HYSTER-YALE MATERIALS HANDLING, INC.
Form 10-Q
July 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
(Mark One)

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended June 30, 2015
OR	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from to

Commission file number 000-54799

HYSTER-YALE MATERIALS HANDLING, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	31-1637659 (I.R.S. Employer Identification No.)
5875 LANDERBROOK DRIVE, SUITE 300, CLEVELAND, OHIO (Address of principal executive offices)	44124-4069 (Zip code)

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES þ NO o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

YES o NO þ

Number of shares of Class A Common Stock outstanding at July 24, 2015: 12,366,371
Number of shares of Class B Common Stock outstanding at July 24, 2015: 3,953,596

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Part I
FINANCIAL INFORMATION
Item 1. Financial Statements

HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30 2015	DECEMBER 31 2014
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	$99.1	$111.4
Accounts receivable, net	343.2	357.7
Inventories, net	342.9	342.5
Deferred income taxes	20.1	20.8
Prepaid expenses and other	37.7	34.6
Total Current Assets	843.0	867.0
Property, Plant and Equipment, Net	176.9	179.8
Intangible Assets	3.9	4.1
Long-term Deferred Income Taxes	13.3	11.4
Investment in Unconsolidated Affiliates	38.8	39.6
Other Non-current Assets	16.0	18.9
Total Assets	$1,091.9	$1,120.8
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$302.2	$331.6
Accounts payable, affiliate	14.3	18.4
Current maturities of long-term debt	34.7	19.5
Accrued payroll	37.9	57.2
Accrued warranty obligations	35.7	32.3
Other current liabilities	94.3	94.5
Total Current Liabilities	519.1	553.5
Long-term Debt	19.0	12.0
Self-insurance Liabilities	19.5	18.6
Pension and other Postretirement Obligations	21.0	24.6
Other Long-term Liabilities	55.4	56.1
Total Liabilities	634.0	664.8
Stockholders' Equity		
Common stock:		
Class A, par value $0.01 per share, 12,362,148 shares outstanding (2014 - 12,277,148 shares outstanding)	0.1	0.1
Class B, par value $0.01 per share, convertible into Class A on a one-for-one basis, 3,954,109 shares outstanding (2014 - 3,964,082 shares outstanding)	0.1	0.1
Capital in excess of par value	320.3	324.1
Treasury stock	(43.1)	(49.1)
Retained earnings	307.8	280.4
Accumulated other comprehensive loss	(129.0)	(101.1)
Total Stockholders' Equity	456.2	454.5

Noncontrolling Interest	1.7	1.5
Total Equity	457.9	456.0
Total Liabilities and Equity	$ 1,091.9	$ 1,120.8

See notes to unaudited condensed consolidated financial statements.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
	(In millions, except per share data)			
Revenues	$658.7	$684.7	$1,281.0	$1,360.7
Cost of sales	548.1	577.4	1,067.5	1,141.7
Gross Profit	110.6	107.3	213.5	219.0
Operating Expenses				
Selling, general and administrative expenses	83.3	77.3	165.2	157.4
Gain on sale of assets	—	(17.7)	—	(17.7)
Operating Profit	27.3	47.7	48.3	79.3
Other (income) expense				
Interest expense	1.3	0.8	2.3	1.7
Income from unconsolidated affiliates	(1.4)	(1.4)	(2.5)	(2.6)
Other	—	(0.4)	1.4	(0.1)
	(0.1)	(1.0)	1.2	(1.0)
Income Before Income Taxes	27.4	48.7	47.1	80.3
Income tax provision	4.6	15.7	10.3	25.2
Net Income	22.8	33.0	36.8	55.1
Net income attributable to noncontrolling interest	(0.1)	(0.1)	(0.2)	(0.1)
Net Income Attributable to Stockholders	$22.7	$32.9	$36.6	$55.0
Basic Earnings per Share	$1.39	$1.96	$2.25	$3.28
Diluted Earnings per Share	$1.39	$1.95	$2.24	$3.26
Dividends per Share	$0.2850	$0.2750	$0.5600	$0.5250
Basic Weighted Average Shares Outstanding	16.315	16.802	16.294	16.780
Diluted Weighted Average Shares Outstanding	16.351	16.838	16.342	16.851

See notes to unaudited condensed consolidated financial statements.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
	(In millions)			
Net Income	$22.8	$33.0	$36.8	$55.1
Other comprehensive income (loss)				
Foreign currency translation adjustment	10.2	0.4	(30.1)	3.2
Current period cash flow hedging activity	4.4	0.5	(0.2)	0.4
Reclassification of hedging activities into earnings	1.2	0.6	1.2	0.9
Reclassification of pension into earnings	0.6	1.1	1.2	2.3
Comprehensive Income (Loss)	$39.2	$35.6	$8.9	$61.9
Other comprehensive income (loss) attributable to noncontrolling interest				
Net income attributable to noncontrolling interest	(0.1)	(0.1)	(0.2)	(0.1)
Comprehensive Income (Loss) Attributable to Stockholders	$39.1	$35.5	$8.7	$61.8

See notes to unaudited condensed consolidated financial statements.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30	
	2015	2014
	(In millions)	
Operating Activities		
Net income	$36.8	$55.1
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	14.9	14.9
Amortization of deferred financing fees	0.6	0.5
Deferred income taxes	(2.8)	4.1
Gain on sale of assets	—	(17.7)
Stock-based compensation	2.3	3.6
Dividends from unconsolidated affiliates	2.5	—
Other non-current liabilities	0.2	(0.5)
Other	(2.1)	(4.3)
Working capital changes:		
Accounts receivable	(1.3)	(12.9)
Inventories	(17.5)	(29.5)
Other current assets	(1.7)	(2.9)
Accounts payable	(23.5)	(8.3)
Other current liabilities	(11.2)	(15.7)
Net cash used for operating activities	(2.8)	(13.6)
Investing Activities		
Expenditures for property, plant and equipment	(18.7)	(16.9)
Proceeds from the sale of assets	8.1	8.2
Business acquisition, purchase price adjustment	0.9	—
Other	—	(0.7)
Net cash used for investing activities	(9.7)	(9.4)
Financing Activities		
Additions to long-term debt	31.1	14.8
Reductions of long-term debt	(16.3)	(19.1)
Net change to revolving credit agreements	—	(31.4)
Cash dividends paid	(9.2)	(8.8)
Purchase of treasury stock	(0.1)	(9.1)
Net cash provided by (used for) financing activities	5.5	(53.6)
Effect of exchange rate changes on cash	(5.3)	(0.5)
Cash and Cash Equivalents		
Decrease for the period	(12.3)	(77.1)
Balance at the beginning of the period	111.4	175.7
Balance at the end of the period	$99.1	$98.6

See notes to unaudited condensed consolidated financial statements.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

						Accumulated Other Comprehensive Income (Loss)					
	Class A Common Stock	Class B Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Cash Flow Hedging	Pension Adjustment	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	(In millions)										
Balance, January 1, 2014	$0.1	$ 0.1	$ (3.4)	$320.6	$ 188.4	$ 1.3	$ (1.9)	$ (55.4)	$ 449.8	$ 1.1	$450.9
Stock-based compensation	—	—	—	3.6	—	—	—	—	3.6	—	3.6
Stock issued under stock compensation plans	—	—	2.3	(2.3)	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	(9.1)	—	—	—	—	—	(9.1)	—	(9.1)
Net income attributable to stockholders	—	—	—	—	55.0	—	—	—	55.0	—	55.0
Cash dividends on Class A and Class B common stock: $0.525 per share	—	—	—		(8.8)	—	—	—	(8.8)	—	(8.8)
Current period other comprehensive income (loss)	—	—	—	—	—	3.2	0.4	—	3.6	—	3.6
Reclassification adjustment to net income	—	—	—	—	—	—	0.9	2.3	3.2	—	3.2
Net income attributable to noncontrolling interest	—	—		—	—	—	—	—	—	0.1	0.1
Balance, June 30, 2014	$0.1	$ 0.1	$ (10.2)	$321.9	$ 234.6	$ 4.5	$ (0.6)	$ (53.1)	$ 497.3	$ 1.2	$498.5
Balance, January 1, 2015	$0.1	$ 0.1	$ (49.1)	$324.1	$ 280.4	$ (40.4)	$ (2.0)	$ (58.7)	$ 454.5	$ 1.5	$456.0
Stock-based compensation	—	—	—	2.3	—	—	—	—	2.3	—	2.3
	—	—	6.1	(6.1)	—	—	—	—	—	—	—

Stock issued under stock compensation plans											
Purchase of treasury stock	—	—	(0.1)	—	—	—	—	—	(0.1)	—	(0.1)
Net income attributable to stockholders	—	—	—	—	36.6	—	—	—	36.6	—	36.6
Cash dividends on Class A and Class B common stock: $0.560 per share	—	—	—	—	(9.2)	—	—	—	(9.2)	—	(9.2)
Current period other comprehensive income (loss)	—	—	—	—	—	(30.1)	(0.2)	—	(30.3)	—	(30.3)
Reclassification adjustment to net income	—	—	—	—	—	—	1.2	1.2	2.4	—	2.4
Net income attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—	0.2	0.2
Balance, June 30, 2015	$0.1	$ 0.1	$(43.1)	$320.3	$307.8	$(70.5)	$(1.0)	$(57.5)	$456.2	$1.7	$457.9

See notes to unaudited condensed consolidated financial statements.

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HYSTER-YALE MATERIALS HANDLING, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015
(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Note 1—Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Hyster-Yale Materials Handling, Inc., a Delaware corporation, and the accounts of Hyster-Yale's wholly-owned domestic and international subsidiaries (collectively, "Hyster-Yale" or the "Company"). Also included is Shanghai Hyster Forklift Ltd., a 75%-owned joint venture in China. All intercompany accounts and transactions among the consolidated companies are eliminated in consolidation.

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

On December 18, 2014, the Company acquired Nuvera Fuel Cells, Inc. ("Nuvera"). Nuvera is an alternative-power technology company focused on fuel cell stacks and related systems. Nuvera is also focused on supporting on-site hydrogen production and dispensing systems that are designed to deliver clean energy solutions to customers.

Investments in Sumitomo-NACCO Materials Handling Company, Ltd. (“SN”), a 50%-owned joint venture, and NMHG Financial Services, Inc. (“NFS”), 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 and lift trucks. Sumitomo Heavy Industries, Ltd. ("Sumitomo") owns the remaining 50% interest in SN. Each stockholder of SN is entitled to appoint directors representing 50% of the vote of SN’s board of directors. All matters related to policies and programs of operation, manufacturing and sales activities require mutual agreement between the Company and Sumitomo prior to a vote of SN’s board of directors. NFS is a joint venture with General Electric Capital Corporation (“GECC”), formed primarily for the purpose of providing financial services to independent Hyster® and Yale® lift truck dealers and National Account customers in the United States. National Account customers are large customers with centralized purchasing and geographically dispersed operations in multiple dealer territories. The Company’s percentage share of the net income or loss from these equity investments is reported on the line “Income from unconsolidated affiliates” in the “Other (income) expense” portion of the unaudited condensed consolidated statements of operations.

These financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of the Company as of June 30, 2015 and the results of its operations for the three and six months ended June 30, 2015 and 2014 and the results of its cash flows and changes in equity for the six months ended June 30, 2015 and 2014 have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying unaudited condensed consolidated balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information or notes required by U.S. generally accepted accounting principles for complete financial statements.

Note 2—Recently Issued Accounting Standards
Recently Issued Accounting Standards

The following table provides a brief description of a recent accounting pronouncement adopted January 1, 2015. The adoption of this standard did not have a material effect on the Company's financial position, results of operations, cash flows or related disclosures.

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Standard	Description
ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity	The guidance changes the criteria for reporting discontinued operations to only those disposals which represent a strategic shift in operations. In addition, the new guidance requires expanded disclosures about discontinued operations, including pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting.

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

Standard	Description	Date of Adoption	Effect on the financial statements or other significant matters
ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)	The new guidance is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.	January 1, 2018	The Company is currently evaluating the alternative methods of adoption and the effect on its financial position, results of operations, cash flows and related disclosures.
ASU No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern	The guidance requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued.	December 31, 2016	The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.
ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs	The guidance is intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.	January 1, 2016	The Company does not expect the adoption of the guidance to have a material effect on its financial position, results of operations, cash flows or related disclosures.
ASU No. 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing	The guidance clarifies the accounting for cloud computing arrangements including a software license and cloud computing arrangements that do not include a software license that should be accounted for as a service contract.	January 1, 2016	The Company is currently evaluating the effect of adoption on its financial position, results of operations, cash flows and related disclosures.

Arrangement

Note 3—Business Segments

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

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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.

On December 18, 2014, the Company acquired Nuvera, which is reported as a separate segment.

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

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2015	2014	2015	2014
Revenues from external customers				
Americas	$463.9	$440.8	$879.8	$897.7
Europe	146.2	184.2	303.8	353.2
Asia-Pacific	48.2	59.7	95.8	109.8
Lift truck business	658.3	684.7	1,279.4	1,360.7
Nuvera	0.4	—	1.6	—
Total	$658.7	$684.7	$1,281.0	$1,360.7
Gross profit (loss)				
Americas	$79.9	$67.5	$146.9	$143.5
Europe	25.1	34.9	54.9	64.9
Asia-Pacific	6.0	4.9	12.9	10.6
Lift truck business	111.0	107.3	214.7	219.0
Nuvera	(0.4)	—	(1.2)	—
Total	$110.6	$107.3	$213.5	$219.0
Operating profit (loss)				
Americas	$31.2	$37.9	$48.4	$63.6
Europe	3.3	10.8	12.0	17.1
Asia-Pacific	(1.3)	(1.0)	(0.2)	(1.4)
Lift truck business	33.2	47.7	60.2	79.3
Nuvera	(5.9)	—	(11.9)	—
Total	$27.3	$47.7	$48.3	$79.3
Net income (loss) attributable to stockholders				
Americas	$24.4	$24.7	$33.6	$41.9
Europe	2.6	8.8	9.9	13.8
Asia-Pacific	(0.8)	(0.6)	0.2	(0.7)
Lift truck business	26.2	32.9	43.7	55.0
Nuvera	(3.5)	—	(7.1)	—
Total	$22.7	$32.9	$36.6	$55.0

Note 4—Income Taxes

The income tax provision includes U.S. federal, state and local, and foreign income taxes and is based on the application of a
forecasted annual income tax rate applied to the current quarter's year-to-date pre-tax income or loss. In determining the
estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company's

annual earnings, taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the
Company's ability to use tax credits and net operating loss carryforwards and capital loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, tax rates and certain circumstances with respect to valuation allowances or the tax effect of other unusual or non-recurring transactions or adjustments are reflected in the period in which they occur as an addition to, or reduction from, the income tax provision, rather than included in the estimated effective annual income tax rate.

During the second quarter and first six months of 2015, the Company's effective tax rate of 16.8% and 21.9%, respectively, differed from the U.S. federal statutory tax rate of 35% as a result of income in non-U.S. jurisdictions being taxed at rates lower

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than the U.S. rate and due to a $3.7 million tax benefit recognized in the second quarter of 2015 from an internal sale of a subsidiary between consolidated companies resulting in the repatriation of non-U.S. accumulated earnings taxed at higher rates.

During the second quarter and first six months of 2014, the Company's effective tax rate of 32.2% and 31.4%, respectively, differed from the U.S. federal statutory tax rate of 35% as a result of income in non-U.S. jurisdictions being taxed at rates lower than the U.S. rate, including the tax on the sale of real estate and an operating facility in Brazil.

Note 5—Reclassifications from OCI

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

Details about OCI Components	Amount Reclassified from OCI				Affected Line Item in the Statement Where Net Income Is Presented
	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30		
	2015	2014	2015	2014	
Gain (loss) on cash flow hedges:					
Interest rate contracts	$—	$0.8	$—	$0.8	Other
Foreign exchange contracts	(3.0)	(1.3)	(4.4)	(1.6)	Cost of sales
Total before tax	(3.0)	(0.5)	(4.4)	(0.8)	Income before income taxes
Tax (provision) benefit	1.8	(0.1)	3.2	(0.1)	Income tax provision
Net of tax	$(1.2)	$(0.6)	$(1.2)	$(0.9)	Net income
Amortization of defined benefit pension items:					
Actuarial loss	$(0.9)	$(1.5)	$(1.8)	$(3.2)	(a)
Prior service credit	0.1	—	0.2	0.1	(a)
Transition liability	(0.1)	—	(0.1)	—	(a)
Total before tax	(0.9)	(1.5)	(1.7)	(3.1)	Income before income taxes
Tax benefit	0.3	0.4	0.5	0.8	Income tax provision
Net of tax	$(0.6)	$(1.1)	$(1.2)	$(2.3)	Net income
Total reclassifications for the period	$(1.8)	$(1.7)	$(2.4)	$(3.2)	

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

Note 6—Financial Instruments and Derivative Financial Instruments

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements and long-term debt, excluding capital leases, were determined using current rates offered for similar obligations taking into account company credit risk. This valuation methodology is Level 2 as defined in the fair value hierarchy. At June 30, 2015, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was $35.6

million. At December 31, 2014, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was $19.2 million.

Derivative Financial Instruments

The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies. These contracts hedge firm commitments and forecasted transactions relating to cash flows associated with sales and purchases denominated in non-functional currencies. The Company offsets fair value amounts related to foreign currency exchange contracts executed with the same counterparty. Changes in the fair value of forward foreign currency exchange contracts that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the unaudited condensed consolidated statements of operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in cost of sales. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and is also generally recognized in cost of sales.

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

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

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

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

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

Foreign Currency Derivatives: The Company held forward foreign currency exchange contracts with total notional amounts of $682.8 million at June 30, 2015, primarily denominated in euros, Japanese yen, Swedish kroner, British pounds, Mexican pesos and Australian dollars. The Company held forward foreign currency exchange contracts with total notional amounts of $510.8 million at December 31, 2014, primarily denominated in euros, Japanese yen, Swedish kroner, British pounds, Mexican pesos and Australian dollars. The fair value of these contracts approximated a net liability of $6.1 million and $5.6 million at June 30, 2015 and December 31, 2014, respectively.

Forward foreign currency exchange contracts that qualify for hedge accounting are generally used to hedge transactions expected to occur within the next 30 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 June 30, 2015, $4.0 million of the amount included in OCI is expected to be reclassified as a loss into the unaudited condensed consolidated statement of operations over the next twelve months, as the transactions occur.

Interest Rate Derivatives: The Company held interest rate contracts with total notional amount of $100.0 million at June 30, 2015. The fair value of interest rate swap agreements was a net liability of $0.4 million at June 30, 2015 and a net asset $0.3 million at December 31, 2014.

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

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	JUNE 30 2015	DECEMBER 31 2014	Balance Sheet Location	JUNE 30 2015	DECEMBER 31 2014
Derivatives designated as hedging instruments						
Cash Flow Hedges						
Foreign currency exchange contracts						
Current	Prepaid expenses and other	$8.8	$ 4.6	Prepaid expenses and other	$7.7	$ 2.4
	Other current liabilities	1.3	3.5	Other current liabilities	6.4	8.8
Long-term	Other non-current assets	1.2	0.9	Other long-term liabilities	0.9	3.1
Total derivatives designated as hedging instruments		$11.3	$ 9.0		$15.0	$ 14.3
Derivatives not designated as hedging instruments						
Cash Flow Hedges						
Interest rate swap agreements						
Current	Other current liabilities	$—	$ —	Other current liabilities	$1.0	$ 1.0
Long-term	Other non-current assets	0.6	1.3	Other long-term liabilities	—	—
Foreign currency exchange contracts						
Current	Prepaid expenses and other	2.0	4.3	Prepaid expenses and other	0.8	2.7
	Other current liabilities	0.9	0.6	Other current liabilities	4.5	2.5
Total derivatives not designated as hedging instruments		$3.5	$ 6.2		$6.3	$ 6.2
Total derivatives		$14.8	$ 15.2		$21.3	$ 20.5

The following table summarizes the offsetting of the fair value of derivative instruments on a gross basis by counterparty at June 30, 2015 and December 31, 2014 as recorded in the unaudited condensed consolidated balance sheets:

	Derivative Assets as of June 30, 2015				Derivative Liabilities as of June 30, 2015			
	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	$0.6	$(0.6)	$—	$—	$1.0	$(0.6)	$0.4	$0.4

Foreign currency exchange contracts	3.5	(3.5)	—	—	9.6	(3.5)	6.1	6.1
Total derivatives	$4.1	$(4.1)	$—	$—	$10.6	$(4.1)	$6.5	$6.5

	Derivative Assets as of December 31, 2014				Derivative Liabilities as of December 31, 2014			
	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	$1.3	$(1.0)	$0.3	$0.3	$1.0	$(1.0)	$—	$—
Foreign currency exchange contracts	4.7	(4.7)	—	—	10.3	(4.7)	5.6	5.6
Total derivatives	$6.0	$(5.7)	$0.3	$0.3	$11.3	$(5.7)	$5.6	$5.6

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The following table summarizes the pre-tax impact of derivative instruments for the three and six months ended June 30, 2015 and 2014 as recorded in the unaudited condensed consolidated statements of operations:

	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)				Location of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)				Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)			
	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED			THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED			THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED	
Derivatives designated as hedging instruments	2015	2014	2015	2014		2015	2014	2015	2014		2015	2014	2015	2014
Cash Flow Hedges														
Interest rate swap agreements	$—	$(1.1)	$—	$(1.6)	Interest expense	$—	$—	$—	$—	Other	$—	$0.8	$—	$0.8
Foreign currency exchange contracts	8.3	1.7	(2.9)	1.9	Cost of sales	(3.0)	(1.2)	(4.4)	(1.5)	Cost of sales	—	(0.1)	—	(0.1)
	$8.3	$0.6	$(2.9)	$0.3		$(3.0)	$(1.2)	$(4.4)	$(1.5)		$—	$0.7	$—	$0.7
Net Investment Hedges														
Foreign currency exchange contracts	$(0.5)	$—	$(0.5)	$0.4	N/A	$—	$—	$—	$—	N/A	$—	$—	$—	$—
Total	$7.8	$0.6	$(3.4)	$0.7		$(3.0)	$(1.2)	$(4.4)	$(1.5)		$—	$0.7	$—	$