandvik, McCloskey, Kleemann, Keestrack and Rubble Master
	Washing Systems	McLanahan, Astec Industries and CDE Global, Superior and Phoenix Process Equipment
	Wood Processing, Biomass and Recycling Equipment	Vermeer, Bandit, Morbark, Astec Industries, Doppstadt, Komptech and Eggersmann
	Conveyors	Telestack, Edge, Superior, MGL, Easystack and McCloskey
	Material Handlers	Liebherr, Sennebogen and Caterpillar

Concrete Pavers	Gomaco, Wirtgen, Power Curbers, Guntert & Zimmerman and Allen Equipment
Concrete Mixer Trucks	Oshkosh, Kimble and Continental Manufacturing and McNeilus

MAJOR CUSTOMERS

None of our customers individually accounted for more than 10% of our consolidated net sales in 2018. In 2018, our largest customer accounted for less than 5% of our consolidated net sales and our top ten customers in the aggregate accounted for less than 25% of our consolidated net sales. A material portion of AWP net sales are to national rental companies.

EMPLOYEES

As of December 31, 2018, we had approximately 11,700 employees; including approximately 5,600 employees in the U.S. Approximately one percent of our employees in the U.S. are represented by labor unions. Outside of the U.S., we enter into employment contracts and collective agreements in those countries in which such relationships are mandatory or customary. The provisions of these agreements correspond in each case with the required or customary terms in the subject jurisdiction. We generally consider our relations with our employees to be good.

PATENTS, LICENSES AND TRADEMARKS

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

We use several significant trademarks and trade names, most notably the Terex[®], Genie[®], Powerscreen[®], Demag[®] and Fuchs[®] trademarks. The other trademarks and trade names that we use include registered trademarks of Terex Corporation or its subsidiaries. Demag[®] is a registered trademark of Demag IP Holdings GmbH, which is a joint venture owned 50% by Terex and 50% by Konecranes.

We have many patents that we use in connection with our operations and most of our products contain some proprietary technology. Many of these patents and related proprietary technology are important to the production of particular products; however, overall, our patents, taken together, are not material to our business or our overall financial results.

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

SAFETY AND ENVIRONMENTAL CONSIDERATIONS

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

We generate hazardous and non-hazardous wastes in the normal course of our manufacturing operations. As a result, we are subject to a wide range of environmental laws and regulations. All of our employees are required to obey all applicable health, safety and environmental laws and regulations and must observe the proper safety rules and environmental practices in work situations. These laws and regulations govern actions that may have adverse environmental effects, such as discharges to air and water, and require compliance with certain practices when handling and disposing of hazardous and non-hazardous wastes. These laws and regulations would also impose liability for the costs of, and damages resulting from, cleaning up sites, past spills, disposals and other releases of hazardous substances, should any 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 ensuring that safety and health hazards are adequately addressed through appropriate work practices, training and procedures. For example, we continue to reduce lost time injuries and work toward a world-class level of safety practices in our industry.

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

Use and operation of our equipment in an environmentally conscious manner is an important priority for us. We are aware of global discussions regarding climate change and the impact of greenhouse gas emissions on global warming. We are increasing our production of products that have lower greenhouse gas emissions in response to both regulatory initiatives and anticipated market demand trends. For example, the newest diesel engine emission reduction program introduced in Europe, known as Stage V, is driving further engine emissions related product development and introduction in 2019. Our segments also offer products that use plug-in electric hybrid technology to save fuel, reduce emissions and reduce noise in residential areas.

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

SEASONAL FACTORS

Terex is a globally diverse company, supporting multiple end uses. Seasonality is a factor in some businesses, where annual purchasing patterns are impacted by the seasonality of downstream project spending. Specifically, our businesses can experience stronger demand during the second quarter, as customers in the northern hemisphere make investments in time for the annual construction season (April to October). We expect a normal historical sales pattern in 2019.

WORKING CAPITAL

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

AVAILABLE INFORMATION

We maintain a website at www.terex.com. We make available on our website under “Investor Relations” – “Financial Reporting”, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such material with the SEC. References to our website in this report are provided as a convenience, and the information on our website is not, and shall not be deemed to be a part of this report or incorporated into any other filings we make with the SEC. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. In addition, we make available on our website under “Investor Relations” – “Governance”, free of charge, our Audit Committee Charter, Compensation Committee Charter, Governance and Nominating Committee Charter, Corporate Governance Guidelines and Code of Ethics and Conduct. In addition, the foregoing information is available in print, without charge, to any stockholder who requests these materials from us.

ITEM 1A. RISK FACTORS

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

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

Demand for our products tends to be cyclical and is affected by the general strength of the economies in which we sell our products, prevailing interest rates, residential and non-residential construction spending, capital expenditure allocations of our customers and other factors. While we currently expect markets to remain relatively stable in 2019, geopolitical and economic uncertainty has increased, including as a result of tariffs imposed by the U.S. and retaliatory tariffs implemented by China and other countries. If the global economy weakens, it may cause customers to continue to forego or postpone new purchases in favor of reducing their existing fleets or refurbishing or repairing existing machinery.

Our sales depend in part upon our customers’ replacement or repair cycles, which are impacted in part by historical purchase levels. In addition, if our customers are not successful in generating sufficient revenue or are precluded from securing financing, they may not be able to pay, or may delay payment of, accounts receivable owed to us. If global economic conditions are weaker than our market expectations or the global economic weakness of the recent past were to recur, then there could be an adverse effect on our net sales, financial condition, profitability and/or cash flow which could result in the need for us to record impairments.

Changes in import/export regulatory regimes, the imposition of tariffs and escalation of global trade conflicts could continue to negatively impact our business.

The current U.S. administration has expressed strong concerns about imports from countries that it perceives as engaging in unfair trade practices. In 2018, the U.S. Commerce Department initiated tariffs under Section 232 of the Trade Expansion Act of 1962 and Section 301 of the U.S. Trade Act of 1974 which imposed tariffs on steel, aluminum and certain other foreign goods. In response, certain foreign governments, including China, have imposed and are considering imposing additional tariffs on certain U.S. goods. These actions have significantly impacted our material costs. In particular, prices for steel, a primary material in our products, rose considerably starting in the first quarter of 2018. While prices for hot rolled coil steel appear to be trending downward, steel plate prices remain elevated. In addition, tariffs on certain Chinese origin goods impact the cost of material and machines that we import directly from our manufacturing operations in China, as well as the cost of material and components imported on our behalf by suppliers. The indirect impact of the inflationary pressure on costs throughout the supply chain and the direct impact, for example, on costs for machines we import from our manufacturing operations in China, is leading to higher input costs and lower margins on certain products we sell. In addition, tariffs imposed by the Chinese government on U.S. imports have made the cost of some of our products more expensive for our Chinese customers.

The tariffs and the possibility of an escalation of current trade conflicts, particularly between the U.S. and China, could continue to negatively impact global trade and economic conditions in many of the regions where we do business. This could result in continued significant increases in our material and component costs and the cost of machinery imported directly from our manufacturing operations in China. In addition, it may adversely impact demand for our products in China and elsewhere. While we will seek to receive duty draw-back credits in future periods for certain products affected by Section 301 tariffs thereby mitigating a portion of the effects of Section 301 tariffs, if we are unable to recover a substantial portion of increased raw material, component or machinery costs

either from duty draw-back credits or from our customers and suppliers, or if trade conflicts lead to a significant reduction in demand for our products, this could have an adverse effect on our business or results of operations.

Our financial results could be adversely impacted by the U.K.'s departure from the E.U.

Uncertainty related to the withdrawal of the U.K. from the E.U. commonly referred to as "Brexit," which is currently expected to occur on March 29, 2019, could negatively impact the global economy, particularly many important European economies. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications the withdrawal of the U.K. from the E.U. will have on us, particularly for our MP segment which has significant manufacturing facilities in Northern Ireland. Depending on the terms of Brexit, we could become subject to, among other things, export tariffs and regulatory restrictions that could increase transaction costs, reduce our ability to hire or retain employees in Northern Ireland, reduce access to supplies and materials, cause shipping delays because of the need for new customs inspections and procedures and reduce demand or access to customers in international markets, all of which would impair our ability to conduct our operations as they have been conducted historically. These and other potential implications of Brexit could adversely affect our business, financial condition or results of operation.

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

Our total debt at December 31, 2018 was approximately \$1.2 billion. Our credit agreement and other debt agreements contain financial and restrictive covenants that may limit our ability to, among other things, borrow additional funds or take advantage of business opportunities. As of December 31, 2018, we are in compliance with the financial covenants. However, increases in our debt, increases in our interest expense or decreases in our earnings could cause us to fail to comply with these financial covenants. Failing to comply with such covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all our indebtedness or otherwise have a material adverse effect on our financial position, results of operations and debt service capability.

Our level of debt and the financial and restrictive covenants contained in our credit agreement could have important consequences on our financial position and results of operations, including increasing our vulnerability to increases in interest rates because debt under our credit agreement bears interest at variable rates. In addition, our credit agreement indebtedness may use LIBOR as a benchmark for establishing our interest rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to perform differently than in the past or to be replaced entirely. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of our credit agreement indebtedness.

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

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

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

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

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

Our access to capital markets to raise funds through the sale of equity or debt securities is subject to various factors, including general economic and/or financial market conditions. Significant changes in market liquidity conditions could impact access to funding and associated funding costs, which could reduce our earnings and cash flows. If our consolidated cash flow coverage ratio is less than 2.0 to 1.0, we are subject to significant restrictions on the amount of indebtedness we can incur. Although our cash flow coverage ratio was greater than 2.0 to 1.0 at the end of 2018, there can be no assurance this will continue to occur.

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

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

Our business is sensitive to government spending.

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

We operate in a highly competitive industry.

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

We rely on key management.

We rely on the management and leadership skills of our senior management team, particularly those of the Chief Executive Officer. The loss of the services of key employees or senior officers, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect the quality and profitability of our business operations.

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

We rely on sales of our products to generate cash from operations. Significant portions of our sales are financed by third party finance companies on behalf of our customers. The availability of financing by third parties is affected by general economic conditions, credit worthiness of our customers and estimated residual value of our equipment.

Deterioration in credit quality of our customers or estimated residual value of our equipment could negatively impact the ability of our customers to obtain resources they need to purchase our equipment. There can be no assurance third party finance companies will continue to extend credit to our customers.

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

We are exposed to losses from providing financing and credit support to some of our customers.

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

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

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

As of December 31, 2018, we had trade receivables of \$659.9 million. We evaluate the collectability of open accounts, finance receivables and note receivables based on a combination of factors and establish reserves based on our estimates of probable losses. In circumstances where we believe it is probable that a specific customer will have difficulty meeting its financial obligations, a specific reserve is recorded to reduce the net recognized receivable to the amount we expect to recover. We also establish additional reserves based upon our analysis of the quality of the current receivables, the current financial position of our customers and past collections experience. An unexpected change in customer financial condition or future economic uncertainty could result in additional requirements for specific reserves, which could have a negative impact on our consolidated financial position.

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. Prices for steel in particular rose considerably starting in the first quarter of 2018. While prices for hot rolled coil steel appear to be trending downward, steel plate prices remain elevated in large part because of the current trade conflict between the U.S. and China. Prices for certain other raw materials and components we purchase from our suppliers also have risen significantly as result of current trade conflicts. If we are not able to recover increased raw material or component costs either from duty draw-back credits or our customers, our margins could be adversely affected.

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

We are subject to currency fluctuations.

Our products are sold in over 100 countries around the world. The reporting currency for our consolidated financial statements is the U.S. dollar. Certain of our assets, liabilities, expenses, revenues and earnings are denominated in other countries' currencies, including the Euro, British Pound 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 currently expected to occur on March 29, 2019.

We may buy protecting or offsetting positions (known as "hedges") in certain currencies to reduce the risk of an adverse currency exchange movement. We have not engaged in any speculative hedging activities. Although we partially hedge our revenues and costs, currency fluctuations may impact our financial performance in the future.

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

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

- trade protection measures and currency exchange controls;
- labor unrest;
- global and regional economic conditions;
- political instability;
- terrorist activities and the U.S. and international response thereto;
- restrictions on the transfer of funds into or out of a country;
- export duties and quotas;
- domestic and foreign customs and tariffs;
- current and changing regulatory environments;
- difficulties protecting our intellectual property;
- transportation delays and interruptions;
- costs and difficulties in integrating, staffing and managing international operations, especially in developing markets such as China, India, Brazil and the Middle East;
- difficulty in obtaining distribution support;
- natural disasters; and
- current and changing tax laws.

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

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

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

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

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

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

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

As of December 31, 2018, we employed approximately 11,700 people worldwide in our continuing operations businesses. While we have no reason to believe that we will be impacted by work stoppages or other labor matters, we cannot assure that future issues with our team members or labor unions will be resolved favorably or that we will not encounter future strikes, further unionization efforts or other types of conflicts with labor unions or our team

members. Any of these factors may have an adverse effect on us or may limit our flexibility in dealing with our workforce.

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

We generate hazardous and nonhazardous wastes in the normal course of our manufacturing operations. As a result, we are subject to a wide range of environmental laws and regulations. These laws and regulations govern actions that may have adverse environmental effects and require compliance with certain practices when handling and disposing of hazardous and nonhazardous wastes. Some environmental laws impose strict, retroactive and joint and several liability for the remediation of the release of hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Failure to comply with environmental laws could expose us to substantial fines or penalties and to civil and criminal liability. These liabilities, sanctions, damages and remediation efforts related to any non-compliance with such laws and regulations could have a material adverse effect on our business or results of operations. No such incidents have occurred which required us to pay material amounts to comply with such laws and regulations.

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

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

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

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

We are the subject of a securities class action lawsuit and a stockholder derivative lawsuit. These lawsuits generally cover the time period from February 2008 to February 2009 and allege, among other things, that certain of our SEC filings and other public statements contained false and misleading statements which resulted in damages to the Company, the plaintiffs and the members of the purported class when they purchased our securities and that there were breaches of fiduciary duties. The complaints seek, among other things, unspecified compensatory damages, costs and expenses. As a result, we are unable to estimate a possible loss or a range of losses for these lawsuits. We believe that the allegations in the securities suit and allegations in the stockholder derivative claim are without merit, and we and the named executive will vigorously defend against them. We believe that we have acted, and continue to act, in compliance with federal securities laws and Delaware law with respect to these matters. On February 13, 2019, the Company and the plaintiffs filed a joint letter to the court indicating that an agreement in principle to settle the securities suit had been reached subject to court approval. The settlement amount is covered by insurance and not material to the financial results of the Company. Until the settlement is finalized and ordered by the court, the outcome of both lawsuits cannot be predicted and, if determined adversely, could ultimately result in us incurring significant liabilities. See Note Q – "Litigation and Contingencies," in the Notes to the Consolidated Financial Statements for more information on our securities class action lawsuit and stockholder derivative lawsuit.

We must comply with an injunction and related obligations imposed by the SEC.

We and our directors, officers and employees are required to comply at all times with the terms of a settlement with the SEC that includes an injunction barring us from committing or aiding and abetting any future violations of the anti-fraud, books and records, reporting and internal control provisions of the federal securities laws and related SEC rules. In addition, regarding a separate and unrelated SEC matter, we consented to the entry of an administrative cease and desist order prohibiting future violations of certain provisions of the federal securities laws. As a result, if we commit or aid or abet any future violations of the anti-fraud, books and records, reporting and internal control

provisions of the federal securities laws and related SEC rules, we are likely to suffer severe penalties, financial and otherwise, that could have a material negative impact on our business and results of operations.

We may be adversely affected by disruption in, or breach in security of, our information technology systems.

We rely on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information (including sensitive data such as confidential business information and personally identifiable data relating to employees, customers and other business partners), and to manage or support a variety of critical business processes and activities. As technology continues to evolve, we anticipate that we will collect and store even more data in the future and that our systems will increasingly use remote communication. We continuously seek to maintain a robust program of information security and controls, but these systems may be damaged, disrupted or shut down due to attacks by computer hackers, computer viruses, employee error or malfeasance, power outages, hardware failures, telecommunication or utility failures, catastrophes or other unforeseen events, and in any such circumstances our system redundancy and other disaster recovery planning may be ineffective or inadequate. A failure of or breach in information technology security, particularly through malicious cyber-attacks which are increasing in both frequency and sophistication by both state and non-state actors, could expose us and our customers, distributors and suppliers to risks of misuse of information or systems, the compromise of confidential information, manipulation and destruction of data, defective products, production downtimes and operations disruptions. In addition, such breaches in security could result in misstated financial information, regulatory action, fines and litigation, and other potential liabilities, as well as the costs and operational consequences of implementing further data protection measures, each of which could have a material adverse effect on our business or results of operations.

The current cyber threat environment indicates increased risk for all companies. Like other global companies, we have experienced cyber threats and incidents, although none have had a material adverse effect on our business or financial condition. Our information security efforts include programs designed to address security governance, identification and protection of critical assets, insider risk, third-party risk and cyber defense operations. While these measures are designed to reduce the risk of a breach or failure of our information technology systems, no security measures or countermeasures can guarantee that the Company will not experience a significant information security incident in the future.

The timing and amount of benefits from the Company's Execute to Win initiatives may not be as expected and the Company's financial results could be adversely impacted.

We are in the process of implementing our Focus, Simplify and Execute to Win initiatives as part of our strategy to deliver long-term growth and earnings to our shareholders. The Execute to Win component of this strategy has three priority areas: Lifecycle Solutions, Commercial Excellence and Strategic Sourcing. We are making significant investments in each of these priority areas. However, we cannot provide any assurance that we will be able to realize the anticipated benefits of these initiatives. Although Execute to Win is expected to improve future operating margins and revenue growth, if the Company is unable to achieve expected benefits from one or more of these three initiatives or is unable to complete these initiatives without material disruption to our businesses, the timing and amount of benefits may not be as expected and could adversely impact the Company's competitive position, financial condition, profitability and/or cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2018, our principal manufacturing, warehouse, service and office facilities comprised a total of approximately 8 million square feet of space worldwide. The following table outlines the principal manufacturing, warehouse, service and office facilities owned or leased (as indicated below) by the Company and its subsidiaries in relation to our continuing businesses:

BUSINESS SEGMENT	FACILITY LOCATION	BUSINESS SEGMENT	FACILITY LOCATION
Corporate/Other	Westport, Connecticut ⁽¹⁾	MP	Louisville, Kentucky
	Schaffhausen, Switzerland		Durand, Michigan
AWP	Rock Hill, South Carolina	Multiple Business Segments	Coalville, England
	Moses Lake, Washington ⁽¹⁾		Hosur, India
	North Bend, Washington ⁽¹⁾		Subang Jaya, Malaysia ⁽¹⁾
	Redmond, Washington ⁽¹⁾		Omagh, Northern Ireland
	Changzhou, China		Dungannon, Northern Ireland
	Umbertide, Italy		Newton, New Hampshire
	Darra, Australia ⁽¹⁾		Ballymoney, Northern Ireland
	Singapore ⁽¹⁾		Canton, South Dakota
	Watertown, South Dakota ⁽¹⁾		Fort Wayne, Indiana
	Huron, South Dakota		Bad Schönborn, Germany
Cranes	Brisbane, Australia ⁽¹⁾		Southaven, Mississippi ⁽¹⁾
	Betim, Brazil ^{(1) (2)}		Oklahoma City, Oklahoma
	Long Crendon, England ⁽¹⁾		
	Zweibrücken-Dinglerstrasse, Germany		
	Zweibrücken-Wallerscheid, Germany		
	Crespellano, Italy		
	Fontanafredda, Italy		

⁽¹⁾ These facilities are either partially or fully leased or subleased.

⁽²⁾ Plans have been announced to exit the business associated with this facility.

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

We believe the properties listed above are suitable and adequate for our use. From time to time, we may determine that certain of our properties exceed our requirements. Such properties may be sold, leased or utilized in another manner.

ITEM 3. 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 Q – "Litigation and Contingencies," in the Notes to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

24

PART II

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

Our common stock, par value \$.01 per share ("Common Stock") is traded on the New York Stock Exchange ("NYSE") under the symbol "TEX." Certain of our debt agreements contain restrictions as to the payment of cash dividends to stockholders. In addition, Delaware law limits payment of dividends. In the first quarter of 2019, the Company's Board of Directors declared a dividend of \$0.11 per share to be paid on March 19, 2019 to all stockholders of record as of the close of business on March 8, 2019. Any additional payments of dividends will depend upon our financial condition, capital requirements and earnings, as well as other factors that the Board of Directors may deem relevant.

As of February 20, 2019, there were 620 stockholders of record of our Common Stock.

Performance Graph

The following stock performance graph is intended to show our stock performance compared with that of comparable companies. The stock performance graph shows the change in market value of \$100 invested in our Common Stock, the Standard & Poor's 500 Stock Index and the Peer Group (as defined below) for the period commencing December 31, 2013 through December 31, 2018. The cumulative total stockholder return assumes dividends are reinvested. The stockholder return shown on the graph below is not indicative of future performance. The companies in the Peer Group are weighted by market capitalization.

The Peer Group consists of the following companies that are in our same industry, of comparable revenue size to us and/or other manufacturing companies: AGCO Corporation, Carlisle Companies Inc., Crane Company, Dana Incorporated, Dover Corporation, Flowserve Corporation, Hubbell Inc., Lennox International Inc., The Manitowoc Company, Inc., Meritor Inc., Navistar International Corporation, Oshkosh Corporation, Pentair Ltd., Rockwell Automation, Inc., Roper Technologies Inc., Timken Company, Trinity Industries Inc. and Westinghouse Air Brake Technologies Corporation.

	12/13	12/14	12/15	12/16	12/17	12/18
Terex Corporation	100.00	66.76	44.71	77.24	119.17	68.86
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
Peer Group	100.00	97.55	87.59	109.14	143.65	121.26

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Purchases of Equity Securities

The following table provides information about our purchases during the quarter ended December 31, 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⁾
October 1, 2018 – October 31, 2018	1,578	\$39.60	—	\$300,000
November 1, 2018 – November 30, 2018	1,483,421	\$31.11	1,481,447	\$253,913
December 1, 2018 – December 31, 2018	1,901,226	\$28.43	1,896,445	\$200,000
Total	3,386,225	\$29.61	3,377,892	\$200,000

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

(2) In July 2018, our Board of Directors authorized and the Company publicly announced the repurchase of up to an additional \$300 million of the Company's outstanding common shares.

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SELECTED FINANCIAL DATA

The following table summarizes our selected financial data and should be read in conjunction with the more detailed Consolidated Financial Statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations. This selected financial data includes comparative income statement data whose presentation has been retrospectively adjusted for the effects of discontinued operations. All periods are presented on a consistent basis.

(in millions, except per share amounts and employees)

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	2018	2017	2016	2015	2014
SUMMARY OF OPERATIONS					
Net sales	\$5,125.0	\$4,363.4	\$4,443.1	\$5,021.7	\$5,484.0
Income (loss) from operations	293.3	179.9	(141.8)	328.0	406.5
Income (loss) from continuing operations	111.3	60.0	(193.3)	128.2	252.0
Income (loss) from discontinued operations – net of tax	—	—	14.3	17.4	8.9
Gain (loss) on disposition of discontinued operations – net of tax	2.4	68.7	3.5	3.4	58.6
Net income (loss) attributable to common stockholders	113.7	128.7	(176.1)	145.9	319.0
Per Common and Common Equivalent Share:					
Basic attributable to common stockholders					
Income (loss) from continuing operations	\$1.48	\$0.65	\$(1.79)	\$1.20	\$2.31
Income (loss) from discontinued operations – net of tax	—	—	0.13	0.13	0.06
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.74	0.03	0.03	0.54
Net income (loss) attributable to common stockholders	1.51	1.39	(1.63)	1.36	2.91
Diluted attributable to common stockholders					
Income (loss) from continuing operations	\$1.45	\$0.63	\$(1.79)	\$1.17	\$2.22
Income (loss) from discontinued operations – net of tax	—	—	0.13	0.13	0.06
Gain (loss) on disposition of discontinued operations – net of tax	0.03	0.73	0.03	0.03	0.51
Net income (loss) attributable to common stockholders	1.48	1.36	(1.63)	1.33	2.79
CURRENT ASSETS AND LIABILITIES					
Current assets	\$2,423.0	\$2,383.0	\$2,700.5	\$3,140.2	\$3,352.3
Current liabilities	1,214.7	1,035.5	1,407.0	1,458.6	1,643.0
PROPERTY, PLANT AND EQUIPMENT					
Net property, plant and equipment	\$345.6	\$311.0	\$304.6	\$371.9	\$339.7
Capital expenditures	(103.8)	(43.5)	(58.1)	(81.5)	(58.3)
Depreciation	53.3	59.9	65.5	63.9	70.4
TOTAL ASSETS	\$3,485.9	\$3,462.5	\$5,006.8	\$5,616.0	\$5,903.3
CAPITALIZATION					
Long-term debt and notes payable (includes capital leases)	\$1,219.4	\$984.8	\$1,575.8	\$1,796.2	\$1,754.8
Total Terex Corporation Stockholders' Equity	860.5	1,222.0	1,484.7	1,877.4	2,005.9
Dividends per share of Common Stock	0.40	0.32	0.28	0.24	0.20
Shares of Common Stock outstanding at year end	69.6	80.2	105.0	107.7	105.4

EMPLOYEES ⁽¹⁾	11,700	10,700	11,300	13,700	13,400
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For more information on items that affect comparability among the years, see Note D - "Discontinued Operations and Other Divestitures" in the Notes to the Consolidated Financial Statements.

(1) Excludes approximately 6,800, 6,700, and 7,000, MHPS employees in years 2016, 2015 and 2014, respectively.

ITEM 7. 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) AWP; (ii) Cranes; and (iii) MP. Please refer to Note B - "Business Segment Information" in the accompanying Consolidated Financial Statements for further information about our reportable segments.

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, 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 acquisition of our Northern Ireland properties). We believe 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 2019 outlook for earnings per share is a non-GAAP financial measure because it excludes items such as restructuring and other related charges, transformation costs, gains and losses on divestitures and other unusual items. 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 2019 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 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. We continued to implement the elements of our strategy in 2018 and the beginning of 2019. The announced sale of our Demag® mobile crane business and the decision to exit the mobile crane product lines manufactured at our Oklahoma City facility, are expected to improve Terex's operating results by Focusing the portfolio on our high performing businesses. We simplified key elements of our infrastructure, including implementing a new global performance management system, consolidating to a single chart of accounts and up-grading our primary ERP system. We continue to invest in our Execute to Win business system, which remains focused on enhancing our capabilities by investing in people, processes and tools in our three priority areas: Commercial Excellence, Parts and Lifecycle Solutions and Strategic Sourcing. We are seeing the benefits of these investments in our broad-based growth, market share gains and price realization. We continued to develop our Parts and Services organization in the fourth quarter and our strategic sourcing initiative continues to make progress.

Global demand for our products continues to grow. For the full year 2018, we increased sales, operating margin and backlog in AWP and MP. However, Cranes' performance was negatively impacted by operational challenges. In Cranes, improvements made in materials management, including closer coordination with our supply base, enabled better manufacturing productivity and customer deliveries in the fourth quarter, but this was not enough to overcome weaker performance in the first nine months of 2018. Overall, we see positive momentum in our backlog (firm orders expected to be filled within one year) for our segments, which was up 19% year-over-year, excluding Corporate and Other.

An important development in 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 have risen dramatically since the beginning 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 change in market dynamics was the implementation of Section 301 tariffs on certain Chinese imports beginning in early July 2018. We have been working to mitigate the impact of these China tariffs as much as possible through various strategies, including duty drawbacks. However, these developments contributed to increased material costs in 2018, primarily in our AWP segment, and these increased costs are expected to continue in 2019. See Part I, Item 1A - "Risk Factors - Changes in import/export regulatory regimes, the imposition of tariffs and escalation of global trade conflicts could continue to negatively impact our business" for more information on the impact of tariffs on us.

Our AWP segment's 2018 results included continued strong net sales driven by growth in North America. Operating margins improved primarily due to production efficiencies which more than offset material cost headwinds. AWP bookings in the fourth quarter were similar to last year and our backlog is up 14% on a year-over-year basis, reflecting continued strong global demand for our AWP products. We are encouraged by the strength of the North American rental markets where our customers continue to anticipate growth and continue to increase their capital expenditure plans. We expect margin improvement for the full year 2019 versus 2018 on incremental sales volume although higher material costs are anticipated to continue to be headwinds.

Our Cranes segment underperformed through the first three quarters of 2018 inhibited by supply continuity issues but returned to profitability in the fourth quarter of 2018. Although, the global Cranes markets are generally stable, our mobile cranes operations had challenges meeting customer demand in 2018 for All Terrain cranes built in Zweibrücken, Germany, and mobile cranes produced in Oklahoma City. We expect the global market for tower cranes to be relatively stable at a healthy level in 2019, and that our towers cranes team will continue to execute at a high level. Finally, the Utilities team will remain focused on implementing its manufacturing strategy and executing its

new product and service development plans designed to gain share in a stable market environment.

Our MP segment had another strong year, with its operating profit improving on increased net sales, despite material cost headwinds. Growth was driven by our mobile crushing and screening and scrap material handling product lines. Broad-based economic growth, construction activity, aggregate consumption and environmental regulatory change continue to be primary drivers of demand for our crushing and screening equipment. Demand for material handlers is also expected to remain strong, and the markets for our environmental products are growing. We are encouraged by our backlog for the segment, which is up 54% compared to prior year. We expect sales to grow modestly and margins to remain strong in 2019.

Our 2019 outlook assumes that Brexit will not significantly impact our operations. However, given the lack of comparable precedent, it is unclear what financial, trade and legal implications the withdrawal of the U.K. from the E.U. will have on us, particularly for our MP segment which has significant manufacturing facilities in Northern Ireland. We are taking measures to mitigate potential supply chain disruptions as a result of Brexit and will continue to closely monitor and assess events as they occur.

Geographically, our largest market is North America, which represents approximately 55% of our global sales in continuing operations. Our sales grew globally, with sales up by double digit percentages in North America, Europe, Asia Pacific and Latin America.

We continued to execute our disciplined capital allocation strategy in 2018. We are making strategic investments in our businesses. We initiated strategic investments to expand our global manufacturing footprint including a new Utilities manufacturing center in South Dakota, MP locations in the U.K. and India and AWP facilities in China. These actions are consistent with our disciplined capital allocation strategy, making investments in high performing businesses that significantly out-earn their cost of capital over the cycle. We continued to invest in our Transformation priority areas that underpin our long-term improvement plans. We also continued to return capital to shareholders. Throughout 2018 we re-purchased 11.4 million shares of Terex stock, returning \$425 million dollars to our shareholders. In July 2018, our Board of Directors authorized the repurchase of up to an additional \$300 million of Terex stock, with \$200 million remaining on this authorization. The timing of share repurchases will be based on available liquidity, cash flows, general market conditions and compliance with covenants in our debt agreements. Finally, our Board of Directors approved increasing our quarterly dividend in 2019 by 10% to \$0.11 per share.

We expect to achieve significant financial improvements by executing the portfolio actions described above. In addition, we are well positioned to benefit from the ongoing implementation of our Simplify and Execute to Win initiatives. The following guidance is for continuing operations, which excludes the elements of our former Cranes segment that we are divesting and exiting. We expect 2019 earnings per share (“EPS”) to be between \$3.60 and \$4.20, excluding restructuring and other unusual items, on net sales of approximately \$4.7 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 December 31, 2018 was 16.8%.

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.

	Dec '18	Sep '18	Jun '18	Mar '18	Dec '17
Annualized effective tax rate as adjusted	22.2	%22.2	%22.2	%22.2	%
Income (loss) from operations as adjusted	\$64.7	\$83.6	\$116.1	\$71.2	
Multiplied by: 1 minus annualized effective tax rate	77.8	%77.8	%77.8	%77.8	%
Adjusted net operating income (loss) after tax	\$50.3	\$65.0	\$90.3	\$55.4	
Debt, as defined above	\$1,219.4	\$1,133.4	\$1,094.2	\$1,083.0	\$984.8
Less: Cash and cash equivalents as adjusted	(372.1)	(329.5)	(377.1)	(451.4)	(630.1)
Debt less Cash and cash equivalents as adjusted	\$847.3	\$803.9	\$717.1	\$631.6	\$354.7
Total Terex Corporation stockholders' equity as adjusted	\$768.0	\$846.4	\$803.2	\$930.3	\$1,043.8
Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity as adjusted	\$1,615.3	\$1,650.3	\$1,520.3	\$1,561.9	\$1,398.5
December 31, 2018 ROIC					16.8 %
NOPAT, as adjusted (last 4 quarters)					\$261.0
Average Debt less Cash and cash equivalents plus Total Terex Corporation stockholders' equity, as adjusted (5 quarters)					\$1,549.3

	Three months ended 12/31/18	Three months ended 9/30/18	Three months ended 6/30/18	Three months ended 3/31/18	
Reconciliation of income (loss) from operations:					
Income (loss) from operations, as reported	\$46.7	\$71.9	\$103.4	\$71.3	
Adjustments:					
Restructuring and related Transformation	8.0	2.6	6.9	(2.2))
Other	10.8	10.0	7.8	7.3	
(Income) loss from TFS	(0.6)	)—	—	(2.8))
Income (loss) from operations, as adjusted	(0.2)	)(0.9)	)(2.0)	)(2.4))
	\$64.7	\$83.6	\$116.1	\$71.2	
	As of 12/31/18	As of 9/30/18	As of 6/30/18	As of 3/31/18	As of 12/31/17
Reconciliation of Cash and cash equivalents:					
Cash and cash equivalents - continuing operations	\$368.0	\$326.0	\$373.6	\$447.9	\$626.5
Cash and cash equivalents - assets held for sale	4.1	3.5	3.5	3.5	3.6
Cash and cash equivalents, as adjusted	\$372.1	\$329.5	\$377.1	\$451.4	\$630.1
Debt, as defined above	\$1,219.4	\$1,133.4	\$1,094.2	\$1,083.0	\$984.8
Reconciliation of Terex Corporation stockholders' equity:					
Terex Corporation stockholders' equity as reported	\$860.5	\$974.1	\$947.6	\$1,078.4	\$1,222.0
TFS Assets	(185.1)	)(149.0)	)(154.0)	)(152.0)	)(181.7)
Effects of adjustments, net of tax:					
Deal related	5.3	5.3	5.3	5.3	5.3
Restructuring and related Transformation	6.2	—	(2.0)	)(7.4)	)(5.7)
Extinguishment of debt	35.2	26.8	19.0	12.9	7.2
Pension annuitization ⁽¹⁾	0.5	0.5	0.5	0.5	—
Other	52.1	—	—	—	—
(Income) loss from TFS	1.0	(3.8)	)(6.4)	)(2.2))—
Terex Corporation stockholders' equity, as adjusted	(7.7)	)(7.5)	)(6.8)	)(5.2)	)(3.3)
	\$768.0	\$846.4	\$803.2	\$930.3	\$1,043.8

In November 2018, we entered into a contract for a group annuity to transfer the obligation to pay the remaining retirement benefits of all plan participants in our U.S. defined benefit plan to an insurance company ("Pension Annuitization"). See Note O – "Retirement Plans and Other Benefits" in the Notes to the Consolidated Financial Statements for more information on the Pension Annuitization.

Year Ended December 31, 2018	Income (loss) from continuing operations before income taxes	(Provision for) benefit from income taxes	Income tax rate
Reconciliation of annualized effective tax rate:			
As reported	\$ 148.7	\$ (37.4)	25.2 %
Effect of adjustments:			
Restructuring and related	14.7	(2.8)	
Transformation	35.9	(5.7)	
Extinguishment of debt	0.7	(0.1)	
Pension annuitization	67.0	(24.4)	
Other	1.1	0.6	
Tax related	—	10.3	
As adjusted	268.1	(59.5)	22.2 %

RESULTS OF OPERATIONS

2018 COMPARED WITH 2017

Consolidated

	2018		2017		% Change In Reported Amounts
		% of Sales		% of Sales	
	(\$ amounts in millions)				
Net sales	\$5,125.0	—	\$4,363.4	—	17.5 %
Gross profit	\$966.8	18.9%	\$816.0	18.7%	18.5 %
SG&A	\$673.5	13.1%	\$636.1	14.6%	5.9 %
Income (loss) from operations	\$293.3	5.7 %	\$179.9	4.1 %	63.0 %

Net sales for the year ended December 31, 2018 increased \$761.6 million when compared to 2017. The increase in net sales was primarily due to higher demand for equipment in all segments. Changes in foreign exchange rates positively impacted consolidated net sales by approximately \$83 million.

Gross profit for the year ended December 31, 2018 increased \$150.8 million when compared to 2017. The increase was primarily due to higher sales and production volume and the positive impact of foreign exchange rate changes in all segments, partially offset by increased material costs across all segments, 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 year ended December 31, 2018 increased \$37.4 million when compared to 2017 primarily due to planned engineering and strategic sourcing spending.

Income from operations increased by \$113.4 million for the year ended December 31, 2018 when compared to 2017. The increase was primarily due to higher sales and production volume and the positive effects of exchange rate changes in all segments, partially offset by increased material costs across all segments, supply chain challenges in our mobile cranes operations, reductions taken in the prior year to severance accruals in our Cranes segment and higher selling and administrative costs associated with planned engineering and strategic sourcing spending.

Aerial Work Platforms

	2018		2017		
		% of		% of	%
		Sales		Sales	Change
					In
					Reported
					Amounts
	(\$ amounts in millions)				
Net sales	\$2,559.7	—	\$2,071.5	—	23.6 %
Income from operations	\$261.0	10.2%	\$170.3	8.2%	53.3 %

Net sales for the AWP segment for the year ended December 31, 2018 increased \$488.2 million when compared to 2017 primarily due to higher broad-based demand for aerial equipment in North America, Western Europe and China as well as telehandlers in North America 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 \$46 million.

Income from operations for the year ended December 31, 2018 increased \$90.7 million when compared to 2017. The increase was primarily due to increased sales volume, improved factory utilization and the positive impact of foreign exchange rate changes, partially offset by increased material costs, driven by higher steel prices and tariffs, and higher selling and administrative costs associated with planned engineering and strategic sourcing spending.

Cranes

	2018		2017		
		% of		% of	%
		Sales		Sales	Change
					In
					Reported
					Amounts
	(\$ amounts in millions)				
Net sales	\$1,315.0	—	\$1,194.0	—	10.1 %
Loss from operations	\$(45.3)	(3.4)%	\$(14.1)	(1.2)%	(221.3)%

Net sales for the Cranes segment for the year ended December 31, 2018 increased by \$121.0 million when compared to 2017 primarily due to higher demand for mobile cranes, including new product introductions, tower cranes in North America and Asia and utility equipment. These increases were generally from favorable macroeconomic trends and construction activity. Net sales were positively impacted by the effects of foreign exchange rate changes, particularly in Europe, of approximately \$22 million.

Loss from operations for the year ended December 31, 2018 increased by \$31.2 million when compared to 2017. The increase in operating loss was primarily due to supply chain challenges in our mobile cranes operations in the first nine months of 2018, material cost increases, a non-cash impairment charge and reductions taken in the prior year to severance accruals, partially offset by increased sales volume and a favorable change in our sales mix.

Materials Processing

	2018		2017		%
		% of		% of	Change
		Sales		Sales	In
					Reported
					Amounts
	(\$ amounts in millions)				
Net sales	\$1,256.8	—	\$1,072.5	—	17.2 %
Income from operations	\$167.5	13.3%	\$125.1	11.7%	33.9 %

Net sales for the MP segment increased by \$184.3 million for the year ended December 31, 2018 when compared to 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 increased material handler sales from a stronger scrap market. These increases were 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 \$15 million.

Income from operations for the year ended December 31, 2018 increased \$42.4 million when compared to 2017 primarily due to increased sales and production volume, partially offset by higher selling and administrative costs associated with planned engineering and strategic sourcing spending.

Corporate and Other / Eliminations

	2018		2017		%
		% of		% of	Change
		Sales		Sales	In
					Reported
					Amounts
	(\$ amounts in millions)				
Net sales	\$(6.5)	—	\$25.4	—	(125.6)%
Loss from operations	\$(89.9) *		\$(101.4) *		11.3 %

*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 included sales in various construction equipment product lines. The net sales decrease is primarily attributable to approximately \$76 million related to divestiture of construction product lines and lower governmental sales, partially offset by lower intercompany sales eliminations and increased TFS revenue from syndications in 2018.

Loss from operations decreased \$11.5 million for the year ended December 31, 2018 when compared to 2017. The decrease in operating loss is primarily due to lower general and administrative expenses, partially offset by gains in the prior year on the sale of certain construction product line assets.

Interest Expense, Net of Interest Income

During the year ended December 31, 2018, our interest expense, net of interest income, was \$64.2 million, or \$3.6 million higher than the prior year due to increased borrowings at higher interest rates on floating rate instruments.

Loss on Early Extinguishment of Debt

During the year ended December 31, 2018, we recorded a loss on early extinguishment of debt of \$0.7 million as a result of an amendment to the 2017 Credit Agreement which lowered the interest rate on the Company's senior secured term loan by 25 basis points. During the year ended December 31, 2017, we recorded a loss on early extinguishment of debt of \$52.6 million primarily related to the termination of our 2014 Credit Agreement and retirement of our 6% Notes (as defined below) and 6-1/2% Notes (as defined below), all as further described in Note M - "Long-Term Obligations".

Other Income (Expense) — Net

Other income (expense) – net for the year ended December 31, 2018 was a loss of \$79.7 million, compared to a gain of \$45.3 million in 2017. The change was due primarily to a loss of approximately \$67 million related to the settlement of our U.S. defined benefit pension plan, as described in Note O - “Retirement Plans and Other Benefits”, and a net gain recorded in the prior year from the sale of Konecranes shares of \$42.0 million and related dividend income of \$13.5 million, as described in Note D - “Discontinued Operations And Other Divestitures”.

Income Taxes

During the year ended December 31, 2018, we recognized an income tax expense of \$37.4 million on income of \$148.7 million, an effective tax rate of 25.2%, as compared to an income tax expense of \$52.0 million on income of \$112.0 million, an effective tax rate of 46.4%, for the year ended December 31, 2017. The lower effective tax rate for the year ended December 31, 2018 was primarily due to less tax expense associated with 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”) and higher benefits from the resolution of tax audits, partially offset by less favorable jurisdictional mix and character of earnings.

Gain (Loss) on Disposition of Discontinued Operations

During the year ended December 31, 2018, we recognized a gain on disposition of discontinued operations - net of tax of \$2.4 million, due primarily to a gain of \$2.7 million related to the prior sale of our Atlas heavy construction equipment and knuckle-boom cranes businesses (“Atlas”). During the year ended December 31, 2017, we recognized a gain on disposition of discontinued operations - net of tax of \$68.7 million, related primarily to the sale of our MHPS business.

2017 COMPARED WITH 2016

Consolidated

	2017		2016		% Change In Reported Amounts
		% of Sales		% of Sales	
	(\$ amounts in millions)				
Net sales	\$4,363.4	—	\$4,443.1	—	(1.8)%
Gross profit	\$816.0	18.7%	\$712.4	16.0 %	14.5 %
SG&A	\$636.1	14.6%	\$678.2	15.3 %	(6.2)%
Goodwill impairment	\$—	— %	\$176.0	4.0 %	*
Income (loss) from operations	\$179.9				