NMHG HOLDING CO
Form 10-Q
May 03, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____________________ to ____________________

Commission file number 333-89248
NMHG Holding Co.
(Exact name of registrant as specified in its charter)

DELAWARE	**31-1637659**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
650 N.E. HOLLADAY STREET; SUITE 1600; PORTLAND, OR	**97232**
(Address of principal executive offices)	(Zip code)

(503) 721-6000
(Registrant s telephone number, including area code)

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

NMHG HOLDING CO. IS A WHOLLY OWNED SUBSIDIARY OF NACCO INDUSTRIES, INC. AND MEETS THE CONDITIONS IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q. WE ARE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT UNDER GENERAL INSTRUCTION H(2).

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

YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

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

YES o NO þ

At April 28, 2006, 100 common shares were outstanding.

NMHG HOLDING CO.
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Part I
FINANCIAL INFORMATION
Item 1. Financial Statements
NMHG HOLDING CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31 2006	DECEMBER 31 2005
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 101.2	$ 121.2
Accounts receivable, net	271.9	273.5
Tax advances, NACCO Industries, Inc.		2.6
Inventories	340.5	333.1
Deferred income taxes	22.7	25.8
Prepaid expenses and other	36.5	25.8
Total Current Assets	772.8	782.0
Property, Plant and Equipment, Net	224.5	225.9
Goodwill	350.4	350.5
Other Non-current Assets	105.2	97.3
Total Assets	$ 1,452.9	$ 1,455.7
LIABILITIES AND STOCKHOLDER S EQUITY		
Current Liabilities		
Accounts payable	$ 287.0	$ 300.9
Accounts payable, affiliate	24.7	20.9
Revolving credit agreements	31.5	23.9
Current maturities of long-term debt	35.8	11.5
Notes payable, parent company	39.0	39.0
Accrued payroll	19.0	29.1
Accrued warranty obligations	28.3	27.7
Other current liabilities	123.6	131.7
Total Current Liabilities	588.9	584.7
Long-term Debt	244.9	267.1
Other Non-current Liabilities	173.6	176.3
Minority Interest	0.2	
Stockholder s Equity		
Common stock, par value $1 per share, 100 shares authorized; 100 shares outstanding		

Capital in excess of par value	**202.6**	202.6
Retained earnings	**268.4**	257.0
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	**19.3**	17.4
Minimum pension liability adjustment	**(47.9)**	(47.9)
Deferred gain (loss) on cash flow hedging	**2.9**	(1.5)
	445.3	427.6
Total Liabilities and Stockholder s Equity	**$ 1,452.9**	$ 1,455.7

See notes to unaudited condensed consolidated financial statements.

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NMHG HOLDING CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED March 31	
	2006	2005
	(In millions)	
Revenues	**$ 618.8**	$ 583.9
Cost of sales	**529.5**	503.4
Gross Profit	**89.3**	80.5
Selling, general and administrative expenses	**70.4**	72.1
NACCO management fee	**2.5**	2.3
Reversals of restructuring charges	**(0.4)**	
Gain on sale of businesses	**(3.7)**	
Operating Profit	**20.5**	6.1
Other income (expense)		
Interest expense	**(9.7)**	(8.3)
Income from unconsolidated affiliates	**0.9**	2.3
Other	**2.0**	0.2
	(6.8)	(5.8)
Income Before Income Taxes and Minority Interest Income	**13.7**	0.3
Income tax provision	**2.8**	0.1
Income Before Minority Interest Income	**10.9**	0.2
Minority interest income	**0.5**	0.1
Net Income	**$ 11.4**	$ 0.3
Comprehensive Income (Loss)	**$ 17.7**	$ (9.2)

See notes to unaudited condensed consolidated financial statements.

NMHG HOLDING CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31	
	2006	2005
	(In millions)	
Operating Activities		
Net income	**$ 11.4**	$ 0.3
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	**9.7**	10.8
Amortization of deferred financing fees	**0.6**	0.7
Deferred income taxes	**1.1**	(2.0)
Reversals of restructuring charges	**(0.4)**	
Minority interest income	**(0.5)**	(0.1)
Loss on the sale of assets	**0.2**	0.2
Gain on sale of businesses	**(3.7)**	
Other non-cash items	**1.0**	(0.7)
Working capital changes, net of dispositions of businesses		
Affiliate receivable/ payable	**2.6**	4.8
Accounts receivable	**2.3**	(12.9)
Inventories	**(4.0)**	(47.3)
Other current assets	**(6.4)**	(7.4)
Accounts payable and other liabilities	**(31.6)**	26.1
Net cash used for operating activities	**(17.7)**	(27.5)
Investing Activities		
Expenditures for property, plant and equipment	**(8.4)**	(8.6)
Proceeds from the sale of assets	**2.1**	2.5
Proceeds from the sale of businesses	**3.3**	
Net cash used for investing activities	**(3.0)**	(6.1)
Financing Activities		
Additions to long-term debt and revolving credit agreements	**5.8**	1.9
Reductions of long-term debt and revolving credit agreements	**(9.8)**	(6.0)
Net change in short-term revolving credit agreements	**8.4**	1.4
Financing fees paid	**(4.4)**	
Other	**0.7**	
Net cash provided by (used for) financing activities	**0.7**	(2.7)
Effect of exchange rate changes on cash		(2.0)
Cash and Cash Equivalents		
Decrease for the period	**(20.0)**	(38.3)

Balance at the beginning of the period		**121.2**		97.4
Balance at the end of the period	**$**	**101.2**	$	59.1

See notes to unaudited condensed consolidated financial statements.

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NMHG HOLDING CO. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER S EQUITY

	THREE MONTHS ENDED MARCH 31	
	2006	2005
	(In millions)	
Common Stock	**$**	$
Capital in Excess of Par Value	**202.6**	202.6
Retained Earnings		
Beginning balance	**257.0**	243.9
Net income	**11.4**	0.3
	268.4	244.2
Accumulated Other Comprehensive Income (Loss)		
Beginning balance	**(32.0)**	0.3
Foreign currency translation adjustment	**1.9**	(8.1)
Reclassification of hedging activity into earnings	**0.8**	(0.3)
Current period cash flow hedging activity	**3.6**	(1.1)
	(25.7)	(9.2)
Total Stockholder s Equity	**$ 445.3**	$ 437.6

See notes to unaudited condensed consolidated financial statements.

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NMHG HOLDING CO. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2006
(Tabular Amounts in Millions, Except Percentage Data)

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of NMHG Holding Co., a Delaware corporation (NMHG or the Company). NMHG is a wholly owned subsidiary of NACCO Industries, Inc. (NACCO). The Company s subsidiaries operate in the lift truck industry.

NMHG designs, engineers, manufactures, sells, services and leases a comprehensive line of lift trucks and aftermarket parts marketed globally under the Hyster and Yale brand names. The Company manages its operations as two reportable segments: wholesale manufacturing (NMHG Wholesale) and retail distribution (NMHG Retail). NMHG Wholesale includes the manufacture and sale of lift trucks and related service parts, primarily to independent and wholly owned Hyster and Yale retail dealerships. Lift trucks and component parts are manufactured in the United States, Northern Ireland, Scotland, The Netherlands, China, Italy, Japan, Mexico, the Philippines and Brazil. NMHG Retail includes the sale, leasing and service of Hyster and Yale lift trucks and related service parts by wholly owned retail dealerships and rental companies.

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 March 31, 2006 and the results of its operations and cash flows and changes in stockholder s equity for the three months ended March 31, 2006 and 2005 have been included. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. All significant intercompany accounts and transactions among the consolidated companies are eliminated in consolidation.

The balance sheet at December 31, 2005 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.

Operating results for the three months ended March 31, 2006 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2006. For further information, refer to the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

Certain prior period amounts have been reclassified to conform to the current period s presentation.

Note 2 Recently Issued Accounting Standards

SFAS No. 151: In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, Inventory Costs. SFAS No. 151 requires abnormal amounts of inventory costs related to idle facility, freight handling and wasted material expenses to be recognized as current period charges. Additionally, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The standard is effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 did not have a material impact on the Company s financial position or results of operations.

SFAS No. 154: In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. SFAS No. 154 replaces Accounting Principles Board (APB) Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle unless it is impracticable. APB No. 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of changing to the new accounting principle in net income in the period of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

The adoption of SFAS No. 154 did not have a material impact on the Company s financial position or results of operations.

SFAS No. 155: In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140. SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets, and permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. The Company is currently evaluating the effect the adoption of SFAS No. 155 will have on its financial position or results of operations.

SFAS No. 156: In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140. SFAS No. 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract under a transfer of the servicer s financial assets that meets the requirements for sale accounting, a transfer of the servicer s financial assets to a qualified special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale or trading securities in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities and an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. Additionally, SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the use of an amortization or fair value method for subsequent measurements, permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and requires separate presentation of servicing assets and liabilities subsequently measured at fair value and additional disclosures for all separately recognized servicing assets and liabilities. SFAS No. 156 is effective for transactions entered into after the beginning of the first fiscal year that begins after September 15, 2006. The Company is currently evaluating the effect the adoption of SFAS No. 156 will have on its financial position or results of operations.

Note 3 Restructuring

2002 Restructuring Program

As announced in December 2002, NMHG Wholesale phased out its Lenoir, North Carolina lift truck component facility and is restructuring other manufacturing and administrative operations, primarily its Irvine, Scotland lift truck assembly and component facility. As such, NMHG Wholesale recognized a restructuring charge of approximately $12.5 million in 2002. Of this amount, $3.8 million related to a non-cash asset impairment charge for a building, machinery and tooling, which was determined based on current market values for similar assets and broker quotes compared with the net book value of these assets, and $8.7 million related to severance and other employee benefits to be paid to approximately 615 manufacturing and administrative employees. Payments of $0.1 million were made to five employees during the first three months of 2006. Payments are expected to continue through the remainder of 2006. In addition, $0.4 million of the amount accrued at December 31, 2002 was reversed during the first three months of 2006.

Additional restructuring related costs, primarily related to manufacturing inefficiencies, which were not eligible for accrual as of December 31, 2002, were $1.0 million and $1.1 million in the first quarter of 2006 and 2005, respectively, and were classified as Cost of sales in the Unaudited Condensed Consolidated Statement of Operations. Following is a rollforward of the restructuring liability:

	Severance	Lease Impairment	Other	Total
NMHG Wholesale				
Balance at January 1, 2006	$ 1.8	$	$	$ 1.8
Foreign currency effect	0.1			0.1
Reversals	(0.4)			(0.4)
Payments	(0.1)			(0.1)
Balance at March 31, 2006	**$ 1.4**	**$**	**$**	**$ 1.4**

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Note 4 Inventories

Inventories are summarized as follows:

	MARCH 31 2006	DECEMBER 31 2005
Manufactured inventories:		
Finished goods and service parts	**$ 163.6**	$ 157.9
Raw materials and work in process	**192.0**	184.5
Total manufactured inventories	**355.6**	342.4
Retail inventories:	**30.3**	30.2
Total inventories at FIFO	**385.9**	372.6
LIFO reserve	**(45.4)**	(39.5)
	$ 340.5	$ 333.1

The cost of certain manufactured and retail inventories has been determined using the LIFO method. At March 31, 2006 and December 31, 2005, 61% and 65%, 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 year-end, interim results are subject to the final year-end LIFO inventory valuation.

Note 5 Equity Investments

NMHG has a 20% ownership interest in NMHG Financial Services, Inc. (NFS), a joint venture with GE Capital Corporation (GECC), formed primarily for the purpose of providing financial services to independent and wholly owned Hyster and Yale lift truck dealers and National Account customers in the United States. NMHG s ownership in NFS is accounted for using the equity method of accounting.

NMHG has a 50% ownership interest in Sumitomo NACCO Materials Handling Company, Ltd. (SN), a limited liability company which was formed primarily for the manufacture and distribution of Sumitomo and Shinko branded lift trucks in Japan and the export of Hyster and Yale branded lift trucks and related components and service parts outside of Japan. NMHG purchases products from SN under normal trade terms. NMHG s ownership in SN is also accounted for using the equity method of accounting.

The Company s percentage share of the net income from its equity investments in NFS and SN are reported on the line Income from unconsolidated affiliates in the Other income (expense) section of the Unaudited Condensed Consolidated Statements of Operations.

Summarized financial information for these equity investments is as follows:

	THREE MONTHS ENDED MARCH 31	
	2006	2005
Revenues	**$78.5**	$76.7
Gross Profit	**$22.0**	$25.5
Income from continuing operations	**$ 3.8**	$ 5.3

Net income	**$ 3.8**	$ 5.3

Note 6 Current and Long-term Financing

On March 22, 2006, NACCO Materials Handling Group, Inc. (NMHG Inc.), a wholly owned subsidiary of the Company, entered into a term loan agreement (the Term Loan Agreement) that provides for term loans up to an aggregate principal amount of $225.0 million which mature in 2013. The term loans require quarterly payments in an amount equal to 1% per year for the first six years, with the remaining balance to be paid in four equal installments in the seventh year.

Borrowings under the Term Loan Agreement are guaranteed by NMHG and substantially all of NMHG s domestic subsidiaries. The obligations of the guarantors under the Term Loan Agreement are secured by a first lien on all of the domestic machinery, equipment and real property owned by NMHG Inc. and each guarantor and a second lien on all of the collateral securing the obligations of NMHG under its revolving credit facility.

Outstanding borrowings under the Term Loan Agreement bear interest at a floating rate which, at NMHG Inc. s option, will be either LIBOR or a floating rate, as defined in the Term Loan Agreement, plus an applicable margin. The applicable margin is subject to adjustment based on a leverage ratio. NMHG Inc. is also required to pay a commitment fee of 0.25% per annum on the undrawn portion of the commitment. The Term Loan Agreement contains restrictive covenants which, among other things, limit the amount of dividends that may be declared and paid to NACCO. The Term Loan Agreement also requires NMHG Inc. to meet certain financial tests, including, but not limited to, maximum capital expenditures, maximum leverage ratio and minimum fixed charge coverage ratio tests.

The loans under the Term Loan Agreement are available to be drawn on any day between May 15, 2006 and May 31, 2006. If NMHG Inc. has not drawn the proceeds of the term loans between those dates, the commitments under the Term Loan Agreement will terminate. The proceeds of the loans under the Term Loan Agreement, together with available cash, are intended to be used to redeem in full NMHG s outstanding 10% Senior Notes due 2009 (the Senior Notes), which have an aggregate principal amount of $250.0 million. On March 24, 2006, NMHG elected to redeem all of the outstanding Senior Notes. Pursuant to the Indenture governing the Senior Notes, NMHG expects to pay $1,050 per $1,000 principal amount of Senior Notes, plus accrued and unpaid interest up to but not including the redemption date, which is expected to be May 15, 2006, to the registered holders of the Senior Notes. As a result, NMHG expects to recognize a charge of approximately $17.6 million during the second quarter of 2006 for the call premium and write off of the remaining discount and deferred financing fees related to the Senior Notes.

Note 7 Guarantees and Contingencies

Under various financing arrangements for certain customers, including independently owned retail dealerships, NMHG provides guarantees of the residual values of lift trucks, or recourse or repurchase obligations such that NMHG would be obligated in the event of default by the customer. Terms of the third-party financing arrangements for which NMHG is providing a guarantee generally range from one to five years. Total guarantees and amounts subject to recourse or repurchase obligations at March 31, 2006 and December 31, 2005 were $215.5 million and $213.2 million, respectively. Losses anticipated under the terms of the guarantees, recourse or repurchase obligations are not significant and reserves have been provided for such losses in the accompanying Unaudited Condensed Consolidated Financial Statements. Generally, NMHG retains a security interest in the related assets financed such that, in the event that NMHG would become obligated under the terms of the recourse or repurchase obligations, NMHG would take title to the financed assets. The fair value of collateral held at March 31, 2006 was approximately $241.8 million based on Company estimates. The Company estimates the fair value of the collateral using information regarding the original sales price, the current age of the equipment and general market conditions that influence the value of both new and used lift trucks.

NMHG has a 20% ownership interest in NFS, a joint venture with GECC formed primarily for the purpose of providing financial services to independent and wholly owned Hyster and Yale lift truck dealers and National Account customers in the United States. NMHG s ownership in NFS is accounted for using the equity method of accounting. Generally, NMHG sells lift trucks through its independent dealer network or directly to customers. These dealers and customers may enter into a financing transaction with NFS or other unrelated third-parties. NFS provides debt financing to dealers and lease financing to both dealers and customers. On occasion, the credit quality of a customer or concentration issues within GECC may necessitate providing standby recourse or repurchase obligations or a guarantee of the residual value of the lift trucks purchased by customers and financed through NFS. At March 31, 2006, approximately $174.4 million of the Company s total guarantees, recourse and repurchase obligations related to transactions with NFS. In addition, in connection with the current joint venture agreement, NMHG also provides a guarantee to GECC for 20% of NFS debt with GECC, such that NMHG would become liable under the terms of NFS debt agreements with GECC in the case of default by NFS. At March 31, 2006, the amount of NFS debt guaranteed by NMHG was $139.6 million. NFS has not defaulted under the terms of this debt financing in the past and although there can be no assurances, NMHG is not aware of any circumstances that would cause NFS to default in future periods.

NMHG provides a standard warranty on its lift trucks, generally for six to twelve months or 1,000 to 2,000 hours. For the new 1 to 8 ton series of lift trucks, NMHG provides an extended powertrain warranty of two

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years or 2,000 hours as part of the standard warranty. In addition, NMHG sells extended warranty agreements, which provide additional warranty up to two to five years or up to 2,400 to 10,000 hours. The specific terms and conditions of those warranties vary depending upon the product sold and the country in which NMHG does business. Revenue received for the sale of extended warranty contracts is deferred and recognized in the same manner as the costs incurred to perform under the warranty contracts, in accordance with FASB Technical Bulletin 90-1, Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts.

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

The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Factors that affect the Company s warranty liability include the number of units sold, historical and anticipated rates of warranty claims and the cost per claim. Changes in the Company s current and long-term warranty obligations, including deferred revenue on extended warranty contracts are as follows:

	2006
Balance at January 1	**$ 40.3**
Warranties issued	**8.6**
Settlements made	**(7.6)**
Foreign currency effect	**0.1**
Balance at March 31	**$ 41.4**

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Note 8 Income Taxes

The income tax provision includes U.S. federal, state and local, and foreign income taxes, and is based on the application of a forecasted annual income tax rate applied to the current quarter s year-to-date pre-tax income. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company s annual earnings, taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company s ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, tax rates, certain circumstances 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 estimated effective annual income tax rate.

A reconciliation of the Company s consolidated federal statutory and effective income tax is as follows for the three months ended March 31:

	THREE MONTHS ENDED MARCH 31	
	2006	2005
Income before income taxes and minority interest:	**$ 13.7**	$ 0.3
Statutory taxes at 35%	**$ 4.8**	$ 0.1
Discrete items:		
NMHG Retail sale of European dealership	**(1.3)**	
	(1.3)	
Other permanent items		
Foreign tax rate differential	**(1.5)**	
Other	**0.8**	
	(0.7)	
Income tax provision	**$ 2.8**	$ 0.1
Effective income tax rate	**20.4%**	33.3%
Effective income tax rate excluding discrete items	**29.9%**	33.3%

During the three months ended March 31, 2006, NMHG Retail sold a dealership in Europe for a pre-tax gain of $3.7 million. For tax purposes, a portion of the gain was exempt from local taxation and the remaining gain was fully offset by tax net operating loss carryforwards for which a full valuation allowance had been previously provided. Therefore, the Company recognized a tax benefit related to the sale of this dealership during the first quarter of 2006. Excluding the impact of the discrete items discussed above, the effective income tax rate for the three months ended March 31, 2006 is lower than the effective income tax rate for the three months ended March 31, 2005, mainly due to income subject to lower tax rates in foreign taxing jurisdictions at NMHG Wholesale.

Note 9 Retirement Benefit Plans

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

In 1996, pension benefits were frozen for employees covered under NMHG s U.S. plans, except for those employees participating in collective bargaining agreements. As a result, in the United States only certain NMHG employees covered under collective bargaining agreements will earn retirement benefits under defined benefit pension plans. Other employees, including those whose pension benefits were frozen, will receive retirement benefits under defined contribution retirement plans.

The Company previously disclosed in its financial statements for the year ended December 31, 2005 that it expected to contribute approximately $5.0 million to its non-U.S. pension plans in 2006. The Company now expects to contribute approximately $4.1 million to its non-U.S. pension plans in 2006.

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The Company also maintains health care and life insurance plans which provide benefits to eligible retired employees. These plans have no assets. Under the Company s current policy, benefits under these plans are funded at the time they are due to participants or beneficiaries.

The components of pension and post-retirement (income) expense are set forth below:

	THREE MONTHS ENDED MARCH 31	
	2006	2005
U.S. Pension		
Service cost	**$ 0.1**	$ 0.1
Interest cost	**1.1**	1.1
Expected return on plan assets	**(1.2)**	(1.1)
Net amortization	**0.1**	
Recognized actuarial loss	**0.7**	0.5
Total	**$ 0.8**	$ 0.6
Non-U.S. Pension		
Service cost	**$ 0.7**	$ 0.7
Interest cost	**1.5**	1.6
Expected return on plan assets	**(1.7)**	(1.7)
Employee contributions	**(0.2)**	(0.2)
Net amortization		(0.1)
Recognized actuarial loss	**1.0**	1.0
Total	**$ 1.3**	$ 1.3
Post-retirement		
Service cost	**$ 0.1**	$
Interest cost	**0.1**	0.1
Total	**$ 0.2**	$ 0.1

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Note 10 Unaudited Condensed Consolidating Guarantor and Non-Guarantor Financial Information

The following tables set forth the Unaudited Condensed Consolidating Balance Sheets as of March 31, 2006 and December 31, 2005, the Unaudited Condensed Consolidating Statements of Operations for the three months ended March 31, 2006 and 2005 and the Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2006 and 2005. The following information is included as a result of the guarantee of NMHG s Senior Notes by each of NMHG s wholly owned U.S. subsidiaries (Guarantor Companies). None of the Company s other subsidiaries has guaranteed the Senior Notes. Each of the guarantees is joint and several and full and unconditional.

NMHG Holding includes the consolidated financial results of the parent company only, with all of its wholly owned subsidiaries accounted for under the equity method.

UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AT MARCH 31, 2006

	NMHG Holding	Guarantor Companies	Non-Guarantor Companies	Consolidating Eliminations	NMHG Consolidated
Cash and cash equivalents	$	$ 66.6	$ 34.6	$	$ 101.2
Accounts and notes receivable, net	10.0	144.1	211.0	(93.2)	271.9
Inventories		175.5	165.0		340.5
Other current assets		46.6	23.8	(11.2)	59.2
Total current assets	10.0	432.8	434.4	(104.4)	772.8
Property, plant and equipment, net		135.2	89.3		224.5
Goodwill		307.3	43.1		350.4
Other non-current assets	693.1	318.0	8.6	(914.5)	105.2
Total assets	$ 703.1	$ 1,193.3	$ 575.4	$ (1,018.9)	$ 1,452.9
Accounts payable	$	$ 203.5	$ 187.8	$ (79.6)	$ 311.7
Other current liabilities	9.4	102.2	70.7	(11.4)	170.9
Revolving credit and current maturities of debt	23.4	47.3	49.3	(13.7)	106.3
Total current liabilities	32.8	353.0	307.8	(104.7)	588.9
Long-term debt	225.0	276.1	49.6	(305.8)	244.9
Other non-current liabilities		149.3	43.2	(18.7)	173.8
Stockholder s equity	445.3	414.9	174.8	(589.7)	445.3
Total liabilities and stockholder s equity	$ 703.1	$ 1,193.3	$ 575.4	$ (1,018.9)	$ 1,452.9

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UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET
AT DECEMBER 31, 2005

	NMHG Holding	Guarantor Companies	Non-Guarantor Companies	Consolidating Eliminations	NMHG Consolidated
Cash and cash equivalents	$	$ 95.3	$ 25.9	$	$ 121.2
Accounts and notes receivable, net	5.8	127.9	223.9	(84.1)	273.5
Inventories		184.5	148.6		333.1
Other current assets		48.8	21.1	(15.7)	54.2
Total current assets	5.8	456.5	419.5	(99.8)	782.0
Property, plant and equipment, net		136.3	89.6		225.9
Goodwill		307.4	43.1		350.5
Other non-current assets	673.3	311.7	21.1	(908.8)	97.3
Total assets	$ 679.1	$ 1,211.9	$ 573.3	$ (1,008.6)	$ 1,455.7
Accounts payable	$	$ 208.5	$ 186.5	$ (73.2)	$ 321.8
Other current liabilities	3.3	122.0	76.1	(12.9)	188.5
Revolving credit and current maturities of debt		46.8	41.7	(14.1)	74.4
Total current liabilities	3.3	377.3	304.3	(100.2)	584.7
Long-term debt	248.2	273.2	44.3	(298.6)	267.1
Other non-current liabilities		152.3	42.8	(18.8)	176.3
Stockholder s equity	427.6	409.1	181.9	(591.0)	427.6
Total liabilities and stockholder s equity	$ 679.1	$ 1,211.9	$ 573.3	$ (1,008.6)	$ 1,455.7

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UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2006

	NMHG Holding	Guarantor Companies	Non-Guarantor Companies	Consolidating Eliminations	NMHG Consolidated
Revenues	$	$ 415.0	$ 300.5	$ (96.7)	$ 618.8
Cost of sales		364.3	261.9	(96.7)	529.5
Operating expenses		40.4	28.4		68.8
Operating profit		10.3	10.2		20.5
Interest expense		(6.5)	(3.2)		(9.7)
Income from unconsolidated affiliates	11.4	4.1		(14.6)	0.9
Other income (expense)		1.9	0.1		2.0
Income before income taxes and minority interest income	11.4	9.8	7.1	(14.6)	13.7
Income tax provision (benefit)		(1.6)	4.4		2.8
Income before minority interest income	11.4	11.4	2.7	(14.6)	10.9
Minority interest income			0.5		0.5
Net income	$ 11.4	$ 11.4	$ 3.2	$ (14.6)	$ 11.4

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UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2005

	NMHG Holding	Guarantor Companies	Non-Guarantor Companies	Consolidating Eliminations	NMHG Consolidated
Revenues	$	$ 357.1	$ 321.0	$ (94.2)	$ 583.9
Cost of sales		317.3	280.3	(94.2)	503.4
Operating expenses		37.9	36.5		74.4
Operating profit		1.9	4.2		6.1
Interest expense		(6.3)	(2.0)		(8.3)
Income from unconsolidated affiliates	0.3	4.3		(2.3)	2.3
Other income (expense)		0.6	(0.4)		0.2
Income before income taxes and minority interest income	0.3	0.5	1.8	(2.3)	0.3
Income tax provision (benefit)		0.2	(0.1)		0.1
Income before minority interest income	0.3	0.3	1.9	(2.3)	0.2
Minority interest income			0.1		0.1
Net income	$ 0.3	$ 0.3	$ 2.0	$ (2.3)	$ 0.3

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UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006

	NMHG Holding	Guarantor Companies	Non-Guarantor Companies	Consolidating Eliminations	NMHG Consolidated
Net cash provided by (used for) operating activities	$	$ (19.3)	$ 1.1	$ 0.5	$ (17.7)
Investing activities					
Expenditures for property, plant and equipment		(4.3)	(4.1)		(8.4)
Proceeds from the sale of assets		0.2	5.2		5.4
Other		(0.9)	0.1	0.8	
Net cash provided by (used for) investing activities		(5.0)	1.2	0.8	(3.0)
Financing activities					
Net increase in long-term debt and revolving credit agreements		1.1	3.3		4.4
Notes receivable/payable, affiliates		(1.1)	1.1		
Financing fees and other		(4.4)	2.0	(1.3)	(3.7)
Net cash provided by (used for) financing activities		(4.4)	6.4	(1.3)	0.7
Effect of exchange rate changes on cash					
Cash and cash equivalents					
Increase (decrease) for the period		(28.7)	8.7		(20.0)
Balance at beginning of the period		95.3	25.9		121.2
Balance at the end of the period	$	$ 66.6	$ 34.6	$	$ 101.2

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UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2005

	NMHG Holding	Guarantor Companies	Non-Guarantor Companies	Consolidating Eliminations	NMHG Consolidated
Net cash provided by (used for) operating activities	$	$ (30.7)	$ 3.2	$	$ (27.5)
Investing activities					
Expenditures for property, plant and equipment		(5.5)	(3.1)		(8.6)
Proceeds from the sale of assets			2.5		2.5
Other net		(4.4)		4.4	
Net cash used for investing activities		(9.9)	(0.6)	4.4	(6.1)
Financing activities					
Net reductions of long-term debt and revolving credit agreements		(0.4)	(2.3)		(2.7)
Notes receivable/payable, affiliates		26.2	(26.2)		
Other			4.4	(4.4)	
Net cash provided by (used for) financing activities		25.8	(24.1)	(4.4)	(2.7)
Effect of exchange rate changes on cash			(2.0)		(2.0)
Cash and cash equivalents					
Decrease for the period		(14.8)	(23.5)		(38.3)
Balance at beginning of the period		39.6	57.8		97.4