HYSTER-YALE MATERIALS HANDLING, INC.
Form 10-K
February 19, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K
(Mark One)

x	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended December 31, 2012
or	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 001-35646
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)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, Par Value $0.01 Per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Class B Common Stock, Par Value $0.01 Per Share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES o NO x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES o NO x
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 x 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 x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer x 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 x

Aggregate market value of Class A Common Stock and Class B Common Stock held by non-affiliates as of June 30, 2012 (the last business day of the registrant's most recently completed second fiscal quarter): not applicable

Number of shares of Class A Common Stock outstanding at February 14, 2013: 12,389,300

Number of shares of Class B Common Stock outstanding at February 14, 2013: 4,345,710

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 2013 annual meeting of stockholders are incorporated herein by reference in Part III of this Form 10-K.

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PART I

Item 1. BUSINESS

General

Hyster-Yale Materials Handling, Inc. ("Hyster-Yale" or the "Company") and its subsidiaries, including its operating company NACCO Materials Handling Group, Inc. ("NMHG"), is a leading designer, engineer, manufacturer, seller and servicer of 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. Hyster-Yale was incorporated as a Delaware corporation in 1991.

On September 28, 2012, NACCO Industries, Inc., ("NACCO"), the Company's former parent company, spun-off the Company to NACCO stockholders. In the spin-off, NACCO stockholders, in addition to retaining their shares of NACCO common stock, received one share of Hyster-Yale Class A common stock and one share of Hyster-Yale Class B common stock for each share of NACCO Class A common stock and Class B common stock.

The Company makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports available, free of charge, through its website, www.hyster-yale.com, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC").

Manufacturing and Assembly

The Company manufactures components, such as frames, masts and transmissions, and assembles lift trucks in the market of sale whenever practical to minimize freight cost and balance currency mix. In some instances, however, it utilizes one worldwide location to manufacture specific components or assemble specific lift trucks. Additionally, components and assembled lift trucks are exported to locations when it is advantageous to meet demand in certain markets. The Company operates twelve manufacturing and assembly facilities worldwide with five plants in the Americas, three in Europe and four in Asia-Pacific, including joint venture operations.

Sales of lift trucks represented approximately 82% of the Company's annual revenues in 2012 (approximately 56% internal combustion engine units and approximately 26% electric units), 83% in 2011 and 77% in 2010. Service, rental and other revenues were approximately 5% in 2012, 4% in 2011 and 6% in 2010.

During 2012, the Company's retail shipments in North America by end market were approximately 29% to the manufacturing market, approximately 15% to the wholesale distribution market, approximately 12% to the food and beverage market, approximately 11% to the rental market, approximately 10% to the home centers and retail market, approximately 9% to the freight and logistics market and approximately 6% to the paper market.

Aftermarket Parts

The Company offers a line of aftermarket parts to service its large installed base of lift trucks currently in use in the industry. The Company offers online technical reference databases specifying the required aftermarket parts to service lift trucks and an aftermarket parts ordering system. Aftermarket parts sales represented approximately 13% of the Company's annual revenues in 2012, 13% in 2011 and 17% in 2010.

The Company sells Hyster®- and Yale®-branded aftermarket parts to dealers for Hyster® and Yale® lift trucks. The Company also sells aftermarket parts under the UNISOURCE™, MULTIQUIP™ and PREMIER™ brands to Hyster® and Yale® dealers for the service of competitor lift trucks. The Company has a contractual relationship with a third-party, multi-brand, aftermarket parts wholesaler in the Americas and Europe whereby orders from the Company's dealers for parts for lift trucks are fulfilled by the third party who then pays the Company a commission.

Marketing

The Company's marketing organization is structured in three regional divisions: the Americas; Europe, which includes the Middle East and Africa; and Asia-Pacific. In each region, certain marketing support functions for the Hyster® and Yale® brands are combined into a single shared services organization. These activities include sales and service training, information systems support, product launch coordination, specialized sales material development, help desks, order entry, marketing strategy and field service support.

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Patents, Trademarks and Licenses

The Company relies on a combination of trade secret protection, trademarks, copyrights, and patents to establish and protect the Company's proprietary rights. These intellectual property rights may not have commercial value or may not be sufficiently broad to protect the aspect of the Company's technology to which they relate or competitors may design around the patents. We are not materially dependent upon patents or patent protection; however, as materials handling equipment has become more technologically advanced, the Company and its competitors have increasingly sought patent protection for inventions incorporated into the Company's products. The Company owns the Hyster® and Yale® trademarks and believe these trademarks are material to its business.

Distribution Network

The Company distributes lift trucks and aftermarket parts primarily through two channels: independent dealers and a National Accounts program. The Company’s end-user base is diverse and fragmented, including, among others, light and heavy manufacturers, trucking and automotive companies, rental companies, building materials and paper suppliers, lumber, metal products, warehouses, retailers, food distributors, container handling companies and domestic and foreign governmental agencies.

Independent Dealers

The Company’s dealers, located in 169 countries, are generally independently owned and operated. In the Americas, Hyster® had 46 independent dealers and Yale® had 63 independent dealers as of December 31, 2012. In Europe, Hyster® had 46 independent dealers and Yale® had 108 independent dealers as of December 31, 2012. In Asia-Pacific, Hyster® had 36 independent dealers and Yale® had 14 independent dealers as of December 31, 2012. As of December 31, 2012, the Company had 23 dual-branded dealers in the Americas and one each in Europe and Asia-Pacific.

National Accounts

The Company operates a National Accounts program for both Hyster® and Yale®. The National Accounts program focuses on large customers with centralized purchasing and geographically dispersed operations in multiple dealer territories. The National Accounts program accounted for 15%, 15% and 14% of new lift truck unit volume in 2012, 2011 and 2010, respectively. The independent dealers support the National Accounts program by providing aftermarket parts and service on a local basis. Dealers receive a commission for the support they provide in connection with National Accounts sales and for the preparation and delivery of lift trucks to customer locations. In addition to selling new lift trucks, the National Accounts program markets services, including full maintenance leases and total fleet management.

Financing of Sales

The Company is engaged in a joint venture with General Electric Capital Corporation (“GECC”) to provide dealer and customer financing of new lift trucks in the United States. The Company owns 20% of the joint venture entity, NMHG Financial Services, Inc. (“NFS”), and receives fees and remarketing profits under a joint venture agreement. This agreement expires on December 31, 2013. The Company accounts for its ownership of NFS using the equity method of accounting.

In addition, the Company has entered into an operating agreement with GECC under which GECC provides leasing and financing services to Hyster® and Yale® dealers and their customers outside of the United States. GECC pays the Company a referral fee once certain financial thresholds are met. This agreement expires on December 31, 2013.

Under the joint venture agreement with NFS and the operating agreement with GECC, 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 to NFS or to GECC. In substantially all of these transactions, a perfected security interest is maintained in the lift trucks financed, so that in the event of a default, the Company has the ability to foreclose on the leased property and sell it through the Hyster® or Yale® dealer network. Furthermore, the Company has established reserves for exposures under these agreements when required. In addition, the Company has an agreement with GECC to limit its exposure to losses at certain eligible dealers. Under this agreement, losses related to guarantees for these certain eligible dealers are limited to 7.5% of their original loan balance. See Notes 10 and 17 to the Consolidated Financial Statements in this Form 10-K for further discussion.

Backlog

As of December 31, 2012, the Company’s backlog of unfilled orders placed with its manufacturing and assembly operations for new lift trucks was approximately 27,300 units, or approximately $696 million, of which substantially all is expected to be sold during fiscal 2013. This compares with the backlog as of December 31, 2011 of approximately 24,700 units, or approximately

$629 million. Backlog represents unfilled lift truck orders placed with the Company’s manufacturing and assembly facilities from dealers, National Accounts customers and contracts with the U.S. government. In general, unfilled orders may be canceled at any time prior to the time of sale.

Key Suppliers and Raw Materials

At times, the Company has experienced significant increases in its material costs, primarily as a result of global increases in industrial metals including steel, lead and copper and other commodity products, including rubber, due to increased demand and limited supply. While the Company attempts to pass these increased costs along to its customers in the form of higher prices for its products, it may not be able to fully offset the increased costs of industrial metals and other commodities, due to overall market conditions and the lag time involved in implementing price increases for its products.

A significant raw material required by the Company's manufacturing operations is steel which is generally purchased from steel producing companies in the geographic area near each of the Company's manufacturing facilities. The other significant components for the Company's lift trucks are axles, brakes, transmissions, batteries and chargers. These components are available from numerous sources in quantities sufficient to meet the Company's requirements. We depend on a limited number of suppliers for some of the Company's crucial components, including diesel and gasoline engines, which are supplied to us by, among others, Mazda Motor Corporation and Cummins Inc., and cast-iron counterweights used to counter balance some lift trucks, which we obtain from, among others, Eagle Quest International Ltd. and North Vernon Industry Corp. Some of these critical components are imported and subject to regulations, such as customary inspection by the U.S. Customs and Border Protection under the auspices of the U.S. Department of Homeland Security, as well as the Company's own internal controls and security procedures. We believe comparable alternatives are available for all suppliers.

Competition

The Company is one of the leaders in the lift truck industry with respect to market share in the Americas and worldwide. Competition in the lift truck industry is intense and 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.

The lift truck industry also competes with alternative methods of materials handling, including conveyor systems and automated guided vehicle systems.

The Company 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.

Cyclical Nature of Lift Truck Business

The Company’s lift truck business historically has been cyclical. Fluctuations in the rate of orders for lift trucks reflect the capital investment decisions of the Company’s customers, which depend to a certain extent on the general level of economic activity in the various industries the lift truck customers serve. During economic downturns, customers tend to delay new lift truck and parts purchases. Consequently, the Company has experienced, and in the future may continue to experience, significant fluctuations in its revenues and net income.

Research and Development

The Company’s research and development capability is organized around four major engineering centers, all coordinated on a global basis by the Company’s global executive administrative center. Products are designed for each brand concurrently and generally each center is focused on the global requirements for a single product line. The Company’s counterbalanced development center, which has global design responsibility for several classes of lift trucks for a highly diverse customer base, is located in Fairview, Oregon. The Company’s big truck development center is located in Nijmegen, The Netherlands, adjacent to a dedicated global big truck assembly facility. Big trucks are primarily used in handling shipping containers and in specialized heavy lifting applications. Warehouse trucks, which are primarily used in distribution applications, are designed based on regional differences in stacking and storage practices. The Company designs warehouse equipment for sale in the Americas market in Greenville, North Carolina, adjacent to the Americas assembly facility. The Company designs warehouse equipment for the European market in Masate, Italy adjacent to its assembly facilities for warehouse equipment. The Company also has an engineering Concept Center in the United Kingdom to support advanced design activities. In addition, the Company has an engineering office in India to support its global drafting and design activities for its four major engineering centers.

The Company's engineering centers utilize a three-dimensional CAD/CAM system and are connected with one another, with all of the Company's manufacturing and assembly facilities and with some suppliers. This allows for collaboration in technical engineering designs and collaboration with suppliers. Additionally, the Company solicits customer feedback throughout the design phase to improve product development efforts. The Company invested $67.5 million, $61.3 million and $48.6 million on product design and development activities in 2012, 2011 and 2010, respectively.

Sumitomo-NACCO Joint Venture

The Company has a 50% ownership interest in Sumitomo-NACCO Materials Handling Group, Ltd. (“SN”), a limited liability company that was formed in 1970 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. Sumitomo Heavy Industries, Ltd. owns the remaining 50% interest in SN. Each shareholder 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. As a result, the Company accounts for its ownership in SN using the equity method of accounting. The Company purchases Hyster®- and Yale®-branded lift trucks and related component and aftermarket parts from SN under normal trade terms for sale outside of Japan. The Company also contracts with SN for engineering design services on a cost plus basis and charges SN for technology used by SN but developed by the Company. During 2012, SN sold more than 3,800 lift trucks.

Employees

As of January 31, 2013, the Company had approximately 5,400 employees. Certain employees in the Danville, Illinois parts depot operations (approximately 90 employees) are unionized. The Company’s contract with the Danville union expires in June 2015. Employees at the facilities in Berea, Kentucky; Sulligent, Alabama; and Greenville, North Carolina are not represented by unions. In Brazil, all of the approximately 250 employees are represented by a union. The Company’s contract with the Brazilian union expires annually in October, at which time salaries are negotiated for the following year. In Mexico, approximately 250 shop employees are unionized and the current collective bargaining agreement expires in March 2013.

In Europe, approximately 240 employees in Craigavon, Northern Ireland, approximately 90 employees in Masate, Italy and approximately 35 employees in Nijmegen, The Netherlands facilities are unionized. All of the European employees are part of works councils that perform a consultative role on business and employment matters.

The Company believes its current labor relations with both union and non-union employees are generally satisfactory. However, there can be no assurances that the Company will be able to successfully renegotiate its union contracts without work stoppages or on acceptable terms. A prolonged work stoppage at a unionized facility could have a material adverse effect on the Company’s business and results of operations.

Environmental Matters

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. The Company’s policies stress compliance, and the Company believes it is currently in substantial compliance with existing environmental laws. If the Company fails to comply with these laws or its environmental permits, it could incur significant 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 expense or restrict operations. Based on current information, the Company does not expect compliance with environmental requirements to have a material adverse effect on the Company’s financial condition or results of operations.

In addition, the Company’s products may be subject to laws and regulations relating to the protection of the environment, including those governing vehicle exhaust. 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. While there can be no assurance, the Company believes the impact of the additional expenditures to comply with these requirements will not have a material adverse effect on its business.

The Company is investigating or remediating historical contamination at some current and former sites caused by its operations or those of businesses it acquired. The Company has also been named as a potentially responsible party for cleanup costs under the so-called Superfund law at several third-party sites where the Company (or its predecessors) disposed of wastes in the past. Under the Superfund law and often under similar state laws, the entire cost of cleanup can be imposed on any one of the statutorily liable parties, without regard to fault. 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 the Company’s financial conditions and results of operations.

In connection with any acquisition made by the Company, the Company 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 has acquired. In addition, under some of the agreements through which the Company has sold businesses or assets, the Company 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.

Government and Trade Regulations

In the past, the Company’s business has been affected by trade disputes between the United States and Europe. In the future, to the extent the Company is affected by trade disputes and increased tariffs are levied on its goods, its results of operations may be materially adversely affected.

Item 1A. RISK FACTORS

The lift truck business is cyclical. Any downturn in the general economy could result in significant decreases in the Company's revenue and profitability and an inability to sustain or grow the business.

The Company's lift truck business historically has been cyclical. Fluctuations in the rate of orders for lift trucks reflect the capital investment decisions of the Company's customers, which depend to a certain extent on the general level of economic activity in the various industries the lift truck customers serve. During economic downturns, customers tend to delay new lift truck and parts purchases. Consequently, the Company has experienced, and in the future may continue to experience, significant fluctuations in revenues and net income. If there is a downturn in the general economy, or in the industries served by lift truck customers, the Company's revenue and profitability could decrease significantly, and the Company may not be able to sustain or grow the business.

The pricing and costs of the Company's products have been and may continue to be impacted by foreign currency fluctuations, which could materially increase costs, result in material exchange losses and materially reduce operating margins.

Because the Company conducts transactions in various foreign currencies, including the euro, British pound, Australian dollar, Brazilian real, Japanese yen, Chinese renminbi and Swedish kroner, lift truck pricing is subject to the effects of fluctuations in the value of these foreign currencies and fluctuations in the related currency exchange rates. As a result, the Company's sales have historically been affected by, and may continue to be affected by, these fluctuations. In addition, exchange rate movements between currencies in which the Company purchases materials and components and manufactures certain products and the currencies in which the Company sells those products have been affected by and may continue to result in exchange losses that could materially reduce operating margins. Furthermore, the Company's hedging contracts may not fully offset risks from changes in currency exchange rates.

The cost of raw materials used by the Company's products has and may continue to fluctuate, which could materially reduce the Company's profitability.

At times, the Company has experienced significant increases in materials costs, primarily as a result of global increases in industrial metals including steel, lead and copper and other commodity prices, including rubber, as a result of increased demand and limited supply. The Company manufactures products that include raw materials that consist of steel, rubber, copper, lead, castings and counterweights. The Company also purchases parts provided by suppliers that are manufactured from castings and steel or contain lead. The cost of these parts is affected by the same economic conditions that impact the cost of the parts the Company manufactures. The cost to manufacture lift trucks and related service parts has been and will continue to be affected by fluctuations in prices for these raw materials. If costs of these raw materials increase, the Company's profitability could be reduced.

The Company is subject to risks relating to its foreign operations.

Foreign operations represent a significant portion of the Company's business. The Company expects revenue from foreign markets to continue to represent a significant portion of total revenue. The Company owns or leases manufacturing facilities in Brazil, Italy, Mexico, The Netherlands and Northern Ireland, and owns interests in joint ventures with facilities in China, Japan, the Philippines and Vietnam. The Company also sells domestically produced products to foreign customers and sells foreign produced products to domestic customers. The Company's foreign operations are subject to additional risks, which include:

- potential political, economic and social instability in the foreign countries in which the Company operates;
- currency risks, see the risk factor titled “The pricing and costs of the Company's products have been and may continue to be impacted by foreign currency fluctuations, which could materially increase costs, result in material exchange

losses and materially reduce operating margins";

- imposition of or increases in currency exchange controls;

- potential inflation in the applicable foreign economies;
- imposition of or increases in import duties and other tariffs on products;
- imposition of or increases in foreign taxation of earnings and withholding on payments received from the Company's subsidiaries;
- regulatory changes affecting international operations; and
- stringent labor regulations.

Part of the strategy to expand worldwide market share is strengthening the Company's international distribution network. A part of this strategy also includes decreasing costs by sourcing basic components in lower-cost countries. Implementation of this part of the strategy may increase the impact of the risks described above and there can be no assurance that such risks will not have an adverse effect on the Company's revenues, profitability or market share.

The Company depends on a limited number of suppliers for specific critical components.

The Company depends on a limited number of suppliers for some of its critical components, including diesel, gasoline and alternative fuel engines and cast-iron counterweights used to counterbalance some lift trucks. Some of these critical components are imported and subject to regulation, primarily with respect to customary inspection of such products by the U.S. Customs and Border Protection under the auspices of the U.S. Department of Homeland Security. The results of operations could be adversely affected if the Company is unable to obtain these critical components, or if the costs of these critical components were to increase significantly, due to regulatory compliance or otherwise, and the Company was unable to pass the cost increases on to its customers.

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, greater financial resources and less debt 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.

The Company relies primarily on its network of independent dealers to sell lift trucks and aftermarket parts and the Company has no direct control over sales by those dealers to customers. Ineffective or poor performance by these independent dealers could result in a significant decrease in revenues and profitability and the inability to sustain or grow the business.

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 we may not be able to sustain or grow the Company's business.

If the Company's current cost reduction and efficiency programs, 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 cost reduction, efficiency and new product programs 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 programs, revenues, profitability and market share 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.

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

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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.

The Company is subject to recourse or repurchase obligations with respect to the financing arrangements of some of its customers.

Through arrangements with GECC 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 we would become obligated in the event of default by the dealer or customer. Total amounts subject to these types of obligations at December 31, 2012 and December 31, 2011 were $146.5 million and $179.1 million, 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 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.

In addition, the Company's products may 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. The Company has also been named as a potentially responsible party for cleanup costs under the so-called Superfund law at several third-party sites where it (or the Company's predecessors) disposed of wastes in the past. Under the Superfund law and often under similar state laws, the entire cost of cleanup can be imposed on any one of the statutorily liable parties, without regard to fault. 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 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.

The Company may become subject to claims under foreign laws and regulations, which may be expensive, time consuming and distracting.

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 foreign jurisdictions for violations of their laws with respect to the Company's foreign operations. In addition, these laws may be changed or new laws may be enacted in the future. International litigation is often expensive, time consuming and distracting. As a result, any of these risks could significantly reduce profitability and its ability to operate the Company's businesses effectively.

The Company may be subject to risk relating to increasing cash requirements of certain employee benefits plans which may affect its financial position.

Although the majority of the Company's defined benefit pension plans are frozen and no longer provide for the accrual of future benefits, the expenses recorded for, and cash contributions required to be made to, its 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 the ability to manage and operate its business effectively and could significantly reduce profitability.

The Company's indebtedness could restrict the ability to pay dividends and have a negative effect on financing options and the Company's liquidity position.

The Company has a $200.0 million credit facility, under which it may borrow cash to finance ongoing operations and growth, and a $130.0 million term loan. As of December 31, 2012, the Company had total outstanding debt of $142.2 million.

The extent to which the Company is leveraged could:

- require the Company to dedicate a significant portion of its cash flow from operations to paying the principal of and interest on its indebtedness, thereby reducing funds available for other corporate purposes;
- limit the Company's ability to refinance its indebtedness on terms acceptable to the Company or at all;
- limit the Company's ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions; and
- make the Company more vulnerable to economic downturns and limit its ability to withstand competitive pressures.

The Company might not be able to engage in desirable strategic transactions and equity issuances because of certain restrictions relating to requirements for tax-free distributions.

The Company's ability to engage in significant equity transactions could be limited or restricted in order to preserve, for U.S. federal income tax purposes, the tax-free nature of the spin-off from NACCO. Even if the spin-off otherwise qualifies for tax-free treatment under the Internal Revenue Code (the "Code"), it may result in corporate-level taxable gain to NACCO under the Code if there is a 50% or greater change in ownership, by vote or value, of shares of the Company's stock or NACCO’s stock occurring as part of a plan or series of related transactions that includes the spin-off. Any acquisitions or issuances of the Company's stock or NACCO’s stock within two years after the spin-off are generally presumed to be part of such a plan, although the Company or NACCO may be able to rebut that presumption. Under the tax allocation agreement that the Company entered into with NACCO, the Company is prohibited from taking or failing to take any action that prevents the spin-off from being tax-free. Further, during the two-year period following the spin-off, without obtaining the consent of NACCO, a private letter ruling from the Internal Revenue Service or an unqualified opinion of a nationally recognized law firm, the Company may be prohibited from:

- approving or allowing any transaction that results in a change in ownership of 35% or more of the value or the voting power of the Company's common stock;
- redeeming equity securities;
- selling or otherwise disposing of more than 35% of the value of assets;

- acquiring a business or assets with equity securities to the extent one or more persons would acquire 35% or more of the value or the voting power of the Company's common stock; and
- engaging in certain internal transactions.

These restrictions may limit the Company's ability to pursue strategic transactions or engage in new businesses or other transactions that could maximize the value of the Company's business.

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:

Region	Facility Location	Owned/Leased	Function(s)
Americas	Berea, Kentucky	Owned	Assembly of lift trucks and manufacture of component parts
	Cleveland, Ohio	Leased	Corporate headquarters
	Danville, Illinois	Owned	Americas parts distribution center
	Greenville, North Carolina	Owned	Divisional headquarters and marketing and sales operations for Hyster® and Yale® in Americas; Americas warehouse development center; assembly of lift trucks and manufacture of component parts
	Fairview, Oregon	Owned	Global executive administrative center; counterbalanced development center for design and testing of lift trucks, prototype equipment and component parts
	Ramos Arizpe, Mexico	Owned	Manufacture of component parts for lift trucks
	Sao Paulo, Brazil	Owned	Assembly of lift trucks, sale of parts and marketing operations for Brazil
	Sulligent, Alabama	Owned	Manufacture of component parts for lift trucks
Europe	Craigavon, Northern Ireland	Owned	Manufacture of lift trucks and cylinders; frame and mast fabrication for Europe
	Fleet, England	Leased	European executive center; marketing and sales operations for Hyster® and Yale® in Europe
	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
Asia-Pacific	Shanghai, China	Owned(1)	Assembly of lift trucks by Shanghai Hyster joint venture, sale of parts and marketing operations of China
	Sydney, Australia	Leased	Divisional headquarters and sales and marketing for Asia-Pacific; Asia-Pacific parts distribution center
India	Pune, India	Leased	Engineering design services

(1) This facility is owned by Shanghai Hyster Forklift Ltd., the Company’s Chinese joint venture company.
SN’s operations are supported by four 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. SN also has one wholly-owned and six partially-owned dealerships in Japan.

The Company leases the facility for its one retail dealership in Singapore.

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.

Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

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.
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. Certain executive officers of the Company listed below are also executive officers of certain of its subsidiaries.
EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Current Position	Other Positions
Alfred M. Rankin, Jr.	71	Chairman, President and Chief Executive Officer of Hyster-Yale (from September 2012), Chairman, President and Chief Executive Officer of NACCO (from prior to 2008), Chairman of NMHG (from October 2008).	Chairman of Hamilton Beach Brands, Inc. (from January 2010), Chairman of The Kitchen Collection, LLC (from January 2010), Chairman of The North American Coal Corporation (from February 2010).
Michael P. Brogan	62	President and Chief Executive Officer of NMHG (from prior to 2008).	
Charles A. Bittenbender	63	Vice President, General Counsel and Secretary of Hyster-Yale (from September 2012), Vice President, General Counsel and Secretary of NMHG (from October 2008).	Vice President, General Counsel and Secretary of NACCO (from prior to 2008 to September 2012).
Brian K. Frentzko	52	Vice President, Treasurer of Hyster-Yale (from September 2012), Vice President, Treasurer of NMHG (from September 2012).	Assistant Treasurer of NMHG (from prior to 2008 to September 2012).
Jennifer M. Langer	39	Vice President, Controller of Hyster-Yale (from February 2013), Vice President, Controller of NMHG (from February 2013).	Controller of Hyster-Yale (from September 2012 to February 2013), Controller of NMHG (from January 2012 to February 2013), Director of Financial Reporting, Planning and Analysis of NACCO (from March 2011 to September 2012), Director of Financial Reporting of NACCO (from January 2008 to March 2011).
Mary D. Maloney	50	Associate General Counsel and Assistant Secretary of Hyster-Yale (from September 2012), Associate General Counsel and Assistant Secretary of NMHG (from September 2012).	Assistant General Counsel and Assistant Secretary of Hyster-Yale (from May 2012 to September 2012), Assistant General Counsel and Assistant Secretary of NACCO (from prior to 2008 to September 2012), Assistant Secretary of NMHG (from August 2011 to September 2012).
Lauren E. Miller	58	Senior Vice President, Marketing and Consulting of Hyster-Yale (from February 2013), Senior Vice President, Marketing and Consulting of NMHG (from October 2008).	Vice President, Consulting Services of NACCO (from prior to 2008 to September 2012).
Ralf A. Mock	57	Managing Director, Europe, Middle East and Africa of NMHG (from prior to 2008).	
Rajiv K. Prasad	49	Vice President, Global Product Development and Manufacturing of NMHG (from January 2012).	Vice President, Global Product Development of NMHG (from prior to 2008 to January 2012).
Victoria L. Rickey	60	Vice President, Asia-Pacific of NMHG (from October 2008).	Vice President, Chief Marketing Officer of NMHG (from prior to 2008 to October 2008)

Michael E. Rosberg	63	Vice President, Global Supply Chain of NMHG (from prior to 2008).	
Kenneth C. Schilling	53	Vice President, Chief Financial Officer of Hyster-Yale (from September 2012), Vice President, Chief Financial Officer of NMHG (from October 2008).	Vice President and Controller of NACCO (from prior to 2008 to September 2012).
Suzanne S. Taylor	50	Vice President, Deputy General Counsel and Assistant Secretary of Hyster-Yale (from February 2013), Vice President, Deputy General Counsel and Assistant Secretary of NMHG (from February 2013).	Deputy General Counsel and Assistant Secretary of Hyster-Yale (from September 2012 to February 2013), Deputy General Counsel and Assistant Secretary of NMHG (from September 2012 to February 2013), Associate General Counsel and Assistant Secretary of Hyster-Yale (from May 2012 to September 2012), Associate General Counsel and Assistant Secretary of NACCO (from December 2008 to September 2012), Assistant Secretary of NMHG (from August 2011 to September 2012), Vice President, General Counsel and Chief Compliance Officer, Keithley Instruments, Inc. (developer, manufacturer and marketer of electronic instruments) (from prior to 2008 to December 2008).
Colin Wilson	58	Vice President and Chief Operating Officer of NMHG (from prior to 2008); President, Americas of NMHG (from October 2008).	

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." Because of transfer restrictions, 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. The high and low market prices for the Class A common stock and dividends per share for both classes of common stock for each quarter since the spin-off from NACCO are presented in the table below:

	2012		
	Sales Price		
	High	Low	Cash Dividend
Fourth quarter	$49.72	$37.68	$2.25

At December 31, 2012, there were approximately 925 Class A common stockholders of record and approximately 1,000 Class B common stockholders of record.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of the Publicly Announced Program	(d) Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Program (1)
Month #1 (October 1 to 31, 2012)	—	—	—	—
Month #2 (November 1 to 30, 2012)	—	—	—	—
Month #3 (December 1 to 31, 2012)	47,348	$46.49	47,348	$47,798,896
Total	47,348	$46.49	47,348	$47,798,896

(1) On December 7, 2012, the Company announced that the Company's Board of Directors approved the repurchase of up to $50 million of the Company's outstanding Class A common stock. The timing and amount of any repurchases will be determined at the discretion of the Company's management based on a number of factors, including the availability of capital, other capital allocation alternatives and market conditions for the Company's Class A common stock. The share repurchase program does not require the Company to acquire any specific number of shares but it is limited to a maximum number of shares not to exceed ten percent of all Common Stock outstanding. It may be modified, suspended, extended or terminated by the Company at any time without prior notice and will be executed through open market purchases. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which would allow repurchases under pre-set terms at times when the Company might otherwise be prevented from doing so. As of December 31, 2012, the Company had repurchased $2.2 million of Class A common stock under this program.

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Item 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	2012[2]	2011[2]	2010[2]	2009[2]	2008[2][4]
	(In millions, except per share data)				
Operating Statement Data:					
Revenues	$2,469.1	$2,540.8	$1,801.9	$1,475.2	$2,824.3
Operating profit (loss)	$111.7	$110.0	$46.1	$(31.2)	$(344.0)
Net income (loss)	$98.1	$82.6	$32.3	$(43.2)	$(375.8)
Net (income) loss attributable to noncontrolling interest	(0.1)	—	0.1	0.1	(0.2)
Net income (loss) attributable to stockholders	$98.0	$82.6	$32.4	$(43.1)	$(376.0)
Basic earnings (loss) per share attributable to stockholders:	$5.84	$4.93	$1.95	$(2.60)	$(22.70)
Diluted earnings (loss) per share attributable to stockholders:	$5.83	$4.91	$1.94	$(2.60)	$(22.70)
Balance Sheet Data at December 31:					
Total assets	$1,064.4	$1,117.0	$1,041.2	$914.1	$1,095.1
Long-term debt	$106.9	$54.6	$215.5	$229.2	$229.7
Stockholders' equity	$341.3	$296.3	$230.7	$207.1	$154.2
Cash Flow Data:					
Provided by (used for) operating activities	$128.7	$54.6	$47.5	$115.9	$(27.3)
Provided by (used for) investing activities	$(19.5)	$(15.9)	$(8.5)	$5.8	$(37.5)
Provided by (used for) financing activities	$(144.4)	$(19.5)	$(24.4)	$(18.3)	$48.0
Other Data:					
Cash dividends paid to NACCO	$5.0	$10.0	$5.0	$—	$—
Per share data:					
Cash dividends[1][3]	$2.25				
Market value at December 31[1]	$48.80				
Stockholders' equity at December 31[1]	$20.40				
Actual shares outstanding at December 31[1]	16.732				
Basic weighted average shares outstanding[2]	16.768	16.767	16.657	16.579	16.561
Diluted weighted average shares outstanding[2]	16.800	16.815	16.688	16.579	16.561
Total employees at December 31	5,300	5,300	5,000	4,500	5,700

(1) This information is only included for periods subsequent to the spin-off from NACCO.

(2) As a result of the distribution of one share of Class A Common and one share of Class B Common for each share of NACCO Class A and NACCO Class B on September 28, 2012, the earnings per share amounts and the weighted average shares outstanding for the Company have been calculated based upon doubling the relative historical basic and diluted weighted average shares outstanding of NACCO.

(3) Includes an extraordinary dividend of $2.00 per share paid to stockholders of the Company during the fourth quarter of 2012.

(4) During the fourth quarter of 2008, NACCO's stock price significantly declined compared with previous periods and the market value of NACCO's equity was below its book value of tangible assets and its book value of equity. NACCO performed an interim impairment test, which indicated that goodwill and certain other intangibles were impaired at December 31, 2008. Therefore, the Company recorded a non-cash impairment charge of $351.1 million during the fourth quarter of 2008.

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 and Percentage Data)

OVERVIEW

Hyster-Yale Materials Handling, Inc. ("Hyster-Yale" or the "Company") and its subsidiaries, including its operating company NACCO Materials Handling Group, Inc. ("NMHG"), is a leading designer, engineer, manufacturer, seller and servicer of a comprehensive line of lift trucks and aftermarket parts marketed globally primarily under the Hyster® and Yale® brand names. 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 its customers serve.

Competition in the materials handling industry is intense and 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. 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 is focused on improving margins on new lift truck units, especially in the internal combustion engine business, through the introduction of new products. The Company is strategically focused on gaining market share through these new products, which meet a broad range of market applications cost effectively, and through the enhancement of its independent dealer network.

On September 28, 2012, NACCO Industries, Inc., ("NACCO"), Hyster-Yale's former parent company, spun-off the Company to NACCO stockholders. In the spin-off, NACCO stockholders, in addition to retaining their shares of NACCO common stock, received one share of Hyster-Yale Class A common stock and one share of Hyster-Yale Class B common stock for each share of NACCO Class A common stock and Class B common stock.

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: Revenues are recognized based upon the terms of contracts with customers, which is generally when title transfers and risk of loss passes as customer orders are completed and shipped. For the Company's National Account customers, revenue is recognized upon customer acceptance. National Account customers are large customers with centralized purchasing and geographically dispersed operations in multiple dealer territories. Reserves for discounts and returns are maintained for anticipated future claims. The accounting policies used to develop these product discounts and returns include:

Product discounts: The Company records estimated reductions to revenues for customer programs and incentive offerings, including special pricing agreements, price competition, promotions and other volume-based incentives. Lift truck sales revenue is recorded net of projected discounts. The estimated discount amount is based upon historical trends for each 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 retail share or dealer stock and offers certain customers volume rebates if a specified cumulative level of purchases is obtained. If estimates of customer programs and incentives were one percent higher than the levels offered during 2012, the reserves for product discounts would increase and revenue would be reduced by $0.1 million. The Company's past results of operations have not been materially affected by a change in the estimate of product discounts and although there can be no assurances, the Company is not aware of any circumstances that would be reasonably likely to materially change its estimates in the future.

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 and Percentage Data)

Product returns: Products generally are not sold with the right of return with the exception of a small percentage of aftermarket parts. Based on historical experience, a portion of products sold are estimated to be returned which, subject to certain terms and conditions, the Company will agree to accept. The Company records estimated reductions to revenues at the time of sale based on this historical experience and the limited right of return provided to certain customers. If future trends were to change significantly from those experienced in the past, incremental reductions to revenues may result based on this new experience. If the estimate of average return rates for each type of product sold were to increase by one percent over historical levels, the reserves for product returns would increase and revenues would be reduced by less than $0.1 million. The Company's past results of operations have not been materially affected by a change in the estimate of product returns and although there can be no assurances, the Company is not aware of any circumstances that would be reasonably likely to materially change its 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 employees in the United Kingdom and 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.

Changes to the estimate of any of these factors could result in a material change to the pension obligation causing a related increase or decrease in reported net operating results in the period of change in the estimate. Because the 2012 assumptions are used to calculate 2013 pension expense amounts, a one percentage-point change in the expected long-term rate of return on plan assets would result in a change in pension expense for 2013 of approximately $1.8 million for the plans. A one percentage-point increase in the discount rate would have lowered the plans' 2013 expense by approximately $1.8 million; while a one percentage-point decrease in the discount rate would have raised the plans' 2013 expense by approximately $1.9 million. A one percentage-point increase in the discount rate would have lowered the plans' projected benefit obligation as of the end of 2012 by approximately $30.4 million; while a one percentage-point decrease in the discount rate would have raised the plans' projected benefit obligation as of the end of 2012 by approximately $36.7 million. See Note 14 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of the retirement benefit plans.

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 to us, 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

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 and Percentage Data)

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 $0.2 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, medical claims and certain workers’ compensation claims. For product liability, catastrophic insurance coverage is retained for potentially significant individual 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, 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.

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 2012 levels, the reserves for product warranties would increase and additional expense of $0.2 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.

Deferred tax valuation allowances: The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. A valuation allowance has been provided against certain deferred tax assets related to non-U.S. and U.S. state jurisdictions including net operating and capital loss carryforwards. Management believes the valuation allowances are adequate after considering future taxable income, allowable carryforward periods and ongoing prudent and feasible tax planning strategies. In the event the Company was to determine that it would be able to realize the deferred tax assets in the future in excess of the net recorded amount (including the valuation allowance), an adjustment to the valuation allowance would increase income in the period such determination was made. Conversely, should the Company determine that it would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the valuation allowance would be expensed in the period such determination was made. See "Financial Review - Income Taxes" and Note 13 to the Consolidated Financial Statements in this Form 10-K for further discussion of the Company's income taxes.

Inventory reserves: The Company writes down inventory to the lower of cost or market, which includes an estimate for obsolescence or excess inventory based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. 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. An impairment in value of one percent of net inventories would result in additional expense of approximately $3.1 million.

Allowances for doubtful accounts: The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's 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. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. An impairment in value of one percent of net accounts receivable would require an increase in the allowance for doubtful accounts and would result in additional expense of approximately $3.3 million.

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 and Percentage Data)

FINANCIAL REVIEW

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

	2012	2011	2010
Revenues			
Americas	$1,563.7	$1,573.4	$1,142.6
Europe	677.9	751.7	485.3
Asia-Pacific	227.5	215.7	174.0
	$2,469.1	$2,540.8	$1,801.9
Operating profit (loss)			
Americas	$75.6	$86.0	$49.3
Europe	31.6	21.9	1.1
Asia-Pacific	4.5	2.1	(4.3)
	$111.7	$110.0	$46.1
Interest expense	$12.4	$15.8	$16.6
Other income	$(5.8)	$(7.3)	$(4.6)
Net income attributable to stockholders	$98.0	$82.6	$32.4
Effective income tax rate	6.7%	18.6%	5.3%

2012 Compared with 2011

The following table identifies the components of change in revenues for 2012 compared with 2011:

	Revenues
2011	$2,540.8
Increase (decrease) in 2012 from:	
Foreign currency	(70.6)
Unit volume and product mix	(26.3)
Other	(13.6)
Unit price	28.8
Parts	10.0
2012	$2,469.1

Revenues decreased 2.8% to $2,469.1 million in 2012 compared with $2,540.8 million in 2011, primarily as a result of unfavorable foreign currency movements as the euro and Brazilian real weakened against the U.S. dollar, a decline in unit volume primarily in Europe and lower other revenue. These items were partially offset by an increase in sales of higher-priced trucks, primarily in Europe, as well as the favorable effect of unit price increases implemented in 2011 and early 2012, primarily in Europe and the Americas. Worldwide new unit shipments decreased to 76,917 units in 2012 from shipments of 79,671 units in 2011. In addition, the Company had full year market share improvements in the Americas and Asia-Pacific compared with 2011, however; in Europe, fourth quarter improvements did not offset market share weakness earlier in 2012.

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The following table identifies the components of change in operating profit for 2012 compared with 2011:

	Operating Profit
2011	$110.0
Increase (decrease) in 2012 from:	
Gross profit	14.4
Other	5.0
Foreign currency	3.4
Other selling, general and administrative expenses	(21.1)
2012	$111.7

The Company recognized operating profit of $111.7 million in 2012 compared with $110.0 million in 2011 and operating margin of 4.5% in 2012 compared with 4.3% in 2011. The improvement in operating profit was primarily due to higher gross profit as a result of the favorable effect of price increases and a favorable shift in sales mix to higher-margin products and markets, partially offset by an increase in manufacturing costs as well as material cost increases in 2012. Gross margin improved to 16.3% in 2012 from 15.1% in 2011. Although operating profit was favorably affected by the improvement in gross profit, this improvement was partially offset by higher selling, general and administrative expenses primarily as a result of higher employee-related expenses, mainly attributable to hiring additional employees to support strategic initiatives in 2012 compared with 2011.

The Company recognized net income attributable to stockholders of $98.0 million in 2012 compared with $82.6 million in 2011. The increase was primarily the result of the favorable effect of lower income tax expense as a result of the release of $10.7 million of certain portions of previously recorded valuation allowances related to the Company's U.S. state and Australian deferred tax assets and the release of $1.7 million of deferred tax liabilities provided for unremitted foreign earnings. See "Financial Review - Income Taxes" for additional information. In addition, lower interest expense from lower borrowings and lower interest rates and the factors affecting operating profit also contributed to the increase in net income attributable to stockholders. These items were partially offset by the ineffectiveness of certain interest rate swap contracts as a result of the Company refinancing its debt in the second quarter of 2012.

Backlog

Worldwide backlog level was approximately 27,300 units at December 31, 2012 compared with approximately 24,700 units at December 31, 2011 and approximately 25,600 units at September 30, 2012.

2011 Compared with 2010

The following table identifies the components of change in revenues for 2011 compared with 2010:

	Revenues
2010	$1,801.9
Increase (decrease) in 2011 from:	
Unit volume and product mix	607.5
Foreign currency	63.3
Unit price	52.9
Other	29.0
Parts	26.6
Sale of certain operations	(40.4)
2011	$2,540.8

Revenues increased 41.0% to $2,540.8 million in 2011 compared with $1,801.9 million in 2010, primarily as a result of a significant increase in unit volume in all geographic markets, favorable foreign currency movements primarily as the euro and Australian dollar strengthened against the U.S. dollar, the favorable effect of unit price increases implemented in late 2010 and

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early 2011, mainly in the Americas and Europe, and an increase in parts volume, primarily in the Americas. The increase in revenue was slightly offset by the sale of certain retail and rental operations in Australia and Europe in 2010. Worldwide new unit shipments increased in 2011 to 79,671 units from shipments of 60,014 units in 2010.
The following table identifies the components of change in operating profit for 2011 compared with 2010:

	Operating Profit
2010	$46.1
Increase (decrease) in 2011 from:	
Restructuring programs	(1.9)
Loss on sale of certain operations	6.1
	50.3
Gross profit	132.3
Other	0.8
Other selling, general and administrative expenses	(52.2)
Foreign currency	(21.2)
2011	$110.0

The Company recognized operating profit of $110.0 million in 2011 compared with $46.1 million in 2010. The increase was primarily due to improved gross profit as a result of higher sales volumes on units and parts, the favorable effect of price increases, which fully offset material cost increases, and lower manufacturing variances due to higher production levels in 2011. The increase in gross profit was partially offset by higher selling, general and administrative expenses, mainly due to higher employee-related expenses resulting from the full restoration in 2011 of compensation and benefits, which were only partially restored in 2010, and an unfavorable change in foreign currency primarily from the absence of deferred gains on foreign currency exchange contracts recognized in earnings during 2010 and the weakening of the U.S. dollar against the euro.

The Company recognized net income attributable to stockholders of $82.6 million in 2011 compared with $32.4 million in 2010. The increase was primarily a result of the improvement in operating profit.

Income taxes

The income tax provision includes U.S. federal, state and local, and foreign 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 will be generated, the impact of state and local income taxes, the ability to use tax credits, 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 items with respect to valuation allowances or other unusual or non-recurring tax 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 effective income tax rate.

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. During 2008 and continuing into 2009, significant downturns were experienced in the Company's major markets. The significant decrease in the

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operations, and certain actions taken by management to reduce its manufacturing capacity to more appropriate levels, resulted in a three-year cumulative loss for the Company's Australian, certain European and U.S. operations. As a result, valuation allowances against deferred tax assets for these operations were provided.

The Company's operations emerged from a three-year cumulative loss with respect to its Australian, certain European and U.S. taxing jurisdictions during 2012. The Company has evaluated all the evidence with respect to the realization of the deferred tax assets in these taxing jurisdictions. Based upon the scheduling of deferred temporary differences, the projection of future taxable income in each taxing jurisdiction and the assessment of economic risks impacting each of these specific geographic regions, the Company determined that certain portions of both the U.S. state and Australian deferred tax assets are realizable and meet the more likely than not threshold for a release of the associated valuation allowance. Accordingly, the full-year 2012 income tax provision contains a net release of valuation allowance of $10.7 million, $10.0 million of which is included in the fourth quarter 2012 income tax provision, primarily with respect to its U.S. state and Australian deferred tax assets. As a result of the review of the evidence, it continues to be the Company's view that the continuing economic uncertainty in the European markets in which the Company participates prevents it from determining that the deferred tax assets in the European operations are more likely than not to be realized. As such, the Company continues to provide a valuation allowance against certain European deferred tax assets.

The establishment or release of a valuation allowance does not have an impact on cash, nor does such an allowance preclude the use of loss carryforwards or other deferred tax assets in future periods. The tax net operating losses that comprise the Australian and a substantial portion of the European deferred tax assets do not expire under local law and the U.S. state taxing jurisdictions provide for a carryforward period of up to 20 years.

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

	2012	2011	2010
Income before income taxes	$105.1	$101.5	$34.1
Statutory taxes at 35%	$36.8	$35.5	$11.9
Discrete items:			
Valuation allowance	(10.7)	—	—
Unremitted foreign earnings	(1.7)	—	1.3
Settlements	0.1	(1.0)	(5.0)
Sale of foreign investments	—	—	(2.4)
Change in tax law	—	—	(2.4)
Other	0.5	(1.2)	2.5
	(11.8)	(2.2)	(6.0)
Other permanent items:			
Valuation allowance	(9.0)	(6.7)	9.2
Foreign tax rate differential	(9.6)	(8.8)	(12.2)
State income taxes	1.8	2.0	—
Other	(1.2)	(0.9)	(1.1)
	(18.0)	(14.4)	(4.1)
Income tax provision	$7.0	$18.9	$1.8
Effective income tax rate	6.7%	18.6%	5.3%

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The effect of discrete items is as follows:
During the fourth quarter of 2012, the Company determined that certain of its deferred tax assets in both its U.S. state and Australian operations now meet the more likely than not threshold for recognition which resulted in the release of the valuation allowance provisions against those deferred tax assets.
During the second quarter of 2012, the Company received approval from the Internal Revenue Service for an election regarding the U.S. tax treatment of contributions to certain of the Company's non-U.S. pension plans. As a result of the approval, the Company released $2.1 million of the deferred tax liability provided for unremitted foreign earnings.
During 2010, the Company recognized a tax benefit for the reduction in a required reserve for uncertain tax positions related to foreign tax law changes which reduced the statute of limitations for certain items. Additionally, the Company effectively settled its U.S. federal tax audits for the 2005 and 2006 tax years resulting in a reduction in the reserve for uncertain tax positions. The reductions in uncertain tax positions were also the result of the lapse of the applicable statutes of limitation in certain U.S. and non-U.S. taxing jurisdictions.
During 2010, the Company sold investments in subsidiaries in Australia and Europe. Due to the difference between the book basis and tax basis of the investments in each subsidiary, the Company recognized tax benefits related to the sales during 2010.
In addition to the effect of discrete items, the income tax provision is affected by permanent items, which are included in the effective income tax rate. In 2012 and 2011, the effective income tax rate included amounts for the reversal of valuation allowances that were no longer required as a result of the utilization of net operating loss deferred tax assets. In 2010, the effective income tax rate included amounts for additional valuation allowances related to incremental deferred tax assets generated for which the realization was uncertain. The effective income tax rate is also affected by foreign income taxed at lower rates and additional U.S. state income taxes.
On January 2, 2013 the American Taxpayer Relief Act of 2012 ("ATRA") was signed into law. Some of the provisions of ATRA were retroactive to January 1, 2012, including the research and development tax credit. The effective income tax rate in the table above reflects the tax law that was in place as of December 31, 2012. If ATRA had been enacted prior to January 1, 2013, the Company's consolidated income tax expense would have been reduced by approximately $0.8 million. The Company expects the $0.8 million tax benefit will be reflected in income tax expense in the first quarter of 2013 as a discrete tax event. The additional research and development tax credit for 2013 will be included in the Company's computation of its estimated annual effective tax rate.
See Note 13 to the consolidated financial statements in this Annual Report on Form 10-K for further discussion of income taxes.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

	2012	2011	Change
Operating activities:			