

HYSTER-YALE MATERIALS HANDLING, INC.
Form 10-Q
November 01, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark
One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from _____ to _____
Commission file number 000-54799

HYSTER-YALE MATERIALS HANDLING, INC.

(Exact name of registrant as specified in its
charter)

DELAWARE
(State or other jurisdiction of incorporation
or organization)

31-1637659
(I.R.S. Employer
Identification No.)

5875 LANDERBROOK DRIVE, SUITE
300, CLEVELAND, OHIO
(Address of principal executive offices)

44124-4069
(Zip code)

(440) 449-9600
(Registrant's telephone number, including area
code)

N/A
(Former name, former address and former fiscal
year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§

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232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

YES NO

Number of shares of Class A Common Stock outstanding at October 28, 2016: 12,461,484

Number of shares of Class B Common Stock outstanding at October 28, 2016: 3,929,270

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FINANCIAL INFORMATION
Item 1. Financial StatementsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30	DECEMBER 31
	2016	2015
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$84.8	\$ 155.1
Accounts receivable, net	339.4	324.1
Inventories, net	376.0	304.6
Prepaid expenses and other	47.9	35.1
Total Current Assets	848.1	818.9
Property, Plant and Equipment, Net	234.8	184.5
Intangible Assets, Net	60.3	3.6
Goodwill	53.1	—
Deferred Income Taxes	25.8	32.7
Investment in Unconsolidated Affiliates	48.6	42.9
Other Non-current Assets	25.8	13.3
Total Assets	\$1,296.5	\$ 1,095.9
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$331.9	\$ 279.6
Accounts payable, affiliate	17.9	15.8
Revolving credit facilities	21.1	—
Current maturities of long-term debt	47.6	33.5
Accrued payroll	38.8	47.7
Accrued warranty obligations	29.3	29.1
Other current liabilities	96.0	99.5
Total Current Liabilities	582.6	505.2
Long-term Debt	84.1	19.6
Self-insurance Liabilities	18.4	17.5
Pension Obligations	17.4	22.3
Deferred Income Taxes	11.7	—
Other Long-term Liabilities	69.3	68.6
Total Liabilities	783.5	633.2
Stockholders' Equity		
Common stock:		
Class A, par value \$0.01 per share, 12,456,291 shares outstanding (2015 - 12,377,994 shares outstanding)	0.1	0.1
Class B, par value \$0.01 per share, convertible into Class A on a one-for-one basis, 3,929,857 shares outstanding (2015 - 3,945,822 shares outstanding)	0.1	0.1
Capital in excess of par value	319.0	320.3
Treasury stock	(37.2) (42.5

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Retained earnings	353.0	336.7	
Accumulated other comprehensive loss	(129.0) (153.9)
Total Stockholders' Equity	506.0	460.8	
Noncontrolling Interests	7.0	1.9	
Total Equity	513.0	462.7	
Total Liabilities and Equity	\$1,296.5	\$ 1,095.9	

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	2016	2015
	(In millions, except per share data)			
Revenues	\$629.3	\$652.1	\$1,879.1	\$1,933.1
Cost of sales	524.7	545.4	1,562.6	1,612.9
Gross Profit	104.6	106.7	316.5	320.2
Operating Expenses				
Selling, general and administrative expenses	99.2	77.7	290.0	242.9
Operating Profit	5.4	29.0	26.5	77.3
Other (income) expense				
Interest expense	1.9	1.3	5.0	3.6
Income from unconsolidated affiliates	(1.8	) (1.7	) (4.8	) (4.2
Other	(1.6	) 1.0	(1.3	) 2.4
	(1.5	) 0.6	(1.1	) 1.8
Income Before Income Taxes	6.9	28.4	27.6	75.5
Income tax provision (benefit)	(5.1	) 7.4	(2.6	) 17.7
Net Income	12.0	21.0	30.2	57.8
Net (income) loss attributable to noncontrolling interests	0.3	(0.1	) 0.4	(0.3
Net Income Attributable to Stockholders	\$12.3	\$20.9	\$30.6	\$57.5
Basic Earnings per Share	\$0.75	\$1.28	\$1.87	\$3.53
Diluted Earnings per Share	\$0.75	\$1.28	\$1.86	\$3.52
Dividends per Share	\$0.2950	\$0.2850	\$0.8750	\$0.8450
Basic Weighted Average Shares Outstanding	16.385	16.319	16.371	16.302
Diluted Weighted Average Shares Outstanding	16.439	16.360	16.420	16.347

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	2016	2015
Net Income	\$ 12.0	\$ 21.0	\$ 30.2	\$ 57.8
Other comprehensive income (loss)				
Foreign currency translation adjustment	3.7	(15.8)	18.3	(45.9)
Current period cash flow hedging activity	(0.6)	(0.6)	4.9	(0.8)
Reclassification of hedging activities into earnings	0.4	0.7	0.2	1.9
Current period pension adjustment	—	(0.5)	—	(0.5)
Reclassification of pension into earnings	0.5	0.5	1.5	1.7
Comprehensive Income (Loss)	\$ 16.0	\$ 5.3	\$ 55.1	\$ 14.2
Other comprehensive (income) loss attributable to noncontrolling interests				
Net (income) loss attributable to noncontrolling interests	0.3	(0.1)	0.4	(0.3)
Foreign currency translation adjustment attributable to noncontrolling interests	0.9	—	1.9	—
Comprehensive Income (Loss) Attributable to Stockholders	\$ 17.2	\$ 5.2	\$ 57.4	\$ 13.9

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015
	(In millions)	
Operating Activities		
Net income	\$ 30.2	\$ 57.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28.7	22.1
Amortization of deferred financing fees	0.8	0.9
Deferred income taxes	(0.3)	(3.0)
Stock-based compensation	4.0	2.1
Dividends from unconsolidated affiliates	5.1	2.5
Other non-current liabilities	(6.0)	1.8
Other	(9.1)	4.6
Working capital changes, excluding the effect of business acquisitions:		
Accounts receivable	17.3	(20.3)
Inventories	(29.2)	(30.0)
Other current assets	—	0.4
Accounts payable	18.3	(0.9)
Other current liabilities	(36.9)	(6.7)
Net cash provided by operating activities	22.9	31.3
Investing Activities		
Expenditures for property, plant and equipment	(28.3)	(28.9)
Proceeds from the sale of assets	9.5	11.0
Business acquisitions, net of cash acquired	(107.7)	—
Other	—	0.9
Net cash used for investing activities	(126.5)	(17.0)
Financing Activities		
Additions to long-term debt	24.8	35.2
Reductions of long-term debt	(40.1)	(26.1)
Net change to revolving credit agreements	59.4	—
Cash dividends paid	(14.3)	(13.8)
Cash dividends paid to noncontrolling interest	(0.2)	—
Financing fees paid	(1.6)	—
Purchase of treasury stock	—	(0.1)
Net cash provided by (used for) financing activities	28.0	(4.8)
Effect of exchange rate changes on cash	5.3	(6.3)
Cash and Cash Equivalents		
Increase (decrease) for the period	(70.3)	3.2
Balance at the beginning of the period	155.1	111.4
Balance at the end of the period	\$ 84.8	\$ 114.6

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Class A Common Stock	Class B Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Deferred Gain (Loss) on Cash Adjustment Flow Hedging	Pension Adjustment	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	(In millions)										
Balance, January 1, 2015	\$ 0.1	\$ 0.1	\$ (49.1)	\$ 324.1	\$ 280.4	\$ (40.4)	\$ (2.0)	\$ (58.7)	\$ 454.5	\$ 1.5	\$ 456.0
Stock-based compensation	—	—	—	2.1	—	—	—	—	2.1	—	2.1
Stock issued under stock compensation plans	—	—	6.4	(6.4)	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	(0.1)	—	—	—	—	—	(0.1)	—	(0.1)
Net income	—	—	—	—	57.5	—	—	—	57.5	0.3	57.8
Cash dividends on common stock	—	—	—	—	(13.8)	—	—	—	(13.8)	—	(13.8)
Current period other comprehensive income (loss)	—	—	—	—	—	(45.9)	(0.8)	(0.5)	(47.2)	—	(47.2)
Reclassification adjustment to net income	—	—	—	—	—	—	1.9	1.7	3.6	—	3.6
Balance, September 30, 2015	\$ 0.1	\$ 0.1	\$ (42.8)	\$ 319.8	\$ 324.1	\$ (86.3)	\$ (0.9)	\$ (57.5)	\$ 456.6	\$ 1.8	\$ 458.4
Balance, January 1, 2016	\$ 0.1	\$ 0.1	\$ (42.5)	\$ 320.3	\$ 336.7	\$ (90.1)	\$ (4.0)	\$ (59.8)	\$ 460.8	\$ 1.9	\$ 462.7
Stock-based compensation	—	—	—	4.0	—	—	—	—	4.0	—	4.0
Stock issued under stock compensation plans	—	—	5.3	(5.3)	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	30.6	—	—	—	30.6	(0.4)	30.2
Cash dividends on common stock	—	—	—	—	(14.3)	—	—	—	(14.3)	—	(14.3)
Current period other comprehensive income (loss)	—	—	—	—	—	18.3	4.9	—	23.2	—	23.2
Reclassification adjustment to net	—	—	—	—	—	—	0.2	1.5	1.7	—	1.7

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income											
Acquisition of Bolzoni	—	—	—	—	—	—	—	—	—	69.8	69.8
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	—	(62.2)	(62.2)
Cash dividends paid to noncontrolling interest	—	—	—	—	—	—	—	—	—	(0.2)	(0.2)
Foreign currency translation on noncontrolling interest	—	—	—	—	—	—	—	—	—	(1.9)	(1.9)
Balance, September 30, 2016	\$0.1	\$ 0.1	\$(37.2)	\$319.0	\$353.0	\$(71.8)	\$ 1.1	\$(58.3)	\$ 506.0	\$ 7.0	\$513.0

See notes to unaudited condensed consolidated financial statements.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Hyster-Yale Materials Handling, Inc., a Delaware corporation, and the accounts of Hyster-Yale's wholly owned domestic and international subsidiaries and majority-owned joint ventures (collectively, "Hyster-Yale" or the "Company"). All intercompany accounts and transactions among the consolidated companies are eliminated in consolidation.

The Company, through its wholly owned subsidiary, Hyster-Yale Group, Inc. ("HYG"), designs, engineers, manufactures, sells and services a comprehensive line of lift trucks and aftermarket parts marketed globally primarily under the Hyster® and Yale® brand names, mainly to independent Hyster® and Yale® retail dealerships. Lift trucks and component parts are manufactured in the United States, Northern Ireland, Mexico, the Netherlands, the Philippines, Italy, Japan, Vietnam, Brazil and China.

The Company also operates Nuvera Fuel Cells, LLC ("Nuvera"). Nuvera is an alternative-power technology company focused on fuel-cell stacks and related systems. Nuvera is also focused on supporting on-site hydrogen production and dispensing systems that are designed to deliver clean energy solutions to customers.

On April 1, 2016, the Company completed the indirect acquisition of the majority interest in Bolzoni S.p.A. ("Bolzoni"). On July 6, 2016, the Company completed the acquisition of the remaining outstanding interest in Bolzoni. Bolzoni is a leading worldwide producer of attachments, forks and lift tables under the Bolzoni Auramo and Meyer brand names. Bolzoni products are manufactured in Italy, Germany, Finland, China and the United States. Through the design, production and distribution of a wide range of attachments, Bolzoni has a strong presence in the market niche of lift-truck attachments and industrial material handling. See Note 14 to the unaudited condensed consolidated financial statements for additional information.

Investments in Sumitomo NACCO Forklift Co., Ltd. ("SN"), a 50%-owned joint venture, and HYG Financial Services, Inc. ("HYGFS"), a 20%-owned joint venture, are accounted for by the equity method. SN operates manufacturing facilities in Japan, the Philippines and Vietnam from which the Company purchases certain components, service parts and lift trucks. Sumitomo Heavy Industries, Ltd. ("Sumitomo") owns the remaining 50% interest in SN. Each stockholder of SN is entitled to appoint directors representing 50% of the vote of SN's board of directors. All matters related to policies and programs of operation, manufacturing and sales activities require mutual agreement between the Company and Sumitomo prior to a vote of SN's board of directors. HYGFS is a joint venture with Wells Fargo Financial Leasing, Inc. ("WF"), formed primarily for the purpose of providing financial services to independent Hyster® and Yale® lift truck dealers and National Account customers in the United States. National Account customers are large customers with centralized purchasing and geographically dispersed operations in multiple dealer territories. The Company's percentage share of the net income or loss from these equity investments is reported on the line "Income from unconsolidated affiliates" in the "Other (income) expense" portion of the unaudited condensed consolidated statements of operations.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company as of September 30,

2016 and the results of its operations for the three and nine months ended September 30, 2016 and 2015 and the results of its cash flows and changes in equity for the nine months ended September 30, 2016 and 2015 have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The accompanying unaudited condensed consolidated balance sheet at December 31, 2015 has been derived from the audited financial statements at that date but does not include all of the information or notes required by U.S. generally accepted accounting principles for complete financial statements.

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Note 2—Recently Issued Accounting Standards

The following table provides a brief description of recent accounting pronouncements adopted January 1, 2016. The adoption of these standards did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.

Standard	Description
ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs	The guidance is intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.
ASU No. 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement	The guidance clarifies the accounting for cloud computing arrangements including a software license and cloud computing arrangements that do not include a software license that should be accounted for as a service contract.
ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments	The guidance requires an acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The guidance requires the acquirer to record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition, the guidance requires an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition.

The following table provides a brief description of recent accounting pronouncements not yet adopted:

Standard	Description	Date of Adoption	Effect on the financial statements or other significant matters
ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern	The guidance requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued.	December 31, 2016	The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.
ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory	The guidance requires inventory to be measured at the lower of cost or net realizable value. The guidance defines net realizable value as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.	January 1, 2017	The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.

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ASU No. 2016-07, Investments - Equity Method and Joint Ventures (Topic 323)	The guidance eliminates the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. In addition, the guidance requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting.	January 1, 2017	The Company is currently evaluating the adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2016-09, Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting	The guidance simplifies several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows.	January 1, 2017	The Company is currently evaluating the adoption and the effect on its financial position, results of operations, cash flows and related disclosures.

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Standard	Description	Date of Adoption	Effect on the financial statements or other significant matters
ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (Subsequent ASUs have been issued in 2015 and 2016 to update or clarify this guidance)	The new guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.	January 1, 2018	The Company is currently evaluating the alternative methods of adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities	The guidance requires equity investments previously accounted for under the cost method of accounting to be measured at fair value and recognized in net income. In addition, the guidance defines measurement and presentation of financial instruments.	January 1, 2018	The Company is currently evaluating the adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships	The guidance clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require dedesignation of that hedging relationship, provided that all other hedge accounting criteria continue to be met.	January 1, 2018	The Company is currently evaluating the adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments	The guidance clarifies the classification of certain types of cash receipts and cash payments. In addition, the guidance provides for the application of the predominance principle when certain cash receipts and payments have aspects of more than one class of cash flows.	January 1, 2018	The Company is currently evaluating the adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2016-16, Income Taxes (Topic 740)	The guidance allows for recognition of current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The guidance allows for more accurate representation of the economics of an intra-entity asset transfer which will require income tax consequences of the transfer, including income taxes payable or paid.	January 1, 2018	The Company is currently evaluating the adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2016-02, Leases (Topic 842)	The guidance requires lessees (with the exception of short-term leases) to recognize, at the	January 1, 2019	The Company is currently evaluating

commencement date, a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

the alternative methods of adoption and the effect on its financial position, results of operations, cash flows and related disclosures.

The Company is currently evaluating the alternative methods of adoption and the effect on its financial position, results of operations, cash flows and related disclosures.

ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326)

The guidance eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The guidance also requires additional disclosures in certain circumstances.

January 1, 2020

Note 3—Business Segments

The Company's reportable segments for the lift truck business include the following three management units: the Americas, EMEA and JAPIC. Americas includes operations in the United States, Canada, Mexico, Brazil, Latin America and the corporate headquarters. EMEA includes operations in Europe, the Middle East and Africa. JAPIC includes operations in the Asia-Pacific region including China, as well as the equity earnings of SN operations. Certain amounts are allocated to these geographic management units and are included in the segment results presented below, including product development costs, corporate headquarter's expenses and certain information technology infrastructure costs. These allocations among geographic management units are determined by senior management and not directly incurred by the geographic operations. In addition, other costs are incurred directly by these geographic management units based upon the location of the manufacturing plant or sales units, including manufacturing variances, product liability, warranty and sales discounts, which may not be associated with the geographic management unit of the ultimate end user sales location where revenues and margins are reported. Therefore, the reported results of each segment for the lift truck business cannot be considered stand-alone entities as all segments are inter-related and integrate into a single global lift truck business.

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The Company reports the results of Nuvera as a separate segment. In addition, on April 1, 2016, the Company acquired a majority interest in Bolzoni, which is also reported as a separate segment. Given the timing and complexity of the acquisition, the presentation of Bolzoni in the financial statements, including the allocation of the purchase price, is preliminary and may be refined during the measurement period. See Note 14 to the unaudited condensed consolidated financial statements for additional information.

Financial information for each reportable segment is presented in the following table:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2016	2015	2016	2015
Revenues from external customers				
Americas	\$408.4	\$454.1	\$1,237.4	\$1,333.9
EMEA	137.1	145.1	439.7	448.9
JAPIC	46.2	52.4	125.0	148.2
Lift truck business	591.7	651.6	1,802.1	1,931.0
Bolzoni	36.2	—	75.1	—
Nuvera	1.4	0.5	1.9	2.1
Total	\$629.3	\$652.1	\$1,879.1	\$1,933.1
Gross profit (loss)				
Americas	\$72.8	\$78.8	\$217.8	\$225.7
EMEA	18.7	22.5	65.1	77.4
JAPIC	4.2	5.6	12.9	18.5
Lift truck business	95.7	106.9	295.8	321.6
Bolzoni	9.2	—	22.0	—
Nuvera	(0.3)	(0.2)	(1.3)	(1.4)
Total	\$104.6	\$106.7	\$316.5	\$320.2
Operating profit (loss)				
Americas	\$23.4	\$35.5	\$55.1	\$83.9
EMEA	(1.4)	0.2	4.2	12.2
JAPIC	(1.5)	(0.1)	(4.0)	(0.3)
Lift truck business	20.5	35.6	55.3	95.8
Bolzoni	(2.5)	—	(1.8)	—
Nuvera	(12.6)	(6.6)	(27.0)	(18.5)
Total	\$5.4	\$29.0	\$26.5	\$77.3
Net income (loss) attributable to stockholders				
Americas	\$20.2	\$24.3	\$43.2	\$57.9
EMEA	1.9	—	6.4	9.9
JAPIC	(0.2)	0.6	(0.9)	0.8
Lift truck business	21.9	24.9	48.7	68.6
Bolzoni	(2.0)	—	(1.9)	—
Nuvera	(7.6)	(4.0)	(16.2)	(11.1)
Total	\$12.3	\$20.9	\$30.6	\$57.5

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	SEPTEMBER 30 2016	DECEMBER 31 2015
Total assets		
Americas	\$ 848.0	\$ 680.7
EMEA	430.9	412.0
JAPIC	138.3	140.6
Eliminations	(188.3)	(130.9)
Lift truck business	1,228.9	1,102.4
Bolzoni	212.9	—
Nuvera	33.0	17.4
Eliminations	(178.3)	(23.9)
Total	\$ 1,296.5	\$ 1,095.9

Note 4—Income Taxes

The income tax provision includes U.S. federal, state and local, and foreign income taxes and is based on the application of a forecasted annual income tax rate applied to the current quarter's year-to-date pre-tax income or loss. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's annual earnings, taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company's ability to use tax credits and net operating loss carryforwards and capital loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, tax rates and certain circumstances with respect to valuation allowances or the tax effect of other unusual or non-recurring transactions or adjustments are reflected in the period in which they occur as an addition to, or reduction from, the income tax provision, rather than included in the estimated effective annual income tax rate.

A reconciliation of the consolidated federal statutory to effective income tax rate is as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30 2016	SEPTEMBER 30 2015	SEPTEMBER 30 2016	SEPTEMBER 30 2015
Income before income taxes	\$6.9	\$28.4	\$27.6	\$75.5
Statutory taxes at 35%	\$2.4	\$9.9	\$9.7	\$26.4
Permanent adjustments:				
Non-U.S. rate differences	(1.9)	(3.2)	(4.6)	(7.0)
Equity interest earnings	(0.4)	(0.4)	(1.1)	(1.0)
Valuation allowance	0.5	—	1.0	—
Federal tax credits	(0.6)	—	(1.1)	—
State income taxes	(0.1)	0.8	0.1	2.0
Other	0.1	0.3	0.3	0.5
	\$(2.4)	\$(2.5)	\$(5.4)	\$(5.5)
Discrete items:				
Valuation allowance	(3.2)	—	(3.2)	—
Provision to return adjustments	(2.0)	(0.6)	(2.0)	(0.6)
Other	0.1	0.6	(1.7)	(2.6)

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Discrete items	\$ (5.1)	\$ —	\$ (6.9)	\$ (3.2)
Income tax provision (benefit)	\$ (5.1)	\$ 7.4	\$ (2.6)	\$ 17.7
Effective income tax rate	(73.9)%	26.1 %	(9.4)%	23.4 %

During the third quarter of 2016, the Company received a notice from the Italian Tax Authority approving the transfer of certain tax losses as part of an internal restructuring. As a result, the Company believes it is more likely than not that deferred tax assets for such losses of approximately \$3.2 million will be realized in the foreseeable future, and has released the valuation allowance previously provided. In addition, the Company recognized a discrete tax benefit of \$2.0 million, primarily for a U.S.

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tax benefit for manufacturing activities, adjustments for certain foreign earnings and repatriations, and the research and development credit.

Other discrete items during the first nine months of 2016 include a discrete tax benefit of \$4.0 million, as a result of the acquisition of Bolzoni, the Company changed its previous reinvestment assertion; consequently, all of the earnings of its European operations are now considered permanently reinvested and the previously provided deferred tax liability is no longer required. In addition, the Company recognized a discrete tax expense of \$1.6 million related to non-deductible acquisition expenses.

Other discrete items during the nine months ended September 30, 2015 include a discrete tax benefit of \$3.7 million from an internal sale of a subsidiary between consolidated companies resulting in the repatriation of non-U.S. accumulated earnings taxed at higher rates.

Note 5—Reclassifications from OCI

The following table summarizes reclassifications out of accumulated other comprehensive income (loss) ("OCI") as recorded in the unaudited condensed consolidated statements of operations:

Details about OCI Components	Amount Reclassified from OCI				Affected Line Item in the Statement Where Net Income Is Presented
	THREE MONTHS ENDED SEPTEMBER 2016		NINE MONTHS ENDED SEPTEMBER 30 2015		
Gain (loss) on cash flow hedges:					
Foreign exchange contracts	\$(0.9)	\$(2.1)	\$(1.8)	\$(6.5)	Cost of sales
Total before tax	(0.9)	(2.1)	(1.8)	(6.5)	Income before income taxes
Tax benefit	0.5	1.4	1.6	4.6	Income tax provision (benefit)
Net of tax	\$(0.4)	\$(0.7)	\$(0.2)	\$(1.9)	Net income
Amortization of defined benefit pension items:					
Actuarial loss	\$(0.7)	\$(0.9)	\$(2.3)	\$(2.7)	(a)
Prior service credit	—	—	0.2	0.2	(a)
Transition liability	—	—	—	(0.1)	(a)
Total before tax	(0.7)	(0.9)	(2.1)	(2.6)	Income before income taxes
Tax benefit	0.2	0.4	0.6	0.9	Income tax provision (benefit)
Net of tax	\$(0.5)	\$(0.5)	\$(1.5)	\$(1.7)	Net income
Total reclassifications for the period	\$(0.9)	\$(1.2)	\$(1.7)	\$(3.6)	

(a) These OCI components are included in the computation of net pension cost (see Note 7 for additional details).

Note 6—Financial Instruments and Derivative Financial Instruments

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements and long-term debt, excluding capital leases, were determined using current rates offered for similar obligations taking into account company credit risk. This valuation methodology is Level 2 as defined in the fair value hierarchy. At September 30, 2016, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was

\$127.8 million. At December 31, 2015, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was \$32.1 million.

Derivative Financial Instruments

The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies. These contracts hedge firm commitments and forecasted transactions relating to cash flows associated with sales and purchases denominated in non-functional currencies. The Company offsets fair value amounts related to foreign currency exchange contracts executed with the same counterparty. Changes in the fair value of forward foreign currency

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exchange contracts that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the unaudited condensed consolidated statements of operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in cost of sales. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and is also generally recognized in cost of sales.

Certain of the Company's forward foreign currency contracts were designated as net investment hedges of the Company's net investment in its foreign subsidiaries. For derivative instruments that were designated and qualified as a hedge of a net investment in foreign currency, the gain or loss was reported in other comprehensive income as part of the cumulative translation adjustment to the extent it was effective. The Company utilizes the forward-rate method of assessing hedge effectiveness. Any ineffective portion of net investment hedges would be recognized in the unaudited condensed consolidated statement of operations in the same period as the change.

The Company periodically enters into foreign currency exchange contracts that do not meet the criteria for hedge accounting. These derivatives are used to reduce the Company's exposure to foreign currency risk related to forecasted purchase or sales transactions or forecasted intercompany cash payments or settlements. Gains and losses on these derivatives are generally recognized in cost of sales. The Company does not currently hold any nonderivative instruments designated as hedges or any derivatives designated as fair value hedges.

The Company has interest rate swap agreements that do not meet the criteria for hedge accounting. The terms of the interest rate swap agreements require the Company to receive a variable interest rate based upon the three-month LIBOR and pay a fixed interest rate. Changes in the fair value of interest rate swap agreements are immediately recognized in earnings and included on the line "Other" in the "Other (income) expense" section of the unaudited condensed consolidated statements of operations.

Cash flows from hedging activities are reported in the unaudited condensed consolidated statements of cash flows with the same classification as the hedged item, generally as a component of cash flows from operations.

The Company measures its derivatives at fair value on a recurring basis using significant observable inputs. This valuation methodology is Level 2 as defined in the fair value hierarchy. The Company uses a present value technique that incorporates yield curves and foreign currency spot rates to value its derivatives and also incorporates the effect of the Company's and its counterparties' credit risk into the valuation.

Foreign Currency Derivatives: The Company held forward foreign currency exchange contracts with total notional amounts of \$591.7 million at September 30, 2016, primarily denominated in euros, U.S. dollars, Japanese yen, British pounds, Swedish kroner and Mexican pesos. The Company held forward foreign currency exchange contracts with total notional amounts of \$634.7 million at December 31, 2015, primarily denominated in euros, U.S. dollars, Japanese yen, Swedish kroner, British pounds, Mexican pesos and Australian dollars. The fair value of these contracts approximated a net liability of \$0.1 million and \$8.8 million at September 30, 2016 and December 31, 2015, respectively.

Forward foreign currency exchange contracts that qualify for hedge accounting are generally used to hedge transactions expected to occur within the next 36 months. The mark-to-market effect of forward foreign currency exchange contracts that are considered effective as hedges has been included in OCI. Based on market valuations at September 30, 2016, \$2.2 million of the amount included in OCI is expected to be reclassified as a gain into the unaudited condensed consolidated statement of operations over the next twelve months, as the transactions occur.

Interest Rate Derivatives: The Company held interest rate contracts with a total notional amount of \$100.0 million at September 30, 2016. The fair value of interest rate swap agreements was a net liability of \$1.3 million and \$0.3

million at September 30, 2016 and December 31, 2015, respectively.

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The following table summarizes the fair value of derivative instruments reflected on a gross basis by contract as recorded in the unaudited condensed consolidated balance sheets:

Asset Derivatives		SEPTEMBER 30		DECEMBER 31		Liability Derivatives	
Balance Sheet Location		2016	2015	Balance Sheet Location	SEPTEMBER 30	DECEMBER 31	
					2016	2015	
Derivatives designated as hedging instruments							
Cash Flow Hedges							
Foreign currency exchange contracts							
Current	Prepaid expenses and other	\$ 6.7	\$ 2.5	Prepaid expenses and other	\$ 5.1	\$ 0.6	
	Other current liabilities	0.9	3.2	Other current liabilities	0.3	10.9	
Long-term	Other non-current assets	0.8	—	Other long-term liabilities	1.7	2.1	
Total derivatives designated as hedging instruments		\$ 8.4	\$ 5.7		\$ 7.1	\$ 13.6	
Derivatives not designated as hedging instruments							
Cash Flow Hedges							
Interest rate swap agreements							
Current	Other current liabilities	\$ —	\$ —	Other current liabilities	\$ 0.5	\$ 0.6	
Long-term	Other non-current assets	—	0.3	Other long-term liabilities	0.8	—	
Foreign currency exchange contracts							
Current	Prepaid expenses and other	0.6	1.1	Prepaid expenses and other	0.3	0.3	
	Other current liabilities	1.2	1.9	Other current liabilities	2.9	3.6	
Total derivatives not designated as hedging instruments		\$ 1.8	\$ 3.3		\$ 4.5	\$ 4.5	
Total derivatives		\$ 10.2	\$ 9.0		\$ 11.6	\$ 18.1	

The following table summarizes the offsetting of the fair value of derivative instruments on a gross basis by counterparty as recorded in the unaudited condensed consolidated balance sheets:

Derivative Assets as of September 30, 2016				Derivative Liabilities as of September 30, 2016			
Gross Amounts	Gross Amounts of Offset	Net Amounts Presented	Net Amount	Gross Amounts	Gross Amounts of Offset	Net Amounts Presented	Net Amount

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	Recognized Assets				Recognized Liabilities			
Cash Flow Hedges								
Interest rate swap agreements	\$—	\$ —	\$	—\$	—\$1.3	\$ —	\$ 1.3	\$ 1.3
Foreign currency exchange contracts	2.7	(2.7)	—	—	2.8	(2.7)	0.1	0.1
Total derivatives	\$2.7	\$ (2.7)	\$	—\$	—\$4.1	\$ (2.7)	\$ 1.4	\$ 1.4
	Derivative Assets as of December 31, 2015				Derivative Liabilities as of December 31, 2015			
	Gross				Gross			
	Amounts	of	Net	Net	Amounts	of	Net	Net
	Recognized	Amounts	Amounts	Amount	Recognized	Amounts	Amounts	Amount
	Assets	Offset	Presented		Liabilities	Offset	Presented	
Cash Flow Hedges								
Interest rate swap agreements	\$0.3	\$ (0.3)	\$	—\$	—\$0.6	\$ (0.3)	\$ 0.3	\$ 0.3
Foreign currency exchange contracts	2.7	(2.7)	—	—	11.5	(2.7)	8.8	8.8
Total derivatives	\$3.0	\$ (3.0)	\$	—\$	—\$12.1	\$ (3.0)	\$ 9.1	\$ 9.1

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The following table summarizes the pre-tax impact of derivative instruments as recorded in the unaudited condensed consolidated statements of operations:

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)				Location of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)				Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)			
	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30			THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30			THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	2016	2015		2016	2015	2016	2015		2016	2015	2016	2015
Derivatives designated as hedging instruments														
Cash Flow Hedges														
Foreign currency exchange contracts	\$(0.7)	\$(1.1)	\$7.7	\$(4.1)	Cost of sales	\$(0.9)	\$(2.1)	\$(1.8)	\$(6.5)	Cost of sales	\$(0.1)	\$—	\$(0.2)	\$—
Total	\$(0.7)	\$(1.1)	\$7.7	\$(4.1)		\$(0.9)	\$(2.1)	\$(1.8)	\$(6.5)		\$(0.1)	\$—	\$(0.2)	\$—
Derivatives Not Designated as Hedging Instruments														
Cash Flow Hedges														
Interest rate swap agreements										Other	\$0.5	\$(1.0)	\$(1.2)	\$(1.2)
Foreign currency exchange contracts										Cost of sales	(0.2)	2.7	0.3	2.4
Total											\$0.3	\$1.7	\$(0.9)	\$0.2

Note 7—Retirement Benefit Plans

The Company maintains various defined benefit pension plans that provide benefits based on years of service and average compensation during certain periods. The Company's policy is to make contributions to fund these plans within the range allowed by applicable regulations. Plan assets consist primarily of publicly traded stocks and government and corporate bonds.

Pension benefits for employees covered under the Company's U.S. and U.K. plans are frozen. Only certain grandfathered employees in the Netherlands still earn retirement benefits under a defined benefit pension plan. All other eligible employees of the Company, including employees whose pension benefits are frozen, receive retirement benefits under defined contribution retirement plans.

During the third quarter of 2015, the Company recognized a settlement loss of \$1.2 million resulting from lump-sum distributions exceeding the total projected interest cost for the plan year for one of its U.S. pension plans.

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The components of pension (income) expense are set forth below:

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2016	2015	2016	2015
U.S. Pension				
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	0.7	0.7	2.2	2.2
Expected return on plan assets	(1.3)	(1.4)	(3.7)	(4.2)
Settlement loss	—	1.2	—	1.2
Amortization of actuarial loss	0.4	0.4	1.2	1.2
Amortization of prior service credit	—	—	(0.2)	(0.2)
Total	\$ (0.2)	\$ 0.9	\$ (0.5)	\$ 0.2
Non-U.S. Pension				
Service cost	\$ —	\$ —	\$ 0.1	\$ 0.1
Interest cost	1.2	1.4	3.8	4.2
Expected return on plan assets	(2.1)	(2.4)	(6.7)	(7.2)
Amortization of actuarial loss	0.3	0.5	1.1	1.5
Amortization of transition liability	—	—	—	0.1
Total	\$ (0.6)	\$ (0.5)	\$ (1.7)	\$ (1.3)

Note 8—Inventories

Inventories are summarized as follows:

	SEPTEMBER 30		DECEMBER 31	
	2016		2015	
Finished goods and service parts	\$ 184.3		\$ 153.0	
Raw materials and work in process	230.8		192.0	
Total manufactured inventories	415.1		345.0	
LIFO reserve	(39.1	)	(40.4)
Total inventory	\$ 376.0		\$ 304.6	

The cost of certain manufactured inventories, including service parts, has been determined using the last-in-first-out (“LIFO”) method. At September 30, 2016 and December 31, 2015, 53% and 58%, respectively, of total inventories were determined using the LIFO method. An actual valuation of inventory under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation.

Note 9—Current and Long-Term Financing

On April 28, 2016, the Company amended and restated its revolving credit facility to provide for a \$240.0 million secured, floating-rate revolving credit facility (the "Facility") that expires in April 2021. There was \$54.0 million outstanding under the facility at September 30, 2016. The excess availability under the Facility, at September 30, 2016, was \$168.9 million, which reflects reductions of \$17.1 million for letters of credit and other restrictions. The Facility consists of a U.S. revolving credit facility in the initial amount of \$140.0 million and a non-U.S. revolving credit facility in the initial amount of \$100.0 million. The Facility can be increased up to \$340.0 million over the term

of the agreement in minimum increments of \$10.0 million subject to certain conditions. The obligations under the Facility are generally secured by a lien on the working capital assets of the borrowers in the Facility, which include but are not limited to, cash and cash equivalents, accounts receivable and inventory. The approximate book value of assets held as collateral under the Facility was \$495 million as of September 30, 2016.

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Borrowings bear interest at a floating rate based on a base rate or LIBOR, as defined in the Facility, plus an applicable margin. The applicable margins, effective September 30, 2016, for U.S. base rate loans and LIBOR loans were 0.50% and 1.50%, respectively. The applicable margins, effective September 30, 2016, for non-U.S. base rate loans and LIBOR loans was 1.50%. The applicable LIBOR interest rates under the Facility on September 30, 2016 were 2.00% and 1.50%, respectively, for the U.S. and non-U.S. facility including the applicable floating rate margin. The interest rate under the Facility on September 30, 2016 was 2.00% including the applicable floating rate margin. The Facility also requires the payment of a fee of 0.350% per annum on the unused commitment as of September 30, 2016.

The Facility includes restrictive covenants, which, among other things, limit additional borrowings and investments of the Company and its subsidiaries subject to certain thresholds, as defined in the Facility, and limits the payment of dividends. If the minimum availability threshold, as defined in the Facility, is greater than fifteen percent and less than twenty percent for both total and U.S. revolving credit facilities, the Company may pay dividends subject to maintaining a certain level of availability prior to and upon payment of a dividend and achieving a minimum fixed charge coverage ratio of 1.00 to 1.00, as defined in the Facility. If the minimum availability threshold, as defined in the Facility, is greater than twenty percent for both total and U.S. revolving credit facilities, the Company may pay dividends without any minimum fixed charge coverage ratio requirement. The Facility also requires the Company to achieve a minimum fixed charge coverage ratio in certain circumstances in which total excess availability is less than ten percent of the total commitments under the Facility or excess availability under the U.S. revolving credit facility is less than ten percent of the U.S. revolver commitments, as defined in the Facility. At September 30, 2016, the Company was in compliance with the covenants in the Facility.

The Company had other debt outstanding, excluding capital leases, of approximately \$73.8 million at September 30, 2016, which includes the outstanding debt of Bolzoni.

During 2016, the Company incurred fees and expenses of \$1.6 million related to the Facility. These fees were deferred and are being amortized as interest expense over the term of the Facility.

Note 10—Product Warranties

The Company provides a standard warranty on its lift trucks, generally for twelve months or 1,000 to 2,000 hours. For certain components in some series of lift trucks, the Company provides a standard warranty of two to three years or 4,000 to 6,000 hours. The Company estimates the costs which may be incurred under its standard warranty programs and records a liability for such costs at the time product revenue is recognized.

In addition, the Company sells separately-priced extended warranty agreements for its lift trucks, which generally provide a warranty for an additional two to five years or up to 2,400 to 10,000 hours. The specific terms and conditions of those warranties vary depending upon the product sold and the country in which the Company does business. Revenue received for the sale of extended warranty contracts is deferred and recognized in the same manner as the costs incurred to perform under the warranty contracts.

The Company also maintains a quality enhancement program under which it provides for specifically identified field product improvements in its warranty obligation. Accruals under this program are determined based on estimates of the potential number of claims and the cost of those claims based on historical costs.

The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Factors that affect the warranty liability include the number of units sold, historical and anticipated rates of warranty claims and the cost per claim.

Changes in the Company's current and long-term warranty obligations, including deferred revenue on extended warranty contracts, are as follows:

	2016
Balance at January 1	\$55.5
Current year warranty expense	25.2
Change in estimate related to pre-existing warranties	(5.9)
Payments made	(22.2)
Foreign currency effect	0.3
Balance at September 30	\$52.9

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Note 11—Contingencies

Various legal and regulatory proceedings and claims have been or may be asserted against the Company relating to the conduct of its businesses, including product liability, environmental and other claims. These proceedings and claims are incidental to the ordinary course of business. Management believes that it has meritorious defenses and will vigorously defend the Company in these actions. Any costs that management estimates will be paid as a result of these claims are accrued when the liability is considered probable and the amount can be reasonably estimated. Although the ultimate disposition of these proceedings is not presently determinable, management believes, after consultation with its legal counsel, that the likelihood is remote that costs will be incurred materially in excess of accruals already recognized.

Note 12—Guarantees

Under various financing arrangements for certain customers, including independent retail dealerships, the Company provides recourse or repurchase obligations such that it would be obligated in the event of default by the customer. Terms of the third-party financing arrangements for which the Company is providing recourse or repurchase obligations generally range from one to five years. Total amounts subject to recourse or repurchase obligations at September 30, 2016 and December 31, 2015 were \$165.3 million and \$179.8 million, respectively. As of September 30, 2016, losses anticipated under the terms of the recourse or repurchase obligations were not significant and reserves have been provided for such losses based on historical experience in the accompanying unaudited condensed consolidated financial statements. The Company generally retains a security interest in the related assets financed such that, in the event the Company would become obligated under the terms of the recourse or repurchase obligations, the Company would take title to the assets financed. The fair value of collateral held at September 30, 2016 was approximately \$210.4 million based on Company estimates. The Company estimates the fair value of the collateral using information regarding the original sales price, the current age of the equipment and general market conditions that influence the value of both new and used lift trucks. The Company also regularly monitors the external credit ratings of the entities for which it has provided recourse or repurchase obligations. As of September 30, 2016, the Company did not believe there was a significant risk of non-payment or non-performance of the obligations by these entities; however, there can be no assurance that the risk may not increase in the future. In addition, the Company has an agreement with WF to limit its exposure to losses at certain eligible dealers. Under this agreement, losses related to \$34.4 million of recourse or repurchase obligations for these certain eligible dealers are limited to 7.5% of their original loan balance, or \$7.5 million as of September 30, 2016. The \$34.4 million is included in the \$165.3 million of total amounts subject to recourse or repurchase obligations at September 30, 2016.

Generally, the Company sells lift trucks through its independent dealer network or directly to customers. These dealers and customers may enter into a financing transaction with HYGFS or other unrelated third parties. HYGFS provides debt and lease financing to both dealers and customers. On occasion, the credit quality of a customer or credit concentration issues within WF may require the Company to provide recourse or repurchase obligations of the lift trucks purchased by customers and financed through HYGFS. At September 30, 2016, approximately \$135.7 million of the Company's total recourse or repurchase obligations of \$165.3 million related to transactions with HYGFS. In connection with the joint venture agreement, the Company also provides a guarantee to WF for 20% of HYGFS' debt with WF, such that the Company would become liable under the terms of HYGFS' debt agreements with WF in the case of default by HYGFS. At September 30, 2016, loans from WF to HYGFS totaled \$1.0 billion. Although the Company's contractual guarantee was \$205.7 million, the loans by WF to HYGFS are secured by HYGFS' customer receivables, of which the Company guarantees \$135.7 million. Excluding the HYGFS receivables guaranteed by the Company from HYGFS' loans to WF, the Company's incremental obligation as a result of this guarantee to WF is \$183.9 million, which is secured by 20% of HYGFS' customer receivables and other secured assets of \$221.2 million. HYGFS has not defaulted under the terms of this debt financing in the past, and although there can be no assurances, the Company is not aware of any circumstances that would cause HYGFS to default in

future periods.

The following table includes the exposure amounts related to the Company's guarantees at September 30, 2016:

	HYGFS	Total
Total recourse or repurchase obligations	\$ 135.7	\$ 165.3
Less: exposure limited for certain dealers	34.4	34.4
Plus: 7.5% of original loan balance	7.5	7.5
	108.8	138.4
Incremental obligation related to guarantee to WF	183.9	183.9
Total exposure related to guarantees	\$ 292.7	\$ 322.3

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Note 13—Equity Investments

The Company maintains an interest in one variable interest entity, HYGFS. HYGFS is a joint venture with WF formed primarily for the purpose of providing financial services to independent Hyster® and Yale® lift truck dealers and National Account customers in the United States and is included in the Americas segment. The Company does not have a controlling financial interest or have the power to direct the activities that most significantly affect the economic performance of HYGFS. Therefore, the Company has concluded that the Company is not the primary beneficiary and uses the equity method to account for its 20% interest in HYGFS. The Company does not consider its variable interest in HYGFS to be significant.

The Company has a 50% ownership interest in SN, a limited liability company which was formed primarily to manufacture and distribute Sumitomo-branded lift trucks in Japan and export Hyster®- and Yale®-branded lift trucks and related components and service parts outside of Japan. The Company purchases products from SN under agreed-upon terms. The Company's ownership in SN is also accounted for using the equity method of accounting and is included in the JAPIC segment.

The Company's percentage share of the net income or loss from its equity investments in HYGFS and SN is reported on the line "Income from unconsolidated affiliates" in the "Other (income) expense" section of the unaudited condensed consolidated statements of operations. The Company's equity investments are included on the line "Investment in Unconsolidated Affiliates" in the unaudited condensed consolidated balance sheets. At September 30, 2016 and December 31, 2015, the Company's investment in HYGFS was \$12.6 million and \$14.8 million, respectively. The Company's investment in SN was \$35.5 million and \$28.1 million at September 30, 2016 and December 31, 2015, respectively. Bolzoni's investment in unconsolidated affiliates was \$0.5 million at September 30, 2016.

Summarized financial information for HYGFS and SN is as follows:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30		SEPTEMBER 30	
	2016	2015	2016	2015
Revenues	\$ 89.3	\$ 79.3	\$ 259.1	\$ 236.3
Gross profit	\$ 27.8	\$ 23.4	\$ 79.6	\$ 71.8
Income from continuing operations	\$ 6.0	\$ 5.6	\$ 17.1	\$ 15.6
Net income	\$ 6.0	\$ 5.6	\$ 17.1	\$ 15.6

Note 14—Acquisitions

On April 1, 2016, the Company's indirect wholly owned subsidiary, Hyster-Yale Capital Holding Italy S.r.l. ("HY Italy"), acquired 100% of the outstanding shares of Penta Holding S.p.A. ("Penta") from its shareholders for an aggregate cash purchase price of €53.5 million (approximately \$60.9 million as of April 1, 2016), which includes the value of the majority stake (approximately 50.5%) of Bolzoni owned by Penta, as well as Penta's other assets and other liabilities.

Subsequent to the completion of the acquisition of Penta, HY Italy, in compliance with Italian law and CONSOB regulations, commenced the steps to launch a mandatory tender offer in Italy for all of the remaining outstanding shares of Bolzoni, with the intention to achieve the delisting of Bolzoni following completion of the mandatory tender offer and the processes related thereto.

During the second and third quarters of 2016, HY Italy acquired the remaining outstanding interest in Bolzoni for €55.4 million or approximately \$62.2 million, which was funded using cash on hand and borrowings under the Facility. On July 6, 2016, Bolzoni was delisted from the Italian stock exchange.

The acquisition of Bolzoni adds a broader range of forklift truck attachments, forks and lift tables to the Company's suite of products and provides an important platform for additional growth. The acquisition of Bolzoni has been accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. Acquisition accounting is dependent upon certain valuations and other studies that have yet to progress to a stage where there is sufficient information for a definitive measurement. The process of estimating the fair values of intangible assets and certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates.

Given the timing and complexity of the Bolzoni acquisition, the allocation of the purchase price is preliminary and may be further refined during the measurement period.

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The following table summarizes the preliminary estimated fair values of the assets acquired and the liabilities assumed of Bolzoni as of April 1, 2016:

Acquired Assets and Liabilities	Preliminary Fair Value
Cash	\$ 8.0
Accounts receivable	