

PIMCO Floating Rate Strategy Fund
Form N-2
July 07, 2004
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As filed with the Securities and Exchange Commission on July 7, 2004

1933 Act File No. 333-

1940 Act File No. 811-

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-2

x REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
.. Pre-Effective Amendment No.
.. Post-Effective Amendment No.
and

x REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940
.. Amendment No.

PIMCO Floating Rate Strategy Fund

(Exact Name of Registrant as Specified in Declaration of Trust)

c/o PA Fund Management LLC

1345 Avenue of the Americas

New York, New York 10105

(Address of Principal Executive Offices)

(Number, Street, City, State, Zip Code)

(212) 739-3369

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(Registrant's Telephone Number, including Area Code)

Newton B. Schott, Jr.

c/o PA Distributors LLC

2187 Atlantic Street

Stamford, Connecticut 06902

(Name and Address (Number, Street, City, State, Zip Code) of Agent for Service)

Copies of Communications to:

Joseph B. Kittredge, Jr., Esq.

Ropes & Gray LLP

One International Place

Boston, Massachusetts 02110

Approximate Date of Proposed Public Offering:

As soon as practicable after the effective date of this Registration Statement

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If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. "

It is proposed that this filing will become effective (check appropriate box)

x when declared effective pursuant to section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Shares, par value \$0.00001	1,000 Shares	\$ 20.00	\$ 20,000	\$ 2.53

1 Estimated solely for the purpose of calculating the registration fee.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion

Preliminary Prospectus dated , 2004

PROSPECTUS

[LOGO]

Shares

PIMCO Floating Rate Strategy Fund

Common Shares

\$20.00 per share

Investment Objective. The Fund is a newly organized, diversified, closed-end management investment company. The Fund's investment objective is to seek high current income, consistent with the preservation of capital.

Portfolio Management Strategies. The Fund is actively managed in accordance with the portfolio manager's top down cyclical and secular economic outlook, using strategies that focus on credit quality analysis, broad market diversification among industries and sectors, and other risk management techniques. The portfolio manager attempts to identify investments that provide high current income through fundamental research, driven by independent credit analysis and proprietary analytical tools, and also uses a variety of techniques designed to control risk and minimize exposure to issues that the portfolio manager believes are more likely to default or otherwise depreciate in value over time. Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets (plus any borrowings for investment purposes) in a diversified portfolio of floating rate debt instruments, a substantial portion of which will be senior floating rate loans, and in short-term, fixed rate debt instruments with maturities of 6 months or less. Senior floating rate loans generally hold the most senior position in the capital structure of a borrower and are often secured with collateral. The Fund may invest without limit and ordinarily expects to invest a substantial portion of its assets in senior floating rate loans and other debt securities that are, at the time of purchase, rated below investment grade (below Baa3 by Moody's Investors Service, Inc. (Moody's)), below BBB- by either Standard & Poor's (S&P) or Fitch, Inc. (Fitch), or below a comparable rating by Dominion Bond Rating Service Limited (Dominion)), or unrated but judged by the portfolio manager to be of comparable quality. The Fund will not invest more than 10% of its total assets in securities that are, at the time of purchase, rated CCC+/Caa1 or lower by each agency rating the security or that are unrated but judged by the portfolio manager to be of comparable quality. **Debt securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal, and are commonly referred to as high yield securities or junk bonds. Due to the risks involved in investing in high yield securities, an investment in the Fund should be considered speculative.**

(continued on following page)

Investing in the Fund's common shares involves certain risks. See **Risks** beginning on page of this prospectus. Certain of these risks are summarized in **Prospectus Summary Special Risk Considerations** beginning on page .

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$ 20.00	\$
Sales load	\$	\$
Estimated offering expenses (1) (2)	\$	\$
Proceeds to the Fund	\$	\$

-
- (1) The Fund has agreed to pay the underwriters \$ per share as a partial reimbursement of expenses incurred in connection with the offering. See **Underwriting**.
 - (2) The Fund will pay or reimburse organization and offering expenses estimated at \$ from the proceeds of the offering. PA Fund Management LLC has agreed to pay (i) the amount by which the Fund's offering costs (other than the sales load) exceed \$.04 per share and (ii) all of the Fund's organizational expenses, except that the Fund has agreed to reimburse PA Fund Management LLC for such organizational expenses to the extent that the aggregate of all such organizational expenses and all offering costs (other than the sales load, but inclusive of the reimbursement of underwriter expenses of \$ per share) does not exceed \$.04 per share.

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The underwriters may also purchase up to an additional _____ common shares at the public offering price, less the sales load, within 45 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The common shares will be ready for delivery on or about _____, 2004.

The date of this prospectus is _____, 2004.

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(continued from previous page)

Because most of the debt instruments held by the Fund will have variable interest rates or will be short term instruments, the Fund's portfolio is generally expected to have less interest rate risk (i.e., sensitivity to fluctuations in market interest rates) and a more stable net asset value than funds with portfolios that invest in longer-term fixed-income securities, although the net asset value will vary due to fluctuations in interest rates and other factors such as changes in the credit quality of securities in the portfolio. Due to its focus on variable rate securities, the amounts of the Fund's monthly distributions to common shareholders are expected to vary with fluctuations in market interest rates.

No Prior History. Because the Fund is newly organized, its common shares have no history of public trading. Shares of closed-end investment companies frequently trade at a discount from their net asset value, which creates a risk of loss for the investors purchasing shares in the initial public offering. The common shares are expected to be listed on the New York Stock Exchange under the symbol _____.

Portfolio Contents. As noted above, a substantial portion of the Fund's investment assets will ordinarily consist of senior floating rate debt securities and interests in senior floating rate loans (Senior Loans) made to or issued by U.S. or non-U.S. banks or other corporations. Senior Loans typically pay interest at rates which are re-determined periodically on the basis of a floating base lending rate (such as the London Inter-Bank Offered Rate, LIBOR) plus a premium. Although Senior Loans are typically of below investment grade quality, they tend to have more favorable recovery rates than those of other types of below investment grade quality debt obligations. Other floating rate debt instruments in which the Fund may invest include catastrophe and other event-linked bonds, bank capital securities, unsecured bank loans, corporate bonds, money market instruments and certain types of mortgage-backed and other asset-backed securities that pay interest at rates which adjust whenever a specified interest rate changes and/or reset on predetermined dates (such as the last day of a month or calendar quarter). The Fund may also invest without limit in short-term, fixed rate debt instruments with maturities of 6 months or less, which the portfolio manager considers to have interest rate sensitivity similar to that of floating rate debt instruments in which the Fund will invest. The Fund may invest without limit and ordinarily expects to invest a substantial portion of its assets in Senior Loans and other debt instruments that are, at the time of purchase, rated below investment grade or unrated but judged by the portfolio manager to be of comparable quality. To the extent consistent with the Fund's investment policy specified above, the Fund may invest a portion of its assets in securities and instruments other than floating rate debt instruments and fixed rate debt instruments with maturities of 6 months or less, such as convertible securities, high-yield bonds and mortgage-backed and other asset-backed securities issued on a public or private basis. The Fund expects to invest predominantly in U.S. dollar-denominated debt securities and will not invest more than 25% of its total assets in debt securities denominated in currencies other than the U.S. dollar. The Fund reserves the right to invest without limit in debt securities of non-U.S. issuers, although it will not invest more than 10% of its total assets in debt securities of issuers located in emerging markets. The Fund may make use of a variety of other instruments, including collateralized debt obligations, preferred shares, commercial paper, U.S. Government securities, zero-coupon and inflation-indexed bonds, real estate investment trusts (REITs), structured notes and other hybrid instruments, credit-linked trust certificates, total return swaps, credit default swaps and other derivative instruments. The Fund cannot assure you that it will achieve its investment objective.

Because of the floating rate or short-term features of most of the Fund's investments, it is expected that the Fund normally will have an average portfolio duration of zero to one year. The portfolio manager believes that this duration range and the Fund's exposure to lower-quality debt securities minimizes exposure to interest rate risk while still offering the potential for higher current income than would be expected from a higher quality portfolio.

Borrowings. The Fund presently intends to use leverage by issuing shares of preferred stock (Preferred Shares) representing approximately 38% of the Fund's total assets immediately after their issuance. The Fund may also leverage the portfolio by borrowing money, issuing debt securities or using reverse repurchase agreements, loans of portfolio securities, credit default swap contracts and other derivatives, as well as when-issued, delayed delivery and forward commitment transactions. However, these forms of leverage will only be used, if at all, as a substitute for, rather than in addition to, the leverage obtained through the issuance of Preferred Shares. See The Fund's Investment Objective and Strategies Portfolio Contents and Other Information. By using leverage, the Fund will seek to obtain a higher return for holders of common shares than if the Fund did not use leverage. Leveraging is a speculative technique, and there are special risks involved. There can be no assurance that a leveraging strategy will be used or that it will be successful during any period in which it is employed. See Preferred Shares and Related Leverage and

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Risks Leverage Risk.

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest, and retain it for future reference. A Statement of Additional Information, dated _____, 2004, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by

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reference in its entirety into this prospectus, which means that it is part of the prospectus for legal purposes. You can review the table of contents of the Statement of Additional Information on page of this prospectus. You may request a free copy of the Statement of Additional Information by calling (877) 819-2224 or by writing to the Fund, or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's web site (<http://www.sec.gov>).

The Fund's common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. The Fund's business, financial condition, results of operations and prospects may have changed since that date.

Until _____, 2004 (25 days after the date of this prospectus), all dealers that buy, sell or trade the common shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This is only a summary. This summary may not contain all of the information that you should consider before investing in the common shares. You should review the more detailed information contained in this prospectus and in the Statement of Additional Information.

The Fund PIMCO Floating Rate Strategy Fund (the Fund) is a newly organized, diversified, closed-end management investment company. See The Fund.

The Offering The Fund is offering common shares of beneficial interest, with a par value of \$.00001 per share, at \$20.00 per share through a group of underwriters (the Underwriters) led by . The common shares of beneficial interest are called Common Shares in the rest of this prospectus. You must purchase at least 100 Common Shares. The Fund has given the Underwriters an option to purchase up to additional Common Shares to cover orders in excess of Common Shares. See Underwriting. PA Fund Management LLC (the Manager), the Fund's investment manager, has agreed to pay (i) the amount by which the Fund's offering costs (other than the sales load) exceed \$.04 per Common Share and (ii) all of the Fund's organizational expenses, except that the Fund has agreed to reimburse the Manager for such organizational expenses to the extent that the aggregate of all such organizational expenses and all offering costs (other than the sales load, but inclusive of the reimbursement of underwriter expenses of \$ per Common Share) does not exceed \$.04 per Common Share.

Investment Objective

and Strategies

Investment Objective. The Fund's investment objective is to seek high current income, consistent with the preservation of capital. The Fund attempts to achieve this objective by normally investing at least 80% of its net assets (plus any borrowings for investment purposes) in a diversified portfolio of floating rate debt instruments and in short-term, fixed rate debt instruments with maturities of 6 months or less. The Fund expects that a substantial portion of its investments will consist of Senior Loans. See Portfolio Contents below. The Fund may invest without limit, and ordinarily expects to invest a substantial portion of its assets, in Senior Loans and other debt instruments that are, at the time of purchase, rated below investment grade (or unrated but judged by the portfolio manager to be of comparable quality) as described under Credit Quality below. The Fund cannot assure you that it will achieve its investment objective.

Portfolio Management Strategies. In selecting investments for the Fund, Pacific Investment Management Company LLC (PIMCO), the Fund's portfolio manager, attempts to identify floating rate and other debt instruments that provide high current income through fundamental research, driven by independent credit analysis and proprietary analytical tools. Investment decisions are based primarily on PIMCO's assessment of the issuer's credit characteristics and the position of the security in the issuer's capital structure in light of PIMCO's outlook for particular industries, the economy and the market generally. At the same time, PIMCO uses a variety of techniques, such as credit default swaps, designed to control risk and minimize the Fund's exposure to debt instruments that PIMCO believes are more likely to default or otherwise depreciate in value over time and detract from the Fund's overall return to investors. Because most of the debt instruments held by the Fund will have variable interest rates or will be short-term instruments, the Fund's portfolio is generally expected to have less interest rate risk (i.e., sensitivity to fluctuations in market interest rates) and a more stable net asset value than portfolios of funds that invest in longer-term fixed-income securities, although the net asset value will vary due to fluctuations in interest rates and other factors such as changes in the credit quality of securities in the portfolio. The Fund also attempts to preserve capital based on PIMCO's assessment of the issuer's credit characteristics and macro-economic factors. Subject to the guidelines under Credit Quality below, the Fund has the flexibility to invest in debt obligations of any credit quality based on its assessment of the

particular issuer.

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The Fund does not invest its assets according to predetermined weightings in particular issuers, industries or sectors. Instead, PIMCO attempts to identify quality investments in any industry or sector through fundamental research, driven by independent credit analysis and proprietary analytical tools.

Credit Quality. Under normal market conditions, the Fund may invest without limit, and ordinarily expects to invest a substantial portion of its assets, in Senior Loans and other debt instruments that are, at the time of purchase, rated below investment grade (below Baa3 by Moody's, below BBB - by either S&P or Fitch, or below a comparable rating by Dominion), or unrated but judged by PIMCO to be of comparable quality. The Fund will not invest more than 10% of its total assets in securities that are, at the time of purchase, rated CCC+/Caa1 or lower by each agency rating the security or that are unrated but judged by PIMCO to be of comparable quality. Debt securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal and are commonly referred to as high yield securities or junk bonds. Debt securities in the lowest investment grade category may also be considered to possess some speculative characteristics.

Independent Credit Analysis. PIMCO relies heavily on its own analysis of the credit quality and risks associated with individual debt obligations considered for the Fund, rather than relying exclusively on rating agencies or third-party research. In the case of Senior Loans, PIMCO analyzes and takes into account the legal/protective features associated with the securities (such as their position in the borrower's capital structure and any security through collateral) in assessing their credit characteristics. The individuals managing the Fund utilize this information in an attempt to manage credit risk and identify issuers, industries or sectors that offer attractive yields relative to PIMCO's assessment of their credit characteristics. This aspect of PIMCO's capabilities will be particularly important because of the Fund's emphasis on Senior Loans and other below investment grade debt securities.

Duration. The average portfolio duration of the Fund will normally be within a short range (*i.e.*, a zero to one-year time frame) due to the Fund's predominant investment in floating rate and short-term debt instruments, although it may be longer at any time and from time to time to the extent that the Fund invests in longer-term fixed-income securities. Duration is a measure of the expected life of a debt security that is used to determine the sensitivity of the security's price to changes in interest rates. PIMCO believes that the Fund's short duration range minimizes exposure to price changes of its portfolio securities due to interest rate volatility and related risk while still offering the potential opportunity for high current income.

Diversification. Subject to the availability of suitable investment opportunities, PIMCO will attempt to diversify the Fund's investments broadly in an attempt to minimize the portfolio's sensitivity to credit and other risks associated with a particular issuer, industry or sector, or to the impact of a single economic, political, corporate or regulatory occurrence.

Portfolio Contents. Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets (plus any borrowings for investment purposes) in a diversified portfolio of floating rate debt instruments, a substantial portion of which will be Senior Loans, and in short-term, fixed rate debt instruments with maturities of 6 months or less. Senior Loans are typically originated, negotiated and structured by a U.S. or foreign commercial bank, insurance company, finance company or other financial institution (the Agent) for a lending syndicate of financial institutions (the Lenders). Senior Loans are normally accessible only to

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financial institutions and large corporate and institutional investors and are not widely available to individual investors. Floating rate debt instruments are debt instruments that pay interest at rates which adjust whenever a specified interest rate changes and/or reset on predetermined dates (such as the last day of a month or calendar quarter). These floating rate debt instruments may include, in addition to Senior Loans, instruments such as catastrophe and other event-linked bonds, bank capital securities, unsecured bank loans, corporate bonds, money market instruments and certain types of mortgage-backed and other asset-backed securities. As noted above, the Fund may invest without limit and ordinarily expects to invest a substantial portion of its assets in Senior Loans and other debt instruments that are, at the time of purchase, rated below investment grade or unrated but judged by PIMCO to be of comparable quality. The Fund may also invest without limit in short-term, fixed rate debt instruments with maturities of 6 months or less, which PIMCO considers to have interest rate sensitivity similar to that of floating rate debt instruments in which the Fund will invest. The Fund may invest the remainder of its assets in securities and instruments other than floating rate debt instruments and fixed rate debt instruments with maturities of 6 months or less, such as convertible securities, high-yield bonds and mortgage-backed and other asset-backed securities issued on a public or private basis. The Fund expects to invest predominantly in U.S. dollar-denominated debt securities and will not invest more than 25% of its total assets in debt securities denominated in currencies other than the U.S. dollar. The Fund reserves the right to invest without limit in debt securities of non-U.S. issuers, although it will not invest more than 10% of its total assets in debt securities of issuers located in emerging markets. The Fund may make use of a variety of other instruments, including preferred shares, commercial paper, U.S. Government securities, zero-coupon and inflation-indexed bonds, structured notes and other hybrid instruments, credit-linked trust certificates, real estate investment trusts (REITs), total return swaps, credit default swaps and other derivative instruments. The Fund may invest in securities of companies with small market capitalizations. The Fund may invest without limit in illiquid securities. As a diversified fund, the Fund generally may not, with respect to 75% of its total assets, purchase the securities of any issuer, except securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities or securities of other investment companies, if, as a result, (i) more than 5% of the Fund's total assets would be invested in the securities of that issuer, or (ii) the Fund would hold more than 10% of the outstanding voting securities of that issuer. The Fund will not concentrate its investments in a particular industry by investing more than 25% of its total assets in that industry. The Fund's industry concentration policy does not preclude it from focusing investments in issuers in a group of related industrial sectors (such as different types of utilities).

Proposed Offering of Preferred**Shares and Other Forms of
Leverage**

Subject to market conditions, approximately one to six months after completion of this offering, the Fund intends to offer preferred shares of beneficial interest (Preferred Shares) representing approximately 38% of the Fund's total assets immediately after their issuance. The issuance of Preferred Shares will leverage your investment in Common Shares. Leverage involves special risks. There is no assurance that the Fund will issue Preferred Shares or that, if Preferred Shares are issued, the Fund's leveraging strategy will be successful. See Risks Leverage Risk. The net proceeds the Fund obtains from selling the Preferred Shares will be invested in accordance with the Fund's investment objective and policies as described in this prospectus. The Preferred Shares will pay dividends based on short-term interest rates for high quality obligations, which will be reset frequently. So long as the rate of return, net of applicable Fund expenses, on the floating rate high yield debt obligations and other investments purchased by the Fund exceeds Preferred Share dividend rates as reset periodically, the investment of the proceeds of the Preferred Shares will generate more income than will be needed to pay dividends on the Preferred Shares. If so, the

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excess will be used to pay higher dividends to holders of Common Shares (Common Shareholders) than if the Fund were not so leveraged through the issuance of Preferred Shares. The Fund may also leverage the portfolio by borrowing money, issuing debt securities or using reverse repurchase agreements, loans of portfolio securities, credit default swap contracts and other derivatives, as well as when-issued, delayed delivery and forward commitment transactions. However, these forms of leverage will only be used, if at all, as a substitute for, rather than in addition to, the leverage obtained through the issuance of Preferred Shares. See The Fund s Investment Objective and Strategies Portfolio Contents and Other Information. The Fund cannot assure you that the issuance of Preferred Shares or the use of other forms of leverage will result in a higher yield on your Common Shares. Once Preferred Shares are issued and/or other forms of leverage are used, the net asset value and market price of the Common Shares and the yield to Common Shareholders will be more volatile. See Preferred Shares and Related Leverage, Description of Shares Preferred Shares and Risks Leverage Risk. In addition, fees and expenses paid by the Fund are borne entirely by the Common Shareholders (and not by Preferred Shareholders, if any). These include costs associated with any offering of Preferred Shares by the Fund (which costs are estimated to be approximately % of the total dollar amount of a Preferred Share offering), which will be borne immediately by Common Shareholders (as will the costs associated with any borrowings or other forms of leverage utilized by the Fund) and result in a reduction in the net asset value of the Common Shares.

Investment Manager

The Manager serves as the investment manager of the Fund. Subject to the supervision of the Fund s Board of Trustees, the Manager is responsible for managing, either directly or through others selected by it, the investment activities of the Fund and the Fund s business affairs and other administrative matters. The Manager will receive an annual fee, payable monthly, in an amount equal to .75% of the Fund s average weekly total managed assets. Total managed assets means the total assets of the Fund (including any assets attributable to any Preferred Shares and borrowings that may be outstanding) minus accrued liabilities (other than liabilities representing borrowings). The Manager is located at 1345 Avenue of the Americas, New York, New York 10105. Organized in 2000 as a subsidiary successor of a business originally organized in 1987, the Manager provides investment management and advisory services to a number of closed-end and open-end investment company clients. As of , 2004, the Manager had approximately \$ billion in assets under management. Allianz Dresdner Asset Management of America L.P. is the direct parent company of PA Retail Holdings LLC, of which the Manager is a wholly-owned subsidiary. As of , 2004, Allianz Dresdner Asset Management of America L.P. and its subsidiaries, including PIMCO, had approximately \$ billion in assets under management.

The Manager has retained its affiliate, PIMCO, as a sub-adviser to manage the Fund s portfolio investments. See Portfolio Manager below.

Portfolio Manager

PIMCO will serve as the Fund s sub-adviser responsible for managing the Fund s portfolio investments, and is sometimes referred to herein as the portfolio manager. Subject to the supervision of the Manager, PIMCO has full investment discretion and makes all determinations with respect to the investment of the Fund s assets.

PIMCO is located at 840 Newport Center Drive, Newport Beach, California 92660. Organized in 1971, PIMCO provides investment management and advisory services to private accounts of institutional and individual clients and to mutual funds. As of , 2004, PIMCO had approximately \$ billion in assets under management.

The Manager (and not the Fund) will pay a portion of the fees it receives to PIMCO in return for PIMCO s services.

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Distributions	Commencing with the Fund's first dividend, the Fund intends to make regular monthly cash distributions to Common Shareholders at a variable rate based on the performance of the Fund and income accrual. The dividend rate that the Fund pays on its Common Shares will depend on a number of factors including the variable rate of interest received on the Fund's portfolio, dividends payable on any Preferred Shares and the expenses of any other leveraging transactions. Because the Fund expects to invest predominantly in debt instruments with variable interest rates, the amount of the Fund's monthly distributions to shareholders is expected to vary with fluctuations in market interest rates. Although there is a risk that fluctuations in the dividend rates on Preferred Shares may adversely affect the return to Common Shareholders, PIMCO believes that this should be mitigated when the Fund uses leverage with floating rate costs, because the dividend rates on the Preferred Shares and the interest rates on its portfolio of Senior Loans and other floating rate and short-term debt instruments will ordinarily vary in a similar manner. Over time, the Fund will distribute substantially all of its net investment income (after it pays accrued dividends on any outstanding Preferred Shares). In addition, at least annually, the Fund intends to distribute to you your pro rata share of any available net capital gain. Your initial distribution is expected to be declared approximately 45 days, and paid approximately 60 to 90 days, from the completion of this offering, depending on market conditions. Unless you elect to receive distributions in cash, all of your distributions will be automatically reinvested in additional Common Shares under the Fund's Dividend Reinvestment Plan. See Distributions and Dividend Reinvestment Plan .
Listing	The Fund will apply for listing of the Common Shares on the New York Stock Exchange, subject to notice of issuance, under the symbol XXXXXX . See Description of Shares Common Shares .
Custodian and Transfer Agent	State Street Bank and Trust Co. will serve as custodian of the Fund's assets. PFPC Inc. will serve as the Fund's transfer and dividend disbursement agent. See Custodian and Transfer Agent .
Market Price of Shares	Shares of closed-end investment companies frequently trade at prices lower than net asset value. Shares of closed-end investment companies like the Fund have during some periods traded at prices lower than net asset value. The Fund cannot assure you that the Common Shares will trade at or above the Fund's net asset value. Net asset value will be reduced immediately following the offering by the sales load and the amount of organization and offering expenses paid or reimbursed by the Fund. See Use of Proceeds . In addition to net asset value, market price may be affected by such factors relating to the Fund or its portfolio holdings as dividend levels (which are in turn affected by changes in the floating rates of interest on the Fund's investments and expenses, including the costs of leverage), portfolio credit quality, liquidity, call protection and market supply and demand. See Preferred Shares and Related Leverage , Risks , Description of Shares and Repurchase of Common Shares ; Conversion to Open-End Fund in this prospectus, and the Statement of Additional Information under Repurchase of Common Shares ; Conversion to Open-End Fund . The Common Shares are designed primarily for long-term investors, and you should not view the Fund as a vehicle for trading purposes.
Special Risk Considerations	The following describes various principal risks of investing in the Fund. A more detailed description of these and other risks of investing in the Fund are described under Risks in this Prospectus and under Investment Objective and Policies in the Statement of Additional Information. <i>Newly Organized.</i> The Fund is a newly organized, diversified, closed-end management investment company with no history of operations. <i>Credit Risk/High Yield Risk.</i> Credit risk is the risk that one or more debt obligations in the Fund's portfolio will decline in price, or fail to pay interest or principal when due,

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because the issuer of the obligation or borrower experiences an actual or perceived decline in its financial status. The Fund may invest without limit and ordinarily expects to invest a substantial portion of its assets in debt instruments that are, at the time of purchase, rated below investment grade (below Baa3 by Moody's, below BBB - by either S&P or Fitch or below a comparable rating by Dominion) or that are unrated but judged by PIMCO to be of comparable quality, including debt securities that are in default or the issuers of which are in bankruptcy. Debt obligations of below investment grade quality are commonly referred to as high yield securities or junk bonds and are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due, and therefore involve a greater risk of default. Debt securities in the lowest investment grade category may also be considered to possess some speculative characteristics. The prices of these lower grade obligations are generally more volatile and sensitive to actual or perceived negative developments, such as a decline in the revenues of the borrowers underlying Senior Loans or a general economic downturn, than are the prices of higher grade securities. Although Senior Loans in which the Fund will invest will often be secured by collateral, there can be no assurance that liquidation of any such collateral would satisfy the borrower's obligation in the event of default or that such collateral could be readily liquidated. However, PIMCO believes that Senior Loans generally tend to have more favorable recovery rates than most other types of loans. In the event of bankruptcy of a borrower, the Fund could experience delays or limitations in its ability to realize the benefits of any collateral securing a Senior Loan. Because of the Fund's emphasis on Senior Loans and other below investment grade debt securities, PIMCO's capabilities in analyzing credit quality and associated risks will be particularly important, and there can be no assurance that PIMCO will be successful in this regard. See The Fund's Investment Objective and Strategies High Yield Securities (Junk Bonds) and Risks High Yield Risk/Credit Risk for additional information. Due to the risks involved in investing in high yield securities, an investment in the Fund should be considered speculative.

Market Discount Risk. As with any stock, the price of the Fund's shares will fluctuate with market conditions and other factors. If shares are sold, the price received may be more or less than the original investment. Net asset value will be reduced immediately following the initial offering by a sales load and organizational and offering expenses paid or reimbursed by the Fund and immediately following any offering of Preferred Shares by the costs of that offering paid by the Fund. Common Shares are designed for long-term investors and should not be treated as trading vehicles. Shares of closed-end management investment companies frequently trade at a discount from their net asset value. The Fund's shares may trade at a price that is less than the initial offering price. This risk may be greater for investors who sell their shares relatively shortly after completion of the initial offering.

Liquidity Risk. The Fund may invest without limit in securities which are illiquid at the time of investment (generally determined using the Securities and Exchange Commission's standard applicable to open-end investment companies, i.e., securities that cannot be disposed of within seven days in the ordinary course of business at approximately the value at which the Fund has valued the securities). Illiquid securities may trade at a discount from comparable, more liquid investments, and may be subject to wide fluctuations in market value. Also, the Fund may not be able to dispose of illiquid securities when that would be beneficial at a favorable time or price. Below investment grade debt securities tend to be less liquid than higher-rated securities. The Senior Loans in which the Fund invests will likely not be registered with the Securities and Exchange Commission or any state securities commission and generally will not be listed on a national securities exchange. PIMCO will determine the liquidity of the Fund's investments by reference to market conditions and contractual provisions. For example, PIMCO will generally not consider Senior Loans that are part of an issue of at least \$250 million in par value to be illiquid.

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Leverage Risk. The Fund presently intends to use leverage by issuing Preferred Shares representing approximately 38% of the Fund's total assets immediately after their issuance. The Fund may also leverage the portfolio by borrowing money, issuing debt securities or using reverse repurchase agreements, loans of portfolio securities, credit default swap contracts and other derivatives, as well as when-issued, delayed delivery or forward commitment transactions. However, these forms of leverage will only be used, if at all, as a substitute for, rather than in addition to, the leverage obtained through the issuance of Preferred Shares. The Fund's use of leverage creates the opportunity for increased Common Share net income, but also creates special risks for Common Shareholders. There is no assurance that the Fund's leveraging strategies will be successful. It is anticipated that dividends on Preferred Shares (which would be redetermined periodically, pursuant to an auction process) will be based on short-term rates of return for high quality short-term debt instruments, and that the Fund will invest the net proceeds of the Preferred Shares offering principally in Senior Loans and other floating rate and short-term debt instruments in accordance with the Fund's investment objective and strategies. So long as the Fund's securities portfolio provides a higher rate of return (net of Fund expenses) than the Preferred Share dividend rate, as reset periodically, the leverage will allow Common Shareholders to receive a higher current rate of return than if the Fund were not leveraged. Preferred Shares are expected to pay cumulative dividends, which may tend to increase leverage risk. Leverage creates two major types of risks for Common Shareholders:

the likelihood of greater volatility of net asset value and market price of Common Shares, because changes in the value of the Fund's portfolio of income-producing securities (including securities bought with the proceeds of the Preferred Shares offering) are borne entirely by the Common Shareholders; and

the possibility either that Common Share income will fall if the Preferred Share dividend rate rises and there is no corresponding increase, or a lagging increase, in the interest rates on investments in the Fund's portfolio, or that Common Share income will fluctuate in part because the Preferred Share dividend rate varies.

Because the fees received by the Manager are based on the total managed assets of the Fund (including assets attributable to any Preferred Shares and borrowings that may be outstanding), the Manager has a financial incentive for the Fund to issue Preferred Shares or utilize borrowings, which may create a conflict of interest between the Manager and the Common Shareholders.

Issuer Risk. The value of floating rate and other debt instruments may decline for a number of reasons which directly relate to the issuer or borrower, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

Variable Dividend Risk. Because a substantial portion of the debt instruments held by the Fund will have variable interest rates, the amounts of the Fund's monthly distributions to Common Shareholders are expected to vary with fluctuations in market interest rates. Generally, when market interest rates fall, the amount of the distributions to Common Shareholders will likewise decrease.

Smaller Company Risk. The general risks associated with floating rate and other debt instruments are particularly pronounced for securities issued by companies with smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. As a result, they may be subject to greater levels of credit, market and issuer risk.

Management Risk. The Fund is subject to management risk because it is an actively managed portfolio. PIMCO and the individual portfolio managers will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

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Foreign (Non-U.S.) Investment Risk. The Fund expects to invest predominantly in U.S. dollar-denominated debt securities and will not invest more than 25% of its total assets in debt securities denominated in currencies other than the U.S. dollar. The Fund reserves the right to invest without limit in debt securities of foreign (non-U.S.) issuers, although it will not invest more than 10% of its total assets in debt securities of issuers located in emerging markets. The Fund's investments in foreign issuers and in securities denominated in foreign currencies involve special risks. For example, the value of these investments may decline in response to unfavorable political and legal developments, unreliable or untimely information or economic and financial instability. The value of securities denominated in foreign currencies may fluctuate based on changes in the value of those currencies relative to the U.S. dollar, and a decline in applicable foreign exchange rates could reduce the value of such securities held by the Fund. Foreign settlement procedures also may involve additional risks.

Emerging Markets Risk. The Fund may invest up to 10% of its total assets in debt securities of issuers located in developing or emerging markets. Foreign investment risk may be particularly high to the extent that the Fund invests in securities of issuers based in or securities denominated in the currencies of emerging market countries. Investing in securities of issuers based in underdeveloped emerging markets entails all of the risks of investing in securities of foreign issuers to a heightened degree. These heightened risks include: (i) greater risks of expropriation, confiscatory taxation, nationalization and less social, political and economic stability; (ii) the smaller size of the market for such securities and a lower volume of trading, resulting in lack of liquidity and in price volatility; and (iii) certain national policies which may restrict the Fund's investment opportunities, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests.

Derivatives Risk. The Fund may utilize a variety of derivative instruments for hedging, investment or risk management purposes. The Fund may also use derivatives to gain exposure to securities markets in which it will invest (e.g., pending investment of the proceeds of this offering in individual securities) or to add leverage to the portfolio (but only as a substitute for the leverage obtained from Preferred Shares). The types of derivative instruments the Fund may utilize include, but are not limited to, option contracts, futures contracts, options on future contracts, swap agreements (including total return and credit default swaps) and short sales. The Fund may also have exposure to derivatives, such as interest rate or credit-default swaps, through investment in credit-linked trust certificates and other securities issued by special purpose or structured vehicles. Derivatives are subject to a number of risks described elsewhere in this prospectus, such as liquidity risk, issuer risk, interest rate risk, credit risk, leveraging risk, counterparty risk, smaller company risk and management risk. They also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. Suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial.

Counterparty Risk. In addition to credit risk with respect to the counterparties to the Senior Loans in which the Fund invests, the Fund will also be subject to credit risk with respect to derivative contracts entered into directly by the Fund or held by special purpose or structured vehicles in which the Fund invests. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the Fund may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

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Mortgage-Related and Asset-Backed Risk. The Fund may invest in a variety of mortgage-related and other asset-backed securities, including both commercial and residential mortgage securities and other mortgage-backed instruments (public or private). Asset-backed securities are subject to a number of risks described elsewhere in this prospectus, such as credit risk and liquidity risk. Generally, rising interest rates tend to extend the duration of fixed-rate mortgage-related securities, making them more sensitive to changes in interest rates, and may reduce the market value of the securities. PIMCO expects that the Fund will focus its mortgage-related investments principally in adjustable rate mortgage-related and other asset-backed securities which should minimize the Fund's overall sensitivity to interest rate volatility. However, because interest rates on most adjustable rate mortgage - and asset-backed securities typically only reset periodically (e.g., monthly or quarterly), changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuation in the market value of these securities, including declines in value as market interest rates rise. In addition, adjustable and fixed-rate mortgage-related securities are subject to prepayment risk - the risk that borrowers may pay off their mortgages sooner than expected, particularly when interest rates decline. This can reduce the Fund's returns because the Fund may have to reinvest that money at lower prevailing interest rates. The Fund's investments in other asset-backed securities, such as collateralized debt obligations, are subject to risks similar to those associated with mortgage-backed securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

Risk of Investing in REITs. Investing in REITs involves certain unique risks in addition to investing in the real estate industry in general. REITs are subject to interest rate risks (especially mortgage REITs) and the risk of default by lessees or borrowers. An equity REIT may be affected by changes in the value of the underlying properties owned by the REIT. A mortgage REIT may be affected by the ability of the issuers of its portfolio mortgages to repay their obligations. REITs whose underlying assets are concentrated in properties used by a particular industry are also subject to risks associated with such industry. REITs may have limited financial resources, their securities trade less frequently and in a limited volume, and may be subject to more abrupt or erratic price movements than larger company securities.

Interest Rate Risk. Generally, when market interest rates rise, the prices of debt obligations (and particularly longer-term fixed-rate debt obligations) fall, and vice versa. This interest rate risk is the risk that the debt obligations in the Fund's portfolio will decline in value because of increases in market interest rates. The prices of short-term floating rate and other debt obligations generally fluctuate less than prices of long-term debt obligations as interest rates change. Because the Fund will normally have a short portfolio duration (i.e., a zero to one-year time frame), the Common Share net asset value and market price per share will tend to fluctuate less in response to changes in market interest rates than if the Fund invested mainly in long-term debt securities. Although the Fund's net asset value will vary, PIMCO expects the Fund's policy of investing principally in floating rate and short-term debt instruments will minimize the Fund's overall sensitivity to market interest rate fluctuations. However, because rates on certain floating rate debt instruments typically only reset periodically (e.g., monthly or quarterly), changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuation in the Fund's net asset value. Moreover, the Fund may invest in debt instruments with fixed rates of interest (including up to 20% of its assets in longer-term fixed-rate instruments), which will generally lose value in direct response to rising interest rates. The Fund's use of leverage, as described below, will tend to increase Common Share interest rate risk.

Reinvestment Risk. Income from the Fund's portfolio will decline if and when the Fund invests the proceeds from prepaid, matured, traded or called debt obligations at

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market interest rates that are below the current earnings rate on those obligations. A decline in income could affect the Common Shares' market price or their overall return.

Inflation/Deflation Risk. Inflation risk is the risk that the value of assets or income from the Fund's investments will be worth less in the future as inflation decreases the value of payments at future dates. As inflation increases, the real value of the Fund's portfolio could decline. Deflation risk is the risk that prices throughout the economy decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Regulatory Changes. To the extent that legislation or state or federal bank or other regulators impose additional requirements or restrictions on the ability of certain financial institutions to make loans, particularly in connection with highly leverage transactions, the availability of Senior Loans and other related investments sought after by the Fund may be reduced. Further, such legislation or regulation could depress the market value of Senior Loans and other instruments held by the Fund.

Market Disruption and Geopolitical Risk. The war with Iraq, its aftermath and the continuing occupation of Iraq is likely to have a substantial impact on the U.S. and world economies and securities markets. The nature, scope and duration of the war and occupation cannot be predicted with any certainty. Terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001 closed some of the U.S. securities markets for a four-day period and similar future events cannot be ruled out. The war and occupation, terrorism and related geopolitical risks have led, and may in the future lead to, increased short-term market volatility and may have adverse long-term effects on U.S. and world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect individual issuers and securities markets, interest rates, auctions, secondary trading, ratings, credit risk, inflation and other factors relating to the Common Shares.

Certain Affiliations. Certain broker-dealers may be considered to be affiliated persons of the Fund, the Manager and/or PIMCO due to their possible affiliations with Allianz AG, the ultimate parent of the Manager and PIMCO. Absent an exemption from the Securities and Exchange Commission or other regulatory relief, the Fund is generally precluded from effecting certain principal transactions with affiliated brokers, and its ability to purchase securities being underwritten by an affiliated broker or a syndicate including an affiliated broker, or to utilize affiliated brokers for agency transactions, is subject to restrictions. This could limit the Fund's ability to engage in securities transactions and take advantage of market opportunities. In addition, unless and until the underwriting syndicate is broken in connection with the initial public offering of the Common Shares, the Fund will be precluded from effecting principal transactions with brokers who are members of the syndicate.

Anti-Takeover Provisions. The Fund's Amended and Restated Agreement and Declaration of Trust (the Declaration) includes provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status. See Anti-Takeover and Other Provisions in the Declaration of Trust. These provisions could deprive the Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of the Common Shares or at net asset value. In addition, if the Fund issues Preferred Shares, the holders of the Preferred Shares will have voting rights that could deprive the Common Shareholders of such opportunities.

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SUMMARY OF FUND EXPENSES

The following table and the expenses shown assume the issuance of Preferred Shares in an amount equal to 38% of the Fund's total assets (after their issuance), and show Fund expenses as a percentage of net assets attributable to Common Shares. Footnote 4 to the table also shows Fund expenses as a percentage of net assets attributable to Common Shares, but assumes that no Preferred Shares are issued or outstanding (such as will be the case prior to the Fund's expected issuance of Preferred Shares).

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)	%
Offering Costs Borne by the Fund (as a percentage of offering price)	%(1)(2)
Dividend Reinvestment Plan Fees	None(3)

Percentage of Net Assets

Attributable to

Common Shares

(assuming the issuance of

Preferred Shares) (4)

Annual Expenses	
Management Fees(5)	%
Other Expenses	%(1)(2)
Total Annual Expenses	%

- (1) The Fund has agreed to pay the underwriters \$ per Common Share as a partial reimbursement of expenses incurred in connection with the offering. See Underwriting. The Manager has agreed to pay (i) the amount by which the Fund's offering costs (other than the sales load) exceed \$.04 per Common Share (% of the offering price), and (ii) all of the Fund's organizational expenses, except that the Fund has agreed to reimburse the Manager for such organizational expenses to the extent that the aggregate of all such organizational expenses and all offering costs (other than the sales load, but inclusive of the reimbursement of underwriter expenses of \$ per Common Share) does not exceed \$.04 per Common Share. The organizational expenses and offering costs to be paid or reimbursed by the Fund are not included among the expenses shown in the table. However, these expenses will be borne by Common Shareholders and result in a reduction of the net asset value of the Common Shares.
- (2) If the Fund offers Preferred Shares, costs of that offering, estimated to be approximately % of the total dollar amount of the Preferred Share offering, will be borne immediately by Common Shareholders and result in a reduction of the net asset value of the Common Shares. Assuming the issuance of approximately Common Shares and the issuance of Preferred Shares in an amount equal to 38% of the Fund's capital (after their issuance) these Preferred Share offering costs are estimated to be approximately \$ or approximately \$ per Common Share (% of the offering price). These offering costs are not included among the expenses shown in these tables.
- (3) You will pay brokerage charges if you direct the plan agent to sell your Common Shares held in a dividend reinvestment account.
- (4) The table presented in this footnote estimates what the Fund's annual expenses would be stated as percentages of the Fund's net assets attributable to Common Shares but, unlike the table above, assumes that no Preferred Shares are issued or outstanding. This will be the case, for instance, prior to the Fund's expected issuance of Preferred Shares. In accordance with these assumptions, the Fund's expenses would be estimated to be as follows:

Percentage of Net Assets

Attributable to

Common Shares

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(assuming no Preferred
Shares are issued or
outstanding)

Annual Expenses	
Management Fees(5)	%
Other Expenses	%(1)
Total Annual Expenses	%

- (5) Although the Fund's management fees are calculated on total managed assets, the Fund's total managed assets are expected to be the same as its net assets because the Fund has no present intention to utilize leverage (except through the issuance of Preferred Shares) and borrowings.

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The purpose of the table above is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. The Other Expenses shown in the table and related footnotes are based on estimated amounts for the Fund's first year of operations and assume that the Fund issues approximately _____ Common Shares. If the Fund issues fewer Common Shares, all other things being equal, these expenses would increase. See Management of the Fund and Dividend Reinvestment Plan.

As required by relevant Securities and Exchange Commission regulations, the following example illustrates the expenses (including the sales load of \$ _____, estimated offering expenses of this offering of \$ _____ and the estimated offering costs of issuing Preferred Shares assuming the Fund issues Preferred Shares representing 38% of the Fund's total assets (after their issuance) of approximately \$ _____) that you would pay on a \$1,000 investment in Common Shares, assuming the sales load and the offering expenses listed in the parenthetical above, and (a) total net annual expenses of _____ % of net assets attributable to Common Shares (assuming the issuance of Preferred Shares) in years 1 through 10, and (b) a 5% annual return(1):

1 YEAR

The Company relies primarily on independent dealers for sales of lift trucks and aftermarket parts. Sales of the Company's products are therefore subject to the quality and effectiveness of the dealers, who are not subject to the Company's direct control. As a result, ineffective or poorly performing dealers could result in a significant decrease in revenues and profitability and the Company may not be able to sustain or grow its business.

If the Company's strategic initiatives, including the introduction of new products, do not prove effective, revenues, profitability and market share could be significantly reduced.

Changes in the timing of implementation of the Company's current strategic initiatives may result in a delay in the expected recognition of future costs and realization of future benefits. In addition, if future industry demand levels are lower than expected, the actual annual cost savings could be lower than expected. If the Company is unable to successfully implement these strategic initiatives, revenues, profitability and market share could be significantly reduced.

The Company may not be successful in commercializing Nuvera's technology, which success would depend, in part, on the Company's ability to protect Nuvera's intellectual property.

The Company may not be able to commercialize Nuvera's fuel-cell technologies on economically efficient terms. Unforeseen difficulties, such as delays in development due to design defects or changes in specifications and insufficient research and development resources or cost overruns, may hinder the Company's ability to incorporate Nuvera's technologies into its product lines on an economically favorable basis or at all.

Furthermore, Nuvera's commercial success will depend largely on the Company's ability to maintain patent and other intellectual property protection covering certain of Nuvera's technologies. Nuvera's fuel-cell technology may not be economically viable if the Company is unable to prevent others from infringing or successfully challenging the validity of certain patents and other intellectual property rights attributable to Nuvera.

Failure to compete effectively within the Company's industry could result in a significant decrease in revenues and profitability. The Company experiences intense competition in the sale of lift trucks and aftermarket parts. Competition in the lift truck industry is based primarily on strength and quality of dealers, brand loyalty, customer service, new lift truck sales prices, availability of products and aftermarket parts, comprehensive product line offerings, product performance, product quality and features and the cost of ownership over the life of the lift truck. The Company competes with several global manufacturers that operate in all major markets. These manufacturers may have lower manufacturing costs and greater financial resources than the Company, which may enable them to commit larger amounts of capital in response to changing market conditions. If the Company fails to compete

effectively, revenues and profitability could be significantly reduced.

If the global capital goods market declines, the cost saving efforts the Company has implemented may not be sufficient to achieve the benefits expected.

If the global economy or the capital goods market declines, revenues could decline. If revenues are lower than expected, the programs the Company has implemented may not achieve the benefits expected. Furthermore, the Company may be forced to take additional cost saving steps that could result in additional charges that materially adversely affect the ability to compete or implement the Company's current business strategies.

The Company is subject to import and export controls, which could subject the Company to liability or impair the Company's ability to compete in international markets.

Due to the international scope of the Company's operations, the Company is subject to a complex system of import- and export-related laws and regulations, including U.S. export control and customs regulations and customs regulations of other countries. These regulations are complex and vary among the legal jurisdictions in which the Company operates. Obtaining the necessary authorizations, including any required license, for a particular transaction may be time-consuming, is not guaranteed, and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions laws prohibit certain transactions with U.S. embargoed or sanctioned countries, governments, persons and entities. Any alleged or actual failure to comply with such laws and regulations may subject the Company to government scrutiny, investigation, and civil and criminal penalties, and may limit the Company's ability to import or export products or to provide services outside the United States. Depending on severity, any of these penalties could have a material impact on the Company's business, financial condition and results of operations. There can be no assurance that laws and regulations will not be changed in ways which will require the Company to modify its business models and objectives or affect the Company's returns on investments by restricting existing activities and products, subjecting them to escalating costs or prohibiting them outright.

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The Company is subject to recourse or repurchase obligations with respect to the financing arrangements of some of its customers. Through arrangements with WF and others, dealers and other customers are provided financing for new lift trucks in the United States and in major countries of the world outside of the United States. Through these arrangements, the Company's dealers and certain customers are extended credit for the purchase of lift trucks to be placed in the dealer's floor plan inventory or the financing of lift trucks that are sold or leased to customers. For some of these arrangements, the Company provides recourse or repurchase obligations such that it would become obligated in the event of default by the dealer or customer. Total amounts subject to these types of obligations were \$192.7 million and \$203.5 million at December 31, 2018 and 2017, respectively. Generally, the Company maintains a perfected security interest in the assets financed such that, in the event that the Company becomes obligated under the terms of the recourse or repurchase obligations, it may take title to the assets financed. The Company cannot be certain, however, that the security interest will equal or exceed the amount of the recourse or repurchase obligations. In addition, the Company cannot be certain that losses under the terms of the recourse or repurchase obligations will not exceed the reserves that have been set aside in the consolidated financial statements. The Company could incur a charge to earnings if reserves prove to be inadequate, which could have a material adverse effect on results of operations and liquidity for the period in which the charge is taken.

Actual liabilities relating to pending lawsuits may exceed the Company's expectations.

The Company is a defendant in pending lawsuits involving, among other things, product liability claims. The Company cannot be sure that it will succeed in defending these claims, that judgments will not be rendered against the Company with respect to any or all of these proceedings or that reserves set aside or insurance policies will be adequate to cover any such judgments. The Company could incur a charge to earnings if reserves prove to be inadequate or the average cost per claim or the number of claims exceed estimates, which could have a material adverse effect on results of operations and liquidity for the period in which the charge is taken and any judgment or settlement amount is paid.

Other products may be introduced to the market by competitors, making the Nuvera technology less marketable.

The use of fuel-cell technology in industrial and commercial applications is a relatively new development. Companies implementing such technology face competition from competitors that integrate more traditional energy technologies into their product lines, as well as competitors that have implemented or are implementing alternatives to traditional energy technologies, such as lithium-ion batteries, fuel additives and other high efficiency or "renewable" technologies. Any of these technologies may have more established or otherwise more attractive manufacturing, distribution and operating cost features, which could negatively impact customers' preferences for product lines that incorporate fuel-cell technology and, as a result, diminish the marketability of products incorporating Nuvera technology.

Actual liabilities relating to environmental matters may exceed the Company's expectations.

The Company's manufacturing operations are subject to laws and regulations relating to the protection of the environment, including those governing the management and disposal of hazardous substances. If the Company fails to comply with these laws or the Company's environmental permits, then the Company could incur substantial costs, including cleanup costs, fines and civil and criminal sanctions. In addition, future changes to environmental laws could require the Company to incur significant additional expenses or restrict operations.

The Company's products may also be subject to laws and regulations relating to the protection of the environment, including those governing vehicle exhausts. Regulatory agencies in the United States and Europe have issued or proposed various regulations and directives designed to reduce emissions from spark-ignited engines and diesel engines used in off-road vehicles, such as industrial lift trucks. These regulations require the Company and other lift truck manufacturers to incur costs to modify designs and manufacturing processes and to perform additional testing and reporting.

The Company is investigating or remediating historical contamination at some current and former sites caused by its operations or those of businesses it acquired. While the Company is not currently aware that any material outstanding claims or obligations exist with regard to these sites, the discovery of additional contamination at these or other sites could result in significant cleanup costs that could have a material adverse effect on its financial condition and results of operations.

In connection with any acquisition the Company has made, it could, under some circumstances, be held financially liable for or suffer other adverse effects due to environmental violations or contamination caused by prior owners of businesses the Company acquired. In addition, under some of the agreements through which the Company has sold businesses or assets, it has retained

responsibility for certain contingent environmental liabilities arising from pre-closing operations. These liabilities may not arise, if at all, until years later and could require the Company to incur significant additional expenses, which could materially adversely affect the results of operations and financial condition.

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The Company may be unable to protect its information technology infrastructure against service interruptions, data corruption, cyber-based attacks or network breaches, which could disrupt business operations or result in a loss of data confidentiality. The Company relies on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including supply chain, manufacturing, distributing, invoicing and collection. The Company uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. These technological networks and systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components; power outages; hardware failures; or computer viruses or other types of cyber attacks. In addition, security breaches could result in unauthorized disclosure of confidential information. If these information technology systems suffer severe damage, disruption, breach, or shutdown, and business continuity plans do not effectively resolve the issues in a timely manner, there could be a negative impact on operating results or the Company may suffer financial or reputational damage.

The Company may become subject to claims under non-U.S. laws and regulations, which may require expensive, time-consuming and distracting litigation.

Because the Company has employees, property and business operations outside of the United States, it is subject to the laws and the court systems of many jurisdictions. The Company may become subject to claims outside the United States based in non-U.S. jurisdictions for violations of their laws with respect to the Company's non-U.S. operations. In addition, these laws may be changed or new laws may be enacted in the future. Non-U.S. litigation is often expensive, time consuming and distracting. As a result, any of these risks could significantly reduce profitability and the Company's ability to operate its businesses effectively. The Company may be subject to risks relating to increasing cash requirements of certain employee benefit plans which may affect its financial position.

The expenses recorded for, and cash contributions required to be made to, the Company's defined benefit pension plans are dependent on changes in market interest rates and the value of plan assets, which are dependent on actual investment returns. Significant changes in market interest rates, decreases in the value of plan assets or investment losses on plan assets may require the Company to increase the cash contributed to defined benefit plans which may affect its financial position.

The Company is dependent on key personnel, and the loss of these key personnel could significantly reduce profitability.

The Company is highly dependent on the skills, experience and services of key personnel, and the loss of key personnel could have a material adverse effect on its business, operating results and financial condition. Employment and retention of qualified personnel is important to the successful conduct of the Company's business. Therefore, the Company's success also depends upon its ability to recruit, hire, train and retain additional skilled and experienced management personnel. The Company's inability to hire and retain personnel with the requisite skills could impair its ability to manage and operate its business effectively and could significantly reduce profitability.

Certain members of the Company's extended founding family own a substantial amount of its Class A and Class B common stock and, if they were to act in concert, could control the outcome of director elections and other stockholder votes on significant corporate actions.

The Company has two classes of common stock: Class A common stock and Class B common stock. Holders of Class A common stock are entitled to cast one vote per share and, as of December 31, 2018, accounted for approximately 25 percent of the voting power of the Company. Holders of Class B common stock are entitled to cast ten votes per share and, as of December 31, 2018, accounted for the remaining voting power of the Company. As of December 31, 2018, certain members of the Company's extended founding family held approximately 30 percent of the Company's outstanding Class A common stock and approximately 85 percent of the Company's outstanding Class B common stock. On the basis of this common stock ownership, certain members of the Company's extended founding family could have exercised 71 percent of the Company's total voting power. Although there is no voting agreement among such extended family members, in writing or otherwise, if they were to act in concert, they could control the outcome of director elections and other stockholder votes on significant corporate actions, such as certain amendments to the Company's certificate of incorporation and sales of the Company or substantially all of its assets. Because certain members of the Company's extended founding family could prevent other stockholders from exercising significant influence over significant corporate actions, the Company may be a less attractive takeover target, which could adversely affect the market price of its common stock.

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Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table presents the principal assembly, manufacturing, distribution and office facilities that the Company owns or leases:

Segment	Facility Location	Owned/Leased	Function(s)
Lift			
Truck			
Americas	Berea, Kentucky	Owned	Assembly of lift trucks and manufacture of component parts
	Charlotte, North Carolina	Leased	Customer experience and training center
	Cleveland, Ohio	Leased	Global headquarters
	Danville, Illinois	Owned	Americas parts distribution center
	Fairview, Oregon	Owned	Counterbalanced development center for design and testing of lift trucks, prototype equipment and component parts
	Greenville, North Carolina	Owned	Divisional headquarters and marketing and sales operations for Hyster® and Yale® in the Americas; Americas warehouse development center; assembly of lift trucks and manufacture of component parts
	Itu, Brazil	Owned	Assembly of lift trucks and parts distribution center
	Ramos Arizpe, Mexico	Owned	Manufacture of component parts for lift trucks
	Sulligent, Alabama	Owned	Manufacture of component parts for lift trucks
	EMEA	Craigavon, Northern Ireland	Owned
Frimley, Surrey, United Kingdom		Leased	Divisional headquarters and marketing and sales operations for Hyster® and Yale® in EMEA
Irvine, Scotland		Leased	European administrative center
Masate, Italy		Leased	Assembly of lift trucks; European warehouse development center
Nijmegen, The Netherlands		Owned	Big trucks development center; manufacture and assembly of big trucks and component parts; European parts distribution center
JAPIC	Fuyang, China	Owned	Manufacture and assembly of lift trucks
	Pune, India	Leased	Engineering design services
	Shanghai, China	Owned	Assembly of lift trucks, sale of parts and marketing operations of China
	Sydney, Australia	Leased	Divisional headquarters and sales and marketing for JAPIC; JAPIC parts distribution center
Bolzoni	Helsinki, Finland	Leased	Manufacture and distribution of Bolzoni products
	Heibei, China	Owned	Manufacture and distribution of Bolzoni products
	Homewood, Illinois	Owned	Manufacture and distribution of Bolzoni products
	Piacenza, Italy	Owned	Bolzoni headquarters; manufacture and distribution of Bolzoni products
	Salzgitter, Germany	Owned	Manufacture and distribution of Bolzoni products
	Wuxi, China	Owned	Manufacture and distribution of Bolzoni products
Nuvera	Billerica, Massachusetts	Leased	Nuvera research and development laboratory

SN's operations are supported by three facilities. SN's headquarters are located in Obu, Japan at a facility owned by SN. The Obu facility also has assembly and distribution capabilities for lift trucks and parts. In Cavite, the Philippines and Hanoi, Vietnam, SN owns facilities for the manufacture of components for SN and the Company's products.

Item 3. LEGAL PROCEEDINGS

The Company is, and will likely continue to be, involved in a number of legal proceedings which the Company believes generally arise in the ordinary course of the business, given its size, history and the nature of its business and products. The Company is not a party to any material legal proceeding.

Item 4. MINE SAFETY DISCLOSURES

None.

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Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following tables set forth the name, age, current position and principal occupation and employment during the past five years of the Company's executive officers.

Name	Age	Current Position	Other Positions
Alfred M. Rankin, Jr.	77	Chairman, President and Chief Executive Officer of Hyster-Yale (from prior to 2014), Chairman of HYG (from prior to 2014).	
Colin Wilson	64	President and Chief Executive Officer, HYG of Hyster-Yale (from September 2014), President and Chief Executive Officer of HYG (from September 2014).	President and Chief Operating Officer of HYG (from prior to 2014), President, Americas of HYG (from prior to 2014 to September 2014).
Gregory J. Breier	53	Vice President, Tax of Hyster-Yale (from May 2014), Vice President, Tax of HYG (from prior to 2014).	
Brian K. Frentzko	58	Vice President, Treasurer of Hyster-Yale (from prior to 2014), Vice President, Treasurer of HYG (from prior to 2014).	
Jennifer M. Langer	45	Vice President, Controller of Hyster-Yale (from prior to 2014), Vice President, Controller of HYG (from prior to 2014).	
David M. LeBlanc	54	Vice President, Strategy, Planning and Business Development of HYG (from August 2018).	Group President, International Engineered Support Structures, Valmont Industries, Inc. (an industrial company) (from April 2015 to February 2018), President, Chemical Analysis Division, Thermo Fisher Scientific Inc. (a medical company) (from prior to 2014 to October 2014).
Lauren E. Miller	64	Senior Vice President, Chief Marketing Officer of Hyster-Yale (from January 2015), Senior Vice President, Chief Marketing Officer of HYG (from January 2015).	Senior Vice President, Marketing and Consulting of Hyster-Yale (from prior to 2014 to January 2015), Senior Vice President, Marketing and Consulting of HYG (from prior to 2014 to January 2015).
Charles F. Pascarelli	59	Senior Vice President, President, Americas of HYG (from January 2015)	President, Sales and Marketing, Americas of HYG (from prior to 2014 to January 2015).
Rajiv K. Prasad	55	Chief Product and Operations Officer of HYG (from February 2018).	Senior Vice President, Global Product Development, Manufacturing and Supply Chain Strategy of HYG (from September 2014 to February 2018). Vice President, Global Product Development and Manufacturing of HYG (from prior to 2014 to September 2014).
Anthony J. Salgado	48	Senior Vice President, JAPIC of HYG (from January 2016).	Vice President, Corporate Officer, UniCarriers Corporation (an industrial company) (from April 2014 to January 2016), President, UniCarriers Americas Corporation (from prior to 2014 to January 2016).
Harry Sands	67	Senior Vice President, Managing Director, Europe, Middle East and Africa of HYG (from June 2015).	Vice President, Manufacturing EMEA of HYG (from prior to 2014 to June 2015).
Kenneth C. Schilling	59	Senior Vice President and Chief Financial Officer of Hyster-Yale (from September 2014), Senior Vice President and Chief Financial Officer of HYG (from September 2014).	Vice President and Chief Financial Officer of Hyster-Yale (from prior to 2014 to September 2014), Vice President and Chief Financial Officer of HYG (from prior to 2014 to September 2014).

Gopichand Somayajula	62	Vice President, Global Product Development of HYG (from prior to 2014)
Suzanne S. Taylor	56	Senior Vice President, General Counsel and Secretary of Hyster-Yale (from May 2016), Vice President, Deputy General Counsel and Assistant Secretary of Hyster-Yale (from prior to 2014 to May 2016), Vice President, Deputy General Counsel and Assistant Secretary of HYG (from prior to 2014 to May 2016).
Mark H. Trivett	49	Vice President Finance, Europe, Middle East and Africa of HYG (from prior to 2014).
Raymond C. Ulmer	55	Vice President Finance, Americas of HYG (from prior to 2014).

The information under this Item is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K. There exists no arrangement or understanding between any executive officer and any other person pursuant to which such executive officer was elected. Each executive officer serves until his or her successor is elected and qualified.

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PART II

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

The Company's Class A common stock is traded on the New York Stock Exchange under the ticker symbol "HY." There is no established public trading market for the Company's Class B common stock, and no alternative trading or quotation system for the Company's Class B common stock has been or is expected to be established. The Class B common stock is convertible into Class A common stock on a one-for-one basis.

At December 31, 2018, there were approximately 848 Class A common stockholders of record and approximately 875 Class B common stockholders of record.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There have been no issuer purchases of equity securities and no publicly announced repurchase program currently exists.

Item 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2018	2017 ⁽¹⁾	2016	2015	2014
	(In millions, except per share and employee data)				
Operating Statement Data:					
Revenues	\$3,174.4	\$2,885.2	\$2,569.7	\$2,578.1	\$2,767.2
Operating profit	\$38.8	\$74.1	\$32.9	\$103.5	\$148.8
Net income	\$34.3	\$48.9	\$42.3	\$75.1	\$110.2
Net (income) loss attributable to noncontrolling interest	0.4	(0.3)	0.5	(0.4)	(0.4)
Net income attributable to stockholders	\$34.7	\$48.6	\$42.8	\$74.7	\$109.8
Basic earnings per share attributable to stockholders	\$2.10	\$2.95	\$2.61	\$4.58	\$6.61
Diluted earnings per share attributable to stockholders	\$2.09	\$2.94	\$2.61	\$4.57	\$6.58
Balance Sheet Data at December 31:					
Total assets	\$1,742.1	\$1,647.9	\$1,287.1	\$1,095.9	\$1,120.8
Long-term debt	\$210.1	\$216.2	\$82.2	\$19.6	\$12.0
Stockholders' equity	\$527.4	\$565.5	\$463.8	\$460.8	\$454.5
Cash Flow Data:					
Provided by (used for) operating activities	\$67.6	\$164.7	\$(48.9)	\$89.4	\$100.0
Used for investing activities	\$(110.9)	\$(47.3)	\$(145.1)	\$(31.3)	\$(44.4)
Provided by (used for) financing activities	\$(87.6)	\$53.1	\$77.9	\$(7.1)	\$(110.5)
Other Data:					
Per share data:					
Cash dividends	\$1.2325	\$1.2025	\$1.1700	\$1.1300	\$1.0750
Market value at December 31	\$61.96	\$85.16	\$63.77	\$52.45	\$73.20
Stockholders' equity at December 31	\$31.85	\$34.35	\$28.30	\$28.23	\$27.98
Actual shares outstanding at December 31	16.561	16.462	16.391	16.324	16.241
Basic weighted average shares outstanding	16.540	16.447	16.376	16.307	16.607
Diluted weighted average shares outstanding	16.602	16.514	16.427	16.355	16.675
Total employees at December 31 ⁽²⁾	7,700	6,800	6,500	5,400	5,400

During 2017, the Company recognized \$19.8 million of equity income from HYGFS and \$38.2 million of income tax expense (1) as a result of the Tax Cuts and Jobs Act (the "Tax Reform Act"), which was signed into law on December 22, 2017. Further information on the impacts of the Tax Reform Act is discussed in Note 7 to the consolidated financial statements.

(2) Excludes temporary employees.

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
(Tabular Amounts in Millions, Except Per Share, Percentage Data and as Otherwise Noted)

OVERVIEW

Hyster-Yale Materials Handling, Inc. ("Hyster-Yale" or the "Company") and its subsidiaries, including its operating company Hyster-Yale Group, Inc. ("HYG"), is a leading, globally integrated, full-line lift truck manufacturer. The Company offers a broad array of solutions aimed at meeting the specific materials handling needs of its customers, including attachments and hydrogen fuel cell power products, telematics, automation and fleet management services, as well as a variety of other power options for its lift trucks. The Company, through HYG, designs, engineers, manufactures, sells and services a comprehensive line of lift trucks, attachments and aftermarket parts marketed globally primarily under the Hyster® and Yale® brand names, mainly to independent Hyster® and Yale® retail dealerships. The materials handling business historically has been cyclical because the rate of orders for lift trucks fluctuates depending on the general level of economic activity in the various industries and countries its customers serve. Lift trucks and component parts are manufactured in the United States, China, Northern Ireland, Mexico, the Netherlands, the Philippines, Italy, Vietnam, Japan and Brazil.

The Company operates Bolzoni S.p.A. ("Bolzoni"). Bolzoni is a leading worldwide producer and distributor of attachments, forks and lift tables marketed under the Bolzoni Auramo® and Meyer® brand names. Bolzoni products are manufactured in Italy, China, Germany, Finland 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.

In 2018, the Company announced, as part of a plan to expand Bolzoni's capabilities in the United States, Bolzoni's North America attachment manufacturing will be moved into HYG's Sulligent, Alabama manufacturing facility over the course of 2019. As a result, effective January 1, 2019, the Sulligent facility became a Bolzoni facility. As of December 31, 2018, the Sulligent facility has been included in the lift truck operations within this Annual Report on Form 10-K. The Company will reclassify the historical results of the Sulligent facility for 2019 reporting beginning with the first quarter 2019 Form 10-Q.

The Company operates Nuvera Fuel Cells, LLC ("Nuvera"). Nuvera is an alternative-power technology company focused on hydrogen fuel cell stacks and engines.

On June 1, 2018, the Company completed the acquisition of the majority interest in Zhejiang Maximal Forklift Co., Ltd. ("Maximal"). Maximal is a Chinese manufacturer of utility and standard lift trucks and specialized material handling equipment involved in the design, manufacture, service and distribution of Class 1 electric and Class 5 internal combustion engine counterbalance utility and standard platforms, and Class 2 and Class 3 electric warehouse products for both the local China and global markets under the Maximal brand. Maximal also designs and produces specialized products in the port equipment and rough terrain forklift markets. The results of Maximal are included in the JAPIC segment since the date of acquisition.

Competition in the materials handling industry is intense and is based primarily on strength and quality of distribution, brand loyalty, customer service, new lift truck sales prices, availability of products and aftermarket parts, comprehensive product line offerings, product performance, product quality and features and the cost of ownership over the life of the lift truck. The Company competes with several global lift truck manufacturers that operate in all major markets, as well as other niche companies. The lift truck industry also competes with alternative methods of materials handling, including conveyor systems and automated guided vehicle systems. The Company's aftermarket parts offerings compete with parts manufactured by other lift truck manufacturers, as well as companies that focus solely on the sale of generic parts.

The Company's mission is to be a leading, globally integrated designer, manufacturer and marketer of a complete range of lift-truck solutions by leveraging its high-quality, application-tailored lift trucks, attachments and power solutions to offer the

lowest cost of ownership and the best overall value. The Company's core competency is lift truck manufacturing, but its goal is to become the lift truck solutions partner to the materials handling market, one customer and one industry at a time.

The Company's objective is to provide a wide-range of solutions to its customers to generate profitable growth through increasing volumes, which in turn are expected to generate market share gains and drive improved margins. The Company plans to accomplish these objectives by implementing its core strategic initiatives to: provide the lowest cost of ownership, while enhancing productivity for customers; be the leader in the delivery of industry- and customer-focused solutions; be the leader in independent distribution; grow in emerging markets; be the leader in the attachments business and be a leader in fuel cells and their applications.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES

(Tabular Amounts in Millions, Except Per Share, Percentage Data and as Otherwise Noted)

Critical Accounting Policies and Estimates

The discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities, if any. On an ongoing basis, the Company evaluates its estimates based on historical experience, actuarial valuations and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The Company believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Revenue recognition: Revenue is recognized when obligations under the terms of a contract with the customer are satisfied which occurs when control of the trucks, parts, or services are transferred to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. The satisfaction of performance obligations under the terms of a revenue contract generally gives rise for the right to payment from the customer. The Company's standard payment terms vary by the type and location of the customer and the products or services offered. Generally, the time between when revenue is recognized and when payment is due is not significant. Given the insignificant days between revenue recognition and receipt of payment, financing components do not exist between the Company and its customers. Taxes collected from customers are excluded from revenue. The estimated costs of product warranties are recognized as expense when the products are sold. See Note 16 for further information on product warranties.

The majority of the Company's sales contracts contain performance obligations satisfied at a point in time when title and risks and rewards of ownership have transferred to the customer. Revenue for service contracts are recognized as the services are provided.

For contracts with customers that include multiple performance obligations, judgment is required to determine whether performance obligations specified in these contracts are distinct and should be accounted for as separate revenue transactions for recognition purposes. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are generally determined based on the prices charged to customers or using expected cost plus margin. Impairment losses recognized on receivables or contract assets were not significant for the year ended December 31, 2018.

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are reported on the line "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

The Company pays for shipping and handling activities regardless of when control is transferred and has elected to account for shipping and handling as activities to fulfill the promise to transfer the good, rather than a promised service. These costs are reported on the line "Cost of sales" in the Consolidated Statements of Operations.

Product warranties: The Company provides for the estimated cost of product warranties at the time revenues are recognized. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, the warranty obligation is affected by product failure rates, labor costs and replacement component costs incurred in correcting a product failure. If actual product failure rates, labor costs or replacement component costs differ from the Company's estimates, which are based on historical failure rates and consideration of known trends, revisions to the estimate of the cost to correct product failures would be required. If the estimate of the cost to correct product failures were to increase by one percent over 2018 levels, the reserves for product warranties would increase and additional expense of \$4.6

million would be incurred. The Company's past results of operations have not been materially affected by a change in the estimate of product warranties and although there can be no assurances, the Company is not aware of any circumstances that would be reasonably likely to materially change the estimates in the future.

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. Pension benefits are frozen for all employees other than certain

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES

(Tabular Amounts in Millions, Except Per Share, Percentage Data and as Otherwise Noted)

employees in the Netherlands. All other eligible employees, including employees whose pension benefits are frozen, receive retirement benefits under defined contribution retirement plans. The Company's policy is to periodically make contributions to fund the defined benefit pension plans within the range allowed by applicable regulations. The defined benefit pension plan assets consist primarily of publicly traded stocks and government and corporate bonds. There is no guarantee the actual return on the plans' assets will equal the expected long-term rate of return on plan assets or that the plans will not incur investment losses. The expected long-term rate of return on defined benefit plan assets reflects management's expectations of long-term rates of return on funds invested to provide for benefits included in the projected benefit obligations. In establishing the expected long-term rate of return assumption for plan assets, the Company considers the historical rates of return over a period of time that is consistent with the long-term nature of the underlying obligations of these plans as well as a forward-looking rate of return. The historical and forward-looking rates of return for each of the asset classes used to determine the Company's estimated rate of return assumption were based upon the rates of return earned or expected to be earned by investments in the equivalent benchmark market indices for each of the asset classes.

Expected returns for most of the Company's pension plans are based on a calculated market-related value of assets. Under this methodology, asset gains and losses resulting from actual returns that differ from expected returns are recognized in the market-related value of assets ratably over three years.

The basis for the selection of the discount rate for each plan is determined by matching the timing of the payment of the expected obligations under the defined benefit plans against the corresponding yield of high-quality corporate bonds of equivalent maturities.

The following illustrates the sensitivity of the net periodic benefit cost and projected benefit obligation to a 1% change in the discount rate or return on plan assets (in millions):

Assumption	Change	Increase (decrease)	
		2019 net pension expense	2018 projected benefit obligation
Discount rate	1% increase	\$(0.2)	\$(27.1)
	1% decrease	—	31.4
Return on plan assets	1% increase	(2.1)	N/A
	1% decrease	2.1	N/A

A change in life expectancy by one year would result in a \$4.5 million change in the 2018 projected benefit obligation.

See Note 10 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of the retirement benefit plans.

Long-lived assets, goodwill and intangible assets: Net property, plant and equipment, goodwill and net intangible assets at December 31, 2018 were \$296.2 million, \$108.3 million and \$67.7 million, respectively. The Company makes estimates and assumptions in preparing the consolidated financial statements for which actual results will emerge over long periods of time. This includes the recoverability of long-lived assets employed in the business, including assets of acquired businesses. These estimates and assumptions are closely monitored and periodically adjusted as circumstances warrant. For instance, expected asset lives may be shortened or an impairment recorded based on a change in the expected use of the asset or performance of the related asset group.

The Company periodically evaluates long-lived assets, including intangible assets with finite lives, for impairment when changes in circumstances or the occurrence of certain events indicate the carrying amount of an asset may not be recoverable. Upon identification of indicators of impairment, assets and liabilities are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or liabilities. The asset group would be considered impaired when the estimated future undiscounted cash flows generated by the asset group are less than carrying value. If the carrying value of an asset group is considered impaired, an impairment charge is recorded for the amount that the carrying value of the asset group

exceeds its fair value. Fair value is estimated as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The determination of asset groups and the underlying cash flows requires the use of significant judgment.

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The Company has intangible assets, including customer and contractual relationships, patents and technology, and trademarks. Intangible assets with a definite life are amortized over a period ranging from one to twenty years on a systematic and rational basis (generally straight line) that is representative of the asset's use. Costs related to internally developed intangible assets, such as patents, are expensed as incurred and included in selling, general and administrative expenses. Intangible assets with an indefinite life, including certain trademarks, are not amortized. Indefinite-lived intangible assets are tested for impairment annually, and are tested for impairment between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. An impairment loss generally would be recognized when the fair value is less than the carrying value of the indefinite-lived intangible asset.

Of the \$67.7 million of net intangible assets, \$17.2 million relates to indefinite-lived trademarks, related to the acquisition of Bolzoni. The primary valuation technique used in estimating the fair value of indefinite-lived intangible assets is the present value of discounted cash flows. Specifically, a relief of royalty rate is applied to estimated sales, with the resulting amounts discounted using an appropriate discount rate of a market participant. The relief of royalty rate is the estimated royalty rate a market participant would pay to acquire the right to market and produce the product. If the resulting discounted cash flows are less than book value of the indefinite-lived intangible asset, an impairment exists and the asset would be adjusted to fair value. Based on impairment testing as of May 1, 2018, no impairment was identified.

Goodwill is tested for impairment annually as of May 1 and is tested for impairment between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. The Company completed the annual testing of impairment of goodwill as of May 1, 2018 at the reporting unit level for the related goodwill. The Company uses either a qualitative or quantitative analysis to determine whether fair value exceeds carrying value. An estimate of the fair value of the reporting unit is determined through a combination of comparable market values for similar businesses and discounted cash flows. These estimates can change significantly based on such factors as the reporting unit's financial performance, economic conditions, interest rates, growth rates, pricing, changes in business strategies and competition. Based on this testing, the fair value of each reporting unit was in excess of its carrying value and no impairment exists.

Factors which could result in future impairment charges include, but are not limited to, changes in worldwide economic conditions, changes in competitive conditions and customer preferences. These risk factors are discussed in Item 1A, "Risk Factors," of this Form 10-K. In addition, changes in the weighted average cost of capital could also impact impairment testing results. The Company will continue to monitor its reporting units and asset groups for any indicators of impairment.

Product liabilities: The Company provides for the estimated cost of personal and property damage relating to its products based on a review of historical experience and consideration of any known trends. Reserves are recorded for estimates of the costs for known claims and estimates of the costs of incidents that have occurred but for which a claim has not yet been reported, up to the stop-loss insurance coverage. While the Company engages in extensive product quality reviews and customer education programs, the product liability provision is affected by the number and magnitude of claims of alleged product-related injury and property damage and the cost to defend those claims. In addition, the estimates regarding the magnitude of claims are affected by changes in assumptions regarding medical costs, inflation rates and trends in damages awarded by juries. Changes in the assumptions regarding any one of these factors could result in a change in the estimate of the magnitude of claims. A one percent increase in the estimate of the number of claims or the magnitude of claims would increase the product liability reserve and reduce operating profit by approximately \$0.1 million to \$0.3 million. Although there can be no assurances, the Company is not aware of any circumstances that would be reasonably likely to materially change the estimates in the future.

Self-insurance liabilities: The Company is generally self-insured for product liability, environmental liability and medical and workers' compensation claims. For product liability, catastrophic insurance coverage is retained for potentially significant individual claims. The Company also has insurance for certain historic product liability claims. An estimated provision for claims

reported and for claims incurred but not yet reported under the self-insurance programs is recorded and revised periodically based on industry trends, historical experience and management judgment. In addition, industry trends are considered within management's judgment for valuing claims. Changes in assumptions for such matters as legal judgments and settlements, legal defense costs, inflation rates, medical costs and actual experience could cause estimates to change in the near term. Changes in any of these factors could materially change the estimates for these self-insurance obligations causing a related increase or decrease in reported net operating results in the period of change in the estimate.

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(Tabular Amounts in Millions, Except Per Share, Percentage Data and as Otherwise Noted)

CONSOLIDATED FINANCIAL REVIEW

The following table identifies the components of change for 2018 compared with 2017 by segment:

	Revenues	Gross Profit	Operating Profit	Net Income Attributable to Stockholders
2017	\$2,885.2	\$502.6	\$ 74.1	\$ 48.6
Increase (decrease) in 2018				
Americas	153.4	(20.3)	(34.2)	(14.9)
EMEA	53.0	7.1	(0.2)	1.0
JAPIC	68.2	1.9	(8.4)	(1.2)
Lift truck business	274.6	(11.3)	(42.8)	(15.1)
Bolzoni	23.7	8.9	3.1	1.9
Nuvera	8.6	(3.8)	3.7	(1.2)
Eliminations	(17.7)	0.7	0.7	0.5
2018	\$3,174.4	\$497.1	\$ 38.8	\$ 34.7

FINANCIAL REVIEW

The segment and geographic results of operations for the Company were as follows for the year ended December 31:

	2018	2017	2016	Favorable / (Unfavorable) % Change 2018 vs. 2017 vs. 2017 2016	
Lift truck unit shipments (in thousands)					
Americas	61.1	58.4	54.4	4.6 %	7.4 %
EMEA	30.0	28.9	24.6	3.8 %	17.5 %
JAPIC ⁽¹⁾	10.8	6.1	5.8	77.0 %	5.2 %
	101.9	93.4	84.8	9.1 %	10.1 %
Revenues					
Americas	\$1,987.5	\$1,834.1	\$1,675.7	8.4 %	9.5 %
EMEA	768.8	715.8	615.7	7.4 %	16.3 %
JAPIC ⁽¹⁾	242.1	173.9	169.5	39.2 %	2.6 %
Lift truck business	2,998.4	2,723.8	2,460.9	10.1 %	10.7 %
Bolzoni ⁽²⁾	200.9	177.2	115.6	13.4 %	n.m.
Nuvera	12.3	3.7	2.5	n.m.	n.m.
Eliminations	(37.2)	(19.5)	(9.3)	n.m.	n.m.
	\$3,174.4	\$2,885.2	\$2,569.7	10.0 %	12.3 %
Gross profit (loss)					
Americas	\$314.3	\$334.6	\$287.9	(6.1)%	16.2 %
EMEA	102.8	95.7	89.5	7.4 %	6.9 %
JAPIC ⁽¹⁾	22.1	20.2	17.1	9.4 %	18.1 %
Lift truck business	439.2	450.5	394.5	(2.5)%	14.2 %

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Bolzoni ⁽²⁾	63.7	54.8	35.7	16.2 %	53.5 %
Nuvera	(5.9)	(2.1)	(2.7)	181.0 %	(22.2)%
Eliminations	0.1	(0.6)	—	n.m.	n.m.
	\$497.1	\$502.6	\$427.5	(1.1)%	17.6 %

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	2018	2017	2016	Favorable / (Unfavorable) % Change 2018 vs. 2017 vs. 2017 2016	
Selling, general and administrative expenses					
Americas	\$238.9	\$225.0	\$214.0	(6.2)%	(5.1)%
EMEA	96.2	88.9	84.1	(8.2)%	(5.7)%
JAPIC ⁽¹⁾	36.6	26.3	23.8	(39.2)%	(10.5)%
Lift truck business	371.7	340.2	321.9	(9.3)%	(5.7)%
Bolzoni ⁽²⁾	54.2	48.4	35.8	(12.0)%	n.m.
Nuvera	32.4	39.9	36.9	18.8 %	(8.1)%
	\$458.3	\$428.5	\$394.6	(7.0)%	(8.6)%
Operating profit (loss)					
Americas	\$75.4	\$109.6	\$73.9	(31.2)%	48.3 %
EMEA	6.6	6.8	5.4	(2.9)%	25.9 %
JAPIC ⁽¹⁾	(14.5)	(6.1)	(6.7)	(137.7)%	9.0 %
Lift truck business	67.5	110.3	72.6	(38.8)%	51.9 %
Bolzoni ⁽²⁾	9.5	6.4	(0.1)	(48.4)%	n.m.
Nuvera	(38.3)	(42.0)	(39.6)	8.8 %	(6.1)%
Eliminations	0.1	(0.6)	—	n.m.	n.m.
	\$38.8	\$74.1	\$32.9	(47.6)%	125.2 %
Interest expense	\$16.0	\$14.6	\$6.7	(9.6)%	(117.9)%
Other income	\$(13.8)	\$(34.3)	\$(12.1)	(59.8)%	183.5 %
Income before income taxes	\$36.6	\$93.8	\$38.3	(61.0)%	144.9 %
Net income (loss) attributable to stockholders					
Americas	\$53.5	\$68.4	\$59.6	(21.8)%	14.8 %
EMEA	6.3	5.3	9.4	18.9 %	(43.6)%
JAPIC ⁽¹⁾	(3.1)	(1.9)	(2.1)	(63.2)%	9.5 %
Lift truck business	56.7	71.8	66.9	(21.0)%	7.3 %
Bolzoni ⁽²⁾	5.8	3.9	(0.3)	(48.7)%	n.m.
Nuvera	(27.9)	(26.7)	(23.8)	(4.5)%	(12.2)%
Eliminations	0.1	(0.4)	—	n.m.	n.m.
	\$34.7	\$48.6	\$42.8	(28.6)%	13.6 %
Diluted earnings per share	\$2.09	\$2.94	\$2.61	(28.9)%	12.6 %
Reported income tax rate	6.3 %	47.9 %	n.m.		

⁽¹⁾ Maximal was acquired on June 1, 2018 and results of operations have been included since the acquisition date.

⁽²⁾ Bolzoni was acquired on April 1, 2016 and results of operations have been included since the acquisition date.

n.m. - not meaningful

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Following is the detail of the Company's unit shipments, bookings and backlog of unfilled orders placed with its manufacturing and assembly operations for new lift trucks, reflected in thousands of units. As of December 31, 2018, substantially all of the Company's backlog is expected to be sold within the next twelve months.

	YEAR ENDED	NINE MONTHS ENDED	YEAR ENDED
	December 31, 2018	September 30, 2018	December 31, 2017
Unit backlog, beginning of period	33.8	33.8	30.7
Unit shipments	(101.9)	(74.3)	(93.4)
Unit bookings	112.0	82.8	96.5
Unit backlog, end of period	43.9	42.3	33.8

The following is the detail of the approximate sales value of the Company's lift truck unit bookings and backlog, reflected in millions of dollars. The dollar value of bookings and backlog is calculated using the current unit bookings and backlog and the forecasted average sales price per unit.

	YEAR ENDED	NINE MONTHS ENDED	YEAR ENDED
	December 31, 2018	September 30, 2018	December 31, 2017
Bookings, approximate sales value	\$ 2,600	\$ 1,900	\$ 2,260
Backlog, approximate sales value	\$ 1,190	\$ 1,090	\$ 860

2018 Compared with 2017

The following table identifies the components of change in revenues for 2018 compared with 2017:

	Revenues
2017	\$2,885.2
Increase in 2018 from:	
Unit volume and product mix	94.6
Maximal revenues	48.9
Parts	36.2
Unit price	35.4
Foreign currency	29.5
Bolzoni revenues	23.7
Other	12.3
Nuvera revenues	8.6
2018	\$3,174.4

Revenues increased 10.0% to \$3,174.4 million in 2018 from \$2,885.2 million in 2017. The increase was mainly due to higher unit and parts volume, favorable currency movements and improved pricing to offset material cost increases in the lift truck business. In addition, the acquisition of Maximal and increased Bolzoni revenues also contributed to the improvement in revenues.

Revenues in the Americas increased primarily as a result of increased unit shipments. Revenues increased primarily from higher sales of Class 4 and Class 5 internal combustion engine lift trucks, including the XT/MX standard truck and Big Trucks. In

addition, increased parts volume and improved pricing to offset material cost increases also contributed to the increase in America's revenues.

EMEA's revenues increased mainly as a result of favorable currency movements of \$36.6 million from the translation of sales into U.S. dollars and increased parts volume and improved pricing to offset material cost increases.

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Revenues in JAPIC increased primarily as a result of the acquisition of Maximal, higher unit and parts volume, and favorable currency movements of \$1.9 million from the translation of sales into U.S. dollars.

Bolzoni's revenues increased mainly as a result of higher volume in the EMEA market and favorable foreign currency movements of \$10.2 million.

During the fourth quarter of 2018, Nuvera recognized revenue which had previously been deferred related to battery box replacement ("BBR") units due to the inability to estimate total future warranty costs. The BBRs are new technology and the design of the product continues to evolve. The Company determined sufficient data was available in the fourth quarter of 2018 to reasonably estimate the future costs related to the sale of BBR units, including warranty costs, which were also recorded during the fourth quarter of 2018.

The following table identifies the components of change in operating profit for 2018 compared with 2017:

	Operating Profit
2017	\$ 74.1
Increase (decrease) in 2018 from:	
Lift truck selling, general and administrative expenses	(31.5)
Lift truck gross profit	(10.6)
Nuvera operations	3.7
Bolzoni operations	3.1
2018	\$ 38.8

The Company recognized operating profit of \$38.8 million in 2018 compared with \$74.1 million in 2017. The decrease in operating profit was mainly due to an increase in lift truck selling, general and administrative expenses primarily related to employee-related costs for sales and development of new products and the acquisition of Maximal in 2018. Lift truck gross profit decreased mainly as a result of higher material and manufacturing costs, partially offset by improved pricing and higher unit and parts shipments in 2018.

Operating profit in the Americas decreased primarily as a result of lower gross profit and higher selling, general and administrative expenses. The decrease in gross profit was mainly due to material and freight cost inflation and tariffs, net of price increases. The Americas implemented price increases during the first half of the year to offset higher than planned material cost inflation and aluminum and steel tariffs. However, operating results continue to reflect the lag of a \$25.7 million shortfall in 2018 between fully realizing those price increases and when the tariffs and material cost increases were first realized. Selling, general and administrative expenses increased mainly from higher employee-related costs for sales and development of new products, as well as higher acquisition-related expenses.

EMEA's operating profit was flat due to higher gross profit from favorable currency movements of \$12.3 million and improved pricing, which was partially offset by higher material and manufacturing cost inflation. The increase in gross profit was offset by higher selling, general and administrative expenses, including \$2.6 million of unfavorable foreign currency movements and higher sales costs to support the Company's strategic initiatives.

The operating loss in JAPIC increased mainly as a result of increased selling, general and administrative expenses primarily from expenses incurred at Maximal since the date of acquisition and higher sales costs to support the Company's strategic initiatives.

Bolzoni's operating profit improved primarily due to higher gross profit, partially offset by higher selling, general and administrative expenses.

Nuvera's operating loss decreased in 2018 from 2017 primarily due to higher product development funding from third-party customers and the absence of the 2017 impairment charge of \$4.9 million on Nuvera's long-lived assets. This was partially offset by higher development and production start-up expenses for its third-party development agreements.

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The Company recognized net income attributable to stockholders of \$34.7 million in 2018 compared with \$48.6 million in 2017. The decrease was primarily the result of lower operating profit, the effect of the favorable HYGFS equity income in 2017 related to the Tax Cuts and Jobs Act (the "Tax Reform Act") and unfavorable mark-to-market adjustments on an equity investment in a third-party. This decrease was partially offset by changes in discrete tax adjustments in the 2018 compared with 2017. See "Financial Review - Income Taxes" and Note 7 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of income taxes.

2017 Compared with 2016

The following table identifies the components of change in revenues for 2017 compared with 2016:

	Revenues
2016	\$2,569.7
Increase (decrease) in 2017 from:	
Unit volume and product mix	206.5
Bolzoni revenues	
First quarter 2017	\$41.6
Increase in comparable periods	20.0 61.6
Parts	25.7
Unit price	23.1
Foreign currency	12.4
Nuvera revenues	1.2
Other	(15.0)
2017	\$2,885.2

Revenues increased 12.3% to \$2,885.2 million in 2017 from \$2,569.7 million in 2016. The increase was mainly attributable to higher unit and parts volumes and a decrease in deal-specific pricing in the lift truck business in 2017 compared with 2016.

Revenues in the Americas increased in 2017 from 2016 primarily as a result of increased unit shipments of higher-priced trucks. Revenues increased primarily from sales of the Company's new Class 5 internal combustion engine standard truck and increased sales of higher-capacity, 3.5 to 8 ton, Class 5 trucks, as well as Class 1 and Class 2 electric trucks. In addition, a decrease in deal-specific pricing and an increase in parts sales also contributed to the increase in revenues in 2017 compared with 2016.

EMEA's revenues improved in 2017 from 2016 mainly as a result of increased unit shipments primarily related to shipments of the new Class 5 internal combustion engine standard truck and an increase in shipments of Class 1 electric-rider trucks.

The following table identifies the components of change in operating profit for 2017 compared with 2016:

	Operating Profit
2016	\$ 32.9
Increase (decrease) in 2017 from:	
Lift truck gross profit	55.4
Bolzoni operations	6.5
Nuvera operations	(2.4)
Lift truck selling, general and administrative expenses	(18.3)
2017	\$ 74.1

The Company recognized operating profit of \$74.1 million in 2017 compared with \$32.9 million in 2016. The increase in operating profit was primarily due to higher lift truck gross profit, partially offset by an increase in selling, general and

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administrative expenses. The increase in the lift truck gross profit was primarily due to higher unit shipments and related production efficiencies as well as improved pricing, net of material cost inflation.

Operating profit in the Americas increased in 2017 compared with 2016 primarily as a result of improved gross profit mainly due to higher unit shipments of higher-priced lift trucks and related production efficiencies, as well as improved pricing, net of material cost inflation. In addition, selling, general and administrative expenses in the Americas increased in 2017 compared with the 2016 primarily due to higher employee-related costs and increased costs for development and marketing of new products, partially offset by lower acquisition-related costs.

Operating profit in EMEA increased in 2017 compared with 2016 as a result of improved gross profit partially offset by higher selling, general and administrative expenses mainly from higher marketing and employee-related costs. Gross profit improved primarily from higher unit shipments and the favorable impact of foreign currency movements of \$4.4 million. The improvement was partially offset by material cost inflation.

Bolzoni's operating profit improved in 2017 from 2016 primarily due to the absence of \$2.7 million of one-time purchase accounting adjustments recorded in 2016 and higher gross profit from higher sales in the comparable second, third and fourth quarters of 2017 compared with 2016. Operating profit in the first quarter of 2017 was \$2.3 million.

During 2017, Nuvera's operating loss increased \$2.4 million compared with 2016, mainly due to an impairment charge of \$4.9 million recorded in 2017 on Nuvera's long-lived assets. Increased employee-related costs, professional fees and other general operating expenses also contributed to the increase in operating loss. These items were partially offset by lower product development and production start-up expenses. See Note 12 and Note 13 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of the impairment charge.

The Company recognized net income attributable to stockholders of \$48.6 million in 2017 compared with \$42.8 million in 2016. The increase was primarily the result of the increase in lift truck operating profit and \$19.8 million of favorable HYGFS equity income in 2017 related to the Tax Reform Act, which is reflected in "Income from Unconsolidated Affiliates" in the Consolidated Statement of Operations. These items were partially offset by income tax expense of \$38.2 million in 2017 due to the Tax Reform Act. See "Financial Review - Income Taxes" and Note 7 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of income taxes.

Income taxes

The income tax provision includes U.S. federal, state and local, and non-U.S. income taxes. In determining the effective income tax rate, the Company analyzes various factors, including annual earnings, the laws of taxing jurisdictions in which the earnings were generated, the impact of state and local income taxes, the ability to use tax credits, net operating loss and capital loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, tax rates, and certain items with respect to valuation allowances or other unusual or non-recurring tax adjustments are reflected in the interim period in which they occur.

Deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards on a taxing jurisdiction basis. The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which it expects the temporary differences to be recovered or paid.

The authoritative guidance for income taxes requires a reduction of the carrying amounts of deferred tax assets by recording a valuation allowance if, based on the available evidence, it is more likely than not (defined as a likelihood of more than 50%) such assets will not be realized. The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the Company's financial statements or tax returns and future profitability. The Company's accounting for deferred tax consequences represents its best estimate of those future events. Changes in the Company's estimates, due to unanticipated events or otherwise, could have a material effect on its financial condition and results of operations. The Company continually evaluates its deferred tax assets to determine if a valuation allowance is required.

On December 22, 2017, the President of the United States signed into law the Tax Reform Act. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate income tax rate

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from 35% to 21% effective January 1, 2018, repealing the deduction for domestic production activities, allowing the immediate expensing of certain qualified capital expenditures, implementing a territorial tax system and imposing a one-time transition tax on certain unremitted earnings of non-U.S. subsidiaries. As a result of the Tax Reform Act in 2017, the Company recorded provisional tax effects of \$38.2 million, comprised of \$33.1 million of tax expense due to the transition tax on the unremitted earnings and profits of non-U.S. subsidiaries and \$5.1 million of tax expense due to the effects on the Company's deferred tax assets and liabilities as of December 31, 2017. The Company has since finalized its calculation of earnings and profits, including the amounts held in cash or other specified assets and its calculation of available foreign tax credits consistent with the additional regulatory guidance issued during 2018 resulting in a reduction in tax expense of \$4.4 million which was recorded during 2018.

After the utilization of existing tax credits, the Company will pay cash taxes, including state income taxes, of \$17.6 million with respect to the transition tax payable over an installment period of eight years. As a result of the Tax Reform Act, no additional income taxes or withholding taxes have been provided for any undistributed foreign earnings, nor any additional outside basis differences inherent in these entities, as these amounts continue to be indefinitely reinvested in non-U.S. operations.

A reconciliation of the consolidated federal statutory and reported income tax is as follows for the years ended December 31:

	2018	2017	2016
Income before income taxes	\$36.6	\$93.8	\$38.3
Statutory taxes at 21% (35% in 2017 and 2016)	\$7.7	\$32.8	\$13.4
Permanent adjustments:			
Federal income tax credits	(2.9)	(1.6)	(1.7)
Non-U.S. rate differences	(2.3)	(7.8)	(9.0)
Equity interest earnings	(1.7)	(8.1)	(2.2)
State income taxes	0.6	1.1	0.1
Valuation allowance	3.0	3.4	2.4
Global intangible low-taxed income	1.2	—	—
Other	1.0	(0.2)	0.6
	\$(1.1)	\$(13.2)	\$(9.8)
Discrete items:			
Tax Reform Act	(4.4)	38.2	—
Provision to return adjustments	(0.6)	0.6	(1.9)
Valuation allowance	—	(3.3)	(2.6)
Sale of non-U.S. investment	—	(9.1)	(1.9)
Other	0.7	(1.1)	(1.2)
	\$(4.3)	\$25.3	\$(7.6)
Income tax provision (benefit)	\$2.3	\$44.9	\$(4.0)
Reported income tax rate	6.3 %	47.9 %	n.m.

n.m. - not meaningful

The Company's effective income tax rate differs from the U.S. federal statutory tax rate primarily as a result of federal research and energy credits, income taxed in non-U.S. jurisdictions, equity interest earnings and changes in valuation allowances primarily in non-U.S. jurisdictions.

In addition, the Company recognized the effect of the Tax Reform Act as discrete adjustments. The effect of other discrete items on the reported income tax rate was as follows:

During 2017, the Company recognized a tax benefit of \$9.1 million and a tax expense of \$1.4 million for unrecognized tax benefits from an internal sale of a subsidiary between consolidated companies resulting in the repatriation of non-U.S.

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accumulated earnings taxed at higher rates. In addition, the Company settled various federal obligations in Brazil through the utilization of its federal net operating loss carryforwards for which a valuation allowance was previously provided. As a result of the utilization of the underlying deferred tax assets, the Company released the associated valuation allowance previously provided of \$4.7 million. This was partly offset by a \$1.6 million valuation allowance provided against deferred tax assets in China where the Company has determined that such deferred tax assets no longer meet the more likely than not standard for realization.

During 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 determined it is more likely than not that the deferred tax asset for such losses would be realized in the foreseeable future and released the valuation allowance previously provided. The Company also recognized tax benefits from provision to return adjustments primarily related to a U.S. tax deduction for manufacturing activities and adjustments for the taxation of certain foreign earnings and a tax benefit from an internal sale of a subsidiary between affiliated companies resulting in the repatriation of non-U.S. accumulated earnings which triggered a currency loss for U.S. tax purposes.

Other items during 2016 include a tax benefit of \$4.0 million. As a result of the Bolzoni acquisition, the Company changed its previous reinvestment assertion; and 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 tax expense of \$1.6 million related to non-deductible acquisition expenses and tax expense of \$2.1 million in net additions for unrecognized tax benefits.

See Note 7 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following tables detail the change in cash flow for the years ended December 31:

	2018	2017	Change
Operating activities:			
Net income	\$34.3	\$48.9	\$(14.6)
Depreciation and amortization	44.0	42.8	1.2
Stock-based compensation	5.7	8.8	(3.1)
Impairment of long-lived assets	—	4.9	(4.9)
Dividends from unconsolidated affiliates	22.2	2.8	19.4
Other	(2.4)	0.7	(3.1)
Working capital changes, excluding the effect of business acquisitions	(36.2)	55.8	(92.0)
Net cash provided by operating activities	67.6	164.7	(97.1)
Investing activities:			
Expenditures for property, plant and equipment	(38.8)	(41.0)	2.2
Proceeds from the sale of property, plant and equipment	5.9	1.3	4.6
Business acquisitions, net of cash acquired	(78.0)	(1.0)	(77.0)
Investments in equity securities	—	(5.6)	5.6
Purchase of noncontrolling interest	—	(1.0)	1.0
Net cash used for investing activities	(110.9)	(47.3)	(63.6)

Cash flow before financing activities	\$ (43.3)	\$ 117.4	\$ (160.7)
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Net cash provided by operating activities decreased \$97.1 million in 2018 compared with 2017, primarily as a result of the change in working capital items and the decrease in net income, partially offset by increased dividends from unconsolidated affiliates mainly due to the one-time benefit at HYGFS resulting from the Tax Reform Act. The change in working capital was primarily attributable to accounts payable in the Americas returning to normalized levels in 2018 following an unplanned systems-related acceleration of supplier payments in December 2016 and higher inventory levels, somewhat offset by the collection of KNSN Pipe & Pile Company Limited ("KNSN") receivables in June 2018 at Maximal. See Note 20 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of the Maximal acquisition.

The change in net cash used for investing activities during 2018 compared with 2017 is mainly the result of the acquisition of Maximal in the second quarter of 2018.

	2018	2017	Change
Financing Activities:			
Net addition (reduction) of long-term debt and revolving credit agreements	\$(65.7)	\$78.0	\$(143.7)
Cash dividends paid	(20.4)	(19.8)	(0.6)
Financing fees paid	(0.6)	(4.7)	4.1
Other	(0.9)	(0.4)	(0.5)
Net cash provided by (used for) financing activities	\$(87.6)	\$53.1	\$(140.7)

The change in net cash provided by (used for) financing activities of \$140.7 million in 2018 compared with 2017 was primarily related to the repayment of debt at Maximal and the Term Loan (as defined below) in 2018. The increase in 2017 was due to borrowings under the Term Loan, partially offset by repayments of borrowings under the Facility (as defined below) during 2017, primarily due to the unplanned systems-related acceleration of supplier payments in December 2016.

Financing Activities

The Company has a \$200.0 million secured, floating-rate revolving credit facility (the "Facility") that expires in April 2022. There were \$10.0 million of borrowings outstanding under the Facility at December 31, 2018. The availability under the Facility at December 31, 2018 was \$185.9 million, which reflects reductions of \$4.1 million for letters of credit and other restrictions. The Facility consists of a U.S. revolving credit facility in the amount of \$120.0 million and a non-U.S. revolving credit facility of \$80.0 million. The Facility can be increased up to \$300.0 million, subject to limits in the Term Loan (defined below), 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 and a second lien on the Term Loan Collateral (defined below). The approximate book value of assets held as collateral under the Facility was \$950 million as of December 31, 2018.

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, as of December 31, 2018, for U.S. base rate loans and LIBOR loans were 0.25% and 1.25%, respectively. The applicable margin, as of December 31, 2018, for non-U.S. base rate loans and LIBOR loans was 1.25%. The applicable LIBOR interest rates under the Facility on December 31, 2018 were 2.44% and 1.25%, respectively, for the U.S. and non-U.S. facility including the applicable floating rate margin. The Facility also required the payment of a fee of 0.350% per annum on the unused commitment as of December 31, 2018.

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

availability for both total and U.S. revolving credit facilities on a pro forma basis, is greater than fifteen percent and less than or equal to twenty percent, the Company may pay dividends subject to achieving a minimum fixed charge coverage ratio of 1.00 to 1.00, as defined in the Facility. If the availability is greater than twenty percent for both total and U.S. revolving credit facilities on a pro forma basis, 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

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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 December 31, 2018, the Company was in compliance with the covenants in the Facility.

In 2017, the Company entered into an agreement for a \$200.0 million term loan (the "Term Loan"), which matures in May 2023. The Term Loan requires quarterly principal payments on the last business day of each March, June, September and December in an amount equal to \$2.5 million. Payments commenced in September 2017 and the final principal repayment is due on May 30, 2023. The Company may also be required to make mandatory prepayments, in certain circumstances, as provided in the Term Loan. At December 31, 2018, there was \$185.0 million of principle outstanding under the Term Loan which has been reduced in the consolidated balance sheet by \$3.7 million of discounts and unamortized deferred financing fees.

The obligations under the Term Loan are generally secured by a first priority lien on the present and future shares of capital stock, material real property, fixtures and general intangibles consisting of intellectual property (collectively, the "Term Loan Collateral") and a second priority lien on the remaining collateral of the U.S. borrowers in the Facility. The approximate book value of assets held as collateral under the Term Loan was \$610 million as of December 31, 2018.

Borrowings under the Term Loan bear interest at a floating rate, which can be a base rate or Eurodollar rate, as defined in the Term Loan, plus an applicable margin. The applicable margin, as provided in the Term Loan, is 2.25% for U.S. base rate loans and 3.25% for Eurodollar loans. The interest rate on the amount outstanding under the Term Loan at December 31, 2018 was 5.77%. In addition, the Term Loan includes restrictive covenants, which, among other things, limit additional borrowings and investments of the Company subject to certain thresholds, as provided in the Term Loan. The Term Loan limits the payment of regularly scheduled dividends and other restricted payments to \$50.0 million in any fiscal year, unless the consolidated total net leverage ratio, as defined in the Term Loan, does not exceed 1.75 to 1.00 at the time of the payment. At December 31, 2018, the Company was in compliance with the covenants in the Term Loan.

The Company incurred fees and expenses of \$0.6 million, \$4.7 million and 1.7 million in 2018, 2017 and 2016, respectively. These fees related to the amendment to the Facility and entry into the Term Loan. These fees were deferred and are being amortized as interest expense over the term of the applicable debt agreements. Fees related to the Term Loan are presented as a direct deduction of the corresponding debt.

The Company had other debt outstanding, excluding capital leases, of approximately \$92.9 million at December 31, 2018. In addition to the excess availability under the Facility, the Company had remaining availability of \$18.3 million related to other non-U.S. revolving credit agreements.

The Company believes funds available from cash on hand, the Term Loan, the Facility, other available lines of credit and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments during the next twelve months and until the expiration of the Facility in April 2022.

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Contractual Obligations, Contingent Liabilities and Commitments

Following is a table summarizing the contractual obligations as of December 31, 2018:

Contractual Obligations	Payments Due by Period						
	Total	2019	2020	2021	2022	2023	Thereafter
Term Loan	\$185.0	\$10.0	\$10.0	\$10.0	\$10.0	\$145.0	\$ —
Variable interest payments on Term Loan	40.2	10.2	9.5	8.9	8.4	3.2	—
Revolving credit agreements	13.3	13.3	—	—	—	—	—
Variable interest payments on revolving credit agreements	1.3	1.3	—	—	—	—	—
Other debt	89.6	62.3	16.8	4.7	5.6	0.2	—
Variable interest payments on other debt	2.7	1.8	0.6	0.2	0.1	—	—
Capital lease obligations including principal and interest	18.2	7.1	6.0	3.4	1.0	0.7	—
Operating leases	103.9	22.2	18.1	14.0	11.2	8.2	30.2
Tax Reform Act transition tax liability	13.9	—	0.7	1.4	1.4	2.6	7.8
Purchase and other obligations	617.9	608.0	1.1	2.0	3.1	—	3.7
Total contractual cash obligations	\$1,086.0	\$736.2	\$62.8	\$44.6	\$40.8	\$159.9	\$ 41.7

After the utilization of existing tax credits, the Company will pay total cash taxes, including state income taxes, of \$17.6 million with respect to the transition tax payable over an installment period of eight years. As a result of the Tax Reform Act, no additional income taxes or withholding taxes have been provided for any undistributed foreign earnings, nor any additional outside basis differences inherent in these entities, as these amounts continue to be indefinitely reinvested in non-U.S. operations. The Company has a long-term liability of approximately \$20.5 million for unrecognized tax benefits, including interest and penalties, as of December 31, 2018. At this time, the Company is unable to make a reasonable estimate of the timing of payments due to, among other factors, the uncertainty of the timing and outcome of the Company's audits.

An event of default, as defined in the agreements governing the Facility, the Term Loan, other debt agreements, and in operating and capital lease agreements, could cause an acceleration of the payment schedule. No such event of default has occurred or is anticipated under these agreements.

The Company's interest payments are calculated based upon the anticipated payment schedule and the December 31, 2018 applicable rates and applicable margins as described in the Facility and other debt agreements. A 1/8% increase in the LIBOR rate would increase the Company's estimated total interest payments on debt by \$0.2 million.

The purchase and other obligations are primarily for accounts payable, open purchase orders and accrued payroll and incentive compensation.

Pension funding can vary significantly each year due to plan amendments, changes in the market value of plan assets, legislation and the Company's funding decisions to contribute any excess above the minimum legislative funding requirements. As a result, pension funding has not been included in the table above. Pension benefit payments are made from assets of the pension plans. The Company expects to contribute approximately \$0.8 million to its non-U.S. pension plans in 2019. No contributions to the Company's U.S. pension plans are expected in 2019.

In addition, the Company has recourse and repurchase obligations with a maximum undiscounted potential liability of \$192.7 million at December 31, 2018. Recourse and repurchase obligations primarily represent contingent liabilities assumed by the Company to support financing agreements made between the Company's customers and third-party finance companies for the customer's purchase of lift trucks from the Company. For these transactions, the Company or a third-party finance company retains a perfected security interest in the lift truck, such that the Company would take possession of the lift truck in the event it would

become liable under the terms of the recourse and repurchase obligations. Generally, these commitments are due

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upon demand in the event of default by the customer. The security interest is normally expected to equal or exceed the amount of the commitment. To the extent the Company would be required to provide funding as a result of these commitments, the Company believes the value of its perfected security interest and amounts available under existing credit facilities are adequate to meet these commitments in the foreseeable future.

The amount of the recourse or repurchase obligations changes over time as obligations under existing arrangements expire and new obligations arise in the ordinary course of business. Losses anticipated under the terms of the recourse or repurchase obligations were not significant at December 31, 2018 and reserves have been provided for such losses in the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. See also "Related Party Transactions" below.

Capital Expenditures

The following table summarizes actual and planned capital expenditures:

	Planned	Actual	Actual
	2019	2018	2017
Lift truck business	\$ 60.3	\$ 31.8	\$ 35.3
Bolzoni	8.3	4.2	4.7
Nuvera	10.5	2.8	1.0
	\$ 79.1	\$ 38.8	\$ 41.0

Planned expenditures in 2019 are primarily for product development, improvements to information technology infrastructure, improvements at manufacturing locations and manufacturing equipment. The principal sources of financing for these capital expenditures are expected to be internally generated funds and bank financing.

Capital Structure

	December 31		
	2018	2017	Change
Cash and cash equivalents	\$83.7	\$220.1	\$(136.4)
Other net tangible assets	601.3	527.8	73.5
Intangible assets	67.7	56.1	11.6
Goodwill	108.3	59.1	49.2
Net assets	861.0	863.1	(2.1)
Total debt	(301.5)	(290.7)	(10.8)
Total equity	\$559.5	\$572.4	\$(12.9)
Debt to total capitalization	35 %	34 %	1 %

RELATED PARTY TRANSACTIONS

See Note 19 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of related party transactions.

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INVESTOR PERSPECTIVE

The Company is currently undertaking the largest set of transformational programs in the Company's history. These programs are expected to have a very significant impact on the Company's competitiveness, market position and economic performance over the next three to five years.

For some time, the Company has been focused on six strategic initiatives:

1. Provide the lowest cost of ownership, while enhancing productivity for customers.
2. Be the leader in the delivery of industry- and customer-focused solutions.
3. Be the leader in independent distribution.
4. Grow in emerging markets.
5. Be the leader in the attachments business.
6. Be a leader in fuel cells and their applications.

The projects required to execute fully on these initiatives have been, in general, initiated over the last several years and many are now moving toward completion. Further, many of the projects supporting these strategic initiatives are inter-related and succeeding in one will foster success in others. In total, these projects have required significant up-front expense and capital expenditure investment. The projects cover a very broad range of the Company's activities, including product development, supply chain, IT, manufacturing, sales and marketing for each of the Company's three major businesses, Lift Truck, Bolzoni and Nuvera.

Over the course of 2017 and 2018, these investments, both expense and capital, increased significantly. Further, investment will continue to be made in 2019 and then generally remain at those levels for the next several years. The return from these investments has started to be realized and is expected to increase over the course of the Company's five-year planning period. In this context, the Lift Truck business income is expected to improve in 2019 over 2018, but results in the first half of the year are expected to be lower than the first half of 2018, and then improve in the second half. Beginning in 2020, further improved results are expected with significant increases through 2023. The Lift Truck business objective is to meet its target of 7% operating profit in this period assuming reasonable market conditions continue. Likewise, Bolzoni's results are expected to improve in 2019 and in the following years with a target of 7% operating profit. Nuvera's results are expected to improve moderately in the first three quarters of 2019 with a break-even target for both the fourth quarter and for the 2020 full year. Further, significantly improved earnings are expected at Nuvera in the 2021 to 2023 time period. At each of these three businesses, the investments being undertaken are expected to lead to increased operating profit through higher volume, decreased product costs and improved pricing, partially offset by a higher level of operating expense. Overall, 2019 consolidated operating profit is expected to increase significantly, with the improvement coming in the second half of the year.

The Lift Truck business product programs are expected to lay the groundwork for enhanced market position by providing lower cost of ownership and enhanced productivity for the Company's customers. At the core of these programs is a new set of modular and scalable product families covering both internal combustion engine and electric trucks, which will provide customers with enhanced flexibility for meeting their application needs combined with the benefit of lowest total cost of ownership. Implementation of these programs are expected to begin in 2020 with the introduction of a new range of counterbalanced trucks, with this range being expanded comprehensively through 2025 to include larger counterbalanced capacities, Big Trucks and warehouse trucks. A further major initiative in product offerings will come from the introduction of trucks manufactured by Maximal, HYG's new majority-owned joint venture in China. A line of trucks from Maximal has been engineered to provide high quality and reliable utility trucks for global markets and standard trucks for the Chinese market. In addition, Maximal and HYG's

partner in India is expected to expand local production of larger trucks. Further, in early 2019, a new end rider was launched in the North America market, and a new Reach Truck for North America, as well as lower-cost Class 3 walkie and stacker global products are expected to be introduced later in the year. Rough terrain and electrified Big Truck products are being added to the product line-up. To further enhance productivity for customers, the Lift Truck business is developing automation solutions for warehouse trucks, initially in combination with industry partners. Some of these products are already in the market today, but new solutions and customers are expected to be developed progressively over the next several years. The Lift Truck business continues to expand sales of telemetry products and new generations of lift trucks will offer a fully integrated telematics solution. Finally, the Lift Truck business anticipates introducing new fuel cell BBRs for Class 1, 2 and 3 forklift trucks over the next two years that are expected to move the fuel cell BBR business to break-even in 2020.

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The introduction of these new products will lead to significant changes in supply chain sourcing and in the Company's various manufacturing facilities around the world. Consolidated component volume sourced globally from reliable partners is expected to reduce costs and improve quality as these new products are brought to market over the next two to three years. HYG's largest manufacturing facilities in Berea, Craigavon, and Greenville are expected to be structured to reduce costs and improve productivity while most other plants will see more modest changes. China production activities are expected to be consolidated at Maximal over the course of 2019.

The Lift Truck business currently has over 290 different forklift models in its range which are supported by the ability to customize these trucks to meet specific customer needs. The modular nature of the new products being introduced will enhance the ability to meet exact customer needs at lowest cost, both at the industry level and at the individual customer level. To ensure the full benefit from these programs, the Lift Truck business has made a substantial expense investment in its sales and marketing organizations to realign teams around industry groupings. Within marketing, industry-focused resources have been added to develop industry strategies. The higher-priority industry strategies have been completed for North America and Europe. All of the strategies are expected to be completed for all countries, or groups of countries, around the world by the end of 2019 but will mature and be enhanced over future years. To support execution of these industry strategies, the Lift Truck business has invested in additional industry-focused sales capabilities to support its dealers. This industry-focused structure has been in place and highly successful in the National Account direct sales program and is now being deployed with the new dealer support teams. These investments are largely in place in North America, and to a lesser degree in EMEA. Additional sales capabilities are expected to be added in other areas around the world over the next two years. In total, the Company believes that these projects will put it in a position to be a leader in the delivery of industry- and customer-focused solutions worldwide.

While the new sales teams will support dealers' sales efforts, the Company will also continue to upgrade its global dealer capabilities. A core objective is to have dealers that are fully capable of maximizing the potential of the Hyster® and Yale® brands in their territories. These dealers will be supported by a commitment to helping dealers strengthen the excellence of their activities in all areas of their business including leadership, sales, parts, service, rental, leasing and remarketing. To help these programs have maximum impact, the Company will be investing over the next few years in enhanced digital customer experience systems. Taken together, these initiatives amount to a new, uniquely competitive way of serving the markets around the world.

Bolzoni is also pursuing very aggressive projects to expand its global market position. This includes strengthening the Bolzoni's ability to serve the North America market by taking responsibility for HYG's Sulligent plant, where it will manufacture attachments and also continue the plant's support of the Lift Truck business through the sale of cylinders and various other components. Bolzoni will phase out production at its current Homewood, Illinois facility, but intends to maintain a distribution center and certain other operations in that area. There is a large opportunity for growth in the North America market. To help capture this, Bolzoni plans to introduce a broader range of locally produced attachments available with shorter lead times to serve its customer base. Bolzoni also has plans to increase its sales, marketing and product support capabilities in North America. In addition, it has developed a standard product line sourced from one of its factories in China, which will continue to be expanded. Bolzoni's current outstanding premium line of products coupled with these standard products and an industry-focused strategy are expected to give Bolzoni the ability to increase its sales significantly in the Americas, JAPIC and EMEA regions. Bolzoni's results have been improving on a progressive basis since its acquisition three years ago. These new programs are expected to increase the Company's market position and profitability, especially over the next three to four years.

Nuvera is approaching the point where it will move from being a venture business focused on commercializing leading technology to a mature, product-based company serving not only the forklift truck market, but also heavy-duty applications such

as buses, trucks and applications in the automotive sector with an expanding line of developed products. Nuvera expects its core technology to move to a new generation of fuel cell stack design over the next year with broad application in each of these markets. Quality and cost of fuel cell engines have been improving and are expected to reach target objectives over the next two years. With the transfer of the responsibility for development of non-fuel-cell engine components and the overall assembly of BBRs to the Lift Truck business, Nuvera will focus entirely on fuel cell stacks and engines. To enhance its cost base, Nuvera continues to work on standardizing its products, developing lower cost suppliers and automating various elements of stack production. To help sharpen its focus on fuel cell stacks and engines, Nuvera sold its hydrogen-generating PowerTap[®] business to a third-party, OneH2, Inc. ("OneH2"), in exchange for a note and a minority ownership interest in

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OneH2. OneH2 has developed an important option for hydrogen fuel supply for forklift truck fuel cell users. In overview, Nuvera's objective is to reach break-even in both the fourth quarter of 2019 and the full year of 2020, with a move toward target profitability over the following three years.

In summary, the Company believes it is approaching an inflection point in its business. While the early part of 2019 is expected to reflect continued investment in all of these programs, the second half of 2019 is expected to be significantly improved in comparison to the second half of 2018. The Company's efforts to find offsets to the tariff-driven unprecedented material cost inflation witnessed in 2018 will mature during 2019, and efforts to abate the most critical supplier issues, which are still having an impact on production, are underway with most expected to be resolved by mid-year. The current lift truck backlog contains certain deal-specific pricing agreements at less than target margins to gain targeted accounts and for which margin improvement efforts will take some time to mature. These deals will have an impact on profitability, mainly in the first half of the year. Generally, margins are expected to recover fully from the 2018 material cost inflation and the heavily discounted deals by the third and fourth quarters of 2019. In 2020 and 2021, a considerable portion of the new projects outlined above will have reached completion for all three companies and the Company believes the full impact of these programs can lead to profitability improvements for a number of years to come. Finally, the remainder of the programs are expected to come to fruition in 2022 and 2023, with a few, particularly those involving dealer structure and excellence, being more in the nature of continuous improvement rather than projects which reach maturity at a given time. However, the absolute level of profitability will reflect actual market demand levels. The Company is currently forecasting strong but moderating forklift market levels and a resolution to Brexit in a way which does not significantly harm the Company's business prospects.

The Company believes that investors who are focused on mid-term business improvement in market position and profitability will find that the Company's focus is consistent with those investment objectives.

RECENTLY ISSUED ACCOUNTING STANDARDS

For information regarding recently issued accounting standards refer to Note 2 to the Consolidated Financial Statements in this Form 10-K.

EFFECTS OF FOREIGN CURRENCY

The Company operates internationally and enters into transactions denominated in foreign currencies. As a result, the Company is subject to the variability that arises from exchange rate movements. The effects of foreign currency fluctuations on revenues, operating profit and net income are addressed in the previous discussions of operating results. The Company's use of foreign currency derivative contracts is discussed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of this Form 10-K.

FORWARD-LOOKING STATEMENTS

The statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere throughout this Annual Report on Form 10-K that are not historical facts are "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. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented. Readers are cautioned not to place undue reliance on these forward-looking statements, which

speaking only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Among the factors that could cause plans, actions and results to differ materially from current expectations are, without limitation: (1) reduction in demand for lift trucks, attachments and related aftermarket parts and service on a global basis, (2) delays in delivery or increases in costs, including transportation costs or the imposition of tariffs, of raw materials or sourced products and labor or changes in or unavailability of quality suppliers, (3) delays in manufacturing and delivery schedules, (4) the successful commercialization of Nuvera's technology, (5) customer acceptance of pricing, (6) the political and economic uncertainties in the countries where the Company does business, (7) the ability of dealers, suppliers and end-users to obtain financing at reasonable rates, or at all, as a result of current economic and market conditions, (8) exchange rate fluctuations and monetary policies and other changes in the regulatory climate in the countries in which the Company operates and/or sells products, (9) bankruptcy of or loss of major

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dealers, retail customers or suppliers, (10) customer acceptance of, changes in the costs of, or delays in the development of new products, (11) introduction of new products by, or more favorable product pricing offered by, competitors, (12) product liability or other litigation, warranty claims or returns of products, (13) the effectiveness of the cost reduction programs implemented globally, including the successful implementation of procurement and sourcing initiatives, (14) changes mandated by federal, state and other regulation, including tax, health, safety or environmental legislation, (15) unfavorable effects of geopolitical and legislative developments on global operations, including without limitation, the United Kingdom's exit from the European Union, the entry into new trade agreements and the imposition of tariffs and/or economic sanctions, (16) the Company may not be able to successfully integrate Maximal's operations and employees, and (17) delays in or increased costs of moving the attachment manufacturing from Homewood, Illinois to Sulligent, Alabama.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
INTEREST RATE RISK

The Company has entered into certain financing arrangements that require interest payments based on floating interest rates. As such, the Company's financial results are subject to changes in the market rate of interest. The Company has entered into interest rate swap agreements to reduce the exposure to changes in the market rate of interest. The Company does not enter into interest rate swap agreements for trading purposes. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. See also Note 9 to the Consolidated Financial Statements in this Annual Report on Form 10-K.

For purposes of risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in interest rates. The Company assumes that a loss in fair value is either a decrease to its assets or an increase to its liabilities. The fair value of the Company's interest rate swap agreements was a net asset of \$1.6 million at December 31, 2018. A hypothetical 10% decrease in interest rates would cause a decrease in the fair value of interest rate swap agreements and the resulting fair value would be a liability of \$1.5 million.

FOREIGN CURRENCY EXCHANGE RATE RISK

The Company operates internationally and enters into transactions denominated in foreign currencies. As such, the Company's financial results are subject to the variability that arises from exchange rate movements. The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies and not for trading purposes. These contracts generally mature within 36 months and require the companies to buy or sell euros, U.S. dollars, Japanese yen, British pounds, Swedish kroner, Mexican pesos, Chinese renminbi, Brazilian real and Australian dollars for its functional currency at rates agreed to at the inception of the contracts. The fair value of these contracts was a net liability of \$19.5 million at December 31, 2018. See also Note 9 to the Consolidated Financial Statements in this Annual Report on Form 10-K. For purposes of risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in foreign currency exchange rates. The Company assumes that a loss in fair value is either a decrease to its assets or an increase to its liabilities. Assuming a hypothetical 10% weakening of the U.S. dollar compared with other foreign currencies at December 31, 2018, the fair value of foreign currency-sensitive financial instruments, which primarily represent forward foreign currency exchange contracts, would be decreased by \$7.5 million compared with the fair value at December 31, 2018. It is important to note that the change in fair value indicated in this sensitivity analysis would be somewhat offset by changes in the revaluation of the underlying receivables and payables.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is set forth in the Financial Statements and Supplementary Data contained in Part IV of this Annual Report on Form 10-K and is hereby incorporated herein by reference to such information.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no disagreements with accountants on accounting and financial disclosure for the three-year period ended December 31, 2018.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures: An evaluation was carried out under the supervision and with the participation of the Company's management, including the principal executive officer and the principal financial officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures were effective.

Management's report on internal control over financial reporting: Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this evaluation under the framework in Internal Control — Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2018. The Company's effectiveness of internal control over financial reporting has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in its report, which is included in Item 15 of this Annual Report on Form 10-K and is incorporated herein by reference. Management has excluded Maximal from its assessment of the Company's disclosure controls and procedures because the

Company acquired a majority interest in Maximal on June 1, 2018. As of December 31, 2018, Maximal constituted approximately 9% of the Company's total assets and approximately 2% of the Company's revenues for the year ended December 31, 2018.

Changes in internal control: During the fourth quarter of 2018, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

None

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item 10 of Part III will be included in the 2019 Proxy Statement, which information is incorporated herein by reference.

Information regarding the executive officers of the Company is included in this Annual Report on Form 10-K as Item 4A of Part I as permitted by Instruction 3 to Item 401(b) of Regulation S-K.

The Company has adopted a code of ethics applicable to all Company personnel, including the principal executive officer, principal financial officer, principal accounting officer and controller, or other persons performing similar functions. The code of ethics, entitled the "Code of Corporate Conduct," is posted on the Company's website at www.hyster-yale.com under "Corporate Governance." Amendments and waivers of the Company's Code of Corporate Conduct for directors or executive officers of the Company, if any, will be disclosed on the Company's website or on a current report on Form 8-K.

Item 11. EXECUTIVE COMPENSATION

Information required by this Item 11 of Part III will be included in the 2019 Proxy Statement, which information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item 12 of Part III will be included in the 2019 Proxy Statement, which information is incorporated herein by reference.

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2018 with respect to our compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance, aggregated as follows:

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
	(a)	(b)	(c)
Class A Shares:			
Equity compensation plans approved by security holders	—	N/A	421,785
Equity compensation plans not approved by security holders	—	N/A	—
Total	—	N/A	421,785
Class B Shares:			
Equity compensation plans approved by security holders	—	N/A	—
Equity compensation plans not approved by security holders	—	N/A	—
Total	—	N/A	—

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item 13 of Part III will be included in the 2019 Proxy Statement, which information is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item 14 of Part III will be included in the 2019 Proxy Statement, which information is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) The response to Item 15(a)(1) is set forth beginning at page F-1 of this Annual Report on Form 10-K.
- (a) (2) The response to Item 15(a)(2) is set forth beginning at page F-47 of this Annual Report on Form 10-K.
- (a) (3) Listing of Exhibits — See the exhibit index beginning at page 35 of this Annual Report on Form 10-K.
- (b) The response to Item 15(b) is set forth beginning at page 35 of this Annual Report on Form 10-K.

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EXHIBIT INDEX

- (2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession.
Purchase Agreement, dated February 14, 2016, by and among Hyster-Yale Materials Handling, Inc., as Purchaser, and Emilio
2.1 Bolzoni, Roberto Scotti, Franco Bolzoni, Paolo Mazzoni and Pier Luigi Magnelli, as Sellers is incorporated by reference to
Exhibit 2.1 to the Company's Current Report on Form 8-K, dated February 14, 2016, Commission File Number 000-54799.
Amendment Agreement, dated April 1, 2016, by and among Hyster-Yale Capital Holding Italy S.r.l., as Purchaser, and Emilio
2.2 Bolzoni, Roberto Scotti, Franco Bolzoni, Paolo Mazzoni and Pier Luigi Magnelli, as Sellers is incorporated by reference to
Exhibit 2.1 to the Company's Current Report on Form 8-K, dated April 1, 2016, Commission File Number 000-54799.
- (3) Articles of Incorporation and By-laws.
Second Amended and Restated Certificate of Incorporation of Hyster-Yale Materials Handling, Inc. is incorporated by
3.1(i) reference to Exhibit 3.1 to Hyster-Yale Materials Handling, Inc.'s Amendment No. 5 to the Registration Statement on
Form S-1, dated September 26, 2012, Commission File No. 333-182388.
3.1(ii) Amended and Restated By-laws of Hyster-Yale Materials Handling, Inc. are incorporated by reference to Exhibit 3.1 to the
Company's Current Report on Form 8-K, dated February 17, 2015, Commission File No. 000-54799.
- (4) Instruments defining the rights of security holders, including indentures.
Specimen of Hyster-Yale Materials Handling, Inc. Class A Common Stock certificate is incorporated by reference to Exhibit
4.1 4.1 to Hyster-Yale Materials Handling, Inc.'s Registration Statement on Form S-1, dated June 28, 2012, Commission File No.
333-182388.
Specimen of Hyster-Yale Materials Handling, Inc. Class B Common Stock certificate is incorporated by reference to Exhibit
4.2 4.2 to Hyster-Yale Materials Handling, Inc.'s Registration Statement on Form S-1, dated June 28, 2012, Commission File No.
333-182388.
- (10) Material Contracts.
Tax Allocation Agreement, dated September 28, 2012, by and between NACCO Industries, Inc. and Hyster-Yale Materials
10.1 Handling, Inc. is incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, dated October 4,
2012, Commission File Number 1-35646.
Stockholders' Agreement, dated as of September 28, 2012, by and among the Participating Stockholders (as defined therein),
10.2 Hyster-Yale Materials Handling, Inc. and the Depository (as defined therein) is incorporated by reference to Exhibit 10.4 to
the Company's Current Report on Form 8-K, dated October 4, 2012, Commission File No. 1-35646.
First Amendment to Stockholders' Agreement, dated as of December 31, 2012, by and among the Depository, Hyster-Yale
10.3 Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating
Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the
Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is incorporated by reference to Exhibit
10.5 to the Company's Annual Report on Form 10-K, filed by the Company on February 19, 2013, Commission File Number
000-54799.
Second Amendment to Stockholders' Agreement, dated as of January 18, 2013, by and among the Depository, Hyster-Yale
10.4 Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating
Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the
Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is incorporated by reference to Exhibit
10.6 to the Company's Annual Report on Form 10-K, filed by the Company on February 19, 2013, Commission File Number
000-54799.
Third Amendment to Stockholders' Agreement, dated as of March 27, 2015, by and among the Depository, Hyster-Yale
10.5 Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating
Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the
Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is incorporated by reference to Exhibit
10.1 to the Company's Quarterly Report on Form 10-Q, filed by the Company on April 29, 2015, Commission File Number
000-54799.
10.6 Fourth Amendment to Stockholders' Agreement, dated as of December 29, 2015, by and among the Depository, Hyster-Yale
Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating
Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the

Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is incorporated by reference to Exhibit 10 filed with Amendment No. 4 to the Statement on Schedule 13D, filed by the Reporting Persons named therein on February 16, 2016, Commission File Number 005-87003.

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- 10.7 Fifth Amendment to Stockholders' Agreement, dated as of December 2, 2016, by and among the Depository, Hyster-Yale Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is incorporated by reference to Exhibit No. 11 filed with Amendment No. 5 to the Statement on Schedule 13D, filed by the reporting persons named therein on February 14, 2017, Commission File Number 005-38001.
- 10.8 Sixth Amendment to Stockholders' Agreement, dated as of December 22, 2016, by and among the Depository, Hyster-Yale Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is incorporated by reference to Exhibit No. 12 filed with Amendment No. 5 to the Statement on Schedule 13D, filed by the reporting persons named therein on February 14, 2017, Commission File Number 005-38001.
- 10.9 Seventh Amendment to Stockholders' Agreement, dated as of February 6, 2017, by and among the Depository, Hyster-Yale Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed by the Company on May 2, 2017, Commission File Number 000-54799.
- 10.10 Eighth Amendment to Stockholders' Agreement, dated as of October 30, 2018, by and among the Depository, Hyster-Yale Materials Handling, Inc., the new Participating Stockholder identified on the signature pages thereto and the Participating Stockholders under the Stockholders' Agreement, dated as of September 28, 2012, as amended, by and among the Depository, Hyster-Yale Materials Handling, Inc. and the Participating Stockholders is attached hereto.
- 10.11* The Hyster-Yale Group, Inc. Executive Excess Retirement Plan (Effective as of January 1, 2016) is incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K, filed by the Company on February 28, 2017, Commission File Number 000-54799.
- 10.12* Hyster-Yale Materials Handling, Inc. Long-Term Equity Incentive Plan (Effective September 28, 2012), is incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K, filed by the Company on February 27, 2018, Commission File Number 000-54799.
- 10.13* Form Award Agreement for the Hyster-Yale Materials Handling, Inc. Long-Term Equity Incentive Plan (Effective as of the Spin-Off Date) is incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K, filed by the Company on February 19, 2015, Commission File Number 000-54799.
- 10.14* Hyster-Yale Materials Handling, Inc. Supplemental Long-Term Equity Incentive Plan (Effective as of the Spin-Off Date) is incorporated by reference to Exhibit 10.67 to Hyster-Yale Materials Handling, Inc.'s Amendment No. 3 to the Registration Statement on Form S-1, dated September 13, 2012, Commission File Number 333-182388.
- 10.15* Form Award Agreement for the Hyster-Yale Materials Handling, Inc. Supplemental Long-Term Equity Incentive Plan (Effective as of the Spin-Off Date) is incorporated by reference to Exhibit 10.68 to Hyster-Yale Materials Handling, Inc.'s Amendment No. 3 to the Registration Statement on Form S-1, dated September 13, 2012, Commission File Number 333-182388.
- 10.16* Hyster-Yale Materials Handling, Inc. Non-Employee Directors' Equity Compensation Plan is incorporated by reference to Exhibit 10.69 to Hyster-Yale Materials Handling, Inc.'s Amendment No. 3 to the Registration Statement on Form S-1, dated September 13, 2012, Commission File Number 333-182388.
- 10.17* Hyster-Yale Materials Handling, Inc. and Subsidiaries Director Fee Policy (Amended Effective as of January 1, 2018) is incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K, filed by the Company on February 27, 2018, Commission File Number 000-54799.
- 10.18* Hyster-Yale Materials Handling, Inc. and Subsidiaries Director Fee Policy (Amended Effective as of January 1, 2019) is attached hereto.
- 10.19* The Hyster-Yale Group, Inc. Unfunded Benefit Plan (As Amended and Restated as of January 1, 2016) is incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K, filed by the Company on February 28, 2017, Commission File Number 000-54799.

- 10.20* Amendment No. 1 to the Hyster-Yale Group, Inc. Unfunded Benefit Plan (As Amended and Restated as of January 1, 2016) is attached hereto.
The Hyster-Yale Group, Inc. Long-Term Incentive Compensation Plan (Amended and Restated Effective as of January 1, 2016) is incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K, filed by the Company on February 28, 2017, Commission File Number 000-54799.
- 10.21* The Hyster-Yale Group Inc. Annual Incentive Compensation Plan (Amended and Restated Effective as of January 1, 2016) is incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K, filed by the Company on February 28, 2017, Commission File Number 000-54799.
- 10.22* Hyster-Yale Group, Inc. Excess Retirement Plan (Amended and Restated Effective January 1, 2016) is incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K, filed by the Company on February 17, 2016, Commission File Number 000-54799.
- 10.23*

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- 10.24* Amendment No. 1 to the Hyster-Yale Group, Inc. Excess Retirement Plan (As Amended and Restated as of January 1, 2016) is attached hereto.
- 10.25 Equity joint venture contract, dated November 27, 1997, between Shanghai Perfect Jinqiao United Development Company Ltd., People’s Republic of China, NACCO Materials Handling Group, Inc., USA, and Sumitomo-Yale Company Ltd., Japan is incorporated by reference to Exhibit 10.3 to NMHG Holding Co.’s Registration Statement on Form S-4, dated May 28, 2002, Commission File Number 333-89248.
- 10.26 Third Amended and Restated Joint Venture and Shareholders Agreement between Wells Fargo Financial Leasing, Inc. and Hyster-Yale Group, Inc., dated September 17, 2018 is incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, Commission File Number 000-54799.
- 10.27 A\$ Facility Agreement, dated November 22, 2000, between GE Capital Australia and National Fleet Network Pty Limited is incorporated by reference to Exhibit 10.12 to NMHG Holding Co.’s Registration Statement on Form S-4, dated May 28, 2002, Commission File Number 333-89248.
- 10.28 Second Amended and Restated Recourse and Indemnity Agreement, dated September 17, 2018, by and between Wells Fargo Financial Leasing, Inc., HYG Financial Services, Inc. and Hyster-Yale Group, Inc. is incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, Commission File Number 000-54799.
- 10.29 First Amended and Restated Guarantee Agreement, dated September 17, 2018, by Hyster-Yale Materials Handling, Inc. in favor of Wells Fargo Financial Leasing, Inc. is incorporated by reference to Exhibit 10.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, Commission File Number 000-54799.
- 10.30 First Amended and Restated Guarantee Agreement, dated September 17, 2018, by Hyster-Yale Group, Inc. in favor of Wells Fargo Financial Leasing, Inc. is incorporated by reference to Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, Commission File Number 000-54799.
- 10.31 Loan, Security and Guaranty Agreement dated as of April 28, 2016 among Hyster-Yale Materials Handling, Inc. and Hyster-Yale Group, Inc., as U.S. Borrowers, Hyster-Yale Nederland B.V., Hyster-Yale International B.V., Hyster-Yale Holding B.V. and Hyster-Yale Capital Holding B.V., as Dutch Borrowers, Hyster-Yale UK Limited and Hyster-Yale Capital UK Limited, as UK Borrowers, any other Borrowers party thereto from time to time and certain Persons party thereto from time to time as Guarantors, certain financial institutions, as Lenders, Bank of America, N.A., as Administrative Agent and Security Trustee, Merrill Lynch, Pierce, Fenner & Smith Incorporated and CitiGroup Global Markets Inc., as Joint Lead Arrangers and Joint Book Managers, and CitiBank, N.A., as Syndication Agent is incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, dated April 28, 2016, Commission File Number 000-54799.
- 10.32 First Amendment to Amended and Restated Loan, Security and Guaranty Agreement dated as of May 30, 2017 among Hyster-Yale Materials Handling, Inc. and Hyster-Yale Group, Inc., as U.S. Borrowers, Hyster-Yale Nederland B.V., Hyster-Yale International B.V., Hyster-Yale Holding B.V. and Bolzoni Capital Holding B.V., as Dutch Borrowers, Hyster-Yale UK Limited and Bolzoni Capital UK Limited, as UK Borrowers, any other Borrowers party thereto from time to time and certain Persons party thereto from time to time as Guarantors, certain financial institutions, as Lenders, Bank of America, N.A., as Administrative Agent and Security Trustee is incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File Number 000-54799.
- 10.33 Second Amendment to Amended and Restated Loan, Security and Guaranty Agreement, dated as of March 14, 2018, among Hyster-Yale Materials Handling, Inc. and Hyster-Yale Group, Inc., as U.S. Borrowers, Hyster-Yale Nederland B.V., Hyster-Yale International B.V., Hyster-Yale Holding B.V. and Bolzoni Capital Holding B.V., as Dutch Borrowers, Hyster-Yale UK Limited and Bolzoni Capital UK Limited, as UK Borrowers, any other Borrowers party thereto from time to time and certain Persons party thereto from time to time as Guarantors, certain financial institutions, as Lenders, Bank of America, N.A., as Administrative Agent and Security Trustee is incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, Commission File Number 000-54799.
- 10.34 Term Loan Credit Agreement dated as of May 30, 2017 among Hyster-Yale Group, Inc. as the Borrower, Hyster-Yale Materials Handling, Inc., Bank of America, N.A., as Administrative Agent is incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, Commission File Number 000-54799.
- 10.35

First Amendment to Term Loan Credit Agreement, dated as of March 14, 2018, by and among Hyster-Yale Group, Inc., as the Borrower, Hyster-Yale Materials Handling, Inc. and Bank of America, N.A., as Administrative Agent is incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, Commission File Number 000-54799.

10.36 Commitment Agreement for the Purchase and Sale of Real Estate and Other Covenants, dated May 23, 2013, by and between NACCO Materials Handling Group Brasil Ltda. and Synergy Empreendimentos E Participacoes Ltda. is incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, Commission File Number 000-54799.

10.37 Amendment to the Commitment Agreement for the Purchase and Sale of Real Estate and Other Covenants, dated May 23, 2013, by and between NACCO Materials Handling Group Brasil Ltda. and Synergy Empreendimentos E Participacoes Ltda. is incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, Commission File Number 000-54799.

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- 10.38 Letter Agreement, dated August 1, 2013, between Synergy Empreendimentos E Participacoes Ltda. and NACCO Materials Handling Group Brasil Ltda. Amending the Commitment Agreement for the Purchase and Sale of Real Estate and Other Covenants is incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, Commission File Number 000-54799.
- 10.39 Equity Transfer Agreement, dated December 6, 2017, by and between KNSN Pipe & Pile Company Limited and Hyster-Yale Acquisition Holding LTD Regarding Zhejiang Maximal Forklift Co., LTD. is incorporated by reference to Exhibit 10.57 to the Company's Annual Report on Form 10-K, filed by the Company on February 27, 2018, Commission File Number 000-54799.
- (21) Subsidiaries.
- 21.1 A list of the subsidiaries of the Company is attached hereto.
- (23) Consents of experts and counsel.
- 23.1 Consent of Ernst & Young LLP.
- (24) Powers of Attorney.
- 24.1 A copy of a power of attorney for James B. Bemowski is attached hereto.
- 24.2 A copy of a power of attorney for John C. Butler Jr. is attached hereto.
- 24.3 A copy of a power of attorney for Carolyn Corvi is attached hereto.
- 24.4 A copy of a power of attorney for John P. Jumper is attached hereto.
- 24.5 A copy of a power of attorney for Dennis W. LaBarre is attached hereto.
- 24.6 A copy of a power of attorney for H. Vincent Poor is attached hereto.
- 24.7 A copy of a power of attorney for Claiborne R. Rankin is attached hereto.
- 24.8 A copy of a power of attorney for John M. Stropki is attached hereto.
- 24.9 A copy of a power of attorney for Britton T. Taplin is attached hereto.
- 24.10 A copy of a power of attorney for Eugene Wong is attached hereto.
- (31) Rule 13a-14(a)/15d-14(a) Certifications.
- 31(i)(1) Certification of Alfred M. Rankin, Jr. pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act is attached hereto.
- 31(i)(2) Certification of Kenneth C. Schilling pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act is attached hereto.
- (32) Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Alfred M. Rankin, Jr. and Kenneth C. Schilling
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- * Management contract or compensation plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of this Annual Report on Form 10-K.

Item 16. FORM 10-K SUMMARY

None

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hyster-Yale Materials
Handling, Inc.

By: /s/ Kenneth
C.
Schilling
Kenneth C.
Schilling
Senior
Vice
President
and Chief
Financial
Officer
(principal
financial
and
accounting
officer)

February 26, 2019

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<p>/s/ Alfred M. Rankin, Jr. Alfred M. Rankin, Jr.</p>	<p>Chairman, President and Chief Executive Officer (principal executive officer), Director</p>	<p>February 26, 2019</p>
<p>/s/ Kenneth C. Schilling Kenneth C. Schilling</p>	<p>Senior Vice President and Chief Financial Officer (principal financial and accounting officer)</p>	<p>February 26, 2019</p>
<p>* James B. Bemowski James B. Bemowski</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* J.C. Butler, Jr. J.C. Butler, Jr.</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* Carolyn Corvi Carolyn Corvi</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* John P. Jumper John P. Jumper</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* Dennis W. LaBarre Dennis W. LaBarre</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* H. Vincent Poor H. Vincent Poor</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* Claiborne R. Rankin Claiborne R. Rankin</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* John M. Stropki John M. Stropki</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* Britton T. Taplin Britton T. Taplin</p>	<p>Director</p>	<p>February 26, 2019</p>
<p>* Eugene Wong</p>	<p>Director</p>	<p>February 26, 2019</p>

Eugene Wong

* Kenneth C. Schilling, by signing his name hereto, does hereby sign this Annual Report on Form 10-K on behalf of each of the above named and designated directors of the Company pursuant to a Power of Attorney executed by such persons and filed with the Securities and Exchange Commission.

/s/ Kenneth C. Schilling February 26, 2019
Kenneth C. Schilling, Attorney-in-Fact

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ANNUAL REPORT ON FORM 10-K
ITEM 8, ITEM 15(a)(1) AND (2)
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE
FINANCIAL STATEMENTS
FINANCIAL STATEMENT SCHEDULE
YEAR ENDED DECEMBER 31, 2018
HYSTER-YALE MATERIALS HANDLING, INC.
CLEVELAND, OHIO

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FORM 10-K

ITEM 15(a)(1) AND (2)

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements of Hyster-Yale Materials Handling, Inc. and Subsidiaries are incorporated by reference in Item 8:

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm — For each of the three years in the period ended December 31, 2018 F-3

Report of Ernst & Young LLP, Independent Registered Public Accounting Firm on Internal Control over Financial Reporting — as of December 31, 2018 F-4

Consolidated Statements of Operations F-5

Consolidated Statements of Comprehensive Income (Loss) F-6

Consolidated Balance Sheets F-7

Consolidated Statements of Cash Flows F-8

Consolidated Statements of Equity F-9

Notes to Consolidated Financial Statements. F-11

The following consolidated financial statement schedule of Hyster-Yale Materials Handling, Inc. and Subsidiaries are included in Item 15(a):

Schedule II — Valuation and Qualifying Accounts F-47

All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable, and therefore have been omitted.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Hyster-Yale Materials Handling, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hyster-Yale Materials Handling, Inc. and Subsidiaries (“the Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), cash flows and equity for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young

LLP

We have served as
the Company's
auditor since 2002.

Cleveland, Ohio

February 26, 2019

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Hyster-Yale Materials Handling, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Hyster-Yale Materials Handling, Inc. and Subsidiaries' ("the Company") internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

As indicated in the accompanying management's report on internal control over financial reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Zhejiang Maximal Forklift Co., Ltd. ("Maximal"), which is included in the 2018 consolidated financial statements of the Company and constituted 9% of total assets as of December 31, 2018 and 2% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Maximal.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), cash flows and equity for each of the three years in the period ended December 31, 2018 and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's report on internal control over financial reporting in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of

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the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst &
Young LLP

Cleveland, Ohio
February 26,
2019

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Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31		
	2018	2017	2016
	(In millions, except per share data)		
Revenues	\$3,174.4	\$2,885.2	\$2,569.7
Cost of sales	2,677.3	2,382.6	2,142.2
Gross Profit	497.1	502.6	427.5
Operating Expenses			
Selling, general and administrative expenses	458.3	428.5	394.6
Operating Profit	38.8	74.1	32.9
Other (income) expense			
Interest expense	16.0	14.6	6.7
Income from unconsolidated affiliates	(10.0)	(28.0)	(7.1)
Other, net	(3.8)	(6.3)	(5.0)
	2.2	(19.7)	(5.4)
Income Before Income Taxes	36.6	93.8	38.3
Income tax provision (benefit)	2.3	44.9	(4.0)
Net Income	34.3	48.9	42.3
Net (income) loss attributable to noncontrolling interest	0.4	(0.3)	0.5
Net Income Attributable to Stockholders	\$34.7	\$48.6	\$42.8
Basic Earnings per Share Attributable to Stockholders	\$2.10	\$2.95	\$2.61
Diluted Earnings per Share Attributable to Stockholders	\$2.09	\$2.94	\$2.61

See Notes to Consolidated Financial Statements.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31		
	2018	2017	2016
	(In millions)		
Net Income	\$34.3	\$48.9	\$42.3
Other comprehensive income (loss)			
Foreign currency translation adjustment	(27.4)	33.5	(1.9)
Unrealized gain on available-for-sale securities, net of \$0.5 tax expense in 2017	—	2.8	—
Current period cash flow hedging activity, net of \$4.6 tax benefit in 2018, net of \$8.0 tax expense in 2017 and net of \$6.5 tax benefit in 2016	(12.2)	6.6	(9.0)
Reclassification of hedging activities into earnings, net of \$0.8 tax benefit in 2018, net of \$1.6 tax expense in 2017 and net of \$2.2 tax expense in 2016	(1.8)	4.1	0.8
Current period pension adjustment, net of \$4.3 tax benefit in 2018, net of \$3.7 tax expense in 2017 and net of \$3.8 tax benefit in 2016	(20.1)	13.1	(17.4)
Reclassification of pension into earnings, net of \$0.7 tax expense in 2018, net of \$1.0 tax expense in 2017 and net of \$0.7 tax expense in 2016	2.9	3.2	2.0
Comprehensive Income (Loss)	\$(24.3)	\$112.2	\$16.8
Other comprehensive income (loss) attributable to noncontrolling interests			
Net (income) loss attributable to noncontrolling interests	0.4	(0.3)	0.5
Foreign currency translation adjustment attributable to noncontrolling interests	2.3	(0.9)	2.2
Comprehensive Income (Loss) Attributable to Stockholders	\$(21.6)	\$111.0	\$19.5
See Notes to Consolidated Financial Statements.			

Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2018	2017
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$83.7	\$220.1
Accounts receivable, net of allowances of \$5.4 in 2018 and \$3.7 in 2017	465.5	453.0
Inventories, net	533.6	411.9
Prepaid expenses and other	48.8	46.4
Total Current Assets	1,131.6	1,131.4
Property, Plant and Equipment, Net	296.2	265.4
Intangible Assets	67.7	56.1
Goodwill	108.3	59.1
Deferred Income Taxes	26.3	16.6
Investment in Unconsolidated Affiliates	75.6	81.9
Other Non-current Assets	36.4	37.4
Total Assets	\$1,742.1	\$1,647.9
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$415.5	\$385.8
Accounts payable, affiliates	21.3	18.1
Revolving credit facilities	13.3	6.1
Current maturities of long-term debt	78.1	68.4
Accrued payroll	56.3	51.7
Other current liabilities	191.7	162.3
Total Current Liabilities	776.2	692.4
Long-term Debt	210.1	216.2
Self-insurance Liabilities	25.2	33.5
Pension Obligations	23.1	11.1
Deferred Income Taxes	17.8	13.0
Other Long-term Liabilities	130.2	109.3
Total Liabilities	1,182.6	1,075.5
Stockholders' Equity		
Common stock:		
Class A, par value \$0.01 per share, 12,682,755 shares outstanding (2017 - 12,562,817 shares outstanding)	0.1	0.1
Class B, par value \$0.01 per share, convertible into Class A on a one-for-one basis, 3,877,967 shares outstanding (2017 - 3,899,503 shares outstanding)	0.1	0.1
Capital in excess of par value	321.5	323.8
Treasury stock	(24.1)	(31.5)
Retained earnings	407.3	389.1
Accumulated other comprehensive loss	(177.5)	(116.1)
Total Stockholders' Equity	527.4	565.5
Noncontrolling Interest	32.1	6.9
Total Equity	559.5	572.4
Total Liabilities and Equity	\$1,742.1	\$1,647.9
See Notes to Consolidated Financial Statements.		

Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December		
	31		
	2018	2017	2016
	(In millions)		
Operating Activities			
Net income	\$34.3	\$48.9	\$42.3
Adjustments to reconcile net income to net cash provided (used for) by operating activities:			
Depreciation and amortization	44.0	42.8	39.1
Amortization of deferred financing fees	1.7	1.4	1.1
Deferred income taxes	(3.2)	8.1	(7.4)
Gain on sale of assets	(0.3)	(0.3)	(0.3)
Stock-based compensation	5.7	8.8	4.9
Long-lived and intangible assets impairment charge	—	4.9	—
Dividends from unconsolidated affiliates	22.2	2.8	5.1
Other non-current liabilities	(9.4)	4.8	(6.0)
Other	8.8	(13.3)	(15.1)
Working capital changes, excluding the effect of business acquisitions:			
Accounts receivable	58.0	(44.0)	(27.5)
Inventories	(125.4)	(43.6)	(14.9)
Other current assets	1.3	(1.0)	(3.2)
Accounts payable	23.3	125.1	(53.8)
Other liabilities	6.6	19.3	(13.2)
Net cash provided by (used for) operating activities	67.6	164.7	(48.9)
Investing Activities			
Expenditures for property, plant and equipment	(38.8)	(41.0)	(42.7)
Proceeds from the sale of assets	5.9	1.3	13.7
Investments in equity securities	—	(5.6)	—
Business acquisitions, net of cash acquired	(78.0)	(1.0)	(116.1)
Purchase of noncontrolling interest	—	(1.0)	—
Net cash used for investing activities	(110.9)	(47.3)	(145.1)
Financing Activities			
Additions to long-term debt	71.5	265.6	40.1
Reductions of long-term debt	(143.7)	(75.9)	(56.5)
Net additions (reductions) to revolving credit agreements	6.5	(111.7)	115.4
Cash dividends paid	(20.4)	(19.8)	(19.2)
Cash dividends paid to noncontrolling interest	(0.3)	(0.3)	(0.2)
Financing fees paid	(0.6)	(4.7)	(1.7)
Other	(0.6)	(0.1)	—
Net cash provided by (used for) financing activities	(87.6)	53.1	77.9
Effect of exchange rate changes on cash	(5.5)	6.4	4.2
Cash and Cash Equivalents			
Increase (decrease) for the year	(136.4)	176.9	(111.9)
Balance at the beginning of the year	220.1	43.2	155.1
Balance at the end of the year	\$83.7	\$220.1	\$43.2
See Notes to Consolidated Financial Statements.			

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

	Class		Treasury	Capital	Retained	Foreign	Deferred	Deferred	Pension	Total	Noncontrol	Total
	A	B	Stock	in	Earnings	Currency	Gain	Gain	Adjustment	Stockholders	Interest	Equity
	Common	Common		Excess		Translation	on	(Loss)		Equity		
	Stock	Stock		of Par		Adjustment	AFS	on Cash				
				Value			Securities	Flow				
								Hedging				
(In millions)												
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	—	—	—	4.9	—	—	—	—	—	4.9	—	4.9
Stock issued under stock compensation plans	—	—	5.6	(5.6)	—	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	42.8	—	—	—	—	42.8	(0.5)	42.3
Cash dividends	—	—	—	—	(19.2)	—	—	—	—	(19.2)	(0.2)	(19.4)
Current period other comprehensive income (loss)	—	—	—	—	—	(1.9)	—	(9.0)	(17.4)	(28.3)	—	(28.3)
Reclassification adjustment to net income	—	—	—	—	—	—	—	0.8	2.0	2.8	—	2.8
Acquisition of Bolzoni	—	—	—	—	—	—	—	—	—	—	69.8	69.8
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(62.2)	(62.2)
Foreign currency translation on noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(2.2)	(2.2)
Balance, December 31, 2016	\$0.1	\$ 0.1	\$(36.9)	\$319.6	\$ 360.3	\$(92.0)	\$ —	\$(12.2)	\$(75.2)	\$ 463.8	\$ 6.6	\$470.4
Stock-based compensation	—	—	—	8.8	—	—	—	—	—	8.8	—	8.8
Stock issued under stock compensation plans	—	—	5.4	(5.4)	—	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	48.6	—	—	—	—	48.6	0.3	48.9
Cash dividends	—	—	—	—	(19.8)	—	—	—	—	(19.8)	(0.3)	(20.1)
Current period other comprehensive income (loss)	—	—	—	—	—	33.5	2.8	6.6	13.1	56.0	—	56.0
Reclassification adjustment to net income	—	—	—	—	—	—	—	4.1	3.2	7.3	—	7.3
Acquisition of business	—	—	—	—	—	—	—	—	—	—	0.3	0.3
Purchase of noncontrolling interest	—	—	—	0.8	—	—	—	—	—	0.8	(0.9)	(0.1)
Foreign currency translation on noncontrolling interest	—	—	—	—	—	—	—	—	—	—	0.9	0.9

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Balance, December 31, 2017	\$0.1	\$ 0.1	\$(31.5)	\$323.8	\$ 389.1	\$(58.5)	\$ 2.8	\$(1.5)	\$(58.9)	\$ 565.5	\$ 6.9	\$572.4
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Table of ContentsHYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

	Class		Treasury Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)				Total Stockholders' Equity	Noncontrolling Interest	Total Equity	
	A Common Stock	B Common Stock			Retained Earnings	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Cash Flow Hedging	Deferred Gain (Loss) on Pension Adjustment				
	(In millions)											
Balance, December 31, 2017	\$0.1	\$0.1	\$(31.5)	\$323.8	\$389.1	\$(58.5)	\$2.8	\$(1.5)	\$(58.9)	\$565.5	\$6.9	\$572.4
Cumulative effect of change in accounting	—	—	—	—	3.9	—	(2.8)	—	—	1.1	—	1.1
Stock-based compensation	—	—	—	5.7	—	—	—	—	—	5.7	—	5.7
Stock issued under stock compensation plans	—	—	8.0	(8.0)	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	(0.6)	—	—	—	—	—	—	(0.6)	—	(0.6)
Net income (loss)	—	—	—	—	34.7	—	—	—	—	34.7	(0.4)	34.3
Cash dividends	—	—	—	—	(20.4)	—	—	—	—	(20.4)	(0.3)	(20.7)
Current period other comprehensive income (loss)	—	—	—	—	—	(27.4)	—	(12.2)	(20.1)	(59.7)	—	(59.7)
Reclassification adjustment to net income	—	—	—	—	—	—	—	(1.8)	2.9	1.1	—	1.1
Acquisition of business	—	—	—	—	—	—	—	—	—	—	28.2	28.2
Foreign currency translation on noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(2.3)	(2.3)
Balance, December 31, 2018	\$0.1	\$0.1	\$(24.1)	\$321.5	\$407.3	\$(85.9)	\$—	\$(15.5)	\$(76.1)	\$527.4	\$32.1	\$559.5

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES

(Tabular Amounts in Millions, Except Per Share and Percentage Data)

NOTE 1—Principles of Consolidation and Nature of Operations

The 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 operating 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, China, Northern Ireland, Mexico, the Netherlands, the Philippines, Italy, Vietnam, Japan and Brazil. The sale of service parts represents approximately 13% of total revenues as reported for each of 2018, 2017 and 2016.

The Company operates Bolzoni S.p.A. ("Bolzoni"). Bolzoni is a leading worldwide producer and distributor of attachments, forks and lift tables marketed under the Bolzoni Auramo® and Meyer® brand names. Bolzoni products are manufactured in Italy, China, Germany, Finland 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.

In 2018, the Company announced, as part of a plan to expand Bolzoni's capabilities in the United States, Bolzoni's North America attachment manufacturing will be moved into HYG's Sulligent, Alabama manufacturing facility over the course of 2019. As a result, effective January 1, 2019, the Sulligent facility became a Bolzoni facility. As of December 31, 2018, the Sulligent facility has been included in the lift truck operations within this Annual Report on Form 10-K. The Company will reclassify the historical results of the Sulligent facility for 2019 reporting beginning with the first quarter 2019 Form 10-Q.

The Company operates Nuvera Fuel Cells, LLC ("Nuvera"). Nuvera is an alternative-power technology company focused on hydrogen fuel-cell stacks and engines.

On June 1, 2018, the Company completed the acquisition of the majority interest in Zhejiang Maximal Forklift Co., Ltd. ("Maximal"). Maximal is a Chinese manufacturer of utility and standard lift trucks and specialized material handling equipment involved in the design, manufacture, service and distribution of Class 1 electric and Class 5 internal combustion engine counterbalance utility and standard platforms, and Class 2 and Class 3 electric warehouse products for both the local China and global markets under the Maximal brand. Maximal also designs and produces specialized products in the port equipment and rough terrain forklift markets. The results of Maximal are included in the JAPIC segment since the date of acquisition. 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. 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 Heavy Industries, Ltd. 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 Consolidated Statements of Operations.

NOTE 2—Significant Accounting Policies

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments. These estimates and judgments affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES

(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Cash and Cash Equivalents: Cash and cash equivalents include cash in banks and highly liquid investments with original maturities of three months or less.

Accounts Receivable, Net of Allowances: Allowances are maintained against accounts receivable for doubtful accounts.

Allowances for doubtful accounts are maintained for estimated losses resulting from the inability of customers to make required payments. These allowances are based on both recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire customer pool. Accounts are written off against the allowance when it becomes evident collection will not occur.

Self-insurance Liabilities: The Company is generally self-insured for product liability, environmental liability and medical and workers' compensation claims. For product liability, catastrophic insurance coverage is retained for potentially significant individual claims. The Company also has insurance for certain historic product liability claims. An estimated provision for claims reported and for claims incurred but not yet reported under the self-insurance programs is recorded and revised periodically based on industry trends, historical experience and management judgment. In addition, industry trends are considered within management judgment for valuing claims. Changes in assumptions for such matters as legal judgments and settlements, legal defense costs, inflation rates, medical costs and actual experience could cause estimates to change in the near term.

Advertising Costs: Advertising costs are expensed as incurred. Total advertising expense was \$14.3 million, \$10.8 million and \$10.8 million in 2018, 2017 and 2016, respectively.

Product Development Costs: Expenses associated with the development of new products and changes to existing products are charged to expense as incurred. These costs amounted to \$110.9 million, \$104.5 million and \$107.0 million in 2018, 2017 and 2016, respectively.

Foreign Currency: Assets and liabilities of non-U.S. operations are translated into U.S. dollars at the fiscal year-end exchange rate. The related translation adjustments are recorded as a separate component of equity, except for the Company's Mexican operations. The U.S. dollar is considered the functional currency for the Company's Mexican operations and, therefore, the effect of translating assets and liabilities from the Mexican peso to the U.S. dollar is recorded in results of operations. Revenues and expenses of all non-U.S. operations are translated using average monthly exchange rates prevailing during the year.

Reclassification: Certain amounts in the prior period's audited consolidated financial statements have been reclassified to conform to the current period's presentation.

The following table includes other significant accounting policies that are described in other notes to the consolidated financial statements, including the footnote number:

Significant Accounting Policy	Note
Revenue Recognition	Revenue Recognition (Note 3)
Reportable segments	Business Segments (Note 4)
Stock-based compensation	Common Stock and Earnings per Share (Note 6)
Income taxes	Income Taxes (Note 7)
Derivatives and hedging activities	Financial Instruments and Derivative Financial Instruments (Note 9)
Fair value of financial instruments	Financial Instruments and Derivative Financial Instruments (Note 9) and Retirement Benefit Plans (Note 10)
Pension	Retirement Benefit Plans (Note 10)
Inventories	Inventories (Note 11)
Property, plant and equipment	Property, Plant and Equipment, Net (Note 12)
Impairment or disposal of long-lived assets	Property, Plant and Equipment, Net (Note 12)
Goodwill and intangible assets	Goodwill and Intangible Assets (Note 13)
Contingencies	Contingencies (Note 17)

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

Recently Issued Accounting Standards

The following table provides a brief description of recent accounting pronouncements adopted January 1, 2018. Unless otherwise noted, 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
Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) (Subsequent ASUs were issued in 2015, 2016 and 2017 to update or clarify this guidance)	The 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 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 assets recognized from costs incurred to obtain or fulfill a contract. See Note 3 for additional information.
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. The Company recorded a cumulative adjustment to retained earnings for deferred gains related to equity investments in third parties as of January 1, 2018 of \$3.6 million. Subsequent changes in the fair value of these investments are recognized directly in earnings.
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.
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.
ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash	The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.
ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business	The guidance clarifies the definition of a business to assist entities in evaluating whether transactions should be accounted for as acquisitions or disposals of businesses.
ASU 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition	The guidance clarifies the scope and accounting of a financial asset that meets the definition of an "in-substance nonfinancial asset" and defines the term, "in-substance nonfinancial asset," in addition to partial sales of nonfinancial assets.
ASU 2017-07, Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement	The guidance requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. As of January 1, 2018, the Company presents the components of net benefit cost, other than service cost, in other (income) expense for its

pension plans. Service cost for the Company's pension plans continues to be reported in operating profit. Accordingly, the Company has reclassified \$1.9 million and \$2.0 million of income related to the components of net benefit cost, other than service cost, to other (income) expense for the years ended December 31, 2017 and 2016, respectively, in the Consolidated Statements of Operations.

The guidance codifies Staff Accounting Bulletin No. 118 regarding the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act (the "Tax Reform Act"). See Note 7 for further discussion of the Tax Reform Act.

ASU No. 2018-05, Income Taxes
(Topic 740)

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

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

Standard	Description	Required Date of Adoption	Effect on the financial statements or other significant matters
ASU No. 2016-02, Leases (Topic 842)(Subsequent ASUs were issued in 2017 and 2018 to update or clarify this guidance)	The guidance requires lessees (with the exception of short-term leases) to recognize, at the 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.	January 1, 2019	The Company's evaluation process of the new standard includes, but is not limited to, evaluating its current lease portfolio, identifying relevant contracts and attributes affected by the standard and determining the required accounting upon adoption. In addition, the Company is implementing new processes and controls regarding asset financing transactions and financial reporting. The Company has completed the evaluation of its global leasing portfolio and abstraction of key attributes within lease contracts and continues its system-related implementation required for the new standard. The Company will adopt the standard as of January 1, 2019 using the optional transition method that allows for the cumulative effect adjustment to be recorded without restating prior periods. In addition, the Company has completed its evaluation of practical expedients required for adoption, and currently estimates recording a lease obligation in the range of approximately \$75 to \$95 million. The Company anticipates further refinement of this estimate as the systems-related implementation is completed during the first quarter of 2019. In addition, the Company anticipates recognizing an adjustment to increase retained earnings by \$1.0 to \$2.0 million as of January 1, 2019, for certain sales-leaseback transactions for which profit recognition was deferred under previous GAAP but is no longer deferred under the new standard.
ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities	The guidance makes targeted changes to the hedge accounting model intended to facilitate financial reporting that more closely reflects an entity's risk management activities and to simplify the application of hedge accounting. Changes include expanding the types of risk management strategies eligible for hedge accounting, easing the documentation and effectiveness assessment requirements, changing how ineffectiveness is measured and	January 1, 2019	The adoption of the guidance did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.

<p>ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</p>	<p>changing the presentation and disclosure requirements for hedge accounting activities. The guidance provides an election to reclassify the stranded tax effects resulting from the Tax Reform Act from OCI to retained earnings. In addition, the guidance requires new disclosures regarding the election to adopt and the manner in which tax effects remaining in OCI are released.</p>	<p>January 1, 2019</p>	<p>The Company adopted the standard on January 1, 2019 and recorded a cumulative adjustment to retained earnings of \$4.0 million for income tax benefits stranded in OCI resulting from the Tax Reform Act.</p>
<p>ASU 2018-07, Compensation-Stock Compensation (Topic 718)</p>	<p>The guidance addresses the accounting for non-employee share-based payment transactions.</p>	<p>January 1, 2019</p>	<p>The adoption of the guidance did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.</p>

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Standard	Description	Required Date of Adoption	Effect on the financial statements or other significant matters
ASU 2018-16, Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	The guidance permits the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815 in addition to treasury obligations of the U.S. government, the LIBOR swap rate, the OIS rate based on the Federal Funds Effective Rate, and the Securities Industry and Financial Markets Association Municipal Swap Rate.	January 1, 2019	The adoption of the guidance did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.
ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326)(Subsequent ASUs have been issued in 2018 to update or clarify this guidance)	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	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 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities	The guidance provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests.	January 1, 2020	The Company is currently evaluating the guidance and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606	The guidance clarifies the accounting for collaborative arrangements in conjunction with the adoption of "Revenue from Contracts with Customers (Topic 606)."	January 1, 2020	The Company is currently evaluating the guidance and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	The guidance removes the second step of the two-step test for the measurement of goodwill impairment. The guidance allows for early adoption for impairment testing dates after January 1, 2017.	January 1, 2020	The Company is currently evaluating the timing of adoption and the effect on its current impairment testing process.
ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement	The guidance removes, modifies or adds certain disclosures relating to fair value measurements.	January 1, 2020	The Company is currently evaluating the guidance and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's	The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting agreement that is a service contract with	January 1, 2021	The Company is currently evaluating the guidance and the effect on its

Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.	financial position, results of operations, cash flows and related disclosures.
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NOTE 3—Revenue

Adoption of the new revenue standard: On January 1, 2018, the Company adopted Accounting Standards Codification Topic 606, “Revenue from Contracts with Customers” (“new revenue standard”). The new revenue standard was applied to all open revenue contracts using the modified-retrospective method as of January 1, 2018. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company does not expect the impact of the adoption of the new standard to be material to net income on an ongoing basis.

As of January 1, 2018, the cumulative effect on the Company’s Consolidated Balance Sheet for the adoption of the new revenue standard was as follows:

	Balance at December 31, 2017	Adjustments due to New Revenue Standard	Balance at January 1, 2018
Accounts receivable, net	\$ 453.0	\$ 0.5	\$ 453.5
Inventories, net	411.9	(0.3)	411.6
Prepaid expenses and other	46.4	1.1	47.5
Other current liabilities	162.3	1.0	163.3
Retained earnings	389.1	0.3	389.4

In accordance with the adoption of the new revenue standard, the effect of adoption on the December 31, 2018 Consolidated Income Statement and Balance Sheet was as follows:

	YEAR ENDED DECEMBER 31, 2018		
	As Reported	Amount before the new revenue standard	Change Higher/(Lower)
Revenues	\$3,174.4	\$3,169.9	\$ 4.5
Cost of sales	2,677.3	2,673.2	4.1
Gross profit	497.1	496.7	0.4
Operating profit	38.8	38.4	0.4
Income before income taxes	36.6	36.2	0.4
Income tax provision (benefit)	2.3	2.2	0.1
Net income attributable to stockholders	34.7	34.4	0.3
	DECEMBER 31, 2018		
	As Reported	Amount before the new revenue standard	Change Higher/(Lower)
Accounts receivable, net	\$465.5	\$ 463.6	\$ 1.9
Inventories, net	533.6	535.3	(1.7)

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Prepaid expenses and other	48.8	50.8	(2.0)
Other current liabilities	191.7	194.1	(2.4)
Retained earnings	407.3	406.7	0.6	

The Company has elected to apply the practical expedient to reflect the aggregate effect of all modifications when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price. The Company does not disclose the value of unsatisfied performance obligations for revenue contracts with an original expected length of one year or less.

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Accounting policy: Revenue is recognized when obligations under the terms of a contract with the customer are satisfied which occurs when control of the trucks, parts, or services are transferred to the customer. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services. The satisfaction of performance obligations under the terms of a revenue contract generally gives rise for the right to payment from the customer. The Company's standard payment terms vary by the type and location of the customer and the products or services offered. Generally, the time between when revenue is recognized and when payment is due is not significant. Given the insignificant days between revenue recognition and receipt of payment, financing components do not exist between the Company and its customers. Taxes collected from customers are excluded from revenue. The estimated costs of product warranties are recognized as expense when the products are sold. See Note 16 for further information on product warranties.

The majority of the Company's sales contracts contain performance obligations satisfied at a point in time when title and risks and rewards of ownership have transferred to the customer. Revenue for service contracts are recognized as the services are provided.

The Company also records variable consideration in the form of estimated reductions to revenues for customer programs and incentive offerings, including special pricing agreements, promotions and other volume-based incentives. Lift truck sales revenue is recorded net of estimated discounts. The estimated discount amount is based upon historical experience and trend analysis for each lift truck model. In addition to standard discounts, dealers can also request additional discounts that allow them to offer price concessions to customers. From time to time, the Company offers special incentives to increase market share or dealer stock and offers certain customers volume rebates if a specified cumulative level of purchases is obtained.

For contracts with customers that include multiple performance obligations, judgment is required to determine whether performance obligations specified in these contracts are distinct and should be accounted for as separate revenue transactions for recognition purposes. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are generally determined based on the prices charged to customers or using expected cost plus margin. Impairment losses recognized on receivables or contract assets were not significant for the year ended December 31, 2018.

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are reported on the line "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

The Company pays for shipping and handling activities regardless of when control is transferred and has elected to account for shipping and handling as activities to fulfill the promise to transfer the good, rather than a promised service. These costs are reported on the line "Cost of sales" in the Consolidated Statements of Operations.

The following table disaggregates revenue by category:

	YEAR ENDED						
	DECEMBER 31, 2018						
	Lift truck business						
	Americas	EMEA	JAPIC	Bolzoni	Nuvera	Elims	Total
Dealer sales	\$1,156.6	\$628.1	\$203.1	\$—	\$—	\$—	\$1,987.8
Direct customer sales	346.7	15.2	—	—	—	—	361.9
Aftermarket sales	370.9	107.4	36.8	—	—	—	515.1
Other	113.3	18.1	2.2	200.9	12.3	(37.2)	309.6
Total Revenues	\$1,987.5	\$768.8	\$242.1	\$200.9	\$12.3	\$(37.2)	\$3,174.4

Dealer sales are recognized when the Company transfers control based on the shipping terms of the contract, which is generally when the truck is shipped from the manufacturing facility to the dealers. The majority of direct customer sales are to National Account customers. In these transactions, the Company transfers control and recognizes revenue when it delivers the product to the customer according to the terms of the contract. Aftermarket sales represent parts sales, extended warranty and maintenance services. For the sale of aftermarket parts, the Company transfers control and recognizes revenue when parts are shipped to the customer. When customers are given the right to return eligible parts and accessories, the Company estimates the expected

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returns based on an analysis of historical experience. The Company adjusts estimated revenues at the earlier of when the most likely amount of consideration expected to be received changes or when the consideration becomes fixed. The Company recognizes revenue for extended warranty and maintenance agreements based on the standalone selling price over the life of the contract, which reflects the costs to perform under these contracts and corresponds with, and thereby depicts, the transfer of control to the customer. Bolzoni revenue is primarily the sale of attachments to customers. In these transactions, the Company transfers control and recognizes revenue according to the shipping terms of the contract. Nuvera's revenues are primarily the sale of battery box replacement ("BBR") units to HYG for sale to a dealer. In all revenue transactions, the Company receives cash equal to the invoice price and amount of consideration received and the revenue recognized may vary with changes in marketing incentives.

During the fourth quarter of 2018, Nuvera recognized revenue which had previously been deferred related to BBR units due to the inability to estimate total future warranty costs. The BBRs are new technology and the design of the product continues to evolve. The Company determined sufficient data was available in the fourth quarter of 2018 to reasonably estimate the future costs related to the sale of BBR units, including warranty costs, which were also recorded during the fourth quarter of 2018.

Deferred Revenue: The Company defers revenue for transactions that have not met the criteria for recognition at the time payment is collected, including extended warranties and maintenance contracts. In addition, for certain products, services and customer types, the Company collects payment prior to the transfer of control to the customer.

	Deferred Revenue
Balance, December 31, 2017	\$ 51.6
Customer deposits and billings	63.0
Revenue recognized	(52.8)
Balance, December 31, 2018	\$ 61.8

NOTE 4—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 its corporate headquarters. EMEA includes operations in Europe, the Middle East and Africa. JAPIC includes operations in the Asia and Pacific regions including China, as well as the equity earnings of SN operations. On June 1, 2018, the Company completed the acquisition of the majority interest in Maximal, which is also included in the JAPIC segment from the date of acquisition. 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.

The Company reports the results of both Bolzoni and Nuvera as separate segments. Intercompany sales between Nuvera, Bolzoni and the lift truck business have been eliminated.

In 2018, the Company announced, as part of a plan to expand Bolzoni's capabilities in the United States, Bolzoni's North America attachment manufacturing will be moved into the Company's Sulligent, Alabama manufacturing facility over the course of 2019.

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As a result, effective January 1, 2019, the Sulligent facility became a Bolzoni facility. As of December 31, 2018, the Sulligent facility has been included in the lift truck operations within this Annual Report on Form 10-K. The Company will reclassify the historical results of the Sulligent facility for 2019 reporting beginning with the first quarter 2019 Form 10-Q.

Financial information for each of the reportable segments is presented in the following table. See Note 1 for a discussion of the Company's product lines. Refer to Note 2 for a description of the accounting policies of the reportable segments as well as a reference table for the remaining accounting policies described in the accompanying footnotes.

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	2018	2017	2016
Revenues from external customers			
Americas	\$1,987.5	\$1,834.1	\$1,675.7
EMEA	768.8	715.8	615.7
JAPIC	242.1	173.9	169.5
Lift truck business	2,998.4	2,723.8	2,460.9
Bolzoni	200.9	177.2	115.6
Nuvera	12.3	3.7	2.5
Eliminations	(37.2)	(19.5)	(9.3)
Total	\$3,174.4	\$2,885.2	\$2,569.7
Gross profit (loss)			
Americas	\$314.3	\$334.6	\$287.9
EMEA	102.8	95.7	89.5
JAPIC	22.1	20.2	17.1
Lift truck business	439.2	450.5	394.5
Bolzoni	63.7	54.8	35.7
Nuvera	(5.9)	(2.1)	(2.7)
Eliminations	0.1	(0.6)	—
Total	\$497.1	\$502.6	\$427.5
Selling, general and administrative expenses			
Americas	\$238.9	\$225.0	\$214.0
EMEA	96.2	88.9	84.1
JAPIC	36.6	26.3	23.8
Lift truck business	371.7	340.2	321.9
Bolzoni	54.2	48.4	35.8
Nuvera	32.4	39.9	36.9
Total	\$458.3	\$428.5	\$394.6
Operating profit (loss)			
Americas	\$75.4	\$109.6	\$73.9
EMEA	6.6	6.8	5.4
JAPIC	(14.5)	(6.1)	(6.7)
Lift truck business	67.5	110.3	72.6
Bolzoni	9.5	6.4	(0.1)
Nuvera	(38.3)	(42.0)	(39.6)
Eliminations	0.1	(0.6)	—
Total	\$38.8	\$74.1	\$32.9

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	2018	2017	2016
Interest expense			
Americas	\$12.4	\$12.3	\$5.4
EMEA	3.1	1.6	0.4
JAPIC	(0.1)	—	0.1
Lift truck business	15.4	13.9	5.9
Bolzoni	0.8	0.8	0.8
Nuvera	0.1	—	—
Eliminations	(0.3)	(0.1)	—
Total	\$16.0	\$14.6	\$6.7
Interest income			
Americas	\$(2.2)	\$(3.3)	\$(1.0)
EMEA	(0.1)	—	(0.5)
JAPIC	(0.3)	(0.4)	(0.5)
Lift truck business	(2.6)	(3.7)	(2.0)
Bolzoni	—	—	—
Nuvera	—	—	—
Eliminations	0.2	0.1	—
Total	\$(2.4)	\$(3.6)	\$(2.0)
Other (income) expense			
Americas	\$(3.8)	\$(25.1)	\$(5.5)
EMEA	(3.4)	(1.1)	(1.2)
JAPIC	(4.5)	(4.5)	(3.2)
Lift truck business	(11.7)	(30.7)	(9.9)
Bolzoni	0.3	—	(0.2)
Nuvera	—	—	—
Total	\$(11.4)	\$(30.7)	\$(10.1)
Income tax provision (benefit)			
Americas	\$15.5	\$57.3	\$15.4
EMEA	0.8	0.9	(2.7)
JAPIC	(5.7)	1.2	(0.5)
Lift truck business	10.6	59.4	12.2
Bolzoni	2.1	1.0	(0.4)
Nuvera	(10.5)	(15.3)	(15.8)
Eliminations	0.1	(0.2)	—
Total	\$2.3	\$44.9	\$(4.0)

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	2018	2017	2016
Net income (loss) attributable to stockholders			
Americas	\$53.5	\$68.4	\$59.6
EMEA	6.3	5.3	9.4
JAPIC	(3.1)	(1.9)	(2.1)
Lift truck business	56.7	71.8	66.9
Bolzoni	5.8	3.9	(0.3)
Nuvera	(27.9)	(26.7)	(23.8)
Eliminations	0.1	(0.4)	—
Total	\$34.7	\$48.6	\$42.8
Total assets			
Americas	\$1,259.4	\$1,146.0	\$831.9
EMEA	720.7	615.5	462.3
JAPIC	315.6	138.6	127.0
Eliminations	(578.7)	(304.6)	(185.3)
Lift truck business	1,717.0	1,595.5	1,235.9
Bolzoni	231.8	239.8	206.9
Nuvera	39.6	26.4	36.9
Eliminations	(246.3)	(213.8)	(192.6)
Total	\$1,742.1	\$1,647.9	\$1,287.1
Depreciation and amortization			
Americas	\$20.9	\$19.9	\$18.5
EMEA	7.4	7.1	6.5
JAPIC	5.2	2.6	3.1
Lift truck business	33.5	29.6	28.1
Bolzoni	9.7	11.2	9.5
Nuvera	0.8	2.0	1.5
Total	\$44.0	\$42.8	\$39.1
Capital expenditures			
Americas	\$20.9	\$25.5	\$27.6
EMEA	7.3	8.6	7.3
JAPIC	3.6	1.2	1.6
Lift truck business	31.8	35.3	36.5
Bolzoni	4.2	4.7	4.0
Nuvera	2.8	1.0	2.2
Total	\$38.8	\$41.0	\$42.7
Cash and cash equivalents			
Americas	\$19.5	\$191.2	\$10.4
EMEA	31.6	11.6	14.4
JAPIC	17.2	6.6	8.2
Lift truck business	68.3	209.4	33.0
Bolzoni	15.4	10.7	10.2
Nuvera	—	—	—
Total	\$83.7	\$220.1	\$43.2

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Data by Geographic Region

No single country outside of the United States comprised 10% or more of revenues from unaffiliated customers. The “Other” category below includes Canada, Mexico, South America and the Asia and Pacific regions. In addition, no single customer comprised 10% or more of revenues from unaffiliated customers.

	United States	Europe, Africa and Middle East	Other	Consolidated
2018				
Revenues from unaffiliated customers, based on the customers’ location	\$ 1,650.3	\$ 940.5	\$ 583.6	\$ 3,174.4
Long-lived tangible assets	\$ 180.9	\$ 72.6	\$ 118.3	\$ 371.8
2017				
Revenues from unaffiliated customers, based on the customers’ location	\$ 1,588.8	\$ 825.8	\$ 470.6	\$ 2,885.2
Long-lived tangible assets	\$ 181.6	\$ 82.3	\$ 83.4	\$ 347.3
2016				
Revenues from unaffiliated customers, based on the customers’ location	\$ 1,437.6	\$ 701.9	\$ 430.2	\$ 2,569.7
Long-lived tangible assets	\$ 159.1	\$ 59.8	\$ 82.1	\$ 301.0

NOTE 5—Quarterly Results of Operations (Unaudited)

A summary of the unaudited results of operations for the year ended December 31 is as follows:

	2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$788.2	\$765.6	\$782.9	\$837.7
Gross profit	\$132.1	\$126.2	\$117.9	\$120.9
Operating profit (loss)	\$19.2	\$10.8	\$12.2	\$(3.4)
Net income (loss)	\$14.9	\$5.7	\$14.9	\$(1.2)
Net income (loss) attributable to stockholders	\$14.9	\$5.6	\$15.4	\$(1.2)
Basic earnings (loss) per share	\$0.90	\$0.34	\$0.93	\$(0.07)
Diluted earnings (loss) per share	\$0.90	\$0.34	\$0.93	\$(0.07)
	2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$713.1	\$685.5	\$691.1	\$795.5
Gross profit	\$126.1	\$121.7	\$121.4	\$133.4
Operating profit	\$22.6	\$17.5	\$18.1	\$15.9
Net income (loss)	\$18.1	\$16.4	\$16.7	\$(2.3)
Net income (loss) attributable to stockholders	\$18.1	\$16.4	\$16.5	\$(2.4)
Basic earnings (loss) per share	\$1.10	\$1.00	\$1.00	\$(0.15)
Diluted earnings (loss) per share	\$1.10	\$0.99	\$1.00	\$(0.15)

Net income (loss) attributable to stockholders for the fourth quarter of 2017 include the impacts of the Tax Reform Act, which was signed into law December 22, 2017. See Note 7 to the consolidated financial statements for further discussion.

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NOTE 6—Common Stock and Earnings per Share

The Company's Class A common stock is traded on the New York Stock Exchange under the ticker symbol "HY." Because of transfer restrictions on Class B common stock, no trading market has developed, or is expected to develop, for the Company's Class B common stock. The Class B common stock is convertible into Class A common stock on a one-for-one basis at any time at the request of the holder. The Company's Class A common stock and Class B common stock have the same cash dividend rights per share. The Class A common stock has one vote per share and the Class B common stock has ten votes per share. The total number of authorized shares of Class A common stock and Class B common stock at December 31, 2018 was 125 million shares and 35 million shares, respectively. Treasury shares of Class A common stock totaling 327,385 and 425,787 at December 31, 2018 and 2017, respectively, have been deducted from shares outstanding.

Stock Compensation: The Company has stock compensation plans for certain employees in the U.S. that allow the grant of shares of Class A common stock, subject to restrictions, as a means of retaining and rewarding them for long-term performance and to increase ownership in the Company. Shares awarded under the plans are fully vested and entitle the stockholder to all rights of common stock ownership except that shares may not be assigned, pledged or otherwise transferred during the restriction period. In general, the restriction period ends at the earliest of (i) five years after the participant's retirement date, (ii) ten years from the award date, or (iii) the participant's death or permanent disability. Pursuant to the plans, the Company issued 88,172, 89,502 and 56,002 shares related to the years ended December 31, 2018, 2017 and 2016, respectively. After the issuance of these shares, there were 319,718 shares of Class A common stock available for issuance under these plans. Compensation expense related to these share awards was \$4.5 million (\$3.6 million net of tax), \$7.6 million (\$6.0 million net of tax) and \$3.8 million (\$2.3 million net of tax) for the years ended December 31, 2018, 2017 and 2016, respectively. Compensation expense at the grant date represents fair value based on the market price of the shares of Class A common stock. The Company also has a stock compensation plan for non-employee directors of the Company under which a portion of the non-employee directors' annual retainer is paid in restricted shares of Class A common stock. For the years ended December 31, 2018, \$113,000 of each non-employee director's retainer of \$173,000 was paid in restricted shares of Class A common stock. For the year ended December 31, 2017, \$110,000 of \$166,000 was paid in restricted shares of Class A common stock. For the year ended December 31, 2016, \$102,000 of \$158,000 was paid in restricted shares of Class A common stock. Shares awarded under the plan are fully vested and entitle the stockholder to all rights of common stock ownership except that shares may not be assigned, pledged or otherwise transferred during the restriction period. In general, the restriction period ends at the earliest of (i) ten years from the award date, (ii) the date of the director's death or permanent disability, (iii) five years (or earlier with the approval of the Board of Directors) after the director's date of retirement from the Board of Directors, or (iv) the date on which the director has both retired from the Board of Directors and reached 70 years of age. Pursuant to this plan, the Company issued 16,196, 14,480 and 15,426 shares related to the years ended December 31, 2018, 2017 and 2016, respectively. In addition to the mandatory retainer fee received in restricted stock, directors may elect to receive shares of Class A common stock in lieu of cash for up to 100% of the balance of their annual retainer, meeting attendance fees, committee retainer and any committee chairman's fees. These voluntary shares are not subject to any restrictions. Total shares issued under voluntary elections were 2,182, 2,006 and 2,352 in 2018, 2017 and 2016, respectively. After the issuance of these shares, there were 8,739 shares of Class A common stock available for issuance under this directors' plan. Compensation expense related to these awards was \$1.2 million (\$0.9 million net of tax), \$1.2 million (\$0.9 million net of tax) and \$1.1 million (\$0.7 million net of tax) for the years ended December 31, 2018, 2017 and 2016, respectively. Compensation expense at the grant date represents fair value based on the market price of the shares of Class A common stock.

Earnings per Share: For purposes of calculating earnings per share, no adjustments have been made to the reported amounts of net income attributable to stockholders. In addition, basic and diluted earnings per share for Class A common stock are the same as Class B common stock. The weighted average number of shares of Class A common stock and Class B common stock outstanding used to calculate basic and diluted earnings per share were as follows:

	2018	2017	2016
Basic weighted average shares outstanding	16.540	16.447	16.376
Dilutive effect of restricted stock awards	0.062	0.067	0.051

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Diluted weighted average shares outstanding	16.602	16.514	16.427
Basic earnings per share	\$2.10	\$2.95	\$2.61
Diluted earnings per share	\$2.09	\$2.94	\$2.61
Cash dividends per share	\$1.2325	\$1.2025	\$1.1700

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NOTE 7—Income Taxes

The components of income before income taxes and provision for income taxes for the years ended December 31 are as follows:

	2018	2017	2016
Income (loss) before income taxes			
U.S.	\$(7.5)	\$48.3	\$(1.2)
Non-U.S.	44.1	45.5	39.5
	\$36.6	\$93.8	\$38.3
Income tax provision (benefit)			
Current tax provision (benefit):			
Federal	\$(4.2)	\$28.3	\$(1.3)
State	0.8	1.4	(0.3)
Non-U.S.	8.9	7.1	5.0
Total current	\$5.5	\$36.8	\$3.4
Deferred tax provision (benefit):			
Federal	\$(2.6)	\$10.7	\$(5.8)
State	0.3	(0.7)	0.8
Non-U.S.	(0.9)	(1.9)	(2.4)
Total deferred	\$(3.2)	\$8.1	\$(7.4)
	\$2.3	\$44.9	\$(4.0)

The Company made income tax payments of \$16.8 million, \$14.0 million and \$19.3 million during 2018, 2017 and 2016, respectively. The Company received income tax refunds of \$0.8 million, \$2.2 million and \$11.1 million during 2018, 2017 and 2016, respectively.

A reconciliation of the federal statutory and reported income tax rate for the year ended December 31 is as follows:

	2018	2017	2016
Income before income taxes	\$36.6	\$93.8	\$38.3
Statutory taxes (21% in 2018 and 35% in 2017 and 2016)	\$7.7	\$32.8	\$13.4
Tax Reform Act	(4.4)	38.2	—
Federal income tax credits	(3.7)	(1.8)	(1.8)
Equity interest earnings	(1.7)	(8.1)	(2.2)
Non-U.S. rate differences	(1.5)	(7.2)	(9.6)
Tax controversy resolution	(0.4)	—	2.1
State income taxes	—	0.2	(0.6)
Valuation allowance	3.0	0.1	(0.2)
Global intangible low-taxed income	1.2	—	—
Sale of non-U.S. investment	—	(9.1)	(1.9)
Unremitted non-U.S. earnings	—	(0.4)	(3.9)
Nondeductible compensation	0.9	0.1	0.1
Capitalized acquisition costs	0.9	—	1.6
Other	0.3	0.1	(1.0)
Income tax provision (benefit)	\$2.3	\$44.9	\$(4.0)
Reported income tax rate	6.3 %	47.9 %	n.m.

n.m. - not meaningful

On December 22, 2017, the President of the United States signed into law the Tax Reform Act. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate income tax rate

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from 35% to 21% effective January 1, 2018, repealing the deduction for domestic production activities, allowing the immediate expensing of certain qualified capital expenditures, implementing a territorial tax system and imposing a one-time transition tax on certain unremitted earnings of non-U.S. subsidiaries. As a result of the Tax Reform Act in 2017, the Company recorded provisional tax effects of \$38.2 million, comprised of \$33.1 million of tax expense due to the transition tax on the unremitted earnings and profits of non-U.S. subsidiaries and \$5.1 million of tax expense due to the effects on the Company's deferred tax assets and liabilities as of December 31, 2017. The Company has since finalized its calculation of earnings and profits, including the amounts held in cash or other specified assets and its calculation of available foreign tax credits consistent with the additional regulatory guidance issued during 2018, resulting in a reduction in tax expense of \$4.4 million, which was recorded during 2018.

After the utilization of existing tax credits, the Company will pay cash taxes, including state income taxes, of \$17.6 million with respect to the transition tax payable over an installment period of eight years. As a result of the Tax Reform Act, no additional income taxes or withholding taxes have been provided for any undistributed foreign earnings, nor any additional outside basis differences inherent in these entities, as these amounts continue to be indefinitely reinvested in non-U.S. operations.

While the Tax Reform Act provides for a territorial system, beginning in 2018, it includes new anti-deferral and anti-base erosion provisions, the global intangible low-taxed income ("GILTI") provisions and the base-erosion and anti-abuse tax ("BEAT") provisions.

The GILTI provisions require the Company to include non-U.S. earnings in excess of an allowable return on the Company's non-U.S. subsidiary's tangible assets in its U.S. income tax return. The Company has provisioned for GILTI due to expense allocations required by the U.S. foreign tax credit rules and various adjustments required to determine tangible assets as defined in the Tax Reform Act. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore has not provided any deferred tax amounts for GILTI.

The BEAT provisions in the Tax Reform Act create a minimum tax where a lower tax rate is applied to pre-tax income determined without the benefit of certain base-erosion payments made to related non-U.S. corporations. The Company will only be taxed under this regime if such tax exceeds the regular U.S. corporate income tax. The Company did not incur a BEAT liability in 2018.

During 2017, the Company recognized a tax benefit of \$9.1 million and tax expense of \$1.4 million for unrecognized tax benefits, from an internal sale of a subsidiary between consolidated companies resulting in the repatriation of non-U.S. accumulated earnings taxed at higher rates. In addition, the Company settled various federal obligations in Brazil through the utilization of its federal net operating loss carryforwards for which a valuation allowance was previously provided. As a result of the utilization of the underlying deferred tax assets, the Company released the associated valuation allowance previously provided of \$4.7 million. This was partly offset by a \$1.6 million valuation allowance provided against deferred tax assets in China where the Company has determined that such deferred tax assets no longer meet the more likely than not standard for realization.

During 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 determined it was more likely than not that the deferred tax asset for such losses of approximately \$3.2 million would be realized in the foreseeable future, and released the valuation allowance previously provided.

Other items during 2016 include a tax benefit of \$4.0 million. As a result of the Bolzoni acquisition, the Company changed its previous reinvestment assertion; and 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 tax

expense of \$1.6 million related to non-deductible acquisition expenses and tax expense of \$2.1 million for net additions for unrecognized tax benefits.

The Company continually evaluates its deferred tax assets to determine if a valuation allowance is required. A valuation allowance is required where realization is determined to no longer meet the "more likely than not" standard. The Company provided \$1.8 million, \$2.7 million and \$2.4 million in 2018, 2017 and 2016, respectively, of valuation allowances related to

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pre-tax losses in Brazil, \$0.8 million and \$0.6 million in 2018 and 2017 due to pre-tax losses in China and \$0.4 million in 2018 related to Non-U.S. capital losses in its effective tax rate.

A detailed summary of the total deferred tax assets and liabilities in the Consolidated Balance Sheets resulting from differences in the book and tax basis of assets and liabilities follows:

	December 31	
	2018	2017
Deferred tax assets		
Tax attribute carryforwards	\$28.6	\$28.3
Accrued expenses and reserves	15.1	8.3
Product warranties	9.9	9.1
Accrued product liability	5.6	6.5
Other employee benefits	4.3	3.2
Accrued pension benefits	4.6	2.2
Other	2.3	—
Total deferred tax assets	70.4	57.6
Less: Valuation allowance	30.9	31.0
	39.5	26.6
Deferred tax liabilities		
Depreciation and amortization	28.0	22.2
Inventories	3.0	0.5
Other	—	0.3
Total deferred tax liabilities	31.0	23.0
Net deferred tax asset	\$8.5	\$3.6

The following table summarizes the tax carryforwards and associated carryforward periods and related valuation allowances where the Company has determined that realization is uncertain:

	December 31, 2018		
	Net deferred tax asset	Valuation allowance	Carryforwards expire during:
Non-U.S. net operating loss	\$21.2	\$ 15.6	2019 - Indefinite
Non-U.S. capital losses	6.4	6.4	2019 - Indefinite
State net operating losses and credits	4.1	3.3	2019 - 2037
Less: Unrecognized tax benefits	(3.1)	—	
Total	\$28.6	\$ 25.3	
	December 31, 2017		
	Net deferred tax asset	Valuation allowance	Carryforwards expire during:
Non-U.S. net operating loss	\$21.9	\$ 13.9	2018 - Indefinite
Non-U.S. capital losses	6.5	6.5	2018 - Indefinite
State net operating losses and credits	3.8	2.4	2018 - 2036
Less: Unrecognized tax benefits	(3.9)	—	
Total	\$28.3	\$ 22.8	

The establishment of a valuation allowance does not have an impact on cash, nor does such an allowance preclude the Company from using its loss carryforwards or other deferred tax assets in future periods. The tax net operating losses

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attributable to Brazil and Australia comprise a substantial portion of the non-U.S. net operating loss deferred tax assets and do not expire under local law.

During 2018 and 2017, the net valuation allowance provided against certain deferred tax assets decreased by \$0.1 million and increased by \$1.7 million, respectively. The change in the total valuation allowance in 2018 and 2017 included a net increase in tax expense of \$3.0 million and \$0.1 million, respectively, a net change in the overall U.S. dollar value of valuation allowances previously recorded in non-U.S. currencies recorded directly in equity of a net decrease of \$3.1 million and a net increase of \$1.1 million in 2018 and 2017, respectively. Additionally in 2017, the change in valuation allowance included a net increase of \$0.5 million due to the remeasurement of deferred taxes as a result of the Tax Reform Act.

Based upon a review of historical earnings and trends, forecasted earnings and the relevant expiration of carryforwards, the Company believes the valuation allowances provided are appropriate. At December 31, 2018, the Company had gross net operating loss carryforwards in U.S. state jurisdictions of \$14.1 million and non-U.S. jurisdictions of \$72.5 million.

The following is a reconciliation of total gross unrecognized tax benefits, defined as the aggregate tax effect of differences between tax return positions and the benefits recognized in the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016. Approximately \$15.1 million, \$10.9 million and \$11.1 million of these amounts as of December 31, 2018, 2017 and 2016, respectively, relate to permanent items that, if recognized, would impact the reported income tax rate. This amount differs from gross unrecognized tax benefits presented in the table below due to the increase in U.S. federal income taxes which would occur upon the recognition of the state tax benefits included herein.

	2018	2017	2016
Balance at January 1	\$10.9	\$11.2	\$3.8
Additions (reductions) for business acquisitions	6.0	(1.0)	6.3
Additions based on tax positions related to the current year	0.4	2.7	2.8
Additions (reductions) for tax positions of prior years	0.3	(1.5)	0.1
Reductions due to settlements with taxing authorities and the lapse of the applicable statute of limitations	(1.6)	(1.2)	(0.9)
Other changes in unrecognized tax benefits including foreign currency translation adjustments	(0.8)	0.7	(0.9)
Balance at December 31	\$15.2	\$10.9	\$11.2

The Company records interest and penalties on uncertain tax positions as a component of the income tax provision. The Company recorded a net increase of \$0.5 million and \$0.1 million during 2018 and 2016, and a net decrease of \$0.1 million during 2017 in interest and penalties. In addition, during 2018 and 2016, the balance of accrued interest and penalty was increased for uncertain tax positions related to business acquisitions by \$7.7 million and \$0.5 million, respectively. During 2018, the total amount of interest and penalty was decreased by \$0.5 million as a result of foreign currency translation into U.S. dollars. The total amount of interest and penalties accrued was \$8.5 million, \$0.8 million and \$0.9 million as of December 31, 2018, 2017 and 2016, respectively.

The Company expects the amount of unrecognized tax benefits will change within the next twelve months. It is reasonably possible the Company will record unrecognized tax benefits within the next twelve months in the range of zero to \$2.0 million resulting from the possible expiration of certain statutes of limitation and settlement of audits. If recognized, the previously unrecognized tax benefits will be recorded as discrete tax benefits in the interim period in which the items are effectively settled. The tax returns of the Company and its non-U.S. subsidiaries are routinely examined by various taxing authorities. The Company has not been informed of any material assessment for which an accrual has not been previously provided and the Company would vigorously contest any material assessment. Management believes any potential adjustment would not materially affect the Company's financial condition or results of operations.

In general, the Company operates in taxing jurisdictions that provide a statute of limitations period ranging from three to five years for the taxing authorities to review the applicable tax filings. The examination of U.S. federal tax returns for all years prior to 2015 have been settled with the Internal Revenue Service or otherwise have essentially closed under the applicable statute of limitations. However, the Company has elected to voluntarily extend the statute of limitations for U.S. federal tax return for 2012 at the request of its prior parent company such that attributes may be adjusted in limited circumstances. The

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Company is routinely under examination in various state and non-U.S. jurisdictions and in most cases the statute of limitations has not been extended. The Company believes these examinations are routine in nature and are not expected to result in any material tax assessments.

NOTE 8—Reclassifications from OCI

The following table summarizes reclassifications out of accumulated other comprehensive income (loss) ("OCI") for each year ended December 31 as recorded in the Consolidated Statements of Operations:

Details about OCI Components	Amount Reclassified from OCI			Affected Line Item in the Statement Where Net Income Is Presented
	2018	2017	2016	
Gain (loss) on cash flow hedges:				
Foreign exchange contracts	\$2.6	\$(5.7)	\$(3.0)	Cost of sales
Total before tax	2.6	(5.7)	(3.0)	Income before income taxes
Tax expense (benefit)	(0.8)	1.6	2.2	Income tax provision (benefit)
Net of tax	\$1.8	\$(4.1)	\$(0.8)	Net income
Amortization of defined benefit pension items:				
Actuarial loss	\$(3.8)	\$(4.5)	\$(3.0)	Other, net
Prior service credit	0.2	0.3	0.3	Other, net
Total before tax	(3.6)	(4.2)	(2.7)	Income before income taxes
Tax expense	0.7	1.0	0.7	Income tax provision (benefit)
Net of tax	\$(2.9)	\$(3.2)	\$(2.0)	Net income
Total reclassifications for the period	\$(1.1)	\$(7.3)	\$(2.8)	

NOTE 9—Financial Instruments and Derivative 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 December 31, 2018, the total carrying value and total fair value of revolving credit agreements and long-term debt, excluding capital leases, was \$284.2 million and \$281.0 million, respectively. At December 31, 2017, the total carrying value and total fair value of revolving credit agreements and long-term debt, excluding capital leases, was \$270.9 million and \$272.2 million, respectively.

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of accounts receivable and derivatives. The large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies mitigates concentration of credit risk on accounts receivable. To further reduce credit risk associated with accounts receivable, the Company performs periodic credit evaluations of its customers, but does not generally require advance payments or collateral. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any one institution.

Derivative Financial Instruments

Financial instruments held by the Company include cash and cash equivalents, accounts receivable, accounts payable, revolving credit agreements, long-term debt, interest rate swap agreements and forward foreign currency exchange contracts. The Company does not hold or issue financial instruments or derivative financial instruments for trading purposes.

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 exchange contracts that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the Consolidated Statements of Operations in the same period as the gains or losses from the underlying transactions are recorded

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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.

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.

During 2017, the Company entered into cross-currency swaps which hedge the variability of expected future cash flows that are attributable to foreign currency risk of certain intercompany loans. These agreements include initial and final exchanges of principal and associated interest payments from fixed euro denominated to fixed U.S.-denominated amounts. Changes in the fair value of cross-currency swaps that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the Consolidated Statements of Operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in other (income) expense and interest expense. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and is generally recognized in other (income) expense.

The Company uses interest rate swap agreements to partially reduce risks related to floating rate financing agreements that are subject to changes in the market rate of interest. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. The Company's interest rate swap agreements and its variable rate financings are predominately based upon the one or three-month LIBOR. Changes in the fair value of interest rate swap agreements that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the Consolidated Statements of Operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in interest expense. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings in other (income) expense.

Cash flows from hedging activities are reported in the Consolidated Statements of Cash Flows in 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.

The Company does not currently hold any nonderivative instruments designated as hedges or any derivatives designated as fair value hedges.

Foreign Currency Derivatives: The Company held forward foreign currency exchange contracts with a total notional amount of \$1.1 billion at December 31, 2018, primarily denominated in euros, U.S. dollars, Japanese yen, British pounds, Swedish kroner, Mexican pesos, Chinese Renminbi, Brazilian Real and Australian dollars. The Company held forward foreign currency exchange contracts with total notional amounts of \$860.2 million at December 31, 2017, primarily denominated in euros, U.S. dollars, Japanese yen, British pounds, Swedish kroner, Mexican pesos and Australian dollars. The fair value of these contracts approximated a net liability of \$19.5 million and \$2.1 million at December 31, 2018 and 2017, respectively.

For the years ended December 31, 2018 and 2017, there was no material ineffectiveness of forward foreign currency exchange contracts that qualify for hedge accounting. 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 December 31, 2018, \$5.0 million of the amount of net deferred loss included in OCI at December 31, 2018 is expected to be reclassified as expense into the Consolidated Statements of Operations over the next twelve months, as the transactions occur.

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Interest Rate Derivatives: The Company holds certain contracts that hedge interest payments on the Term Loan borrowings and one and three-month LIBOR borrowings. The following table summarizes the notional amounts, related rates, excluding spreads, and remaining terms of interest rate swap agreements at December 31, 2018 and 2017:

Notional Amount		Average Fixed Rate		Term at December 31, 2018
December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	
\$56.5	\$ 56.5	1.94%	1.94%	Extending to November 2022
83.5	83.5	2.20%	2.20%	Extending to May 2023
—	100.0	—%	1.47%	Extending to December 2018

The fair value of all interest rate swap agreements was a net asset of \$1.6 million and \$0.8 million at December 31, 2018 and 2017, respectively. The mark-to-market effect of interest rate swap agreements that are considered effective as hedges has been included in OCI. Based on market valuations at December 31, 2018, \$0.5 million of the amount included in OCI is expected to be reclassified as income in the Consolidated Statement of Operations over the next twelve months, as cash flow payments are made in accordance with the interest rate swap agreements.

The following table summarizes the fair value of derivative instruments at December 31 as recorded in the Consolidated Balance Sheets:

	Asset Derivatives		Liability Derivatives				
	Balance sheet location	2018	2017	Balance sheet location	2018	2017	
Derivatives designated as hedging instruments							
Cash Flow Hedges							
Interest rate swap agreements							
Current	Prepaid expenses and other	\$0.6	\$—	Prepaid expenses and other	\$—	\$0.1	
Long-term	Other non-current assets	1.0	0.7	Other non-current assets	—	—	
	Other long-term liabilities	—	—	Other long-term liabilities	—	0.1	
Foreign currency exchange contracts							
Current	Prepaid expenses and other	2.1	8.3	Prepaid expenses and other	0.4	4.0	
	Other current liabilities	3.3	2.8	Other current liabilities	12.8	4.3	
Long-Term	Other non-current assets	1.0	3.9	Other non-current assets	0.6	1.3	
	Other long-term liabilities	0.5	0.5	Other long-term liabilities	13.8	7.7	
Total derivatives designated as hedging instruments		\$8.5	\$16.2			\$27.6	\$17.5
Derivatives not designated as hedging instruments							
Cash Flow Hedges							
Interest rate swap agreements							
Current	Prepaid expenses and other	\$—	\$0.4	Prepaid expenses and other	\$—	\$—	
Long-term	Other long-term liabilities	—	—	Other long-term liabilities	—	0.1	
Foreign currency exchange contracts							
Current	Prepaid expenses and other	0.4	0.8	Prepaid expenses and other	0.2	0.4	
	Other current liabilities	1.5	0.1	Other current liabilities	0.5	0.8	
Total derivatives not designated as hedging instruments		\$1.9	\$1.3			\$0.7	\$1.3
Total derivatives		\$10.4	\$17.5			\$28.3	\$18.8

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The following table summarizes the offsetting of the fair value of derivative instruments on a gross basis by counterparty at December 31, 2018 and 2017 as recorded in the Consolidated Balance Sheets:

	Derivative Assets as of December 31, 2018				Derivative Liabilities as of December 31, 2018			
	Gross Amounts of Recognized Assets	Gross Amounts Offset	Net Amounts Presented	Net Amount	Gross Amounts of Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Amount
Cash Flow Hedges								
Interest rate swap agreements	\$1.6	\$ —	\$ 1.6	\$ 1.6	\$—	\$ —	\$ —	\$ —
Foreign currency exchange contracts	2.3	(2.3)	—	—	21.8	(2.3)	19.5	19.5
Total derivatives	\$3.9	\$ (2.3)	\$ 1.6	\$ 1.6	\$21.8	\$ (2.3)	\$ 19.5	\$ 19.5

	Derivative Assets as of December 31, 2017				Derivative Liabilities as of December 31, 2017			
	Gross Amounts of Recognized Assets	Gross Amounts Offset	Net Amounts Presented	Net Amount	Gross Amounts of Recognized Liabilities	Gross Amounts Offset	Net Amounts Presented	Net Amount
Cash Flow Hedges								
Interest rate swap agreements	\$1.0	\$ (0.2)	\$ 0.8	\$ 0.8	\$0.2	\$ (0.2)	\$ —	\$ —
Foreign currency exchange contracts	7.3	(7.3)	—	—	9.4	(7.3)	2.1	2.1
Total derivatives	\$8.3	\$ (7.5)	\$ 0.8	\$ 0.8	\$9.6	\$ (7.5)	\$ 2.1	\$ 2.1

The following table summarizes the pre-tax impact of derivative instruments for each year ended December 31 as recorded in the Consolidated Statements of Operations:

Derivatives in Cash Flow Hedging Relationships	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) Recognized 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)		
	2018	2017	2016		2018	2017	2016		2018	2017	2016
Cash Flow Hedges											
Interest rate swap agreements	\$2.0	\$0.5	\$—	Interest expense	\$—	\$—	\$—	Other	\$—	\$—	\$—
Foreign currency exchange contracts	(18.8)	14.1	(15.5)	Cost of sales	2.6	(5.7)	(3.0)	Cost of sales	—	(0.1)	(0.2)

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\$(16.8) \$14.6 \$(15.5) \$2.6 \$(5.7) \$(3.0) \$— \$(0.1) \$(0.2)

Derivatives Not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative		
		2018	2017	2016
Cash flow hedges				
Interest rate swap agreements	Other	\$0.3	\$0.2	\$(0.6)
Foreign currency exchange contracts	Cost of sales	(2.3)	2.0	(2.8)
Total		\$(2.0)	\$2.2	\$(3.4)

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NOTE 10—Retirement Benefit Plans

Defined 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 defined benefit pension plans. All other eligible employees of the Company, including employees whose pension benefits are frozen, receive retirement benefits under defined contribution retirement plans.

During 2018, 2017 and 2016, the Company recognized a settlement loss of \$1.1 million, \$1.0 million and \$0.9 million, respectively, resulting from lump-sum distributions exceeding the total projected interest cost for the plan year for its U.S. pension plans.

The assumptions used in accounting for the defined benefit plans were as follows for the years ended December 31:

	2018	2017	2016
United States Plans			
Weighted average discount rates	4.10%	3.40%	3.75%
Expected long-term rate of return on assets	7.50%	7.50%	7.50%
Non-U.S. Plans			
Weighted average discount rates	1.13%-2.65%	0.88% - 2.40%	0.86% - 2.50%
Rate of increase in compensation levels	1.50%-2.50%	1.50% - 2.50%	1.50% - 2.50%
Expected long-term rate of return on assets	1.80%-7.00%	1.70% - 7.00%	3.00% - 7.00%

Each year, the assumptions used to calculate the benefit obligation are used to calculate the net periodic pension expense for the following year.

Set forth below is a detail of the net periodic pension expense for the defined benefit plans for the years ended December 31:

	2018	2017	2016
United States Plans			
Interest cost	\$2.5	\$2.7	\$3.0
Expected return on plan assets	(4.9)	(4.9)	(5.0)
Amortization of actuarial loss	1.8	1.8	1.6
Amortization of prior service credit	(0.2)	(0.3)	(0.3)
Settlements	1.1	1.0	0.9
Net periodic pension expense (benefit)	\$0.3	\$0.3	\$0.2
Non-U.S. Plans			
Service cost	\$0.2	\$0.2	\$0.2
Interest cost	4.0	4.1	5.0
Expected return on plan assets	(10.5)	(9.2)	(8.8)
Amortization of actuarial loss	2.0	2.7	1.4
Net periodic pension expense (benefit)	\$(4.3)	\$(2.2)	\$(2.2)

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Set forth below is a detail of other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended December 31:

	2018	2017	2016
United States Plans			
Current year actuarial (gain) loss	\$4.8	\$(2.0)	\$1.6
Amortization of actuarial loss	(1.8)	(1.8)	(1.6)
Amortization of prior service credit	0.2	0.3	0.3
Settlements	(1.1)	(1.0)	(0.9)
Total recognized in other comprehensive income (loss)	\$2.1	\$(4.5)	\$(0.6)
Non-U.S. Plans			
Current year actuarial (gain) loss	\$18.8	\$(13.8)	\$20.5
Current year prior service cost	1.9	—	—
Amortization of actuarial loss	(2.0)	(2.7)	(1.4)
Total recognized in other comprehensive income (loss)	\$18.7	\$(16.5)	\$19.1

The following table sets forth the changes in the benefit obligation and the plan assets during the year and the funded status of the defined benefit plans at December 31:

	2018		2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Change in benefit obligation				
Projected benefit obligation at beginning of year	\$74.8	\$179.0	\$75.7	\$165.2
Service cost	—	0.2	—	0.2
Interest cost	2.5	4.0	2.7	4.1
Actuarial (gain) loss	(3.9)	(2.9)	2.9	(1.9)
Benefits paid	(4.4)	(6.4)	(4.5)	(5.8)
Employee contributions	—	0.2	—	0.1
Plan amendments	—	2.0	—	—
Lump sum payments	(2.2)	—	(2.0)	—
Foreign currency exchange rate changes	—	(9.7)	—	17.1
Projected benefit obligation at end of year	\$66.8	\$166.4	\$74.8	\$179.0
Accumulated benefit obligation at end of year	\$66.8	\$165.8	\$74.8	\$178.4
Change in plan assets				
Fair value of plan assets at beginning of year	\$71.0	\$178.3	\$67.2	\$138.9
Actual return on plan assets	(3.7)	(12.0)	9.8	20.6
Employer contributions	—	0.8	0.5	9.2
Employee contributions	—	0.2	—	0.1
Benefits paid	(4.4)	(6.4)	(4.5)	(5.8)
Settlements	(2.2)	—	(2.0)	—
Foreign currency exchange rate changes	—	(8.6)	—	15.3
Fair value of plan assets at end of year	\$60.7	\$152.3	\$71.0	\$178.3
Funded status at end of year	\$(6.1)	\$(14.1)	\$(3.8)	\$(0.7)

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	2018		2017	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Amounts recognized in the consolidated balance sheets consist of:				
Noncurrent assets	\$—	\$—	\$0.1	\$ 3.8
Noncurrent liabilities	(6.1)	(14.1)	(3.9)	(4.5)
	\$ (6.1)	\$ (14.1)	\$ (3.8)	\$ (0.7)
Components of accumulated other comprehensive income (loss) consist of:				
Actuarial loss	\$39.7	\$ 56.9	\$37.9	\$ 40.1
Prior service cost (credit)	—	1.8	(0.3)	(0.1)
Deferred taxes	(8.3)	(8.0)	(7.8)	(5.2)
Change in statutory tax rate	(6.0)	(2.0)	(6.0)	(2.0)
Foreign currency translation adjustment	—	2.0	—	2.3
	\$25.4	\$ 50.7	\$23.8	\$ 35.1

The projected benefit obligation included in the table above represents the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future pay increases. The accumulated benefit obligation also reflects the actuarial present value of benefits attributable to employee service rendered to date, but does not include the effects of estimated future pay increases.

Expected amortization of amounts included in accumulated other comprehensive income (loss) to be recognized in net periodic benefit cost in 2019 are:

	Amount of	Net
	tax	tax
Actuarial loss	\$ 3.9	\$3.1
Prior service cost	\$ 0.1	\$0.1

The Company expects to contribute \$0.8 million to its non-U.S. pension plans in 2019. The Company does not expect to contribute to its U.S. pension plans in 2019.

Pension benefit payments are made from assets of the pension plans. Future pension benefit payments expected to be paid from assets of the pension plans are:

	U.S. Plans	Non-U.S. Plans
2019	\$6.1	\$ 6.2
2020	5.9	6.2
2021	5.7	6.2
2022	5.6	6.4
2023	5.4	6.8
2024 - 2028	22.7	38.4
	\$51.4	\$ 70.2

The expected long-term rate of return on defined benefit plan assets reflects management's expectations of long-term rates of return on funds invested to provide for benefits included in the projected benefit obligations. The Company has established the expected long-term rate of return assumption for plan assets by considering the historical rates of return over a period of time that is consistent with the long-term nature of the underlying obligations of these plans as well as a forward-looking rate of return. The historical and forward-looking rates of return for each of the asset classes used to determine the Company's estimated rate of return assumption were based upon the rates of return earned or expected to be earned by investments in the equivalent benchmark market indices for each of the asset classes.

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Expected returns for most of the Company's pension plans are based on a calculated market-related value of assets. Under this methodology, asset gains and losses resulting from actual returns that differ from the Company's expected returns are recognized in the market-related value of assets ratably over three years.

The pension plans maintain an investment policy that, among other things, establishes a portfolio asset allocation methodology with percentage allocation bands for individual asset classes. The investment policy provides that investments are reallocated between asset classes as balances exceed or fall below the appropriate allocation bands.

The following is the actual allocation percentage and target allocation percentage for the Company's U.S. pension plan assets at December 31:

	2018 Actual Allocation	2017 Actual Allocation	Target Allocation Range
U.S. equity securities	43.7%	44.8%	36% - 54%
Non-U.S. equity securities	19.0%	20.0%	16% - 24%
Fixed income securities	36.4%	33.9%	30% - 40%
Money market	0.9%	1.3%	0% - 10%

The following is the actual allocation percentage and target allocation percentage for the Company's U.K. pension plan assets at December 31:

	2018 Actual Allocation	2017 Actual Allocation	Target Allocation
U.K. equity securities	20.9%	20.2%	21%
Non-U.K. equity securities	48.0%	49.3%	49%
Fixed income securities	30.4%	27.7%	30%
Money market	0.7%	2.8%	—%

The Company maintains a pension plan for certain employees in the Netherlands which has purchased annuity contracts to meet its obligations.

The defined benefit pension plans do not have any direct ownership of Hyster-Yale common stock.

The fair value of each major category of U.S. plan assets for the Company's pension plans are valued using quoted market prices in active markets for identical assets, or Level 1 in the fair value hierarchy. The fair value of each major category of Non-U.S. plan assets for the Company's pension plans are valued using observable inputs, either directly or indirectly, other than quoted market prices in active markets for identical assets, or Level 2 in the fair value hierarchy. Following are the values as of December 31:

	Level 1		Level 2	
	2018	2017	2018	2017
U.S. equity securities	\$26.5	\$31.8	\$21.2	\$26.1
U.K. equity securities	—	—	28.8	32.8
Non-U.S., non-U.K. equity securities	11.6	14.2	44.8	54.0
Fixed income securities	22.1	24.1	56.5	60.9
Money market	0.5	0.9	1.0	4.5
Total	\$60.7	\$71.0	\$152.3	\$178.3

Defined Contribution Plans: The Company has defined contribution (401(k)) plans for substantially all U.S. employees and similar plans for employees outside of the United States. The Company generally matches employee contributions based on plan provisions. In addition, the Company has defined contribution retirement plans whereby the contribution to participants is determined annually based on a formula that includes the effect of actual compared with targeted operating results and the age

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and compensation of the participants. Total costs, including Company contributions, for these plans were \$26.5 million, \$24.3 million and \$21.2 million in 2018, 2017 and 2016, respectively.

NOTE 11—Inventories

Inventories are stated at the lower of cost or market for last-in, first-out (“LIFO”) inventory or lower of cost or net realizable value for first-in, first-out (“FIFO”) inventory. At December 31, 2018 and 2017, 51% and 49%, respectively, of total inventories were determined using the LIFO method, which consists primarily of manufactured inventories, including service parts, in the United States. The FIFO method is used with respect to all other inventories.

The cost components of inventory include raw materials, purchased components, direct and indirect labor, utilities, depreciation, inbound freight charges, purchasing and receiving costs, inspection costs and warehousing costs. Reserves are maintained for estimated obsolescence or excess inventory equal to the difference between the cost of inventory and the net realizable value based upon assumptions about future demand and market conditions. Upon a subsequent sale or disposal of the impaired inventory, the corresponding reserve for impaired value is relieved to ensure that the cost basis of the inventory reflects any write-downs.

Inventories are summarized as follows:

	December 31	
	2018	2017
Finished goods and service parts	\$248.6	\$193.7
Work in process	30.0	19.9
Raw materials	307.0	239.0
Total manufactured inventories	585.6	452.6
LIFO reserve	(52.0)	(40.7)
Total inventory	\$533.6	\$411.9

NOTE 12—Property, Plant and Equipment, Net

Property, plant and equipment are recorded at cost. Depreciation and amortization are provided in amounts sufficient to amortize the cost of the assets, including assets recorded under capital leases, over their estimated useful lives using the straight-line method. Buildings are generally depreciated using a 20, 40 or 50-year life, improvements to land and buildings are depreciated over estimated useful lives ranging up to 40 years and equipment is depreciated over estimated useful lives ranging from three to 15 years. Capital grants received for the acquisition of equipment are recorded as reductions of the related equipment cost and reduce future depreciation expense. Repairs and maintenance costs are expensed when incurred.

The Company periodically evaluates long-lived assets, including intangible assets with finite lives, for impairment when changes in circumstances or the occurrence of certain events indicate the carrying amount of an asset may not be recoverable. Upon identification of indicators of impairment, assets and liabilities are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets or liabilities. The asset group would be considered impaired when the estimated future undiscounted cash flows generated by the asset group are less than carrying value. If the carrying value of an asset group is considered impaired, an impairment charge is recorded for the amount that the carrying value of the asset group exceeds its fair value. Fair value is estimated as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

During the fourth quarter of 2017, in connection with the preparation of the Company's annual operating plan for 2018 and longer-term forecast, the Company identified indicators of impairment at Nuvera due to the extension of time expected to commercialize Nuvera's products and the related length of time needed to achieve break-even operating results and positive cash flows. Accordingly, the Company performed an impairment analysis during the fourth quarter of 2017 of Nuvera's long-lived assets, including property, plant and equipment and intangible assets with finite lives. Based on this analysis, it was determined

that the fair value of these assets was less than the respective carrying amounts of such assets, and accordingly, the Company recognized an impairment charge of \$4.9 million in the Nuvera segment, which is included in selling, general and administrative expenses in the consolidated statement of operations. The impairment charge reduced property, plant, and equipment by \$3.7 million and intangible assets by \$1.2 million. The estimated fair value of intangible assets with finite lives

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was determined using a relief from royalty method and property, plant and equipment was determined using a cost approach. These valuation methods use Level 3 inputs under the fair value hierarchy.

Property, plant and equipment, net includes the following:

	December 31	
	2018	2017
Land and land improvements	\$32.9	\$27.4
Plant and equipment	740.0	700.4
Property, plant and equipment, at cost	772.9	727.8
Allowances for depreciation and amortization	(476.7)	(462.4)
	\$296.2	\$265.4

Total depreciation and amortization expense on property, plant and equipment was \$37.4 million, \$37.4 million and \$34.5 million during 2018, 2017, and 2016, respectively.

NOTE 13—Goodwill and Intangible Assets

The Company evaluates the carrying amount of goodwill and indefinite-lived intangible assets for impairment annually as of May 1st and between annual evaluations if changes in circumstances or the occurrence of certain events indicate potential impairment. The Company uses either a qualitative or quantitative analysis to determine whether fair value exceeds carrying value. Goodwill impairment testing for 2018 was performed using a quantitative analysis for each reporting unit. As part of the quantitative testing process for goodwill, the Company estimated fair values using a discounted cash flow approach from the perspective of a market participant. Significant estimates in the discounted cash flow approach are cash flow forecasts of the reporting units, the discount rate, the terminal business value and the projected income tax rate. The cash flow forecasts of the reporting units are based upon management's long-term view of markets and are the forecasts that are used by senior management and the Board of Directors to evaluate operating performance. The discount rate utilized is management's estimate of what the market's weighted average cost of capital is for a company with a similar debt rating and stock volatility, as measured by beta. The projected income tax rates utilized are the statutory tax rates for the countries where each reporting unit operates. The terminal business value is determined by applying a business growth factor to the latest year for which a forecast exists. As part of the goodwill quantitative testing process, the Company evaluates whether there are reasonably likely changes to management's estimates that would have a material impact on the results of the goodwill impairment testing.

The annual testing of goodwill for impairment was conducted as of May 1, 2018. The fair value of each reporting unit was in excess of its carrying value and thus, no impairment exists.

The indefinite-lived intangible assets are the Bolzoni trademarks. Fair values used in testing for potential impairment of the trademarks are calculated by applying an estimated market value royalty rate to the forecasted revenues of the businesses that utilize those assets. The assumed cash flows from this calculation are discounted using Bolzoni's weighted average cost of capital. The annual testing of indefinite-lived intangibles for impairment was conducted as of May 1, 2018. The fair value of the indefinite-lived intangible assets was in excess of its carrying value and thus, no impairment exists.

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The following table summarizes intangible assets, other than goodwill, recorded in the consolidated balance sheets:

	Gross Carrying Amount	Accumulated Amortization	Net Balance
December 31, 2018			
Intangible assets not subject to amortization			
Trademarks	\$ 17.2	\$ —	\$ 17.2
Intangible assets subject to amortization			
Customer and contractual relationships	39.5	(10.0)	29.5
Patents and technology	20.9	(4.9)	16.0
Trademarks	5.4	(0.4)	5.0
Total	\$ 83.0	\$ (15.3)	\$ 67.7
December 31, 2017			
Intangible assets not subject to amortization			
Trademarks	\$ 18.0	\$ —	\$ 18.0
Intangible assets subject to amortization			
Customer and contractual relationships	\$ 30.5	\$ (6.4)	\$ 24.1
Patents and technology	16.5	(3.1)	13.4
Trademarks	0.6	—	0.6
Total	\$ 65.6	\$ (9.5)	\$ 56.1

As further described in Note 12, in 2017 the Company recognized a \$1.2 million impairment charge for Nuvera consisting of \$0.8 million and \$0.4 million for patents and technology and trademarks, respectively.

Amortization expense for intangible assets, which is recognized on a straight-line basis over the estimated useful life of the related asset, was \$6.6 million and \$5.7 million in 2018 and 2017, respectively. Expected annual amortization expense of other intangible assets, based upon December 31, 2018 U.S. dollar values, for the next five years is as follows: \$6.0 million in 2019, \$5.9 million in 2020, \$4.8 million in 2021, \$4.3 million in 2022 and \$4.2 million in 2023. The weighted-average amortization period for intangible assets is as follows:

Intangible assets subject to amortization	Weighted-Average Useful Lives (Years)
Customer relationships	13
Engineering drawings	8
Non-compete agreement	1
Patents	7
Trademarks	19

The following table summarizes goodwill by segment as of December 31, 2018 and 2017:

	Carrying Amount of Goodwill				
	Americas	EMEA	JAPIC	Bolzoni	Total
Balance at January 1, 2017	\$1.7	\$ —	\$ —	\$49.0	\$50.7
Additions	—	0.8	—	1.0	1.8
Foreign currency translation	—	—	—	6.6	6.6
Balance at December 31, 2017	\$1.7	\$ 0.8	\$ —	\$ 56.6	\$59.1

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Additions	—	0.3	55.1	—	55.4
Foreign currency translation	—	—	(3.6)	(2.6)	(6.2)
Balance at December 31, 2018	\$1.7	\$ 1.1	\$51.5	\$54.0	\$108.3

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NOTE 14—Current and Long-Term Financing

The following table summarizes available and outstanding borrowings:

	December 31	
	2018	2017
Total outstanding borrowings:		
Revolving credit agreements	\$13.3	\$6.1
Term loan, net	181.3	190.9
Other debt	89.6	73.9
Capital lease obligations	17.3	19.8
Total debt outstanding	\$301.5	\$290.7
Plus: discount on term loan and unamortized deferred financing fees	3.7	4.1
Total debt outstanding, gross	\$305.2	\$294.8
Current portion of borrowings outstanding	\$91.4	\$74.5
Long-term portion of borrowings outstanding	\$210.1	\$216.2
Total available borrowings, net of limitations, under revolving credit agreements	\$217.5	\$218.8
Unused revolving credit agreements	\$204.2	\$212.7
Weighted average stated interest rate on total borrowings	5.0	% 5.2
Weighted average effective interest rate on total borrowings (including interest rate swap agreements)	4.0	% 3.9
Annual maturities of total debt, excluding capital leases, are as follows:		
2019	\$85.6	
2020	26.8	
2021	14.7	
2022	15.6	
2023	145.2	
Thereafter—		
	\$287.9	

Interest paid on total debt was \$15.0 million, \$13.6 million and \$5.6 million during 2018, 2017 and 2016, respectively.

The Company has a \$200.0 million secured, floating-rate revolving credit facility (the "Facility") that expires in April 2022. There were \$10.0 million of borrowings outstanding under the Facility at December 31, 2018. The availability under the Facility, at December 31, 2018, was \$185.9 million, which reflects reductions of \$4.1 million for letters of credit and other restrictions. The Facility consists of a U.S. revolving credit facility in the amount of \$120.0 million and a non-U.S. revolving credit facility of \$80.0 million. The Facility can be increased up to \$300.0 million, subject to limits in the Term Loan (defined below), 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 and a second lien on the Term Loan Collateral (defined below). The approximate book value of assets held as collateral under the Facility was \$950 million as of December 31, 2018.

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, as of December 31, 2018, for U.S. base rate loans and LIBOR loans were 0.25% and 1.25%, respectively. The applicable margins, as of December 31, 2018, for non-U.S. base rate loans and LIBOR loans was 1.25%. The applicable LIBOR interest rates under the Facility on December 31, 2018 were 2.44% and 1.25%, respectively, for the U.S. and non-U.S. facility including the applicable floating rate margin. The Facility also required the payment of a fee of 0.350% per annum on the unused commitment as of December 31, 2018.

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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 availability for both total and U.S. revolving credit facilities on a pro forma basis, is greater than fifteen percent and less than or equal to twenty percent, the Company may pay dividends subject to achieving a minimum fixed charge coverage ratio of 1.00 to 1.00, as defined in the Facility. If the availability is greater than twenty percent for both total and U.S. revolving credit facilities on a pro forma basis, 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 December 31, 2018, the Company was in compliance with the covenants in the Facility.

In 2017, the Company entered into an agreement for a \$200.0 million term loan (the "Term Loan"), which matures in May 2023. The Term Loan requires quarterly principal payments on the last business day of each March, June, September and December in an amount equal to \$2.5 million. Payments commenced in September 2017 and the final principal repayment is due on May 30, 2023. The Company may also be required to make mandatory prepayments, in certain circumstances, as provided in the Term Loan. At December 31, 2018, there was \$185.0 million of principal outstanding under the Term Loan which has been reduced in the Consolidated Balance Sheet by \$3.7 million of discounts and unamortized deferred financing fees.

The obligations under the Term Loan are generally secured by a first lien on the present and future shares of capital stock, material real property, fixtures and general intangibles consisting of intellectual property (collectively, the "Term Loan Collateral") and a second lien on the remaining collateral of the U.S. borrowers in the Facility. The approximate book value of assets held as collateral under the Term Loan was \$610 million as of December 31, 2018.

Borrowings under the Term Loan bear interest at a floating rate, which can be a base rate or Eurodollar rate, as defined in the Term Loan, plus an applicable margin. The applicable margin, as provided in the Term Loan, is 2.25% for U.S. base rate loans and 3.25% for Eurodollar loans. The interest rate on the amount outstanding under the Term Loan at December 31, 2018 was 5.77%. In addition, the Term Loan includes restrictive covenants, which, among other things, limit additional borrowings and investments of the Company subject to certain thresholds, as provided in the Term Loan. The Term Loan limits the payment of regularly scheduled dividends and other restricted payments to \$50.0 million in any fiscal year, unless the consolidated total net leverage ratio, as defined in the Term Loan, does not exceed 1.75 to 1.00 at the time of the payment. At December 31, 2018, the Company was in compliance with the covenants in the Term Loan.

The Company incurred fees and expenses of \$0.6 million, \$4.7 million and 1.7 million in 2018, 2017 and 2016, respectively. These fees related to the amendment to the Facility and entry into the Term Loan. These fees were deferred and are being amortized as interest expense over the term of the applicable debt agreements. Fees related to the Term Loan are presented as a direct deduction of the corresponding debt.

The Company had other debt outstanding, excluding capital leases, of approximately \$92.9 million at December 31, 2018. In addition to the excess availability under the Facility, the Company had remaining availability of \$18.3 million related to other non-U.S. revolving credit agreements.

NOTE 15—Leasing Arrangements

The Company leases certain office, manufacturing and warehouse facilities and machinery and equipment under noncancellable capital and operating leases that expire at various dates through 2034. Many leases include renewal and/or fair value purchase

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Future minimum capital and operating lease payments at December 31, 2018 are:

	Capital Leases	Operating Leases
2019	\$ 7.1	\$ 22.2
2020	6.0	18.1
2021	3.4	14.0
2022	1.0	11.2
2023	0.7	8.2
Subsequent to 2023	—	30.2
Total minimum lease payments	18.2	\$ 103.9
Amounts representing interest	0.9	
Present value of net minimum lease payments	17.3	
Current maturities	6.7	
Long-term capital lease obligation	\$ 10.6	

Rental expense for all operating leases was \$23.0 million, \$22.5 million and \$17.3 million for 2018, 2017 and 2016, respectively. The Company also recognized \$7.0 million, \$7.9 million and \$5.3 million in rental income on subleases of equipment for 2018, 2017 and 2016, respectively. These subleases were primarily related to lift trucks in which the Company records revenues over the term of the lease in accordance with the rental agreements with its customers. The sublease rental income for these lift trucks is included in “Revenues” and the related rent expense is included in “Cost of sales” in the Consolidated Statements of Operations for each period. Aggregate future minimum rentals to be received under noncancellable subleases of lift trucks as of December 31, 2018 are \$26.0 million.

Assets recorded under capital leases are included in property, plant and equipment and consist of the following:

	December 31	
	2018	2017
Plant and equipment	\$38.7	\$35.9
Less accumulated amortization (13.5) (10.4)		
	\$25.2	\$25.5

Amortization of plant and equipment under capital leases is included in depreciation expense. Capital lease obligations of \$4.7 million, \$0.2 million and \$12.8 million were incurred in connection with lease agreements to acquire machinery and equipment during 2018, 2017 and 2016, respectively.

NOTE 16—Product Warranties

The Company provides a standard warranty on its lift trucks, generally for six to twelve months or 1,000 to 2,000 hours. For certain series of lift trucks, the Company provides a standard warranty of one to two years or 2,000 or 4,000 hours. For 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 that 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.

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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:

	2018	2017
Balance at January 1	\$51.0	\$52.3
Current year warranty expense	34.8	32.2
Change in estimate related to pre-existing warranties	(0.8)	(8.9)
Payments made	(27.2)	(26.5)
Foreign currency effect	(0.9)	1.9
Balance at December 31	\$56.9	\$51.0

NOTE 17—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 18—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 December 31, 2018 and 2017 were \$192.7 million and \$203.5 million, respectively. As of December 31, 2018, 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 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 December 31, 2018 was approximately \$245.7 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 December 31, 2018, 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 \$48.4 million of recourse or repurchase obligations for these certain eligible dealers are limited to 7.5% of their original loan balance, or \$14.0 million as of December 31, 2018. The \$48.4 million is included in the \$192.7 million of total amounts subject to recourse or repurchase obligations at December 31, 2018.

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 December 31, 2018, approximately \$163.1 million of the Company's total recourse or repurchase obligations of \$192.7 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 December 31, 2018, loans from WF

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to HYGFS totaled \$1.2 billion. Although the Company's contractual guarantee was \$244.0 million, the loans by WF to HYGFS are secured by HYGFS' customer receivables, of which the Company guarantees \$163.1 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 \$218.3 million, which is secured by 20% of HYGFS' customer receivables and other secured assets of \$294.1 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 December 31, 2018:

	HYGFS Total	
Total recourse or repurchase obligations	\$ 163.1	\$ 192.7
Less: exposure limited for certain dealers	48.4	48.4
Plus: 7.5% of original loan balance	14.0	14.0
	128.7	158.3
Incremental obligation related to guarantee to WF	218.3	218.3
Total exposure related to guarantees	\$ 347.0	\$ 376.6

NOTE 19—Equity Investments and Related Party Transactions

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.

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 financing to dealers and lease financing to both dealers and customers. HYGFS' total purchases of Hyster® and Yale® lift trucks from dealers, and directly from the Company such that HYGFS could provide retail lease financing to customers for the years ended December 31, 2018, 2017 and 2016 were \$536.2 million, \$475.9 million and \$438.8 million, respectively. Of these amounts, \$79.5 million, \$71.1 million and \$69.4 million for the years ended December 31, 2018, 2017 and 2016, respectively, were invoiced directly from the Company to HYGFS so that the customer could obtain operating lease financing from HYGFS. Amounts receivable from HYGFS were \$11.2 million and \$10.4 million at December 31, 2018 and 2017, respectively. The Company provides recourse for certain financing provided by HYGFS to its dealers and customers. In addition, the Company also provides a guarantee to WF for their portion of HYGFS' debt. Refer to Note 18 for additional details relating to the guarantees provided to WF.

In addition to providing financing to dealers, HYGFS provides operating lease financing to the Company. Operating lease obligations primarily relate to specific sale-leaseback-sublease transactions for certain customers whereby the Company sells lift trucks to HYGFS, leases these lift trucks back under an operating lease agreement and then subleases those lift trucks to customers under an operating lease agreement. Total obligations to HYGFS under the operating lease agreements were \$15.5 million and \$15.8 million at December 31, 2018 and 2017, respectively. In addition, the Company provides certain subsidies to its dealers that are paid directly to HYGFS. Total subsidies were \$5.0 million, \$3.3 million and \$2.8 million for 2018, 2017 and 2016, respectively.

The Company provides certain services to HYGFS for which it receives compensation under the terms of the joint venture agreement. The services consist primarily of administrative functions and remarketing services. Total income recorded by the Company related to these services was \$8.0 million in 2018, \$9.5 million in 2017 and \$9.8 million in 2016.

The Company has a 50% ownership interest in SN, a limited liability company that 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 purchases products from SN under normal trade terms based on current market prices. In 2018, 2017 and 2016, purchases from

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SN were \$65.4 million, \$46.8 million and \$55.0 million, respectively. Amounts payable to SN at December 31, 2018 and 2017 were \$21.3 million and \$18.1 million, respectively.

The Company recognized income of \$0.4 million, \$0.4 million and \$0.5 million for payments from SN for use of technology developed by the Company which is included in "Revenues" in the Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016, respectively.

Summarized unaudited financial information for equity investments is as follows:

	2018	2017	2016
Statement of Operations			
Revenues	\$413.0	\$350.3	\$326.7
Gross profit	\$126.9	\$111.9	\$103.4
Income from continuing operations	\$36.7	\$127.2	\$25.5
Net income	\$36.7	\$127.2	\$25.5
Balance Sheet			
Current assets	\$130.9	\$125.3	
Non-current assets	\$1,609.7	\$1,484.0	
Current liabilities	\$123.5	\$120.7	
Non-current liabilities	\$1,431.2	\$1,241.6	

The results of HYGFS for 2017, which are included in the table above, include a provisional benefit of \$99.2 million related to the Tax Reform Act, of which the Company recognized \$19.8 million under the equity method of accounting for HYGFS.

At December 31, 2018 and 2017, the investment in HYGFS was \$20.6 million and \$35.2 million, respectively, the investment in SN was \$41.3 million and \$36.8 million, respectively, and Bolzoni's investment in unconsolidated affiliates was \$0.5 million and \$0.5 million, respectively. The investments are included in "Investment in Unconsolidated Affiliates" in the Consolidated Balance Sheets. The Company received dividends of \$20.1 million, \$2.4 million and \$4.8 million from HYGFS in 2018, 2017 and 2016, respectively. The Company received dividends of \$2.1 million, \$0.4 million and \$0.3 million from SN in 2018, 2017 and 2016, respectively.

During 2018, the Company entered into a non-cash transaction to sell substantially all of Nuvera's PowerTap[®] hydrogen generator assets to a third-party, OneH2, Inc. ("OneH2"). In exchange, among other things, the Company received an approximately 14% ownership interest in OneH2. The Company accounts for this investment as an equity investment without a readily determinable fair value. The Company's investment was \$9.1 million as of December 31, 2018. There has been no change in the value of the investment during 2018.

During 2017, the Company acquired an equity investment in a third party, Balyo SA, for \$5.6 million. This investment is accounted for as an available-for-sale security and valued using a quoted market price in an active market, or Level 1 in the fair value hierarchy. The Company's investment as of December 31, 2018 was \$4.1 million, which includes a \$5.1 million loss for the year ended December 31, 2018 and is included on the line "Other" in the "Other (income) expense" section of the Consolidated Statements of Operations. The Company's investment as of December 31, 2017 was \$9.4 million, which includes a \$3.3 million unrealized gain (\$2.8 million net of tax) that was recorded in OCI in the Consolidated Balance Sheet. See Note 2 for the discussion of the change in accounting guidance for financial instruments on January 1, 2018.

NOTE 20—Acquisitions

On December 6, 2017, the Company's indirect wholly owned subsidiary, Hyster-Yale Acquisition Holding Ltd. ("Acquisition Co."), entered into an Equity Transfer Agreement ("ETA") with KNSN Pipe & Pile Company Limited ("KNSN"), pursuant to which Acquisition Co. agreed to purchase 75% of the equity interest of Zhejiang Maximal Forklift Co., Ltd. ("Maximal") from

KNSN for an aggregate purchase price of \$90.0 million. After the closing under the ETA, the remaining 25% of the equity interest of Maximal is owned by senior management of Maximal, through Y-C Hong Kong Holding Company Limited ("HK Holding Co."). Maximal is a manufacturer of utility and standard lift trucks and specialized materials handling equipment founded in 2006 in the Hangzhou, Zhejiang Province of China.

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Under the terms of the ETA, upon the closing on June 1, 2018, the Company paid \$81.0 million to a jointly-controlled bank account under the name of KNSN, and KNSN was only allowed to use such amount to repay intercompany indebtedness owed by KNSN to Maximal and to remove existing related-party guarantees provided by Maximal. Any balance amount remaining after fulfilling the specified purposes will belong to KNSN. The Maximal balance sheet as of June 1, 2018 includes \$65.7 million of receivables from KNSN included in other receivables in the table below, which were collected during June 2018 in accordance with the ETA. The proceeds were used by Maximal to repay \$59.9 million of short-term debt during June 2018. In addition, upon the closing of the acquisition, the Company paid \$9.0 million to an escrow account, which will be released to KNSN in two installments. The first installment of \$2.7 million will be released on the second anniversary of the closing and the second installment of \$6.3 million will be released on the third anniversary of the closing, subject to a number of conditions. KNSN is obligated to indemnify the Company from and against any breach of representations and warranties and any liabilities and losses associated with the pre-closing operations of Maximal.

In addition, the Company signed an incentive agreement with Mr. Jin Hong Lu, a key member of senior management of Maximal and the majority shareholder of KNSN. Pursuant to this agreement, the Company will pay \$10.0 million to Mr. Lu by the third anniversary of the closing under the ETA, provided that Mr. Lu, his immediate family members and any affiliates fully comply with the non-competition, conflict of interest, non-solicitation, and compliance covenants set forth in the agreement. The Company has recorded a liability of \$1.9 million related to the incentive agreement as of December 31, 2018.

Pursuant to the terms of the ETA, Mr. Lu signed and issued a Guarantee and Undertaking Letter for the benefit of the Company, guaranteeing KNSN's performance of all terms under the ETA. In the case of any breach of the ETA by KNSN, Mr. Lu shall be liable and shall indemnify the Company against any losses arising from such breach in accordance with the ETA and applicable laws.

The Company accounted for the acquisition of 75% equity interest of Maximal using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed to be recognized at their respective fair values as of the acquisition date. In addition, the cash consideration paid was finalized with KNSN during September 2018 and the Company paid an additional \$3.2 million of consideration for working capital, cash and debt adjustments. The Company has not yet finalized its analysis of the fair value of income taxes, thus the allocation of the purchase price is preliminary and may change in future periods as fair value estimates of the assets acquired and liabilities assumed are refined during the measurement period. The Company will complete the purchase price allocation no later than the second quarter of 2019.

The following table summarizes the preliminary estimated fair values of the assets acquired and the liabilities assumed of Maximal as of June 1, 2018:

Cash	\$ 15.3
Accounts receivable	13.2
Other receivables	68.9
Inventories	22.1
Property, plant and equipment	38.6
Intangible assets	21.4
Other assets	14.3
Total assets acquired	\$ 193.8
Accounts payable	20.3
Short-term debt	77.6
Long-term deferred tax liabilities	8.5
Other liabilities	21.1

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Total liabilities assumed	\$127.5
Noncontrolling interest	28.2
Net assets acquired	\$38.1
Purchase price	93.2
Goodwill	\$55.1

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Acquired Intangible Assets	Preliminary Fair Value	Preliminary Weighted-Average Useful Lives (Years)	Valuation Method
Customer relationships	\$ 10.7	20	Excess Earnings
Patents	5.6	7	Relief from Royalty
Trademarks	5.1	20	Relief from Royalty
Total	\$ 21.4		

The fair value of accounts receivable acquired was \$13.2 million with the gross contractual amount being \$13.2 million. At the time of the acquisition, the Company expected to collect all accounts receivable. The \$55.1 million of goodwill was assigned to the JAPIC segment. The goodwill recognized is attributable primarily to expected synergies, production and design capability and the distribution network of Maximal. None of the goodwill is expected to be deductible for income tax purposes. The results of Maximal's operations have been included in the consolidated financial statements since the acquisition date and are reflected in the JAPIC segment. Subsequent to the acquisition, Maximal recorded \$48.9 million, \$4.8 million and \$1.4 million of revenues, operating loss and net loss attributable to stockholders, respectively, for the year ended December 31, 2018. Pro forma information has not been presented as it would not be materially different from historical reported results of operations.

The Company recognized \$3.3 million, \$2.5 million and \$6.6 million of acquisition-related costs, which are included in the Americas segment during 2018, 2017 and 2016, respectively. These costs are included in the line "Selling, general and administrative expenses" in the Consolidated Statements of Operations.

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SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 2018, 2017 AND 2016

Description	Balance at Beginning of Period	Additions			Deductions — Describe Period	Balance at End of Period
		Charged to Costs and Expenses (A)	Charged to Other Accounts — Describe (A)	Charged to Other Accounts — Describe (A)		
(In millions)						
2018						
Reserves deducted from asset accounts:						
Allowance for doubtful accounts (B)	\$ 8.7	\$ 1.9	\$ (0.9)	\$ —	(C)	\$ 9.7
2017						
Reserves deducted from asset accounts:						
Allowance for doubtful accounts (B)	\$ 14.9	\$ 0.2	\$ 1.1	\$ 7.5	(C)	\$ 8.7
2016						
Reserves deducted from asset accounts:						
Allowance for doubtful accounts (B)	\$ 12.8	\$ 6.3	\$ (2.7)	\$ 1.5	(C)	\$ 14.9

(A) Foreign currency translation adjustments and other.

(B) Includes allowance of receivables classified as long-term of \$4.3 million, \$5.0 million and \$4.6 million in 2018, 2017 and 2016, respectively.

(C) Write-offs, net of recoveries.

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