

HYSTER-YALE MATERIALS HANDLING, INC.

Form 10-Q

July 31, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from _____ to _____

Commission file number 000-54799

HYSTER-YALE MATERIALS HANDLING, INC.

(Exact name of registrant as specified in its
charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

31-1637659

(I.R.S. Employer
Identification No.)

5875 LANDERBROOK
DRIVE, SUITE 300,
CLEVELAND, OHIO

(Address of principal
executive offices)

44124-4069

(Zip code)

(440) 449-9600

(Registrant's telephone number, including area
code)

N/A

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

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

YES ☒ NO ☐

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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 ☒ NO ☐

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(Do not check if a smaller reporting company)	

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

YES ☐ NO ☒

Number of shares of Class A Common Stock outstanding at July 26, 2013: 12,593,672

Number of shares of Class B Common Stock outstanding at July 26, 2013: 4,118,415

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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 2013	DECEMBER 31 2012
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 162.7	\$ 151.3
Accounts receivable, net	345.6	329.2
Inventories, net	296.0	308.6
Deferred income taxes	16.1	10.5
Prepaid expenses and other	35.1	32.2
Total Current Assets	855.5	831.8
Property, Plant and Equipment, Net	148.7	146.1
Long-term Deferred Income Taxes	21.9	16.0
Investment in Unconsolidated Affiliates	35.9	45.3
Other Non-current Assets	28.0	25.2
Total Assets	\$1,090.0	\$1,064.4
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 292.0	\$ 285.9
Accounts payable, affiliate	18.2	20.6
Current maturities of long-term debt	35.4	35.3
Accrued payroll	38.7	47.1
Accrued warranty obligations	28.4	30.3
Deferred revenue	11.6	11.3
Other current liabilities	69.2	76.6
Total Current Liabilities	493.5	507.1
Long-term Debt	99.4	106.9
Self-insurance Liabilities	18.2	16.5
Pension and other Postretirement Obligations	44.6	50.9
Other Long-term Liabilities	50.8	40.8
Total Liabilities	706.5	722.2
Stockholders' Equity		
Common stock:		
Class A, par value \$0.01 per share, 12,579,675 shares outstanding (2012 - 12,099,535 shares outstanding)	0.1	0.1
Class B, par value \$0.01 per share, convertible into Class A on a one-for-one basis, 4,129,779 shares outstanding (2012 - 4,632,243 shares outstanding)	0.1	0.1
Capital in excess of par value	165.5	163.8
Capital surplus available for dividends	142.2	142.2
Retained earnings	147.5	95.1
Accumulated other comprehensive loss	(72.8) (60.0
Total Stockholders' Equity	382.6	341.3
Noncontrolling Interest	0.9	0.9

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Total Equity	383.5	342.2
Total Liabilities and Equity	\$1,090.0	\$1,064.4

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2013	2012	2013	2012
	(In millions, except per share data)			
Revenues	\$659.6	\$602.0	\$1,304.5	\$1,231.5
Cost of sales	545.3	505.1	1,081.0	1,035.6
Gross Profit	114.3	96.9	223.5	195.9
Operating Expenses				
Selling, general and administrative expenses	78.4	72.3	155.5	141.5
Operating Profit	35.9	24.6	68.0	54.4
Other (income) expense				
Interest expense	2.3	3.4	4.8	7.2
Income from unconsolidated affiliates	(0.6)	(0.9)	(1.5)	(1.9)
Other	(0.3)	0.6	(0.5)	0.7
	1.4	3.1	2.8	6.0
Income Before Income Taxes	34.5	21.5	65.2	48.4
Income tax provision (benefit)	(1.7)	2.0	4.4	7.7
Net Income Attributable to Stockholders	\$36.2	\$19.5	\$60.8	\$40.7
Basic Earnings per Share	\$2.16	\$1.16	\$3.63	\$2.43
Diluted Earnings per Share	\$2.16	\$1.16	\$3.62	\$2.42
Dividends per Share	\$0.2500	\$—	\$0.5000	\$—
Basic Weighted Average Shares Outstanding	16.730	16.777	16.735	16.766
Diluted Weighted Average Shares Outstanding	16.789	16.800	16.783	16.794

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	
	2013	2012	2013	2012
	(In millions)			
Net Income	\$36.2	\$19.5	\$60.8	\$40.7
Other comprehensive income (loss)				
Foreign currency translation adjustment	(10.3	) (15.9	) (14.0	) (6.1
Current period cash flow hedging activity	(0.9	) 2.6	(3.1	) 2.4
Reclassification of hedging activities into earnings	1.1	(0.4	) 1.6	(0.6
Reclassification of pension into earnings	1.4	1.5	2.7	3.0
Comprehensive Income Attributable to Stockholders	\$27.5	\$7.3	\$48.0	\$39.4

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30	
	2013	2012
	(In millions)	
Operating Activities		
Net income	\$60.8	\$40.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14.9	13.8
Amortization of deferred financing fees	1.0	0.8
Deferred income taxes	(11.3)	(3.1)
Stock-based compensation	4.7	—
Dividends from unconsolidated affiliates	6.8	4.6
Other non-current liabilities	—	(1.7)
Other	3.8	1.9
Working capital changes:		
Accounts receivable	(27.3)	22.3
Inventories	6.0	1.8
Other current assets	(2.0)	(2.2)
Accounts payable	8.5	(2.4)
Other current liabilities	(25.8)	(23.4)
Net cash provided by operating activities	40.1	53.1
Investing Activities		
Expenditures for property, plant and equipment	(17.0)	(5.9)
Proceeds from the sale of assets	0.6	0.2
Other	9.9	—
Net cash used for investing activities	(6.5)	(5.7)
Financing Activities		
Additions to long-term debt	15.0	138.9
Reductions of long-term debt	(24.6)	(222.3)
Cash dividends paid	(8.4)	—
Financing fees paid	—	(5.6)
Purchase of treasury shares	(3.0)	—
Net cash used for financing activities	(21.0)	(89.0)
Effect of exchange rate changes on cash	(1.2)	(0.2)
Cash and Cash Equivalents		
Increase (decrease) for the period	11.4	(41.8)
Balance at the beginning of the period	151.3	184.9
Balance at the end of the period	\$162.7	\$143.1

See notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

						Accumulated Other Comprehensive Income (Loss)					
	Class A Common Stock	Class B Common Stock	Capital in Excess of Par Value	Capital surplus available for dividends	Retained earnings (deficit)	Foreign Currency Translation Adjustment	Deferred Gain (Loss) on Cash Flow Hedging	Pension and Postretirement Plan Adjustment	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
(In millions)											
Balance, January 1, 2012	\$—	\$—	\$165.8	\$185.0	\$(2.9)	\$14.7	\$3.3	\$(69.6)	\$296.3	\$0.8	\$297.1
Net income attributable to stockholders	—	—	—	—	40.7	—	—	—	40.7	—	40.7
Current period other comprehensive income (loss)	—	—	—	—	—	(6.1)	2.4	—	(3.7)	—	(3.7)
Reclassification adjustment to net income	—	—	—	—	—	—	(0.6)	3.0	2.4	—	2.4
Balance, June 30, 2012	\$—	\$—	\$165.8	\$185.0	\$37.8	\$8.6	\$5.1	\$(66.6)	\$335.7	\$0.8	\$336.5
Balance, January 1, 2013	\$0.1	\$0.1	\$163.8	\$142.2	\$95.1	\$13.2	\$1.5	\$(74.7)	\$341.3	\$0.9	\$342.2
Stock-based compensation	—	—	4.7	—	—	—	—	—	4.7	—	4.7
Purchase of treasury shares	—	—	(3.0)	—	—	—	—	—	(3.0)	—	(3.0)
Net income attributable to stockholders	—	—	—	—	60.8	—	—	—	60.8	—	60.8
Cash dividends on Class A and Class B common stock:	—	—	—	—	(8.4)	—	—	—	(8.4)	—	(8.4)
\$0.50 per share											
Current period other comprehensive income (loss)	—	—	—	—	—	(14.0)	(3.1)	—	(17.1)	—	(17.1)
Reclassification adjustment to net income	—	—	—	—	—	—	1.6	2.7	4.3	—	4.3

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Balance, June 30, 2013	\$0.1	\$0.1	\$165.5	\$142.2	\$147.5	\$(0.8)	\$—	\$(72.0)	\$382.6	\$0.9	\$383.5
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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, 2013
(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 subsidiaries ("Hyster-Yale" or the "Company"). The unaudited consolidated financial statements include the accounts of Hyster-Yale's wholly-owned domestic and international subsidiaries. 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 Philippines, The Netherlands, Italy, Japan, Vietnam, Brazil and China.

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, 2013 and the results of its operations for the three and six months ended June 30, 2013 and 2012 and the results of its cash flows and changes in equity for the six months ended June 30, 2013 and 2012 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, 2012.

The accompanying unaudited condensed consolidated balance sheet at December 31, 2012 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

Accounting Standards Adopted in 2013:

In December 2011, the Financial Accounting Standards Board ("FASB") issued authoritative guidance on the offsetting of assets and liabilities, which was effective for the Company as of January 1, 2013. The guidance requires additional disclosures regarding offsetting arrangements of balance sheet derivatives to enable financial statement users to understand the effect of these arrangements on a company's financial position. The Company adopted the guidance as of January 1, 2013 and has included the disclosures in Note 6. As this guidance only affected disclosures, the adoption did not have any effect on the Company's financial position, results of operations or cash flows.

In February 2013, the FASB issued authoritative guidance on the presentation requirements for reclassifications out of accumulated other comprehensive income (loss) ("OCI"), which was effective for the Company as of January 1, 2013. The

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Company adopted the guidance as of January 1, 2013 and has included the disclosures in Note 3. As this guidance only affected disclosures, the adoption did not have any effect on the Company's financial position, results of operations or cash flows.

Accounting Standards Not Yet Adopted:

In February 2013, the FASB issued authoritative guidance on joint and several liability arrangements, which is effective for the Company as of January 1, 2014. The guidance provides for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date and for which no other specific guidance in U.S. generally accepted accounting principles exists. The Company is currently evaluating the effect the adoption of the guidance will have on its financial position, results of operations, cash flows and related disclosures.

In March 2013, the FASB issued authoritative guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity, which is effective for the Company as of January 1, 2014. The guidance clarifies the accounting treatment for cumulative translation adjustments when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity, an equity method investment that is a foreign entity and an equity method investment that is not a foreign entity. In addition, the guidance clarifies the attributes of a sale of an investment in a foreign entity. The Company is currently evaluating the effect the adoption of the guidance will have on its financial position, results of operations, cash flows and related disclosures.

Reclassifications: Certain amounts in the prior periods' unaudited condensed consolidated financial statements have been reclassified to conform to the current period's presentation.

Note 3 - Reclassifications Out of OCI

The following table summarizes reclassifications out of OCI for the three and six months ended June 30, 2013 and 2012 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		SIX MONTHS ENDED		
	JUNE 30		JUNE 30		
	2013	2012	2013	2012	
Gain (loss) on cash flow hedges:					
Interest rate contracts	\$—	\$ (1.2)	) \$—	\$ (3.2)	) Interest expense
Interest rate contracts	—	(1.4)	) —	(1.4)	) Other
Foreign exchange contracts	(1.2)	) 1.9	(1.1)	) 3.2	) Cost of sales
	(1.2)	) (0.7)	) (1.1)	) (1.4)	) Total before tax
	0.1	) 1.1	(0.5)	) 2.0	) Tax (expense) benefit
	\$ (1.1)	) \$ 0.4	\$ (1.6)	) \$ 0.6	) Net of tax
Amortization of defined benefit pension items:					
Actuarial loss	\$ (1.6)) \$ (1.9)) \$ (3.1)) \$ (3.8)) (a)
Prior service credit	0.1) 0.2) 0.2) 0.2) (a)
Transition liability	—) —	(0.1)) —) (a)

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(1.5)	(1.7)	(3.0)	(3.6)	Total before tax
0.1		0.2		0.3		0.6		Tax benefit
\$(1.4)	\$(1.5)	\$(2.7)	\$(3.0)	Net of tax

Total reclassifications for the period	\$(2.5)	\$(1.1)	\$(4.3)	\$(2.4)
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(a) These OCI components are included in the computation of net pension cost (see Note 12 for additional details).

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Note 4 - Restructuring and Related Programs

During 2008 and 2009, based on the decline in economic conditions, the Company's management reduced its number of employees worldwide. As a result, the Company recognized a charge of approximately \$6.3 million in 2008 and \$3.4 million in 2009 related to severance. During 2009, \$1.1 million of the accrual was reversed as a result of a reduction in the expected amount paid to employees. Severance payments of \$0.1 million were made under this plan during the first six months of 2013. Payments of \$0.4 million are expected to be made during the remainder of 2013. No further charges related to this plan are expected.

Following is the activity related to the liability for the restructuring and related programs. Amounts for severance expected to be paid within one year are included on the line "Accrued payroll" in the unaudited condensed consolidated balance sheets.

	Severance
Balance at January 1, 2013	\$0.5
Payments	(0.1)
Balance at June 30, 2013	\$0.4

Note 5 - Inventories

Inventories are summarized as follows:

	JUNE 30 2013	DECEMBER 31 2012
Finished goods and service parts	\$162.9	\$170.1
Raw materials and work in process	184.5	189.9
Total manufactured inventories	347.4	360.0
LIFO reserve	(51.4)	(51.4)
	\$296.0	\$308.6

The cost of certain manufactured inventories, including service parts, has been determined using the last-in-first-out ("LIFO") method. At June 30, 2013 and December 31, 2012, 50% and 52%, respectively, of total inventories were determined using the LIFO method. An actual valuation of inventory under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation.

Note 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, 2013, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was \$127.8 million. At December 31, 2012, the fair value and book value of revolving credit agreements and long-term debt, excluding capital leases, was \$135.6 million.

Derivative Financial Instruments

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

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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 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 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 interest expense. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and included on the line "Other" in the "Other (income) expense" section of the unaudited condensed consolidated statements of operations.

Interest rate swap agreements and forward foreign currency exchange contracts held by the Company have been designated as hedges of forecasted cash flows. The Company does not currently hold any nonderivative instruments designated as hedges or any derivatives designated as fair value hedges.

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 included on the line "Cost of sales" in the unaudited condensed consolidated statements of operations.

Cash flows from hedging activities are reported in the unaudited condensed 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 the LIBOR swap curve, foreign currency spot rates and foreign currency forward rates to value its derivatives, including its interest rate swap agreements and foreign currency exchange contracts, 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 \$341.5 million at June 30, 2013, primarily denominated in euros, Japanese yen, British pounds, Swedish kroner, Mexican pesos and Australian dollars. The Company held forward foreign currency exchange contracts with total notional amounts of \$428.7 million at December 31, 2012, primarily denominated in euros, British pounds, Japanese yen, Swedish kroner, Australian dollars and Mexican pesos. The fair value of these contracts approximated a net liability of \$0.7 million at June 30, 2013 and a net asset of \$3.9 million at December 31, 2012.

Forward foreign currency exchange contracts that qualify for hedge accounting are generally used to hedge transactions expected to occur within the next twelve 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, 2013, \$1.4 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: At June 30, 2013, the Company has interest rate swap agreements that are expected to hedge interest payments on its three-month LIBOR borrowings. These contracts begin on December 31, 2014 and extend to December 31, 2018 for a notional amount of \$100.0 million. The fair value of interest rate swap agreements was a net asset of \$2.7 million at June 30, 2013 and a net liability of \$0.7 million at December 31, 2012.

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The following table summarizes the fair value of derivative instruments reflected on a gross basis by contract at June 30, 2013 and December 31, 2012 as recorded in the unaudited condensed consolidated balance sheets:

Asset Derivatives				Liability Derivatives			
Balance Sheet		JUNE 30	DECEMBER 31	Balance Sheet		JUNE 30	DECEMBER 31
Location		2013	2012	Location		2013	2012
Derivatives designated as hedging instruments							
Interest rate swap agreements							
Current	Other current liabilities	\$—	\$ —	Other current liabilities	\$—	\$ —	
Long-term	Other non-current assets	2.7	—	Other long-term liabilities	—	0.4	
Foreign currency exchange contracts							
Current	Prepaid expenses and other	3.2	6.6	Prepaid expenses and other	2.5	2.7	
	Other current liabilities	0.7	1.4	Other current liabilities	1.7	1.2	
Long-term	Other non-current assets	—	—	Other non-current assets	—	—	
	Other long-term liabilities	—	—	Other long-term liabilities	1.0	—	
Total derivatives designated as hedging instruments		\$6.6	\$ 8.0		\$5.2	\$ 4.3	
Derivatives not designated as hedging instruments							
Interest rate swap agreements							
Current	Other current liabilities	\$—	\$ —	Other current liabilities	\$—	\$ 0.4	
Long-term	Other non-current assets	—	0.1	Other long-term liabilities	—	—	
Foreign currency exchange contracts							
Current	Prepaid expenses and other	2.9	1.7	Prepaid expenses and other	1.6	1.2	
	Other current liabilities	0.6	0.6	Other current liabilities	2.3	1.3	
Long-term	Other non-current assets	1.0	—	Other long-term liabilities	—	—	
Total derivatives not designated as hedging instruments		\$4.5	\$ 2.4		\$3.9	\$ 2.9	
Total derivatives		\$11.1	\$ 10.4		\$9.1	\$ 7.2	

The following table summarizes the offsetting of the fair value of derivative instruments on a gross basis by counterparty at June 30, 2013 and December 31, 2012 as recorded in the unaudited condensed consolidated balance sheets:

Derivative Assets as of June 30, 2013

Derivative Liabilities as of June 30, 2013

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	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
Interest rate swap agreements	\$2.7	\$—	\$2.7	\$2.7	\$—	\$—	\$—	\$—
Foreign currency exchange contracts	3.0	(3.0)	—	—	3.7	(3.0)	0.7	0.7
Total derivatives	\$5.7	\$(3.0)	\$2.7	\$2.7				