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Thank you, Jim.

I will cover our second quarter financial results first (noting where results differed from our expectations and highlighting year-over-year and sequential quarter comparisons) . . . and then I will talk about our balance sheet and cash flow, before getting into our order patterns and outlook for the third quarter.

We were pleased to report second quarter revenue near the top-end of our guidance and earnings which were better than the estimates we provided last quarter. The 31¢ of earnings were better than our estimated range, both with and without the 5¢ attributable to the property gain and discrete tax credit recorded in the quarter. Before I get into the details of our results, I want to first share a couple of highlights, some of which Jim just referenced.

- First, we are seeing a few positive signals in our order patterns and pipeline that suggest the level of demand from our largest corporate customers may be poised for improvement following the significant decline we experienced in the first quarter and through much of the second quarter. Based on our review of publicly available information, we are still seeing reductions in total capital investment across this group of customers, but total orders from these customers declined at a lower year-over-year rate compared to the decline we experienced in the first quarter. In addition, large project activity from some of these customers included notable increases late in the quarter.
- Second, the level of demand for our new products in the Americas has remained strong, continuing to grow by a strong double-digit percentage compared to the prior year. In addition, revenue from products which have been "significantly" enhanced during the last three years also grew and the rate of growth was solid. Over the balance of the fiscal year, we have approximately 50 additional new products and enhancements expected to launch . . . and that's beyond more than 300 products which will be available through our new partnerships, which Jim just mentioned.
- Third, we were pleased that EMEA returned to posting year-over-year improvements in their operating results, which included a 280 basis point improvement in cost of sales as a percentage of revenue and was driven by continued benefits from cost reduction and other gross margin improvement initiatives. Looking forward, these initiatives and modest sales growth are expected to drive break-even operating results in EMEA in the second half of fiscal 2018.
- Fourth, Asia Pacific posted strong revenue growth and solid operating income again this quarter . . . accounting for much of the year-over-year improvement in the Other category. Although order growth in the region slowed in the second quarter, our level of customer order backlog and estimated pipeline of project activity remain strong.

As it relates to revenue in the second quarter, the organic growth of approximately 2% was at the high end of our expected range and included exceptional strength in Asia Pacific, which drove 19% organic growth in the Other category this quarter. EMEA and Designtex also grew revenue in the quarter, while revenue in the Americas was flat with last year. I will make a few additional comments about our business mix and other factors in the Americas, EMEA and Asia Pacific.

- For the Americas . . . the flat revenue growth in the second quarter was somewhat better than expected and included mid-single-digit percentage growth in business generated from our continuing agreements, offset by a similar percentage decline in project business. We are pleased to see the growth in continuing business, but it's worth noting that the prior year comparison was relatively easy, as it reflected a double-digit percentage decline. Revenue from our marketing programs was relatively flat, following several quarters of declines, suggesting that our efforts to regain share of dealer wallet in day-to-day business may be starting to pay-off.
- For EMEA, the 4% organic revenue growth was driven by growth in several markets (including the UK, Iberia, Eastern & Southern Europe, and the Middle East and Africa), while Germany and the Central European markets declined. With the improvement of economic and political sentiment in France and Germany, we are continuing to see improvement in our pipeline of project activity compared to the prior year . . . and we believe our new Learning + Innovation Center in Munich will contribute to an improvement in our win-rate as we compete for larger projects across the region.
- In Asia Pacific . . . India drove the exceptional revenue growth this quarter, but we also posted strong double-digit growth rates in China, Southeast Asia and Australia . . . and our optimism in this region continues given the current level of customer order backlog, our estimated pipeline of project activity, and growing demand for our new products.

From an earnings perspective, the 31¢ per share in the quarter was much better than expected and included 5¢ related to the $4 million gain from the sale of a property in the EMEA segment and the $3.9 million favorable tax adjustment (after consideration of related variable compensation expense).

- Operating income exceeded the level contemplated in our earnings estimate due to favorable operating expenses and higher revenue, partially offset by higher costs of sales as a percentage of revenue. Beyond the property gain, which was not included in our earnings estimate for the quarter, we recorded a $2 million reduction in deferred compensation expense driven by the decline of our stock price in the quarter. In addition, spending was significantly lower than our estimates due to a shift of activity from the summer to the fall, plus our efforts to pull back on non-essential spending in areas outside of sales and product development. The higher than expected cost of sales was driven by some of the same factors that impacted the year-over-year comparison, which we detailed in the release and I will summarize again in a moment.
- Other income, net was unfavorable to the typical $1 to $2 million estimate we have communicated in the past . . . largely due to foreign exchange losses (driven by the weakening US dollar), plus various smaller charges.

- Regarding our effective tax rate . . . excluding the $3.9 million tax adjustment we recorded in the quarter, the effective rate approximated 35%, which was largely in line with the 36% estimate we communicated in recent quarters.

Switching to year-over-year comparisons . . . operating income decreased by $8 million primarily due to a 140 basis point increase in cost of sales as a percentage of revenue. Volume leverage associated with the 2% revenue growth was offset by higher operating expenses (net of the property gain I mentioned earlier). Regarding the increase in cost of sales, it is important to first note that the prior year represented the lowest cost of sales (as a percentage of revenue) that we have seen at the consolidated level or within the Americas segment in more than a decade. EMEA and the Other category both posted year-over-year decreases in cost of sales, while the Americas posted a 250 basis point increase. The increase in the Americas was due to increased discounting and incentives, higher commodity costs, investments in support of product development and manufacturing agility, and unfavorable shifts in business mix, each of which contributed similarly to the increase.

Sequentially . . . second quarter operating income was higher compared to the first quarter, primarily due to seasonally higher revenue, favorable business mix and lower operating expenses (which included the favorable items in the current quarter I mentioned previously, plus the unfavorable impact of annuitizing the defined benefit plans in the first quarter).

Moving to the balance sheet and cash flow . . . cash generated from operating activities in the first six months of the year was consistent with the prior year, with pluses and minuses being largely attributable to timing. Capital expenditures totaled $20 million in the second quarter and $37 million year-to-date. We continue to expect capital expenditures for fiscal 2018 to fall within a range of $80 to $90 million, driven by our intention to sustain a high level of product development, strengthen our manufacturing agility, enhance our information technology systems and continue to invest in our customer-facing facilities.

We returned approximately $42 million to shareholders in the second quarter through repurchasing 2 million shares at an average price of $13.65 per share and funding a quarterly dividend of 12¾¢ per share . . . and yesterday, the Board of Directors approved the same level of dividend to be paid in October. We currently have $99 million remaining under the company's share repurchase authorization, and we will continue to evaluate opportunities to return excess liquidity to shareholders through opportunistic repurchases.

Turning to order patterns, I will start with the <u>Americas segment</u> . . . where our orders in the second quarter declined less than 1% compared to the prior year. After posting mid-single digit percentage declines in April and May, we posted modest order declines in June and July followed by 5% growth in August. Customer order backlog at the end of the quarter was 4% lower compared to the prior year, and orders patterns early in the third quarter reflect a mid-single-digit percentage decline compared to the prior year.

Across quote types, order patterns related to projects, continuing business and our marketing programs were relatively flat compared to the prior year . . . and order patterns included declines in larger orders offset by growth in smaller orders.

Turning to vertical markets in the Americas . . . order patterns remained mixed and somewhat volatile quarter-to-quarter, reflecting year-over-year growth this quarter from the Information Technology, Financial Services, Government and Energy sectors, while the most notable declines came from the Manufacturing and Technical Professional sectors.

For EMEA . . . order patterns also remained mixed, with growth in some markets being offset by declines in others, but . . . across the months, weakness earlier in the quarter was offset by broad-based strength in August . . . and order patterns early in the third quarter have remained strong. Customer order backlog in EMEA ended the quarter down 7% compared to the prior year.

Within the Other category, orders in total grew 3% compared to the prior year, and included growth from Designtex and PolyVision. Order patterns in Asia moderated in the second quarter following three consecutive quarters of exceptional growth. Tax changes in India (which took effect on July 1st) likely contributed to the moderation, and some of the geopolitical tensions in the news over the past several months may have also stressed business confidence. Nevertheless, our customer order backlog is strong, order activity during August and early in the third quarter have been solid, and our estimated pipeline of project activity remains robust.

Turning to the third quarter of fiscal 2018 . . . we expect to report revenue in the range of $785 to $810 million, which includes approximately $11 million of estimated favorable currency translation effects compared to the prior year and reflects a range of an organic decline of 1% to organic growth of 2% compared to the prior year.

As we said in the release, we expect to report diluted earnings per share between 21¢ to 25¢ for the third quarter of fiscal 2018. This estimate includes an expected sequential increase in operating expenses of approximately $10 million compared to the second quarter (adjusted for the gain on property sale), as well as an expected sequential increase in cost of sales as a percentage of revenue due to seasonal shifts in business mix.

Related to EMEA, recall that the third quarter of the prior year included approximately $2 million of favorable adjustments to accrued liabilities, which were non-recurring in nature and primarily impacted gross margins. For the third quarter of fiscal 2018, we expect our gross margin improvement initiatives to provide year-over-year benefits that will largely offset the prior year non-recurring items. We also expect operating expenses in the third quarter to increase compared to the prior year and sequentially compared to the second quarter (adjusted for the property gain) due to unfavorable currency translation effects, higher levels of product development, investments in a sales and dealer conference and the full unveiling of Munich during the quarter.

In the Americas, we expect to report lower gross margin in the third quarter compared to the prior year (due to many of the reasons I cited in my explanation of second quarter gross margins) and we also expect a sequential decrease in our gross margin (due to unfavorable shifts in business mix, including higher levels of government business, and higher logistics and commodity costs due to the recent hurricanes). For operating expenses, we expect to report a sequential increase in operating expenses compared to the second quarter, as well as a year-over-year increase compared to the third quarter of the prior year.

Beyond the third quarter, we are optimistic about the potential for improved growth in the Americas, as we estimate the growth in revenue from new products and partnerships could begin to exceed the declines in legacy applications within the next few quarters. At that point, we could also begin to moderate the level of incremental investments in operating expenses and across our industrial model, which would have a positive impact on our operating leverage related to the projected growth. In addition, we expect to continue monitoring commodity cost inflation and take pricing actions, when appropriate, as we have (regularly) done in the past. However, it is important to note that the competitive environment remains highly dynamic as the industry is competing for a reduced number of large projects and aiming a higher percentage of resources toward small-to-medium sized opportunities.

From there, we will turn it over for questions.