

NMHG HOLDING CO  
Form 10-Q  
November 03, 2005

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2005**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 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  NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

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

YES  NO

At October 31, 2005, 100 common shares were outstanding.

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**NMHG HOLDING CO.**

**TABLE OF CONTENTS**

|                                                                                                                                            | Page Number |
|--------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b><u>Part I. FINANCIAL INFORMATION</u></b>                                                                                                |             |
| <u>Item 1 Financial Statements</u>                                                                                                         |             |
| <u>Unaudited Condensed Consolidated Balance Sheets – September 30, 2005 and December 31, 2004</u>                                          | 2           |
| <u>Unaudited Condensed Consolidated Statements of Operations for the Three Months and Nine Months Ended September 30, 2005 and 2004</u>    | 3           |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2005 and 2004</u>                     | 4           |
| <u>Unaudited Condensed Consolidated Statements of Changes in Stockholders Equity for the Nine Months Ended September 30, 2005 and 2004</u> | 5           |
| <u>Notes to Unaudited Condensed Consolidated Financial Statements</u>                                                                      | 6 21        |
| <u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                                        | 22 31       |
| <u>Item 4 Controls and Procedures</u>                                                                                                      | 32          |
| <b><u>Part II. OTHER INFORMATION</u></b>                                                                                                   |             |
| <u>Item 1 Legal Proceedings</u>                                                                                                            | 33          |
| <u>Item 5 Other Information</u>                                                                                                            | 33          |
| <u>Item 6 Exhibits</u>                                                                                                                     | 33          |
| <u>Signatures</u>                                                                                                                          | 34          |
| <u>Exhibit Index</u>                                                                                                                       | 35          |
| <u>EX-31(I)(1) 302 CEO Certification</u>                                                                                                   |             |
| <u>EX-31(I)(2) 302 CFO Certification</u>                                                                                                   |             |
| <u>EX-32 906 CEO &amp; CFO Certifications</u>                                                                                              |             |

**Table of Contents**

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

|                                                                                      | <b>SEPTEMBER</b>                 | <b>DECEMBER</b>   |
|--------------------------------------------------------------------------------------|----------------------------------|-------------------|
|                                                                                      | <b>30</b>                        | <b>31</b>         |
|                                                                                      | <b>2005</b>                      | <b>2004</b>       |
|                                                                                      | (In millions, except share data) |                   |
| <b>ASSETS</b>                                                                        |                                  |                   |
| <b>Current Assets</b>                                                                |                                  |                   |
| Cash and cash equivalents                                                            | \$ 59.2                          | \$ 97.4           |
| Accounts receivable, net                                                             | 268.0                            | 254.6             |
| Tax advances, NACCO Industries, Inc.                                                 | 7.9                              | 7.9               |
| Inventories                                                                          | 358.5                            | 319.6             |
| Deferred income taxes                                                                | 21.4                             | 15.6              |
| Prepaid expenses and other                                                           | 22.9                             | 23.2              |
| <b>Total Current Assets</b>                                                          | <b>737.9</b>                     | <b>718.3</b>      |
| <b>Property, Plant and Equipment, Net</b>                                            | <b>223.4</b>                     | <b>238.1</b>      |
| <b>Goodwill</b>                                                                      | <b>351.3</b>                     | <b>353.3</b>      |
| <b>Other Non-current Assets</b>                                                      | <b>95.0</b>                      | <b>95.2</b>       |
| <b>Total Assets</b>                                                                  | <b>\$ 1,407.6</b>                | <b>\$ 1,404.9</b> |
| <b>LIABILITIES AND STOCKHOLDER S EQUITY</b>                                          |                                  |                   |
| <b>Current Liabilities</b>                                                           |                                  |                   |
| Accounts payable                                                                     | \$ 259.4                         | \$ 303.9          |
| Accounts payable, affiliate                                                          | 20.2                             | 25.2              |
| Revolving credit agreements                                                          | 22.6                             | 9.2               |
| Current maturities of long-term debt                                                 | 10.4                             | 11.8              |
| Notes payable, parent company                                                        | 39.0                             |                   |
| Accrued payroll                                                                      | 25.5                             | 28.2              |
| Accrued warranty obligations                                                         | 28.6                             | 28.3              |
| Other current liabilities                                                            | 129.3                            | 117.9             |
| <b>Total Current Liabilities</b>                                                     | <b>535.0</b>                     | <b>524.5</b>      |
| <b>Long-term Debt</b>                                                                | <b>266.5</b>                     | <b>269.5</b>      |
| <b>Other Non-current Liabilities</b>                                                 | <b>170.2</b>                     | <b>164.0</b>      |
| <b>Minority Interest</b>                                                             |                                  | <b>0.1</b>        |
| <b>Stockholder s Equity</b>                                                          |                                  |                   |
| Common stock, par value \$1 per share, 100 shares authorized; 100 shares outstanding |                                  |                   |

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|                                                   |                   |            |
|---------------------------------------------------|-------------------|------------|
| Capital in excess of par value                    | <b>198.2</b>      | 198.2      |
| Retained earnings                                 | <b>260.6</b>      | 248.3      |
| Accumulated other comprehensive income (loss):    |                   |            |
| Foreign currency translation adjustment           | <b>25.3</b>       | 46.1       |
| Minimum pension liability adjustment              | <b>(47.1)</b>     | (47.1)     |
| Deferred gain (loss) on cash flow hedging         | <b>(1.1)</b>      | 1.3        |
|                                                   | <b>435.9</b>      | 446.8      |
| <b>Total Liabilities and Stockholder's Equity</b> | <b>\$ 1,407.6</b> | \$ 1,404.9 |

See notes to unaudited condensed consolidated financial statements.

Table of Contents

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

|                                                                | THREE MONTHS<br>ENDED<br>SEPTEMBER 30 |          | NINE MONTHS ENDED<br>SEPTEMBER 30 |            |
|----------------------------------------------------------------|---------------------------------------|----------|-----------------------------------|------------|
|                                                                | 2005                                  | 2004     | 2005                              | 2004       |
|                                                                | (In millions)                         |          |                                   |            |
| <b>Revenues</b>                                                | <b>\$ 563.5</b>                       | \$ 494.5 | <b>\$ 1,765.5</b>                 | \$ 1,461.0 |
| Cost of sales                                                  | <b>480.6</b>                          | 420.6    | <b>1,510.3</b>                    | 1,239.9    |
| <b>Gross Profit</b>                                            | <b>82.9</b>                           | 73.9     | <b>255.2</b>                      | 221.1      |
| Selling, general and administrative expenses                   | <b>70.7</b>                           | 68.7     | <b>219.8</b>                      | 200.4      |
| <b>Operating Profit</b>                                        | <b>12.2</b>                           | 5.2      | <b>35.4</b>                       | 20.7       |
| Other income (expense)                                         |                                       |          |                                   |            |
| Interest expense                                               | <b>(9.0)</b>                          | (8.3)    | <b>(25.8)</b>                     | (25.5)     |
| Income from unconsolidated affiliates                          | <b>0.9</b>                            | 1.1      | <b>4.7</b>                        | 3.7        |
| U.S. Customs award                                             |                                       | 6.7      |                                   | 6.7        |
| Other                                                          | <b>0.5</b>                            | 0.2      | <b>0.5</b>                        | (0.2)      |
|                                                                | <b>(7.6)</b>                          | (0.3)    | <b>(20.6)</b>                     | (15.3)     |
| <b>Income Before Income Taxes and Minority Interest Income</b> | <b>4.6</b>                            | 4.9      | <b>14.8</b>                       | 5.4        |
| Income tax provision (benefit)                                 | <b>0.1</b>                            | 0.6      | <b>2.6</b>                        | (1.5)      |
| <b>Income Before Minority Interest Income</b>                  | <b>4.5</b>                            | 4.3      | <b>12.2</b>                       | 6.9        |
| Minority interest income                                       |                                       | 0.1      | <b>0.1</b>                        | 0.5        |
| <b>Net Income</b>                                              | <b>\$ 4.5</b>                         | \$ 4.4   | <b>\$ 12.3</b>                    | \$ 7.4     |
| <b>Comprehensive Income (Loss)</b>                             | <b>\$ 3.2</b>                         | \$ 8.2   | <b>\$ (10.9)</b>                  | \$ 5.5     |

See notes to unaudited condensed consolidated financial statements.

**Table of Contents**

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

|                                                                                | NINE MONTHS ENDED<br>SEPTEMBER 30 |               |
|--------------------------------------------------------------------------------|-----------------------------------|---------------|
|                                                                                | 2005                              | 2004          |
|                                                                                | (In millions)                     |               |
| <b>Operating Activities</b>                                                    |                                   |               |
| Net income                                                                     | \$ 12.3                           | \$ 7.4        |
| Adjustments to reconcile net income to net cash used for operating activities: |                                   |               |
| Depreciation and amortization                                                  | 30.6                              | 31.7          |
| Amortization of deferred financing fees                                        | 2.1                               | 2.8           |
| Deferred income taxes                                                          | (4.9)                             | (4.2)         |
| Minority interest income                                                       | (0.1)                             | (0.5)         |
| Loss on the sale of assets                                                     | (1.1)                             | (0.4)         |
| Other non-cash items                                                           | (5.1)                             | 4.2           |
| Working capital changes, net of dispositions of businesses                     |                                   |               |
| Affiliate receivable/ payable                                                  | 5.1                               | 10.5          |
| Accounts receivable                                                            | (24.9)                            | (14.3)        |
| Inventories                                                                    | (53.7)                            | (63.5)        |
| Other current assets                                                           | (2.4)                             | (3.3)         |
| Accounts payable and other liabilities                                         | (25.0)                            | 18.3          |
| <b>Net cash used for operating activities</b>                                  | <b>(67.1)</b>                     | <b>(11.3)</b> |
| <b>Investing Activities</b>                                                    |                                   |               |
| Expenditures for property, plant and equipment                                 | (28.9)                            | (27.0)        |
| Proceeds from the sale of assets                                               | 7.4                               | 6.8           |
| Proceeds from the sale of businesses                                           | 3.9                               |               |
| Other                                                                          | (1.0)                             | 1.9           |
| <b>Net cash used for investing activities</b>                                  | <b>(18.6)</b>                     | <b>(18.3)</b> |
| <b>Financing Activities</b>                                                    |                                   |               |
| Additions to long-term debt and revolving credit agreements                    | 23.5                              | 31.8          |
| Reductions of long-term debt and revolving credit agreements                   | (13.1)                            | (50.2)        |
| Notes payable, parent company                                                  | 39.0                              | 20.0          |
| Financing fees paid                                                            |                                   | (0.7)         |
| <b>Net cash provided by financing activities</b>                               | <b>49.4</b>                       | <b>0.9</b>    |
| Effect of exchange rate changes on cash                                        | (1.9)                             | (2.2)         |
| <b>Cash and Cash Equivalents</b>                                               |                                   |               |
| Decrease for the period                                                        | (38.2)                            | (30.9)        |
| Balance at the beginning of the period                                         | 97.4                              | 61.3          |

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| <b>Balance at the end of the period</b> | <b>\$ 59.2</b> | <b>\$ 30.4</b> |
|-----------------------------------------|----------------|----------------|

See notes to unaudited condensed consolidated financial statements.

4

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Table of Contents

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

|                                                      | NINE MONTHS ENDED<br>SEPTEMBER 30 |          |
|------------------------------------------------------|-----------------------------------|----------|
|                                                      | 2005                              | 2004     |
|                                                      | (In millions)                     |          |
| <b>Common Stock</b>                                  | \$                                | \$       |
| <b>Capital in Excess of Par Value</b>                | <b>198.2</b>                      | 198.2    |
| <b>Retained Earnings</b>                             |                                   |          |
| Beginning balance                                    | <b>248.3</b>                      | 238.2    |
| Net income                                           | <b>12.3</b>                       | 7.4      |
|                                                      | <b>260.6</b>                      | 245.6    |
| <b>Accumulated Other Comprehensive Income (Loss)</b> |                                   |          |
| Beginning balance                                    | <b>0.3</b>                        | (11.6)   |
| Foreign currency translation adjustment              | <b>(20.8)</b>                     | (0.6)    |
| Reclassification of hedging activity into earnings   | <b>(0.8)</b>                      | (1.8)    |
| Current period cash flow hedging activity            | <b>(1.6)</b>                      | 0.5      |
|                                                      | <b>(22.9)</b>                     | (13.5)   |
| <b>Total Stockholder s Equity</b>                    | <b>\$ 435.9</b>                   | \$ 430.3 |

See notes to unaudited condensed consolidated financial statements.

**Table of Contents**

**NMHG HOLDING CO. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**

(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 Holding 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<sup>®</sup> and Yale<sup>®</sup> 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<sup>®</sup> and Yale<sup>®</sup> 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<sup>®</sup> and Yale<sup>®</sup> 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 September 30, 2005 and the results of its operations for the three and nine months ended September 30, 2005 and 2004 and the results of its cash flows and changes in stockholder s equity for the nine months ended September 30, 2005 and 2004 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, 2004. All significant intercompany accounts and transactions among the consolidated companies are eliminated in consolidation.

The balance sheet at December 31, 2004 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 and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2005. 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, 2004.

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

**Note 2 Recently Issued Accounting Standards**

**EITF No. 05-6:** In June 2005, the Emerging Issues Task Force ( EITF ) reached a consensus on EITF No. 05-6,

Determining the Amortization Period for Leasehold Improvements. EITF No. 05-6 requires that leasehold improvements acquired in a business combination or purchased subsequent to the inception of a lease be amortized over the lesser of the useful life of the assets or a term that includes renewals that are reasonably assured at the date of the business combination or purchase. The guidance is effective for periods beginning after June 29, 2005. The Company does not expect the adoption of EITF No. 05-6 to have a material impact on the Company s financial position or results of operations.

**SFAS No. 154:** In May 2005, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standard ( 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 Company does not expect the adoption of SFAS No. 154 to have a material impact on the Company's financial position or results of operations.

**FIN No. 47:** In March 2005, the FASB issued Interpretation (FIN) No. 47, Accounting for Conditional Asset Retirement Obligations, an Interpretation of FASB Statement No. 143, which clarifies that the term, conditional asset retirement obligation, as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. However, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. FIN No. 47 requires that the uncertainty about the timing and (or) method

**Table of Contents**

of settlement of a conditional asset retirement obligation be factored into the measurement of the liability when sufficient information exists. FIN No. 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN No. 47 is effective for fiscal years ending after December 15, 2005. The Company does not expect the adoption of FIN No. 47 to have a material impact on the Company's financial position or results of operations.

**Note 3 Restructuring****2002 Restructuring Program**

As announced in December 2002, NMHG Wholesale has 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 \$0.8 million were made to approximately 50 employees during the first nine months of 2005. Payments are expected to continue through 2006. The final \$0.1 million for post-employment medical benefits was paid during the first nine months of 2005 and is included in the table below under Other. During the first nine months of 2005, \$0.5 million of the accrual for severance was reversed as actual payments are expected to be less than originally estimated.

Additional restructuring related costs, primarily related to manufacturing inefficiencies, which were not eligible for accrual as of December 31, 2002, were \$2.9 million and \$5.1 million in the first nine months of 2005 and 2004, respectively. Of the \$2.9 million additional costs incurred during the first nine months of 2005, \$2.8 million is classified as Cost of sales and \$0.1 million is classified as Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statement of Operations. Of the \$5.1 million additional costs incurred during the first nine months of 2004, \$4.7 million is classified as Cost of sales and \$0.4 million is classified as Selling, general and administrative expenses in the Unaudited Condensed Consolidated Statement of Operations.

**2001 Restructuring Program**

NMHG Retail recognized a restructuring charge of approximately \$4.7 million in 2001, of which \$0.4 million related to lease termination costs and \$4.3 million related to severance and other employee benefits to be paid to approximately 140 service technicians, salesmen and administrative personnel at wholly owned dealers in Europe. Final severance payments were made during 2004. Final lease payments of \$0.2 million were made during the first nine months of 2005.

Following is a rollforward of the restructuring liability:

|                                      | <b>Severance</b> | <b>Lease<br/>Impairment</b> | <b>Other</b> | <b>Total</b>  |
|--------------------------------------|------------------|-----------------------------|--------------|---------------|
| <b>NMHG Wholesale</b>                |                  |                             |              |               |
| Balance at December 31, 2004         | \$ 4.2           | \$                          | \$ 0.1       | \$ 4.3        |
| Foreign currency effect              | (0.4)            |                             |              | (0.4)         |
| Reversals                            | (0.5)            |                             |              | (0.5)         |
| Payments                             | (0.8)            |                             | (0.1)        | (0.9)         |
| <b>Balance at September 30, 2005</b> | <b>\$ 2.5</b>    | <b>\$</b>                   | <b>\$</b>    | <b>\$ 2.5</b> |
| <b>NMHG Retail</b>                   |                  |                             |              |               |
| Balance at December 31, 2004         | \$               | \$ 0.2                      | \$           | \$ 0.2        |
| Payments                             |                  | (0.2)                       |              | (0.2)         |
| <b>Balance at September 30, 2005</b> | <b>\$</b>        | <b>\$</b>                   | <b>\$</b>    | <b>\$</b>     |



**Table of Contents****Note 4 Inventories**

Inventories are summarized as follows:

|                                   | <b>SEPTEMBER<br/>30<br/>2005</b> | <b>DECEMBER<br/>31<br/>2004</b> |
|-----------------------------------|----------------------------------|---------------------------------|
| Manufactured inventories:         |                                  |                                 |
| Finished goods and service parts  | \$ 167.1                         | \$ 146.0                        |
| Raw materials and work in process | 196.3                            | 174.2                           |
| <br>                              |                                  |                                 |
| Total manufactured inventories    | <b>363.4</b>                     | 320.2                           |
| <br>                              |                                  |                                 |
| Retail inventories:               | <b>33.0</b>                      | 29.9                            |
| <br>                              |                                  |                                 |
| Total inventories at FIFO         | <b>396.4</b>                     | 350.1                           |
| <br>                              |                                  |                                 |
| LIFO reserve                      | <b>(37.9)</b>                    | (30.5)                          |
|                                   | <b>\$ 358.5</b>                  | \$ 319.6                        |

The cost of certain manufactured and retail inventories has been determined using the LIFO method. At September 30, 2005 and December 31, 2004, 59% and 62%, 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-Yale and Shinko branded lift trucks in Japan and the export of Hyster<sup>®</sup> and Yale<sup>®</sup> 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<br>ENDED |      | NINE MONTHS<br>ENDED |      |
|-----------------------|------|----------------------|------|
| SEPTEMBER 30          |      | SEPTEMBER 30         |      |
| 2005                  | 2004 | 2005                 | 2004 |

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|                                   |         |         |          |          |
|-----------------------------------|---------|---------|----------|----------|
| Revenues                          | \$ 77.6 | \$ 73.4 | \$ 241.9 | \$ 216.5 |
| Gross Profit                      | \$ 22.0 | \$ 23.6 | \$ 73.6  | \$ 72.5  |
| Income from continuing operations | \$ 2.4  | \$ 4.7  | \$ 13.1  | \$ 14.9  |
| Net income                        | \$ 2.4  | \$ 4.7  | \$ 13.1  | \$ 14.9  |

8

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**Table of Contents****Note 6 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 September 30, 2005 and December 31, 2004 were \$196.0 million and \$203.7 million, respectively. Losses anticipated under the terms of the guarantees, recourse or repurchase obligations are not significant and have been reserved for 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 assets financed. The fair value of collateral held at September 30, 2005 was approximately \$218.4 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. In 2005, two dealers for which NMHG provided a guarantee or standby recourse or repurchase obligations defaulted under their obligations to NFS. NMHG believes that amounts currently reserved related to these guarantees are adequate and the net losses resulting from the customers' defaults did not have a material impact on NMHG's results of operations.

NMHG has a 20% ownership interest in NFS, a joint venture with GECC, formed primarily for the purpose of providing financial services to Hyster<sup>®</sup> and Yale<sup>®</sup> 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 the customer or concentration issues within GECC necessitates NMHG 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 September 30, 2005, \$155.2 million of the \$196.0 million of guarantees discussed above 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 September 30, 2005, the amount of NFS' debt guaranteed by NMHG was \$126.0 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 trucks, NMHG provides an extended powertrain warranty of two years or 2,000 hours as part of the standard warranty. In addition, NMHG sells extended warranty agreements, which provide additional warranty up to three to five years or up to 3,600 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 are 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. 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. 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.

Changes in the Company's current and long-term warranty obligations, including deferred revenue on extended warranty contracts are as follows:

|                                      | <b>2005</b>    |
|--------------------------------------|----------------|
| Balance at the beginning of the year | <b>\$ 40.5</b> |



|                                |                |
|--------------------------------|----------------|
| Warranties issued              | 26.1           |
| Settlements made               | (24.8)         |
| Foreign currency effect        | (0.4)          |
| <b>Balance at September 30</b> | <b>\$ 41.4</b> |

**Table of Contents****Note 7 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 and nine months ended September 30:

|                                                    | THREE MONTHS |        | NINE MONTHS |          |
|----------------------------------------------------|--------------|--------|-------------|----------|
|                                                    | 2005         | 2004   | 2005        | 2004     |
| Income before income taxes and minority interest:  | \$ 4.6       | \$ 4.9 | \$ 14.8     | \$ 5.4   |
| Statutory taxes (benefit) at 35%                   | \$ 1.6       | \$ 1.7 | \$ 5.2      | \$ 1.9   |
| Discrete items:                                    |              |        |             |          |
| NMHG Wholesale settlements                         |              |        | (1.9)       | (1.5)    |
| NMHG Wholesale change in tax law                   |              |        | 1.6         |          |
| NMHG Retail settlements                            |              |        |             | (0.8)    |
| Other                                              | (0.5)        | (0.4)  | (0.2)       | (0.4)    |
|                                                    | (0.5)        | (0.4)  | (0.5)       | (2.7)    |
| Other permanent items                              |              |        |             |          |
| NMHG Wholesale equity interest earnings            | (0.4)        | (0.6)  | (1.2)       | (0.5)    |
| Other                                              | (0.6)        | (0.1)  | (0.9)       | (0.2)    |
|                                                    | (1.0)        | (0.7)  | (2.1)       | (0.7)    |
| Income tax provision (benefit)                     | \$ 0.1       | \$ 0.6 | \$ 2.6      | \$ (1.5) |
| Effective income tax rate                          | 2.2%         | 12.2%  | 17.6%       | (27.8%)  |
| Effective income tax rate excluding discrete items | 13.0%        | 20.4%  | 20.9%       | 22.2%    |

**NMHG Wholesale:** During the nine months ended September 30, 2005 and 2004, NMHG Wholesale's effective income tax rate was affected by the settlement of income tax audits and transfer pricing disputes with various taxing authorities. During the nine months ended September 30, 2005, these benefits were offset by the elimination of deferred tax assets which NMHG Wholesale will not be able to recognize due to state income tax law changes enacted in Ohio.

**NMHG Retail:** During the nine months ended September 30, 2004, NMHG Retail's effective income tax rate was affected by the settlement of a foreign income tax claim in Asia-Pacific.

Excluding the impact of the discrete items discussed above, the effective income tax rates for the three and nine months ended September 30, 2005 are lower than the effective income tax rates for the three and nine months ended September 30, 2004, mainly due to increased equity earnings in unconsolidated subsidiaries and a shift in the mix of forecasted earnings. The Company's consolidated effective income tax rate is lower than the statutory income tax rate primarily due to the benefit of equity earnings in unconsolidated subsidiaries.

As noted in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, the American Jobs Creation Act of 2004 (the Jobs Act) was enacted on October 22, 2004. The financial results of the Company do not reflect the impact of the repatriation provisions included in the Jobs Act. The Company's best estimate of the range of possible amounts that may be repatriated subject to the Dividend Exclusion provisions of the Jobs Act is \$0 to \$70.0 million upon which the estimated range of tax expense would be \$0 to \$2.5 million under the current guidance. The Company expects to complete its evaluation related to the possible repatriation of foreign earnings during the fourth quarter of 2005.

**Table of Contents****Note 8 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, 2004 that it expected to contribute approximately \$4.1 million and \$5.6 million to its U.S. and non-U.S. pension plans, respectively, in 2005. The Company revised these expectations in the first quarter of 2005 and anticipates contributing approximately \$3.9 million and \$3.8 million to its U.S. and non-U.S. pension plans, respectively, in 2005. For the nine months ended September 30, 2005, the Company contributed \$3.1 million to its U.S. pension plans and \$2.8 million to its non-U.S. pension plans.

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

The Company adopted FASB Staff Position ( FSP ) Nos. FAS 106-1 and FAS 106-2 both titled Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 at its September 30, 2004 measurement date. The adoption of FSP Nos. FAS 106-1 and FAS 106-2 did not have a significant impact on the Company's financial position or results of operations.

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

|                                | September 30 |        | September 30 |        |
|--------------------------------|--------------|--------|--------------|--------|
|                                | 2005         | 2004   | 2005         | 2004   |
| <b>U.S. Pension</b>            |              |        |              |        |
| Service cost                   | \$ 0.1       | \$     | \$ 0.3       | \$ 0.2 |
| Interest cost                  | 1.1          | 1.1    | 3.2          | 3.2    |
| Expected return on plan assets | (1.1)        | (1.1)  | (3.3)        | (3.3)  |
| Net amortization               | 0.3          | 0.3    | 1.5          | 0.9    |
| Total                          | \$ 0.4       | \$ 0.3 | \$ 1.7       | \$ 1.0 |
| <b>Non-U.S. Pension</b>        |              |        |              |        |
| Service cost                   | \$ 0.6       | \$ 0.7 | \$ 2.0       | \$ 2.0 |
| Interest cost                  | 1.5          | 1.3    | 4.7          | 3.9    |
| Expected return on plan assets | (1.6)        | (1.8)  | (5.0)        | (5.2)  |
| Employee contributions         | (0.2)        | (0.1)  | (0.7)        | (0.4)  |
| Net amortization               | 1.0          | 0.6    | 2.9          | 1.8    |
| Total                          | \$ 1.3       | \$ 0.7 | \$ 3.9       | \$ 2.1 |
| <b>Post-retirement</b>         |              |        |              |        |
| Service cost                   | \$           | \$ 0.1 | \$           | \$ 0.1 |
| Interest cost                  | 0.1          | 0.1    | 0.4          | 0.4    |

|       |        |        |        |        |
|-------|--------|--------|--------|--------|
| Total | \$ 0.1 | \$ 0.2 | \$ 0.4 | \$ 0.5 |
|-------|--------|--------|--------|--------|

**Table of Contents****Note 9 Unaudited Condensed Consolidating Guarantor and Non-Guarantor Financial Information**

The following tables set forth the Unaudited Condensed Consolidating Balance Sheets as of September 30, 2005 and December 31, 2004, the Unaudited Condensed Consolidating Statements of Operations for the three and nine months ended September 30, 2005 and 2004 and the Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2005 and 2004. The following information is included as a result of the guarantee of the 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 SEPTEMBER 30, 2005**

|                                                   | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|---------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| Cash and cash equivalents                         | \$              | \$ 7.0                 | \$ 52.2                    | \$                            | \$ 59.2              |
| Accounts and notes receivable, net                | 11.5            | 126.1                  | 215.7                      | (85.3)                        | 268.0                |
| Inventories                                       |                 | 176.0                  | 182.5                      |                               | 358.5                |
| Other current assets                              |                 | 55.4                   | 18.8                       | (22.0)                        | 52.2                 |
| <b>Total current assets</b>                       | <b>11.5</b>     | <b>364.5</b>           | <b>469.2</b>               | <b>(107.3)</b>                | <b>737.9</b>         |
| Property, plant and equipment, net                |                 | 133.0                  | 90.4                       |                               | 223.4                |
| Goodwill                                          |                 | 307.3                  | 44.0                       |                               | 351.3                |
| Other non-current assets                          | 697.1           | 370.8                  | 23.4                       | (996.3)                       | 95.0                 |
| <b>Total assets</b>                               | <b>\$ 708.6</b> | <b>\$ 1,175.6</b>      | <b>\$ 627.0</b>            | <b>\$ (1,103.6)</b>           | <b>\$ 1,407.6</b>    |
| Accounts payable                                  | \$              | \$ 170.7               | \$ 175.3                   | \$ (66.4)                     | \$ 279.6             |
| Other current liabilities                         | 9.6             | 160.1                  | 104.1                      | (41.0)                        | 232.8                |
| Revolving credit agreements                       | 15.0            |                        | 7.6                        |                               | 22.6                 |
| <b>Total current liabilities</b>                  | <b>24.6</b>     | <b>330.8</b>           | <b>287.0</b>               | <b>(107.4)</b>                | <b>535.0</b>         |
| Long-term debt                                    | 248.1           | 288.1                  | 44.9                       | (314.6)                       | 266.5                |
| Other non-current liabilities                     |                 | 138.7                  | 50.2                       | (18.7)                        | 170.2                |
| Stockholder's equity                              | 435.9           | 418.0                  | 244.9                      | (662.9)                       | 435.9                |
| <b>Total liabilities and stockholder's equity</b> | <b>\$ 708.6</b> | <b>\$ 1,175.6</b>      | <b>\$ 627.0</b>            | <b>\$ (1,103.6)</b>           | <b>\$ 1,407.6</b>    |

**Table of Contents**

**UNAUDITED CONDENSED CONSOLIDATING BALANCE SHEET  
AT DECEMBER 31, 2004**

|                                                   | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|---------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| Cash and cash equivalents                         | \$              | \$ 39.6                | \$ 57.8                    | \$                            | \$ 97.4              |
| Accounts and notes receivable, net                | 6.6             | 95.9                   | 258.6                      | (106.5)                       | 254.6                |
| Inventories                                       |                 | 168.0                  | 151.6                      |                               | 319.6                |
| Other current assets                              | 2.3             | 55.9                   | 19.7                       | (31.2)                        | 46.7                 |
| <b>Total current assets</b>                       | <b>8.9</b>      | <b>359.4</b>           | <b>487.7</b>               | <b>(137.7)</b>                | <b>718.3</b>         |
| Property, plant and equipment, net                |                 | 134.2                  | 103.9                      |                               | 238.1                |
| Goodwill                                          |                 | 307.2                  | 46.1                       |                               | 353.3                |
| Other non-current assets                          | 689.0           | 356.9                  | 29.2                       | (979.9)                       | 95.2                 |
| <b>Total assets</b>                               | <b>\$ 697.9</b> | <b>\$ 1,157.7</b>      | <b>\$ 666.9</b>            | <b>\$ (1,117.6)</b>           | <b>\$ 1,404.9</b>    |
| Accounts payable                                  | \$              | \$ 231.6               | \$ 193.6                   | \$ (96.1)                     | \$ 329.1             |
| Other current liabilities                         | 3.3             | 105.7                  | 112.9                      | (35.7)                        | 186.2                |
| Revolving credit agreements                       |                 |                        | 9.2                        |                               | 9.2                  |
| <b>Total current liabilities</b>                  | <b>3.3</b>      | <b>337.3</b>           | <b>315.7</b>               | <b>(131.8)</b>                | <b>524.5</b>         |
| Long-term debt                                    | 247.8           | 270.7                  | 53.7                       | (302.7)                       | 269.5                |
| Other non-current liabilities                     |                 | 123.4                  | 61.1                       | (20.4)                        | 164.1                |
| Stockholder s equity                              | 446.8           | 426.3                  | 236.4                      | (662.7)                       | 446.8                |
| <b>Total liabilities and stockholder s equity</b> | <b>\$ 697.9</b> | <b>\$ 1,157.7</b>      | <b>\$ 666.9</b>            | <b>\$ (1,117.6)</b>           | <b>\$ 1,404.9</b>    |

**Table of Contents**

**UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005**

|                                                         | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|---------------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| Revenues                                                | \$              | \$ 357.6               | \$ 273.8                   | \$ (67.9)                     | \$ 563.5             |
| Cost of sales                                           |                 | 318.8                  | 229.7                      | (67.9)                        | 480.6                |
| Selling, general and administrative expenses            |                 | 42.2                   | 28.5                       |                               | 70.7                 |
| Operating profit (loss)                                 |                 | (3.4)                  | 15.6                       |                               | 12.2                 |
| Interest expense                                        |                 | (6.5)                  | (2.5)                      |                               | (9.0)                |
| Income from unconsolidated affiliates                   | 4.5             | 9.3                    |                            | (12.9)                        | 0.9                  |
| Other income (expense)                                  |                 | 0.8                    | (0.3)                      |                               | 0.5                  |
| Income before income taxes and minority interest income | 4.5             | 0.2                    | 12.8                       | (12.9)                        | 4.6                  |
| Income tax provision (benefit)                          |                 | (4.3)                  | 4.4                        |                               | 0.1                  |
| Income before minority interest income                  | 4.5             | 4.5                    | 8.4                        | (12.9)                        | 4.5                  |
| Minority interest income                                |                 |                        |                            |                               |                      |
| Net income                                              | \$ 4.5          | \$ 4.5                 | \$ 8.4                     | \$ (12.9)                     | \$ 4.5               |



**Table of Contents****UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004**

|                                                                   | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|-------------------------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| Revenues                                                          | \$              | \$ 294.6               | \$ 266.6                   | \$ (66.7)                     | \$ 494.5             |
| Cost of sales                                                     |                 | 256.7                  | 230.6                      | (66.7)                        | 420.6                |
| Selling, general and administrative<br>expenses                   |                 | 34.4                   | 34.3                       |                               | 68.7                 |
| Operating profit                                                  |                 | 3.5                    | 1.7                        |                               | 5.2                  |
| Interest expense                                                  |                 | (6.3)                  | (2.0)                      |                               | (8.3)                |
| Income from unconsolidated<br>affiliates                          | 4.4             | 1.6                    |                            | (4.9)                         | 1.1                  |
| Other income (expense)                                            |                 | 7.4                    | (0.5)                      |                               | 6.9                  |
| Income (loss) before income taxes<br>and minority interest income | 4.4             | 6.2                    | (0.8)                      | (4.9)                         | 4.9                  |
| Income tax provision (benefit)                                    |                 | 1.5                    | (0.9)                      |                               | 0.6                  |
| Income before minority interest<br>income                         | 4.4             | 4.7                    | 0.1                        | (4.9)                         | 4.3                  |
| Minority interest income                                          |                 |                        | 0.1                        |                               | 0.1                  |
| Net income                                                        | \$ 4.4          | \$ 4.7                 | \$ 0.2                     | \$ (4.9)                      | \$ 4.4               |

**Table of Contents**

**UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

|                                                            | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|------------------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| Revenues                                                   | \$              | \$ 1,087.7             | \$ 933.6                   | \$ (255.8)                    | \$ 1,765.5           |
| Cost of sales                                              |                 | 965.4                  | 800.7                      | (255.8)                       | 1,510.3              |
| Selling, general and administrative<br>expenses            |                 | 117.4                  | 102.4                      |                               | 219.8                |
| Operating profit                                           |                 | 4.9                    | 30.5                       |                               | 35.4                 |
| Interest expense                                           |                 | (19.1)                 | (6.7)                      |                               | (25.8)               |
| Income from unconsolidated<br>affiliates                   | 12.3            | 21.5                   |                            | (29.1)                        | 4.7                  |
| Other income (expense)                                     |                 | 1.5                    | (1.0)                      |                               | 0.5                  |
| Income before income taxes and<br>minority interest income | 12.3            | 8.8                    | 22.8                       | (29.1)                        | 14.8                 |
| Income tax provision (benefit)                             |                 | (3.5)                  | 6.1                        |                               | 2.6                  |
| Income before minority interest<br>income                  | 12.3            | 12.3                   | 16.7                       | (29.1)                        | 12.2                 |
| Minority interest income                                   |                 |                        | 0.1                        |                               | 0.1                  |
| Net income                                                 | \$ 12.3         | \$ 12.3                | \$ 16.8                    | \$ (29.1)                     | \$ 12.3              |

**Table of Contents**

**UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004**

|                                                            | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|------------------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| Revenues                                                   | \$              | \$ 853.5               | \$ 818.7                   | \$ (211.2)                    | \$ 1,461.0           |
| Cost of sales                                              |                 | 746.4                  | 704.7                      | (211.2)                       | 1,239.9              |
| Selling, general and administrative<br>expenses            |                 | 98.8                   | 101.6                      |                               | 200.4                |
| Operating profit                                           |                 | 8.3                    | 12.4                       |                               | 20.7                 |
| Interest expense                                           |                 | (19.6)                 | (5.9)                      |                               | (25.5)               |
| Income from unconsolidated<br>affiliates                   | 7.4             | 9.6                    |                            | (13.3)                        | 3.7                  |
| Other income (expense)                                     |                 | 7.6                    | (1.1)                      |                               | 6.5                  |
| Income before income taxes and<br>minority interest income | 7.4             | 5.9                    | 5.4                        | (13.3)                        | 5.4                  |
| Income tax provision (benefit)                             |                 | (1.8)                  | 0.3                        |                               | (1.5)                |
| Income before minority interest<br>income                  | 7.4             | 7.7                    | 5.1                        | (13.3)                        | 6.9                  |
| Minority interest income                                   |                 |                        | 0.5                        |                               | 0.5                  |
| Net income                                                 | \$ 7.4          | \$ 7.7                 | \$ 5.6                     | \$ (13.3)                     | \$ 7.4               |

**Table of Contents**

**UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

|                                                                     | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|---------------------------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| <b>Net cash provided by (used for)<br/>operating activities</b>     | \$              | \$ (80.8)              | \$ 13.7                    | \$                            | \$ (67.1)            |
| <b>Investing activities</b>                                         |                 |                        |                            |                               |                      |
| Expenditures for property, plant and<br>equipment                   |                 | (14.9)                 | (14.0)                     |                               | (28.9)               |
| Proceeds from the sale of assets                                    |                 | 2.1                    | 9.2                        |                               | 11.3                 |
| Other                                                               |                 | (5.1)                  | (1.0)                      | 5.1                           | (1.0)                |
| <b>Net cash used for investing<br/>activities</b>                   |                 | (17.9)                 | (5.8)                      | 5.1                           | (18.6)               |
| <b>Financing activities</b>                                         |                 |                        |                            |                               |                      |
| Net reductions to long-term debt and<br>revolving credit agreements | 15.0            | 0.7                    | (5.3)                      |                               | 10.4                 |
| Notes receivable/payable, affiliates                                | (15.0)          | 65.4                   | (11.4)                     |                               | 39.0                 |
| Other                                                               |                 |                        | 5.1                        | (5.1)                         |                      |
| <b>Net cash provided by (used for)<br/>financing activities</b>     |                 | 66.1                   | (11.6)                     | (5.1)                         | 49.4                 |
| Effect of exchange rate changes on<br>cash                          |                 |                        | (1.9)                      |                               | (1.9)                |
| <b>Cash and cash equivalents</b>                                    |                 |                        |                            |                               |                      |
| Decrease for the period                                             |                 | (32.6)                 | (5.6)                      |                               | (38.2)               |
| Balance at beginning of the period                                  |                 | 39.6                   | 57.8                       |                               | 97.4                 |
| Balance at the end of the period                                    | \$              | \$ 7.0                 | \$ 52.2                    | \$                            | \$ 59.2              |

**Table of Contents**

**UNAUDITED CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004**

|                                                                     | NMHG<br>Holding | Guarantor<br>Companies | Non-Guarantor<br>Companies | Consolidating<br>Eliminations | NMHG<br>Consolidated |
|---------------------------------------------------------------------|-----------------|------------------------|----------------------------|-------------------------------|----------------------|
| <b>Net cash provided by (used for)<br/>operating activities</b>     | \$              | \$ 9.7                 | \$ (21.0)                  | \$                            | \$ (11.3)            |
| <b>Investing activities</b>                                         |                 |                        |                            |                               |                      |
| Expenditures for property, plant and<br>equipment                   |                 | (11.3)                 | (15.7)                     |                               | (27.0)               |
| Proceeds from the sale of assets                                    |                 | 0.9                    | 5.9                        |                               | 6.8                  |
| Other net                                                           |                 |                        | 1.9                        |                               | 1.9                  |
| <b>Net cash used for investing activities</b>                       |                 | (10.4)                 | (7.9)                      |                               | (18.3)               |
| <b>Financing activities</b>                                         |                 |                        |                            |                               |                      |
| Net reductions of long-term debt and<br>revolving credit agreements |                 | (1.6)                  | (16.8)                     |                               | (18.4)               |
| Notes receivable/payable, affiliates                                | 0.7             | (6.4)                  | 25.7                       |                               | 20.0                 |
| Other                                                               | (0.7)           | 0.2                    | (0.2)                      |                               | (0.7)                |
| <b>Net cash provided by (used for)<br/>financing activities</b>     |                 | (7.8)                  | 8.7                        |                               | 0.9                  |
| Effect of exchange rate changes on<br>cash                          |                 |                        | (2.2)                      |                               | (2.2)                |
| <b>Cash and cash equivalents</b>                                    |                 |                        |                            |                               |                      |
| Decrease for the period                                             |                 | (8.5)                  | (22.4)                     |                               | (30.9)               |
| Balance at beginning of the period                                  |                 | 15.4                   | 45.9                       |                               | 61.3                 |
| Balance at the end of the period                                    | \$              | \$ 6.9                 | \$ 23.5                    | \$                            | \$ 30.4              |

**Table of Contents****Note 10 Segment Information**

Financial information for each of the Company's reportable segments, as defined by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, is presented in the following table.

NMHG Wholesale derives a portion of its revenues from transactions with NMHG Retail. The amount of these revenues, which are based on current market prices on similar third-party transactions, are indicated in the following table on the line NMHG Eliminations in the revenues section. Other intersegment transactions are recognized based on similar third-party transactions; that is, at current market prices.

|                                                     | THREE MONTHS<br>ENDED<br>SEPTEMBER 30 |          | NINE MONTHS<br>ENDED<br>SEPTEMBER 30 |            |
|-----------------------------------------------------|---------------------------------------|----------|--------------------------------------|------------|
|                                                     | 2005                                  | 2004     | 2005                                 | 2004       |
| <b>Revenues from external customers</b>             |                                       |          |                                      |            |
| NMHG Wholesale                                      | \$ 516.6                              | \$ 449.7 | \$ 1,627.4                           | \$ 1,316.5 |
| NMHG Retail                                         | 64.1                                  | 60.7     | 197.8                                | 190.8      |
| NMHG Eliminations                                   | (17.2)                                | (15.9)   | (59.7)                               | (46.3)     |
|                                                     | \$ 563.5                              | \$ 494.5 | \$ 1,765.5                           | \$ 1,461.0 |
| <b>Gross profit</b>                                 |                                       |          |                                      |            |
| NMHG Wholesale                                      | \$ 70.5                               | \$ 61.9  | \$ 220.8                             | \$ 186.7   |
| NMHG Retail                                         | 11.7                                  | 12.2     | 33.7                                 | 34.7       |
| NMHG Eliminations                                   | 0.7                                   | (0.2)    | 0.7                                  | (0.3)      |
|                                                     | \$ 82.9                               | \$ 73.9  | \$ 255.2                             | \$ 221.1   |
| <b>Selling, general and administrative expenses</b> |                                       |          |                                      |            |
| NMHG Wholesale                                      | \$ 57.6                               | \$ 57.2  | \$ 181.9                             | \$ 163.9   |
| NMHG Retail                                         | 13.1                                  | 11.5     | 37.9                                 | 36.6       |
| NMHG Eliminations                                   |                                       |          |                                      | (0.1)      |
|                                                     | \$ 70.7                               | \$ 68.7  | \$ 219.8                             | \$ 200.4   |
| <b>Operating profit (loss)</b>                      |                                       |          |                                      |            |
| NMHG Wholesale                                      | \$ 12.9                               | \$ 4.7   | \$ 38.9                              | \$ 22.8    |
| NMHG Retail                                         | (1.4)                                 | 0.7      | (4.2)                                | (1.9)      |
| NMHG Eliminations                                   | 0.7                                   | (0.2)    | 0.7                                  | (0.2)      |
|                                                     | \$ 12.2                               | \$ 5.2   | \$ 35.4                              | \$ 20.7    |
| <b>Interest expense</b>                             |                                       |          |                                      |            |
| NMHG Wholesale                                      | \$ (8.2)                              | \$ (6.6) | \$ (23.4)                            | \$ (20.6)  |
| NMHG Retail                                         | (0.7)                                 | (1.5)    | (1.8)                                | (4.1)      |
| NMHG Eliminations                                   | (0.1)                                 | (0.2)    | (0.6)                                | (0.8)      |

\$ (9.0)      \$ (8.3)      \$ (25.8)      \$ (25.5)

**Interest income**

NMHG Wholesale

\$ 0.7      \$ 0.5      \$ 2.3      \$ 1.3

NMHG Retail

0.1      0.1      0.1

\$ 0.7      \$ 0.6      \$ 2.4      \$ 1.4

20

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**Table of Contents**

|                                                           | THREE MONTHS<br>ENDED<br>SEPTEMBER 30 |         | NINE MONTHS<br>ENDED<br>SEPTEMBER 30 |                        |
|-----------------------------------------------------------|---------------------------------------|---------|--------------------------------------|------------------------|
|                                                           | 2005                                  | 2004    | 2005                                 | 2004                   |
| <b>Other income (expense) (excluding interest income)</b> |                                       |         |                                      |                        |
| NMHG Wholesale                                            | \$ 0.9                                | \$ 7.4  | \$ 3.6                               | \$ 8.9                 |
| NMHG Retail                                               |                                       | 0.1     | (0.5)                                | 0.1                    |
| NMHG Eliminations                                         | (0.2)                                 | (0.1)   | (0.3)                                | (0.2)                  |
|                                                           | \$ 0.7                                | \$ 7.4  | \$ 2.8                               | \$ 8.8                 |
| <b>Income tax provision (benefit)</b>                     |                                       |         |                                      |                        |
| NMHG Wholesale                                            | \$ 0.6                                | \$ 1.0  | \$ 4.1                               | \$ 0.9                 |
| NMHG Retail                                               | (0.9)                                 | (0.8)   | (1.5)                                | (2.2)                  |
| NMHG Eliminations                                         | 0.4                                   | 0.4     |                                      | (0.2)                  |
|                                                           | \$ 0.1                                | \$ 0.6  | \$ 2.6                               | \$ (1.5)               |
| <b>Net income (loss)</b>                                  |                                       |         |                                      |                        |
| NMHG Wholesale                                            | \$ 5.7                                | \$ 5.1  | \$ 17.4                              | \$ 12.0                |
| NMHG Retail                                               | (1.2)                                 | 0.2     | (4.9)                                | (3.6)                  |
| NMHG Eliminations                                         |                                       | (0.9)   | (0.2)                                | (1.0)                  |
|                                                           | \$ 4.5                                | \$ 4.4  | \$ 12.3                              | \$ 7.4                 |
| <b>Depreciation and amortization</b>                      |                                       |         |                                      |                        |
| NMHG Wholesale                                            | \$ 7.1                                | \$ 6.7  | \$ 20.8                              | \$ 20.0                |
| NMHG Retail                                               | 2.6                                   | 3.7     | 9.8                                  | 11.7                   |
|                                                           | \$ 9.7                                | \$ 10.4 | \$ 30.6                              | \$ 31.7                |
| <b>Capital expenditures</b>                               |                                       |         |                                      |                        |
| NMHG Wholesale                                            | \$ 10.0                               | \$ 5.4  | \$ 25.5                              | \$ 20.8                |
| NMHG Retail                                               | 0.9                                   | 3.4     | 3.4                                  | 6.2                    |
|                                                           | \$ 10.9                               | \$ 8.8  | \$ 28.9                              | \$ 27.0                |
|                                                           |                                       |         | SEPTEMBER<br>30<br>2005              | DECEMBER<br>31<br>2004 |
| <b>Total assets</b>                                       |                                       |         |                                      |                        |



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|                   |    |                |    |         |
|-------------------|----|----------------|----|---------|
| NMHG Wholesale    | \$ | <b>1,435.0</b> | \$ | 1,307.4 |
| NMHG Retail       |    | <b>137.2</b>   |    | 170.6   |
| NMHG Eliminations |    | <b>(164.6)</b> |    | (73.1)  |
|                   | \$ | <b>1,407.6</b> | \$ | 1,404.9 |

NACCO typically charges fees to its operating subsidiaries, including NMHG. The amounts charged to NMHG for the three and nine months ended September 30, 2005 were \$2.4 million and \$7.0 million, respectively. This compares to \$2.3 million for the three and nine months ended September 30, 2004. The decrease in the year-to-date amount in 2005 compared to 2004 is due to no amount being charged for the six months ended June 30, 2004. These amounts are included in Selling, general and administrative expenses in the Consolidated Statements of Operations.

**Table of Contents**

**Item 2. Management's Discussion and Analysis  
of Financial Condition and Results of Operations**

(Tabular Amounts in Millions, Except Percentage Data)

NMHG Holding Co. ( NMHG or the Company ) 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. NMHG 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<sup>®</sup> and Yale<sup>®</sup> 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<sup>®</sup> and Yale<sup>®</sup> lift trucks and related service parts by wholly owned retail dealerships and rental companies. NMHG Retail includes the elimination of intercompany revenues and profits resulting from sales by NMHG Wholesale to NMHG Retail.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Please refer to the discussion of the Company's Critical Accounting Policies and Estimates as disclosed on pages 9 through 11 in the Company's Form 10-K for the year ended December 31, 2004.

**Table of Contents****FINANCIAL REVIEW**

The segment and geographic results of operations for NMHG were as follows for the three and nine months ended September 30:

|                                | THREE MONTHS |          | NINE MONTHS |            |
|--------------------------------|--------------|----------|-------------|------------|
|                                | 2005         | 2004     | 2005        | 2004       |
| <b>Revenues</b>                |              |          |             |            |
| Wholesale                      |              |          |             |            |
| Americas                       | \$ 369.6     | \$ 296.5 | \$ 1,100.2  | \$ 850.1   |
| Europe                         | 111.9        | 122.1    | 420.1       | 382.0      |
| Asia-Pacific                   | 35.1         | 31.1     | 107.1       | 84.4       |
|                                | 516.6        | 449.7    | 1,627.4     | 1,316.5    |
| Retail (net of eliminations)   |              |          |             |            |
| Europe                         | 17.6         | 21.2     | 57.7        | 64.1       |
| Asia-Pacific                   | 29.3         | 23.6     | 80.4        | 80.4       |
|                                | 46.9         | 44.8     | 138.1       | 144.5      |
| NMHG Consolidated              | \$ 563.5     | \$ 494.5 | \$ 1,765.5  | \$ 1,461.0 |
| <b>Operating profit (loss)</b> |              |          |             |            |
| Wholesale                      |              |          |             |            |
| Americas                       | \$ 17.2      | \$ 5.0   | \$ 31.9     | \$ 15.2    |
| Europe                         | (6.0)        | (1.2)    | 3.9         | 5.4        |
| Asia-Pacific                   | 1.7          | 0.9      | 3.1         | 2.2        |
|                                | 12.9         | 4.7      | 38.9        | 22.8       |
| Retail (net of eliminations)   |              |          |             |            |
| Europe                         | (0.4)        | (0.4)    | 0.8         | (1.9)      |
| Asia-Pacific                   | (0.3)        | 0.9      | (4.3)       | (0.2)      |
|                                | (0.7)        | 0.5      | (3.5)       | (2.1)      |
| NMHG Consolidated              | \$ 12.2      | \$ 5.2   | \$ 35.4     | \$ 20.7    |
| <b>Interest expense</b>        |              |          |             |            |
| Wholesale                      | \$ (8.2)     | \$ (6.6) | \$ (23.4)   | \$ (20.6)  |
| Retail (net of eliminations)   | (0.8)        | (1.7)    | (2.4)       | (4.9)      |
| NMHG Consolidated              | \$ (9.0)     | \$ (8.3) | \$ (25.8)   | \$ (25.5)  |
| <b>Other income (expense)</b>  |              |          |             |            |
| Wholesale                      | \$ 1.6       | \$ 7.9   | \$ 5.9      | \$ 10.2    |
| Retail (net of eliminations)   | (0.2)        | 0.1      | (0.7)       |            |
| NMHG Consolidated              | \$ 1.4       | \$ 8.0   | \$ 5.2      | \$ 10.2    |

**Net income (loss)**

|                              |        |        |         |         |
|------------------------------|--------|--------|---------|---------|
| Wholesale                    | \$ 5.7 | \$ 5.1 | \$ 17.4 | \$ 12.0 |
| Retail (net of eliminations) | (1.2)  | (0.7)  | (5.1)   | (4.6)   |
| NMHG Consolidated            | \$ 4.5 | \$ 4.4 | \$ 12.3 | \$ 7.4  |

**Effective income tax rate**

|                              |       |       |       |         |
|------------------------------|-------|-------|-------|---------|
| Wholesale                    | 9.5%  | 16.7% | 19.2% | 7.3%    |
| Retail (net of eliminations) | 29.4% | 36.4% | 22.7% | 34.3%   |
| NMHG Consolidated            | 2.2%  | 12.2% | 17.6% | (27.8%) |

See the discussion of the effective income tax rate in Note 7 of the Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****Third Quarter of 2005 Compared with Third Quarter of 2004****NMHG Wholesale**

The following table identifies the components of the changes in revenues for the third quarter of 2005 compared with the third quarter of 2004:

|                        | Revenues        |
|------------------------|-----------------|
| 2004                   | \$ 449.7        |
| Increase in 2005 from: |                 |
| Unit product mix       | 31.1            |
| Unit price             | 16.1            |
| Unit volume            | 8.7             |
| Parts                  | 8.6             |
| Foreign currency       | 2.4             |
| <b>2005</b>            | <b>\$ 516.6</b> |

Revenues increased \$66.9 million, or 14.9%, to \$516.6 million in the third quarter of 2005, primarily due to favorable product mix as a result of a shift in sales to higher-priced lift trucks and price increases, primarily in the Americas. Starting in 2004, NMHG implemented price increases to help offset increased material costs, primarily due to higher commodity costs for steel. Unit volume also improved as worldwide unit shipments increased 2.3% to 19,122 units in the third quarter of 2005 from 18,691 units in the third quarter of 2004, primarily from an increase of 1,244 unit shipments in the Americas. Also contributing to the increase in revenues was an increase in sales of parts and the favorable impact of the translation of sales in foreign currencies to U.S. dollars.

The following table identifies the components of the changes in operating profit for the third quarter of 2005 compared with the third quarter of 2004:

|                                              | Operating Profit |
|----------------------------------------------|------------------|
| 2004                                         | \$ 4.7           |
| Increase (decrease) in 2005 from:            |                  |
| Gross profit                                 | 10.0             |
| Foreign currency                             | (1.3)            |
| Selling, general and administrative expenses | (0.3)            |
| Other                                        | (0.2)            |
| <b>2005</b>                                  | <b>\$ 12.9</b>   |

NMHG Wholesale's operating profit increased by \$8.2 million to \$12.9 million in the third quarter of 2005 compared with \$4.7 million in the third quarter of 2004. Gross profit increased primarily due to price increases of \$16.1 million and a favorable shift in mix to higher-margin lift trucks in the Americas. Price increases were implemented during the second half of 2004 and the first quarter of 2005 to offset increased material costs, mainly higher commodity costs for steel. Increased material costs of \$7.8 million in the third quarter of 2005 as well as unfavorable overhead costs attributable to start-up inefficiencies associated with the launch of the 1 to 8 ton products partially offset the favorable

impact of price increases and continued to unfavorably affect gross profit. Operating profit was also affected by unfavorable currency movements primarily due to the sourcing of trucks and component parts for the U.S. market from countries with appreciated currencies.

Net income increased to \$5.7 million in the third quarter of 2005 compared with \$5.1 million in the third quarter of 2004 as a result of the increase in operating profit, partially offset by the absence of a \$6.7 million pre-tax anti-dumping settlement award from U.S. Customs received in the third quarter of 2004.

**Table of Contents****Backlog**

The worldwide backlog level was 25,600 units at September 30, 2005 compared with 26,800 units at September 30, 2004 and 23,900 units at June 30, 2005.

**NMHG Retail (net of eliminations)**

The following table identifies the components of the changes in revenues for the third quarter of 2005 compared with the third quarter of 2004:

|                                   | Revenues       |
|-----------------------------------|----------------|
| 2004                              | \$ 44.8        |
| Increase (decrease) in 2005 from: |                |
| Sale of European dealerships      | (4.2)          |
| Europe                            | (0.9)          |
| Asia-Pacific                      | 5.5            |
| Foreign currency                  | 2.9            |
| Eliminations                      | (1.2)          |
| <b>2005</b>                       | <b>\$ 46.9</b> |

Revenues increased 4.7% to \$46.9 million for the quarter ended September 30, 2005 compared with \$44.8 million in the quarter ended September 30, 2004. The increase was primarily the result of higher unit sales and favorable foreign currency movements in Asia-Pacific, partially offset by reduced revenues due to the sale of two retail dealerships in Europe in the first half of 2005. Revenue was also unfavorably affected by an increase in eliminations as a result of an increase in intercompany sales between NMHG Wholesale and NMHG Retail.

The following table identifies the components of the changes in operating profit (loss) for the third quarter of 2005 compared with the third quarter of 2004:

|                                   | Operating<br>Profit (Loss) |
|-----------------------------------|----------------------------|
| 2004                              | \$ 0.5                     |
| Increase (decrease) in 2005 from: |                            |
| Sale of European dealerships      | (0.4)                      |
| Asia-Pacific                      | (2.0)                      |
| Eliminations                      | 1.2                        |
| <b>2005</b>                       | <b>\$ (0.7)</b>            |

NMHG Retail's operating profit decreased \$1.2 million to an operating loss of \$0.7 million in the third quarter of 2005 compared with an operating profit of \$0.5 million in the third quarter of 2004. The decrease was primarily from unfavorable margins on new units, lower rental margins and increased employee-related costs in Asia-Pacific, as well as lower operating profit in Europe due to the sale of two retail dealerships and the absence of the operating profit from these dealers since their dates of sale in January and June of 2005. These decreases were partially offset by a decrease in the elimination of intercompany profits on sales from NMHG Wholesale to NMHG Retail.

NMHG Retail's net loss increased \$0.5 million to \$1.2 million in the third quarter of 2005 compared with \$0.7 million in the third quarter of 2004 due to the factors affecting operating loss, partially offset by a decrease in interest expense as a result of a decrease in intercompany debt.



**Table of Contents****First Nine Months of 2005 Compared with First Nine Months of 2004****NMHG Wholesale**

The following table identifies the components of the changes in revenues for the first nine months of 2005 compared with the first nine months of 2004:

|                        | Revenues          |
|------------------------|-------------------|
| 2004                   | \$ 1,316.5        |
| Increase in 2005 from: |                   |
| Unit volume            | 118.1             |
| Unit product mix       | 98.9              |
| Unit price             | 50.3              |
| Parts                  | 23.1              |
| Foreign currency       | 20.5              |
| <b>2005</b>            | <b>\$ 1,627.4</b> |

Revenues increased \$310.9 million, or 23.6%, to \$1,627.4 million in the first nine months of 2005, mainly from improved unit volume, primarily in the Americas. Worldwide unit shipments increased 10.8% to 61,028 units in the first nine months of 2005 from 55,087 units in 2004, principally from an increase in unit shipments of 5,556 in the Americas. Also contributing to the increase in revenues were an increase in product mix primarily as a result of a shift in sales to higher-priced lift trucks, price increases in all markets, an increase in sales of parts and the favorable impact of the translation of sales in foreign currencies to U.S. dollars, primarily in Europe.

The following table identifies the components of the changes in operating profit for the first nine months of 2005 compared with the first nine months of 2004:

|                                              | Operating Profit |
|----------------------------------------------|------------------|
| 2004                                         | \$ 22.8          |
| NACCO fees                                   | (4.7)            |
|                                              | 18.1             |
| Increase (decrease) in 2005 from:            |                  |
| Gross profit                                 | 40.5             |
| Selling, general and administrative expenses | (11.5)           |
| Foreign currency                             | (8.0)            |
| Other                                        | (0.2)            |
| <b>2005</b>                                  | <b>\$ 38.9</b>   |

NMHG Wholesale's operating profit increased to \$38.9 million in the first nine months of 2005 compared with \$22.8 million in the first nine months of 2004. Gross profit increased primarily due to price increases, higher unit and part sales volumes and a favorable shift in mix to higher-margin lift trucks in the Americas and Europe. The benefit of

the price increases was almost completely offset by increased material costs, particularly steel. Selling, general and administrative expenses increased primarily due to higher engineering and marketing expenses for NMHG's new series of 1 to 8 ton internal combustion engine lift trucks, an increase in employee-related expenses and an increase in bad debt expense. Operating profit was also affected by unfavorable currency movements primarily due to the sourcing of trucks and component parts for the U.S. market from countries with appreciated currencies and the reinstatement of the management fee paid to NACCO during 2005. The management fee was temporarily suspended for a portion of 2004 in support of NMHG's investment in new product development and related programs.

Net income increased \$5.4 million to \$17.4 million in the first nine months of 2005 compared with \$12.0 million in the first nine months of 2004 as a result of the items affecting operating profit, an increase in interest income as a result of additional funds available to invest and an increase in Income from unconsolidated affiliates mainly

**Table of Contents**

due to improved earnings of Sumitomo-NACCO Materials Handling Group, Ltd. ( SN ), a 50%-owned joint venture in Japan accounted for under the equity method. These increases in net income were partially offset by the absence of a \$6.7 million pre-tax anti-dumping settlement award from U.S. Customs received in the third quarter of 2004, an increase in interest expense due to an increase in affiliate debt and an increase in income tax expense during the first nine months of 2005.

**NMHG Retail (net of eliminations)**

The following table identifies the components of the changes in revenues for the first nine months of 2005 compared with the first nine months of 2004:

|                                   | Revenues        |
|-----------------------------------|-----------------|
| 2004                              | \$ 144.5        |
| Increase (decrease) in 2005 from: |                 |
| Sale of European dealerships      | (6.6)           |
| Europe                            | (1.3)           |
| Asia-Pacific                      | 7.2             |
| Foreign currency                  | 9.1             |
| Eliminations                      | (14.8)          |
| <b>2005</b>                       | <b>\$ 138.1</b> |

Revenues decreased 4.4% to \$138.1 million for the nine months ended September 30, 2005 compared with \$144.5 million for the nine months ended September 30, 2004. The decrease was primarily due to an increase in eliminations as a result of an increase in intercompany sales between NMHG Wholesale and NMHG Retail. Also contributing to the decrease in revenues were the sale of two wholly owned dealerships in Europe during the first half of 2005 and lower revenues from used unit sales and rentals in Europe. The negative impact of the increase in eliminations and decrease in revenues in Europe was partially offset by the favorable effect of translating sales in foreign currencies to U.S. dollars as a result of the weaker U.S. dollar in the first nine months of 2005 compared with the first nine months of 2004 and increases in unit sales and service revenues in Asia-Pacific.

The following table identifies the components of the changes in operating loss for the first nine months of 2005 compared with the first nine months of 2004:

|                                   | Operating<br>Loss |
|-----------------------------------|-------------------|
| 2004                              | \$ (2.1)          |
| Decrease (increase) in 2005 from: |                   |
| Sale of European dealerships      | 1.5               |
| Asia-Pacific                      | (4.1)             |
| Eliminations                      | 1.2               |
| <b>2005</b>                       | <b>\$ (3.5)</b>   |

NMHG Retail's operating loss increased \$1.4 million to \$3.5 million in the first nine months of 2005. The increase was primarily due to increased costs resulting in reduced margins on new trucks, lower rental margins and increased

employee-related costs in Asia-Pacific. The increased operating loss in Asia-Pacific was partially offset by the gain on the sale of a retail dealership in France in June 2005 and a decrease in the elimination of intercompany profits on sales from NMHG Wholesale to NMHG Retail.

NMHG Retail's net loss was \$5.1 million in the first nine months of 2005 compared with \$4.6 million in the first nine months of 2004. Interest expense decreased by \$2.5 million in the first nine months of 2005 compared with the first nine months of 2004 primarily as a result of a decrease in intercompany debt. This decrease was partially offset by an increase in the provision for income taxes primarily due to the absence of a \$0.8 million favorable tax settlement recognized in 2004 for the settlement of a foreign tax claim in Asia-Pacific.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****Cash Flows**

The following tables detail the changes in cash flow for the nine months ended September 30:

|                                                            | <b>2005</b>      | 2004             | Change           |
|------------------------------------------------------------|------------------|------------------|------------------|
| Operating activities:                                      |                  |                  |                  |
| Net income                                                 | \$ 12.3          | \$ 7.4           | \$ 4.9           |
| Depreciation and amortization                              | 30.6             | 31.7             | (1.1)            |
| Other                                                      | (9.1)            | 1.9              | (11.0)           |
| Working capital changes, net of dispositions of businesses |                  |                  |                  |
| Accounts receivable                                        | (24.9)           | (14.3)           | (10.6)           |
| Inventories                                                | (53.7)           | (63.5)           | 9.8              |
| Accounts payable and other liabilities                     | (25.0)           | 18.3             | (43.3)           |
| Other                                                      | 2.7              | 7.2              | (4.5)            |
| <b>Net cash used for operating activities</b>              | <b>(67.1)</b>    | <b>(11.3)</b>    | <b>(55.8)</b>    |
| Investing activities:                                      |                  |                  |                  |
| Expenditures for property, plant and equipment             | (28.9)           | (27.0)           | (1.9)            |
| Proceeds from the sale of assets                           | 7.4              | 6.8              | 0.6              |
| Proceeds from the sale of businesses                       | 3.9              |                  | 3.9              |
| Other                                                      | (1.0)            | 1.9              | (2.9)            |
| <b>Net cash used for investing activities</b>              | <b>(18.6)</b>    | <b>(18.3)</b>    | <b>(0.3)</b>     |
| <b>Cash flow before financing activities</b>               | <b>\$ (85.7)</b> | <b>\$ (29.6)</b> | <b>\$ (56.1)</b> |

Net cash used for operating activities increased \$55.8 million primarily due to the unfavorable effect of working capital changes which was negatively impacted by changes in accounts payable and accounts receivable. The change in accounts payable was primarily due to timing differences of payments and the change in accounts receivable was primarily due to an increase in revenues, as well as timing differences of receipts. In addition, net cash used for operating activities increased as a result of the increase in other non-cash items, mainly due to the negative effect of the foreign currency translation adjustment on intercompany accounts receivable and payable. The negative working capital changes and other non-cash items were partially offset by a slow down in the growth of inventory levels as the current year's transition to new production lines was substantially completed during the third quarter of 2005 and inventory started to return to more normal levels based on the anticipated sales volumes for the fourth quarter of 2005.

|                                                                          | <b>2005</b> | 2004      | Change  |
|--------------------------------------------------------------------------|-------------|-----------|---------|
| Financing activities:                                                    |             |           |         |
| Additions/(reductions) of long-term debt and revolving credit agreements | \$ 10.4     | \$ (18.4) | \$ 28.8 |
| Intercompany loans                                                       | 39.0        | 20.0      | 19.0    |
| Financing fees paid                                                      |             | (0.7)     | 0.7     |

**Net cash provided by financing activities** **\$ 49.4**      **\$ 0.9**      **\$ 48.5**

The change in net cash provided by financing activities in the first nine months of 2005 compared with the first nine months of 2004 was primarily due to an increase in debt levels to support the working capital requirements related to the launch of the new 1 to 8 ton product lines.

**Financing Activities**

NMHG has a \$135.0 million secured, floating-rate revolving credit facility (the NMHG Facility ) that expires in May 2007. The maximum availability under the NMHG Facility is governed by a borrowing base derived from advance rates against the inventory and accounts receivable of the borrowers, as defined in the NMHG Facility. Adjustments to reserves booked against these assets, including inventory reserves, will change the eligible borrowing base and thereby impact the liquidity provided by the NMHG Facility. At September 30,

**Table of Contents**

2005, the borrowing base under the NMHG Facility was \$92.5 million, which reflects reductions for the commitments or availability under certain foreign credit facilities and for an excess availability requirement of \$10.0 million. There was \$15.0 million in borrowings outstanding under the NMHG Facility at September 30, 2005.

During 2002, NMHG issued \$250.0 million of 10% unsecured Senior Notes that mature on May 15, 2009. The Senior Notes are senior unsecured obligations of NMHG Holding Co. and are guaranteed by substantially all of NMHG's domestic subsidiaries. NMHG Holding Co. has the option to redeem all or a portion of the Senior Notes on or after May 15, 2006 at the redemption prices set forth in the Indenture governing the Senior Notes. The proceeds from the Senior Notes were reduced by an original issue discount of \$3.1 million.

In addition to the amounts outstanding under the NMHG Facility and Senior Notes, NMHG had borrowings of approximately \$7.6 million at September 30, 2005 under various working capital facilities.

Both the NMHG Facility and terms of the Senior Notes include restrictive covenants, which, among other things, limit the payment of dividends to NACCO. The NMHG Facility also requires NMHG to meet certain financial tests, including, but not limited to, minimum excess availability, maximum capital expenditures, maximum leverage ratio and minimum fixed charge coverage ratio tests. At September 30, 2005, NMHG was in compliance with all of its debt covenants.

NMHG believes that funds available under the NMHG Facility, other available lines of credit and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months and until the expiration of NMHG's revolving credit facility in May 2007.

**Contractual Obligations, Contingent Liabilities and Commitments**

The Company previously disclosed in its financial statements for the year ended December 31, 2004 that NMHG expected to contribute approximately \$5.6 million to its non-U.S. pension plans in 2005. NMHG now expects to contribute approximately \$3.8 million to its non-U.S. pension plans in 2005.

Since December 31, 2004, there have been no other significant changes in the total amount of NMHG's contractual obligations or commercial commitments, or the timing of cash flows in accordance with those obligations, as reported in the Company's Form 10-K for the year ended December 31, 2004.

**Capital Expenditures**

Expenditures for property, plant and equipment were \$25.5 million for NMHG Wholesale and \$3.4 million for NMHG Retail during the first nine months of 2005. These capital expenditures included tooling for new products, plant improvements, machinery, equipment and lease and rental fleet. Capital expenditures are estimated to be an additional \$15.1 million for NMHG Wholesale and \$0.1 million for NMHG Retail for the remainder of 2005. Planned expenditures for the remainder of 2005 include tooling related to the ongoing launch of the new 1 to 8 ton internal combustion engine lift trucks, investments in manufacturing equipment, plant improvements and rental fleet additions. The principal sources of financing for these capital expenditures will be internally generated funds and bank borrowings.

**Capital Structure**

NMHG's capital structure is presented below:

|                                     | <b>September<br/>30<br/>2005</b> | December<br>31<br>2004 | Change  |
|-------------------------------------|----------------------------------|------------------------|---------|
| Total net tangible assets           | \$ 421.9                         | \$ 382.6               | \$ 39.3 |
| Goodwill and other intangibles, net | 352.5                            | 354.8                  | (2.3)   |
| Net assets                          | 774.4                            | 737.4                  | 37.0    |
| Advances from NACCO                 | (39.0)                           |                        | (39.0)  |
| Other debt                          | (299.5)                          | (290.5)                | (9.0)   |
| Minority interest                   |                                  | (0.1)                  | 0.1     |

|                      |    |              |    |       |           |
|----------------------|----|--------------|----|-------|-----------|
| Stockholder s equity | \$ | <b>435.9</b> | \$ | 446.8 | \$ (10.9) |
|----------------------|----|--------------|----|-------|-----------|

|                              |  |            |  |     |    |
|------------------------------|--|------------|--|-----|----|
| Debt to total capitalization |  | <b>44%</b> |  | 39% | 5% |
|------------------------------|--|------------|--|-----|----|

The increase in total net tangible assets was primarily due to a \$49.5 million decrease in accounts payable, a \$38.9 million increase in inventory and a \$13.4 million increase in accounts receivable, partially offset by a \$38.2 million decrease in cash and a \$14.7 million decrease in property, plant and equipment.



**Table of Contents**

The increase in inventory was primarily due to the build-up of inventory during the first half of 2005 in anticipation of the launch of the new 1 to 8 ton product line and anticipated sales volumes for the fourth quarter of 2005. In addition, accounts receivable increased during the first nine months of 2005 mainly due to the timing of cash receipts. During the first nine months of 2005, the reduction in cash was due to the timing of payments and corresponding decrease of accounts payable. Including advances from NACCO, debt increased \$48.0 million primarily as a result of the reduction of accounts payable and the increase in inventory. The decrease in property, plant and equipment was primarily due to a decrease in rental equipment.

Stockholder's equity decreased \$10.9 million in the first nine months of 2005 as a result of a \$23.2 million decrease in accumulated other comprehensive income (loss) partially offset by \$12.3 million of net income in the first nine months of 2005. The change in accumulated other comprehensive income (loss) was due to a \$20.8 million reduction in the cumulative foreign currency translation adjustment and a \$2.4 million loss on deferred cash flow hedges.

**OUTLOOK****NMHG Wholesale**

Global lift truck markets continued to strengthen in the third quarter of 2005. NMHG Wholesale is hopeful that these increased levels will be sustained and possibly continue to improve going forward. NMHG Wholesale expects strong lift truck markets in the fourth quarter of 2005 and in 2006 in the Americas and Asia-Pacific, and moderate year-over-year increases in Europe. With these market prospects and the successful launch of the newly designed 1 to 3 ton internal combustion engine lift trucks throughout 2005, NMHG Wholesale anticipates that its unit shipment levels for the fourth quarter of 2005 and in 2006 compared with the prior periods will be higher, while shipment levels for the newly designed 4 to 7 ton internal combustion engine lift trucks that are expected to be introduced in 2006 and early 2007 will be at controlled rates to accommodate the phase-in of these products.

Despite stronger lift truck markets, NMHG Wholesale expects the fourth quarter of 2005 to remain challenging. Price increases implemented in prior periods are expected to continue to offset the effect of anticipated higher material costs in the fourth quarter of 2005 and in 2006. While these pricing actions are expected to have a significant impact on margin recovery in 2006, full recovery of the accumulated cost increases incurred since the beginning of 2004 are not anticipated until 2007. While cost increases have leveled off in the past few quarters, higher energy prices could result in further increases in the costs of raw materials and higher fuel costs are expected to drive up shipping costs.

Accordingly, NMHG Wholesale will continue to monitor economic conditions and their resulting effects on costs, and evaluate the need and potential for future price increases. In addition, although the dollar continues to strengthen, past currency movements still leave NMHG Wholesale in an unfavorable position compared with the favorable currency environment that existed in the period ending in 2002. As a result, NMHG Wholesale continues to work actively to shift the sourcing of components from British pound sterling and high cost euro countries to U.S. dollar and low cost areas on the assumption that currency exchange rates are likely to stay at levels that are not advantageous to NMHG Wholesale.

NMHG Wholesale introduced the highest volume portion of the newly designed 1 to 8 ton internal combustion engine lift truck line, the 1 to 3 ton series, in 2005, and the remainder is expected to be largely introduced by 2007, with the introduction of the 4 to 5 ton series in 2006 and the 6 to 7 ton series in early 2007. While the full effect of these new products will not be realized until these series have been introduced, the new products that have already been introduced are expected to affect results positively in the fourth quarter of 2005 and in 2006. The increasingly positive effects of these new product introductions, pricing initiatives, expense reduction efforts already implemented, increased efficiencies in the Americas as a result of the completion of the restructuring and rearrangement of assembly lines, and the resulting reduction in manufacturing costs, are expected to provide significant profitability improvements in 2006. In addition, NMHG Wholesale's manufacturing restructuring activities are moving closer to maturity. These benefits are expected to continue to be partially offset by one-time product development and related introduction costs, as well as start up manufacturing inefficiencies in the fourth quarter of 2005 related to the lift truck series recently launched, and in 2006 related to the new lift truck series to be launched. Also offsetting the favorable effects of the new lift trucks, but to a lesser extent, are costs attributable to the remaining portion of the previously announced Irvine manufacturing restructuring program and production line movements, which will take place in the second half of 2006.

NMHG Wholesale is considering the repatriation of earnings as permitted by the American Jobs Creation Act of 2004, which could result in a tax charge of as much as \$2.5 million in the fourth quarter of 2005. Also, excluding this special tax charge, NMHG Wholesale expects to have a higher effective income tax rate in the fourth quarter of 2005 compared with the fourth quarter of 2004 and a higher rate in 2006 compared with 2005.

Overall, NMHG Wholesale's investment in long-term programs, particularly its significant new product development and manufacturing programs, are expected to enhance profitability and generate growth increasingly as they mature in the 2006 to 2008 period.

**Table of Contents**

**NMHG Retail**

In the fourth quarter of 2005 and in 2006, NMHG Retail expects to continue its programs to improve the performance of its wholly owned dealerships in order to meet its longer-term strategic objectives, which include achieving at least break-even results while building market position. However, improvement programs will continue for the remainder of 2005 without achieving the full benefit of those programs until future years.

**FORWARD-LOOKING STATEMENTS**

The statements contained in this Form 10-Q that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Such risks and uncertainties with respect to the Company's operations include, without limitation:

(1) changes in demand for lift trucks and related aftermarket parts and service on a worldwide basis, especially in the U.S. where the Company derives a majority of its sales, (2) changes in sales prices, (3) delays in delivery or changes in costs of raw materials or sourced products and labor, (4) customer acceptance of, changes in the prices of, or delays in the development of new products, (5) delays in manufacturing and delivery schedules, (6) changes in suppliers, (7) exchange rate fluctuations, changes in foreign import tariffs and monetary policies and other changes in the regulatory climate in the foreign countries in which NMHG operates and/or sells products, (8) product liability or other litigation, warranty claims or returns of products, (9) delays in or increased costs of restructuring programs, (10) the effectiveness of the cost reduction programs implemented globally, including the successful implementation of procurement and sourcing initiatives, (11) acquisitions and/or dispositions of dealerships by NMHG and (12) changes mandated by federal and state regulation including health, safety or environmental legislation.

**Table of Contents**

**Item 4. Controls and Procedures**

**Evaluation of disclosure controls and procedures:** The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. An evaluation was carried out under the supervision and with the participation of the Company's management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures are effective.

**Changes in internal control over financial reporting:** During the third quarter of 2005 and subsequent to the date of their evaluation, there have been no material changes in the Company's internal controls or in other factors that materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

**Table of Contents**

**PART II  
OTHER INFORMATION**

Item 1 Legal Proceedings

None

Item 5 Other Information

None

Item 6 Exhibits

See Exhibit Index on page 35 of this quarterly report on Form 10-Q.

33

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**Table of Contents**

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NMHG Holding Co.

(Registrant)

Date November 3, 2005

/s/ Michael K. Smith

Michael K. Smith  
Vice President Finance & Information Systems,  
and Chief Financial Officer  
(Authorized Officer and Principal  
Financial and Accounting Officer)

**Table of Contents**

Exhibit Index

| Exhibit<br>Number* | Description of Exhibits                                                                                                                                                                                                                                                                                                            |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1               | Amendment No. 5 to the International Operating Agreement between NACCO Materials Handling Group, Inc. and General Electric Capital Corporation dated September 29, 2005 (incorporated herein by reference to Exhibit 10.1 to The Company's Current Report on Form 8-K filed on October 4, 2005, Commission File Number 333-89248). |
| 31(i)(1)           | Certification of Reginald R. Eklund pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act                                                                                                                                                                                                                                       |
| 31(i)(2)           | Certification of Michael K. Smith pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act                                                                                                                                                                                                                                         |
| 32                 | Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, signed and dated by Reginald R. Eklund and Michael K. Smith                                                                                                                                               |

\*Numbered in accordance with Item 601 of Regulation S-K.