NACCO INDUSTRIES INC
Form 10-Q
August 05, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from __________ to __________

Commission file number 1-9172

NACCO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**34-1505819**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5875 LANDERBROOK DRIVE, CLEVELAND, OHIO	**44124-4069**
(Address of principal executive offices)	(Zip code)

(440) 449-9600

(Registrant s telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **YES** þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO o

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

Large accelerated filer	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o **NO** þ

Number of shares of Class A Common Stock outstanding at July 31, 2009 6,686,851

Number of shares of Class B Common Stock outstanding at July 31, 2009 1,603,936

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Part I
FINANCIAL INFORMATION
Item 1. Financial Statements
NACCO INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30 2009	DECEMBER 31 2008
	(In millions, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 178.8**	$ 138.3
Accounts receivable, net	**284.7**	419.2
Inventories	**377.5**	480.2
Deferred income taxes	**31.8**	38.2
Prepaid expenses and other	**52.2**	65.3
Total Current Assets	**925.0**	1,141.2
Property, Plant and Equipment, Net	**345.2**	358.9
Coal Supply Agreements and Other Intangibles, Net	**65.2**	66.7
Long-term Deferred Income Taxes	**16.5**	21.3
Other Non-current Assets	**117.6**	99.8
Total Assets	**$ 1,469.5**	$ 1,687.9
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	**$ 216.5**	$ 376.4
Revolving credit agreements not guaranteed by the parent company	**36.1**	6.4
Current maturities of long-term debt not guaranteed by the parent company	**45.6**	42.6
Accrued payroll	**21.9**	34.2
Accrued warranty	**36.5**	46.3
Deferred revenue	**12.5**	17.7
Other current liabilities	**117.2**	151.7
Total Current Liabilities	**486.3**	675.3
Long-term Debt not guaranteed by the parent company	**381.6**	400.5
Pension and other Post-retirement Obligations	**89.8**	100.9
Other Long-term Liabilities	**139.6**	154.3
Total Liabilities	**1,097.3**	1,331.0
Stockholders Equity		
Common stock:		
	6.7	6.7

Class A, par value $1 per share, 6,686,451 shares outstanding (2008 - 6,680,652 shares outstanding)		
Class B, par value $1 per share, convertible into Class A on a one-for-one basis, 1,604,336 shares outstanding (2008 - 1,605,226 shares outstanding)	**1.6**	1.6
Capital in excess of par value	**14.4**	14.4
Retained earnings	**383.2**	399.3
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	**27.8**	17.4
Deferred gain (loss) on cash flow hedging	**9.5**	(9.1)
Pension and post-retirement plan adjustment	**(71.4)**	(73.6)
Total Stockholders Equity	**371.8**	356.7
Noncontrolling Interest	**0.4**	0.2
Total Equity	**372.2**	356.9
Total Liabilities and Equity	**$ 1,469.5**	$ 1,687.9

See Notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008	**2009**	2008
	(In millions, except per share data)			
Revenues	**$ 545.2**	$ 948.1	**$ 1,103.8**	$ 1,813.1
Cost of sales	**452.1**	826.2	**924.9**	1,558.9
Gross Profit	**93.1**	121.9	**178.9**	254.2
Earnings of unconsolidated project mining subsidiaries	**9.8**	9.3	**20.3**	17.9
Operating Expenses				
Selling, general and administrative expenses	**88.3**	119.7	**186.4**	243.9
Restructuring charges	**1.5**	0.8	**2.2**	1.4
Gain on sale of assets	**(0.5)**		**(2.2)**	(0.2)
	89.3	120.5	**186.4**	245.1
Operating Profit	**13.6**	10.7	**12.8**	27.0
Other income (expense)				
Interest expense	**(7.8)**	(10.7)	**(16.0)**	(21.7)
Interest income	**0.9**	1.7	**1.7**	4.8
Income (loss) from other unconsolidated affiliates	**(0.2)**	1.6	**(1.0)**	3.4
Other	**(0.1)**	(0.2)	**0.2**	(2.3)
	(7.2)	(7.6)	**(15.1)**	(15.8)
Income (Loss) Before Income Taxes	**6.4**	3.1	**(2.3)**	11.2
Income tax provision	**5.0**	0.7	**5.4**	3.2
Net Income (Loss)	**$ 1.4**	$ 2.4	**$ (7.7)**	$ 8.0
Net (income) loss attributable to noncontrolling interest	**0.2**	(0.1)	**0.2**	(0.1)
Net Income (Loss) Attributable to Stockholders	**$ 1.6**	$ 2.3	**$ (7.5)**	$ 7.9
Comprehensive Income	**$ 35.6**	$ 16.8	**$ 23.7**	$ 29.9
Basic and Diluted Earnings (Loss) per Share	**$ 0.19**	$ 0.28	**$ (0.90)**	$ 0.95

Dividends per Share	**$ 0.5175**	$ 0.5150	**$ 1.0325**	$ 1.0150
Basic Weighted Average Shares Outstanding	**8.289**	8.282	**8.288**	8.278
Diluted Weighted Average Shares Outstanding	**8.294**	8.288	**8.288**	8.285

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30	
	2009	2008
	(In millions)	
Operating Activities		
Net income (loss)	**$ (7.7)**	$ 8.0
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation, depletion and amortization	**26.8**	30.5
Amortization of deferred financing fees	**1.0**	1.0
Deferred income taxes	**11.4**	7.5
Restructuring charges	**2.2**	1.4
Gain on sale of assets	**(2.2)**	(0.2)
Other	**(26.4)**	(5.4)
Working capital changes		
Accounts receivable	**154.7**	38.3
Inventories	**118.9**	(4.9)
Other current assets	**(4.3)**	(23.8)
Accounts payable	**(163.8)**	(55.7)
Other liabilities	**(68.7)**	(48.1)
Net cash provided by (used for) operating activities	**41.9**	(51.4)
Investing Activities		
Expenditures for property, plant and equipment	**(16.1)**	(39.5)
Proceeds from the sale of assets	**12.6**	2.4
Other	**(1.5)**	(1.1)
Net cash used for investing activities	**(5.0)**	(38.2)
Financing Activities		
Additions to long-term debt	**5.8**	17.7
Reductions of long-term debt	**(25.4)**	(42.2)
Net additions to revolving credit agreements	**28.1**	26.7
Cash dividends paid	**(8.6)**	(8.4)
Other	**(0.2)**	
Net cash used for financing activities	**(0.3)**	(6.2)
Effect of exchange rate changes on cash	**3.9**	1.9

Cash and Cash Equivalents		
Increase (decrease) for the period	**40.5**	(93.9)
Balance at the beginning of the period	**138.3**	281.2
Balance at the end of the period	**$ 178.8**	$ 187.3

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	SIX MONTHS ENDED JUNE 30	
	2009	2008
	(In millions, except per share data)	
Stockholders Equity:		
Class A Common Stock	**$ 6.7**	$ 6.7
Class B Common Stock	**1.6**	1.6
Capital in Excess of Par Value		
Beginning balance	**14.4**	14.1
Stock-based compensation	**0.2**	0.7
Shares issued under stock compensation plans	**0.2**	0.2
Noncontrolling interest share of contributions to joint venture	**(0.4)**	
	14.4	15.0
Retained Earnings		
Balance as of December 31:		
2008	**399.3**	
2007		854.9
Cumulative effect of accounting change for SFAS No. 158, net of $0.5 tax benefit		(1.1)
Beginning balance	**399.3**	853.8
Net income (loss) attributable to stockholders	**(7.5)**	7.9
Cash dividends on Class A and Class B common stock:		
2009 $1.0325 per share	**(8.6)**	
2008 $1.0150 per share		(8.4)
	383.2	853.3
Accumulated Other Comprehensive Income (Loss)		
Beginning balance	**(65.3)**	14.1
Foreign currency translation adjustment	**10.4**	18.2
Reclassification of hedging activity into earnings	**2.5**	2.2
Current period cash flow hedging activity	**16.1**	(1.5)
Cumulative effect of accounting change for SFAS No. 158		1.0
Reclassification of pension and post-retirement activities into earnings	**2.2**	2.1
	(34.1)	36.1

Total Stockholders Equity		**371.8**		912.7
Noncontrolling Interest				
Beginning balance		**0.2**		
Net income (loss)		**(0.2)**		0.1
Noncontrolling interest share of contributions to joint venture		**0.4**		
Total Noncontrolling Interest		**0.4**		0.1
Total Equity	**$**	**372.2**	$	912.8

See notes to unaudited condensed consolidated financial statements.

NACCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009
(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of NACCO Industries, Inc. (the parent company or NACCO) and its wholly owned subsidiaries (collectively, NACCO Industries, Inc. and Subsidiaries or the Company). Intercompany accounts and transactions are eliminated in consolidation. Also included is Shanghai Hyster Forklift Ltd., a 73% owned joint venture of NMHG Holding Co. (NMHG) in China. The Company s subsidiaries operate in the following principal industries: lift trucks, small appliance distribution, specialty retail and mining. The Company manages its subsidiaries primarily by industry; however, the Company manages its lift truck operations as two reportable segments: wholesale manufacturing and retail distribution.

NMHG designs, engineers, manufactures, sells, services and leases a comprehensive line of lift trucks and aftermarket parts marketed globally under the Hyster® and Yale® brand names. NMHG manages its operations as two reportable segments: wholesale manufacturing (NMHG Wholesale) and retail distribution (NMHG Retail). NMHG Wholesale includes the manufacture, sale and leasing of lift trucks and the related sale of service parts, primarily to independent and wholly owned Hyster® and Yale® retail dealerships. Lift trucks and component parts are manufactured in the United States, Northern Ireland, The Netherlands, China, Italy, Japan, Mexico, the Philippines and Brazil. NMHG Retail includes the sale, leasing and service of Hyster® and Yale® lift trucks and related service parts by wholly owned retail dealerships. Hamilton Beach Brands, Inc. (HBB) is a leading designer, marketer and distributor of small electric household appliances, as well as commercial products for restaurants, bars and hotels. The Kitchen Collection, Inc. (KC) is a national specialty retailer of kitchenware and gourmet foods operating under the Kitchen Collection® and Le Gourmet Chef® store names in outlet and traditional malls throughout the United States. The North American Coal Corporation and its affiliated coal companies (collectively, NACoal) mine and market lignite coal primarily as fuel for power generation and provide selected value-added mining services for other natural resources 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 June 30, 2009 and the results of its operations for the three and six months ended June 30, 2009 and 2008 and the results of its cash flows and changes in equity for the six months ended June 30, 2009 and 2008 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, 2008. The balance sheet at December 31, 2008 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 six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the remainder of the year ending December 31, 2009. Because the HBB and KC businesses are seasonal, a majority of revenues and operating profit typically occurs in the second half of the calendar year when sales of small electric household appliances to retailers and consumers increase significantly for the fall holiday selling season. 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, 2008.

Management performed an evaluation of the Company s activities through the date of filing this Form 10-Q with the SEC on August 5th, 2009. No significant subsequent events have occurred that required recognition or disclosure in the Unaudited Condensed Consolidated Financial Statements.

Note 2 Recently Issued Accounting Standards

Accounting Standards Adopted in 2009:

SFAS No. 141R: In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141R, Business Combinations. SFAS No. 141R modifies the accounting for business combinations by requiring that acquired assets and assumed liabilities be recorded at fair value, contingent consideration arrangements be recorded at fair value on the date of the acquisition and preacquisition contingencies will generally be accounted for in purchase accounting at fair value. The pronouncement also requires that transaction costs be expensed as incurred, acquired research and development be capitalized as an indefinite-lived intangible asset and the requirements of SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, be met at the acquisition date in order to accrue for a restructuring plan in purchase accounting. SFAS No. 141R is required to be adopted prospectively effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS No. 141R did not have a material effect on the Company s financial position or results of operations.

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SFAS No. 160: In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 modifies the reporting for noncontrolling interests in the balance sheet and minority interest income (loss) in the income statement. The pronouncement also requires that increases and decreases in the noncontrolling ownership interest amount be accounted for as equity transactions. SFAS No. 160 is required to be adopted prospectively, with limited exceptions, effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS No. 160 did not have a material effect on the Company s financial position or results of operations.

SFAS No. 165: In May 2009, the FASB issued SFAS No. 165, Subsequent Events. SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The pronouncement provides, a) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (b) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and (c) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is required to be adopted prospectively and was effective for interim or annual periods ending after June 15, 2009. The adoption of SFAS No. 165 did not have a material effect on the Company s financial position or results of operations.

FSP FAS 107-1 and APB 28-1: In April 2009, the FASB issued FASB Staff Position (FSP) FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. FSP FAS 107-1 and APB-28-1 amends SFAS No. 107, Disclosures about Fair Value of Financial Instruments, to require an entity to provide disclosures about fair value of financial instruments for interim reporting periods, as well as in annual financial statements. In addition, the pronouncement also amends Accounting Principles Board (APB) Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. The FSP was effective for interim reporting periods ending after June 15, 2009. The Company adopted FSP FAS 107-1 and APB 28-1 as of June 30, 2009 and has included the disclosures in Note 5.

Accounting Standards Not Yet Adopted:

SFAS No. 166: In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140. SFAS No. 166 requires more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. The pronouncement eliminates the concept of a qualifying special-purpose entity and changes the requirements for derecognizing financial assets. SFAS No. 166 also requires enhanced disclosures to provide financial statement users with greater transparency about transfers of financial assets and a transferor s continuing involvement with transferred financial assets. SFAS No. 166 will be effective at the start of a reporting entity s first fiscal year beginning after November 15, 2009. The Company is currently evaluating the effect the adoption of SFAS No. 166 will have on its financial position, results of operations, cash flows and related disclosures.

SFAS No. 167: In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R). SFAS No. 167 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The pronouncement requires ongoing assessment of whether an entity is the primary beneficiary of a variable interest entity and eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. The pronouncement also requires additional disclosures regarding a company s involvement with variable interest entities, any significant changes in risk exposure due to that involvement and how the company s involvement with a variable interest entity affects the company s financial statements. SFAS No. 167 will be effective at the start of a reporting entity s first fiscal year beginning after November 15, 2009. The Company is currently evaluating the effect the adoption of SFAS No. 167 will have on its financial position, results of operations, cash flows and related disclosures.

SFAS No. 168: In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles A Replacement of FASB Statement No. 162. SFAS No. 168 establishes the FASB Accounting Standards Codification™ (Codification) as the single source of authoritative U.S. generally accepted accounting principles. SFAS No. 168 and the Codification are effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company does not

expect the adoption of SFAS No. 168 to have a material effect on the Company s financial position, results of operations or cash flows.

FSP FAS 132(R)-1: In December 2008, the FASB issued FSP FAS 132(R)-1, Employer s Disclosures about Postretirement Benefit Plan Assets. FSP FAS 132(R)-1 modifies existing requirements to require additional disclosures about plan assets of an employer s defined benefit pension or other postretirement plan. The disclosure requirements of FSP FAS 132(R)-1 are effective for fiscal years ending after December 15, 2009. The Company will include the disclosures upon adoption in its Annual Report on Form 10-K for the fiscal year ending December 31, 2009.

Reclassifications: Certain amounts in the prior periods Unaudited Condensed Consolidated Financial Statements have been reclassified to conform to the current period s presentation.

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Note 3 Restructuring and Related Programs

NMHG Programs

During 2009, NMHG s management approved a plan for a reduction in the number of employees in Asia-Pacific due to the sale of assets comprising NMHG s fleet services business and wholly owned Hyster® retail dealerships in Australia. As a result, NMHG recognized a charge of approximately $1.9 million related to severance in 2009, which is classified in the Unaudited Condensed Consolidated Statement of Operations on the line Restructuring charges. Payments related to these reductions in force are expected to continue through the remainder of 2009.

In addition, the Company anticipates that it will incur subsequent charges, which were not eligible for accrual at June 30, 2009, totaling $0.2 million for other costs related to the restructuring during the remainder of 2009.

During 2008 and 2009, based on the decline in economic conditions, NMHG s management reduced its number of employees worldwide. As a result, NMHG recognized a charge of approximately $6.3 million in 2008 and $0.7 million in the first quarter of 2009 related to severance. In addition, $0.2 million of the accrual was reversed during the second quarter of 2009 as a result of a reduction in the number of employees receiving severance payments as well as a reduction in the average amount paid to each employee. Severance payments of $3.8 million were made during the first six months of 2009. Payments related to these reductions in force are expected to continue through the remainder of 2009. NMHG continues to evaluate the appropriate size of its workforce worldwide to match market demand for lift trucks in response to the decline in economic conditions.

During 2007, NMHG s Board of Directors approved a plan to phase out production of current products at its facility in Irvine, Scotland by early 2009, change the product mix at its Craigavon, Northern Ireland facility and increase production at its Berea, Kentucky and Sulligent, Alabama plants in the United States and at its Ramos Arizpe facility in Mexico. As a result, NMHG Wholesale recognized a charge of approximately $5.5 million in 2007. Of this amount, $5.2 million related to severance and $0.3 million related to other costs of the restructuring. During 2008, NMHG recognized an additional charge of $3.2 million. Of this amount, $2.2 million related to severance and $1.0 million related to other costs of the restructuring. In addition, $0.4 million of the amount previously accrued was reversed in 2008 as a result of a reduction in the estimate of employees eligible to receive severance payments. During the second quarter of 2009, $0.2 million of the amount previously accrued was reversed as a result of a reduction in the estimate of employees eligible to receive certain severance benefits. Payments of $4.5 million were made for severance during the first six months of 2009. Payments related to this restructuring plan are expected to be made through the remainder of 2009. No further charges related to this plan are expected.

Following is the detail of the charges related to the NMHG programs:

	Total charges expected to be incurred	Total charges incurred through December 31, 2008	**Charges incurred in the six months ended June 30, 2009**	Additional charges expected to be incurred
Cash charges				
Severance	$ 15.5	$ 13.3	**$ 2.2**	$
Other	1.5	1.3		0.2
	$ 17.0	$ 14.6	**$ 2.2**	$ 0.2

Following is the activity related to the liability for the NMHG programs, which is included on the line Other current liabilities in the Unaudited Condensed Consolidated Balance Sheets:

	Severance
Balance at January 1, 2009	$ 10.0
Provision	2.6

Reversal		(0.4)
Payments		(8.3)
Balance at June 30, 2009	**$**	**3.9**

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Note 4 Inventories

Inventories are summarized as follows:

	JUNE 30 2009	DECEMBER 31 2008
Manufactured inventories:		
Finished goods and service parts - NMHG Wholesale	**$ 140.3**	$ 177.9
Raw materials and work in process - NMHG Wholesale	**124.6**	196.4
Total manufactured inventories	**264.9**	374.3
Sourced inventories:		
HBB	**77.5**	70.4
Retail inventories:		
NMHG Retail	**19.3**	24.7
KC	**49.7**	50.4
Total retail inventories	**69.0**	75.1
Total inventories at FIFO	**411.4**	519.8
Coal NACoal	**8.4**	11.8
Mining supplies NACoal	**11.4**	11.6
Total inventories at weighted average	**19.8**	23.4
NMHG LIFO reserve	**(53.7)**	(63.0)
	$ 377.5	$ 480.2

The cost of certain manufactured and retail inventories at NMHG, including service parts, has been determined using the last-in-first-out (LIFO) method. At June 30, 2009 and December 31, 2008, 35% and 38%, respectively, of total inventories were determined using the LIFO method. An actual valuation of inventory under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management s estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation. During the three and six months ended June 30, 2009 and 2008, reductions in LIFO inventories at NMHG resulted in liquidations of LIFO inventory layers carried at lower costs compared with current year purchases. The income statement effect of such liquidations on Cost of sales during the three and six months ended June 30, 2009 was a benefit of $5.8 million and $8.2 million, respectively. This compares with a benefit of $1.0 million and $1.8 million during the three and six months ended June 30, 2008, respectively.

Note 5 Financial Instruments and Derivative Financial Instruments

Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements and long-term debt, excluding capital leases, were determined using current rates offered for similar obligations taking into account subsidiary credit risk. At June 30, 2009, the fair value of revolving credit agreements and long-term debt, excluding capital leases, was $342.5 million compared with the book value of $454.4 million. At December 31, 2008, the fair value of revolving credit agreements and long-term debt, excluding capital leases, was $271.6 million compared with the book value of $438.8 million.

Derivative Financial Instruments

The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies. These contracts hedge firm commitments and forecasted transactions relating to cash flows associated with sales and purchases denominated in currencies other than the subsidiaries functional currencies. Changes in the fair value of forward foreign currency exchange contracts that are effective as hedges are recorded in accumulated other comprehensive income (loss) (OCI). Deferred gains or losses are reclassified from OCI to the Unaudited Condensed Consolidated Statements of Operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in cost of sales. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and generally recognized in cost of sales.

The Company uses interest rate swap agreements to partially reduce risks related to floating rate financing agreements that are subject to changes in the market rate of interest. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. The Company s interest rate swap agreements and its variable rate financings are predominately based upon the three-month and six-month LIBOR (London Interbank Offered Rate). Changes in the fair value of interest rate swap agreements that are effective as hedges are recorded in OCI. Deferred gains or losses are reclassified from OCI to the Unaudited Condensed Consolidated Statements of Operations in the same period as the gains or losses from the underlying transactions are recorded and are generally recognized in interest expense. The ineffective portion of derivatives that are classified as hedges is immediately recognized in earnings and included on the line Other in the Other income (expense) section of the Unaudited Condensed Consolidated Statements of Operations.

Interest rate swap agreements and forward foreign currency exchange contracts held by the Company have been designated as hedges of forecasted cash flows. The Company does not currently hold any nonderivative instruments designated as hedges or any derivatives designated as fair value hedges as defined in SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities.

The Company periodically enters into foreign currency exchange contracts that do not meet the criteria for hedge accounting in accordance with SFAS No. 133. These derivatives are used to reduce the Company s exposure to foreign currency risk related to forecasted purchase or sales transactions or forecasted intercompany cash payments or settlements. Gains and losses on these derivatives are included on the line Other in the Other income (expense) section of the Unaudited Condensed Consolidated Statements of Operations.

Cash flows from hedging activities are reported in the Unaudited Condensed Consolidated Statements of Cash Flows in the same classification as the hedged item, generally as a component of cash flows from operations.

The Company measures its derivatives at fair value on a recurring basis using significant observable inputs, which is Level 2 as defined in the SFAS No. 157, Fair Value Measurements, fair value hierarchy. The Company uses a present value technique that incorporates the LIBOR swap curve, foreign currency spot rates and foreign currency forward rates to value its derivatives, including its interest rate swap agreements and foreign currency exchange contracts, and also incorporates the effect of its subsidiary and counterparty credit risk into the valuation. The fair value of derivative assets was $1.1 million and the fair value of derivative liabilities was $29.8 million at June 30, 2009. The fair value of derivative assets was $3.0 million and the fair value of derivative liabilities was $39.8 million at December 31, 2008.

Foreign Currency Derivatives: NMHG and HBB held forward foreign currency exchange contracts with total notional amounts of $238.6 million and $13.6 million, respectively, at June 30, 2009, primarily denominated in euros,

British pounds, Japanese yen, Canadian dollars, Swedish kroner, Australian dollars and Mexican pesos. NMHG and HBB held forward foreign currency exchange contracts with total notional amounts of $561.1 million and $13.0 million, respectively, at December 31, 2008, primarily denominated in euros, British pounds, Japanese yen, Canadian dollars, Swedish kroner, Australian dollars and Mexican pesos. The fair value of these contracts approximated a net liability of $7.6 million and $10.7 million at June 30, 2009 and December 31, 2008, respectively. Forward foreign currency exchange contracts that qualify for hedge accounting are used to hedge transactions expected to occur within the next twelve months. The mark-to-market effect of forward foreign currency exchange contracts that are considered effective as hedges in accordance with SFAS No. 133, as amended, has been included in OCI. Based on market valuations at June 30, 2009, $14.4 million of the amount included in OCI at June 30, 2009 is expected to be reclassified as income into the Consolidated Statement of Operations over the next twelve months, as the transactions occur.

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Interest Rate Derivatives: The following table summarizes the notional amounts, related rates (including applicable margins) and remaining terms of interest rate swap agreements active at June 30, 2009 and December 31, 2008:

	Notional Amount		Average Fixed Rate		
	June 30 2009	December 31 2008	**June 30 2009**	December 31 2008	Remaining Term at June 30, 2009
NMHG	**$206.5**	$ 211.0	**4.3%**	4.4%	Various, extending to May 2012
HBB	**$108.0**	$ 108.0	**4.8%**	4.7%	Various, extending to May 2012
NACoal	**$ 15.0**	$ 25.0	**5.7%**	5.8%	March 2010

In addition to the interest rate swap agreements reflected in the table, at June 30, 2009, NMHG holds certain contracts that begin on various dates starting in May 2010 and extend to various dates through February 2013. These contracts increase the notional amount to $367.5 million at June 30, 2009, but the amount outstanding at any one time will not exceed the balance of the NMHG Term Loan. In addition to the interest rate swap agreements reflected in the table, at June 30, 2009, HBB holds certain contracts that begin on various dates starting in June 2010 and extend to various dates through June 2013. These contracts increase the notional amount to $183.0 million at June 30, 2009, but the amount outstanding at any one time will not exceed the balance of the HBB Term Loan. The fair value of all interest rate swap agreements was a net liability of $21.1 million and $26.1 million at June 30, 2009 and December 31, 2008, respectively. The mark-to-market effect of interest rate swap agreements that are considered effective as hedges in accordance with SFAS No. 133, as amended, has been included in OCI. Based on market valuations at June 30, 2009, $5.9 million is expected to be reclassified as expense into the Consolidated Statement of Operations over the next twelve months, as cash flow payments are made in accordance with the interest rate swap agreements.

NMHG: NMHG has interest rate swap agreements that hedge interest payments on the NMHG Term Loan. The interest rate swap agreements held by NMHG on June 30, 2009 are expected to continue to be effective as hedges.

HBB: HBB has interest rate swaps that hedge interest payments on the HBB Term Loan. The interest rate swap agreements held by HBB on June 30, 2009 are expected to continue to be effective as hedges.

The following table summarizes the fair value of derivative instruments reflected on a gross basis at June 30, 2009 and December 31, 2008 as recorded in the Consolidated Balance Sheets:

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	Asset Derivatives			Liability Derivatives		
	Balance sheet location	**June 30 2009 Fair value**	December 31 2008 Fair value	**Balance sheet location**	**June 30 2009 Fair value**	December 31 2008 Fair value
Derivatives designated as hedging instruments under SFAS 133						
Interest rate swap agreements						
Current	Prepaid expenses and other	**$**	$	Other current liabilities	**$ 5.5**	$ 3.4
Long-term	Other non-current assets			Other long-term liabilities	**15.1**	21.9
Foreign currency exchange contracts						
Current	Prepaid expenses and other	**(0.2)**	1.4	Other current liabilities	**7.7**	13.8
Long-term	Other non-current assets		1.7	Other long-term liabilities		
Total derivatives designated as hedging instruments under SFAS 133		**$ (0.2)**	$ 3.1		**$ 28.3**	$ 39.1
Derivatives not designated as hedging instruments under SFAS 133						
Interest rate swap a greements						
Current	Prepaid expenses and other	**$**	$	Other current liabilities	**$ 0.5**	$ 0.7
Long-term	Other non-current assets			Other long-ter liabilities		
Foreign currency exchange contracts						
Current	Prepaid expenses and other	**1.3**	(0.1)	Other current liabilities	**1.0**	
Long-term	Other non-current assets			Other long-term liabilities		
Total derivatives not designated as hedging		**$ 1.3**	$ (0.1)		**$ 1.5**	$ 0.7

instruments under SFAS 133								
Total derivatives	**$**	**1.1**	$	3.0	**$**	**29.8**	$	39.8

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The following table summarizes the impact of derivative instruments for the three and six months ended June 30 as recorded in the Unaudited Condensed Consolidated Statements of Operations:

vatives in SFAS 133 Cash w Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) THREE MONTHS		SIX MONTHS		Location of Gain or (Loss) Reclassified from OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from OCI into Income (Effective Portion) THREE MONTHS		SIX MONTHS		Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount o Gain or (Loss) Recognized Income on Derivat (Ineffecti Portion ar Amount Excluded from Effectivene Testing) THREE MONTHS		SI MON
	2009	2008	**2009**	2008		**2009**	2008	**2009**	2008		**2009**	2008	**2009**
rest rate swap agreements	**$ 5.1**	$ 10.2	**$ 6.6**	$ 2.1	Interest income (expense)	**$ (2.5)**	$ 0.4	**$ (4.6)**	$ (0.2)	N/A	**$**	$	**$**
eign currency exchange racts	**8.9**		**12.0**	(2.6)	Cost of sales	**(0.2)**	(2.2)	**0.4**	(1.1)	N/A			
al	**$ 14.0**	$ 10.2	**$ 18.6**	$ (0.5)		**$ (2.7)**	$ (1.8)	**$ (4.2)**	$ (1.3)		**$**	$	**$**

Derivatives Not Designated as Hedging Instruments under SFAS 133	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative THREE MONTHS		SIX MONTHS	
		2009	2008	**2009**	2008
Interest rate swap agreements	Other	**$ 0.1**	$ 0.4	**$ 0.3**	$ (0.6)
Foreign currency exchange contracts	Cost of sales or Other	**0.8**	(1.0)	**0.4**	1.0
Total		**$ 0.9**	$ (0.6)	**$ 0.7**	$ 0.4

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Note 6 Unconsolidated Subsidiaries and Equity Investments

Three of NACoal s wholly owned subsidiaries, the project mining subsidiaries, meet the definition of a variable interest entity pursuant to FASB Interpretation (FIN) No. 46. The project mining subsidiaries were developed between 1974 and 1981 and operate lignite coal mines under long-term contracts with various utility customers. The contracts with the project mining subsidiaries utility customers allow each mine to sell lignite coal at a price based on actual cost plus an agreed pre-tax profit per ton. The taxes resulting from earnings of the project mining subsidiaries are solely the responsibility of the Company. These entities are capitalized primarily with debt financing, which the utility customers have arranged and guaranteed. The obligations of the project mining subsidiaries are without recourse to NACCO and NACoal. Although NACoal owns 100% of the stock and manages the daily operations of these entities, the Company has determined that the equity capital provided by NACoal is not sufficient to adequately finance the ongoing activities of the project mining subsidiaries or absorb any expected losses without additional support from the utility customers. As a result, NACoal is not the primary beneficiary and therefore does not consolidate these entities financial position or results of operations. The pre-tax income from the project mining subsidiaries is reported on the line Earnings of unconsolidated project mining subsidiaries in the Unaudited Condensed Consolidated Statements of Operations with related taxes included in the provision for income taxes. The Company has included the pre-tax earnings of the project mining subsidiaries above operating profit as they are an integral component of the Company s business and operating results. The investment in the project mining subsidiaries and related tax assets and liabilities was $17.2 million and $16.6 million at June 30, 2009 and December 31, 2008, respectively, and are included on the line Other Non-current Assets in the Unaudited Condensed Consolidated Balance Sheets. The Company s risk of loss relating to these entities is limited to its invested capital, which was $3.3 million and $5.0 million at June 30, 2009 and December 31, 2008, respectively.

Summarized financial information for the project mining subsidiaries is as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008	**2009**	2008
Revenues	**$109.3**	$102.6	**$204.4**	$183.5
Gross profit	**$ 15.4**	$ 13.3	**$ 31.3**	$ 26.0
Income before income taxes	**$ 9.8**	$ 9.3	**$ 20.3**	$ 17.9
Income from continuing operations	**$ 7.7**	$ 7.3	**$ 15.9**	$ 13.9
Net income	**$ 7.7**	$ 7.3	**$ 15.9**	$ 13.9

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 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. NFS is considered a variable interest entity, however, the Company has concluded that NMHG is not the primary beneficiary and will, therefore, continue to use the equity method to account for its 20% interest in NFS. NMHG does not consider its variable interest in NFS to be significant.

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® and Yale®-branded lift trucks and related components and service parts outside of Japan. NMHG purchases products from SN under normal trade terms based on current market prices. NMHG s ownership in SN is also accounted for using the equity method of accounting.

The Company s percentage share of the net income or loss from its equity investments in NFS and SN are reported on the line Income (loss) from other unconsolidated affiliates in the Other income (expense) section of the Unaudited Condensed Consolidated Statements of Operations. The Company s equity investments are included on the line Other Non-current Assets in the Unaudited Condensed Consolidated Balance Sheets. At June 30, 2009 and December 31, 2008, NMHG s investment in NFS was $13.3 million and $14.8 million, respectively, and NMHG s investment in SN was $27.7 million and $29.9 million, respectively.

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Summarized financial information for these two NMHG equity investments is as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008	**2009**	2008
Revenues	**$71.5**	$106.3	**$142.5**	$208.2
Gross profit	**$21.1**	$ 28.6	**$ 41.7**	$ 57.8
Income from continuing operations	**$ 1.0**	$ 5.3	**$ 1.1**	$ 11.6
Net income	**$ 1.0**	$ 5.3	**$ 1.1**	$ 11.6

Note 7 Guarantees and Contingencies

Various legal and regulatory proceedings and claims have been or may be asserted against NACCO and certain subsidiaries relating to the conduct of their businesses, including product liability, environmental and other claims. These proceedings and claims are incidental to the ordinary course of business of the Company. Management believes that it has meritorious defenses and will vigorously defend the Company in these actions. Any costs that management estimates will be paid as a result of these claims are accrued when the liability is considered probable and the amount can be reasonably estimated. Although the ultimate disposition of these proceedings is not presently determinable, management believes, after consultation with its legal counsel, that the likelihood is remote that material costs will be incurred in excess of accruals already recognized.

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 June 30, 2009 and December 31, 2008 were $160.4 million and $190.1 million, respectively. Losses anticipated under the terms of the guarantees, recourse or repurchase obligations are not significant and reserves have been provided for such losses in the accompanying Unaudited Condensed Consolidated Financial Statements. In such circumstances, NMHG retains a security interest in the related assets financed such that, in the event 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 June 30, 2009 was approximately $193.0 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. The Company also regularly monitors the external credit ratings of the entities in which it has provided guarantees. As of June 30, 2009, the Company does not believe there is a significant risk of non-payment or non-performance of the obligations by these entities; however based upon the current economic environment, there can be no assurance that the risk may not increase in the future. In addition, NMHG has an agreement with GECC to limit its exposure to losses at certain eligible dealers. Under this agreement, losses related to $50.3 million of guarantees for these certain eligible dealers are limited to 7.5% of their original loan balance, or $17.3 million as of June 30, 2009. The $50.3 million is included in the $160.4 million of total guarantees and amounts subject to standby recourse or repurchase obligations at June 30, 2009.

Generally, NMHG sells lift trucks through its independent dealer network or directly to customers. These dealers and customers may enter into a financing transaction with NFS or other unrelated third parties. NFS provides debt financing to dealers and lease financing to both dealers and customers. On occasion, the credit quality of a customer or concentration issues within GECC may necessitate providing standby recourse or repurchase obligations or a guarantee of the residual value of the lift trucks purchased by customers and financed through NFS. At June 30, 2009, approximately $118.6 million of the Company s total guarantees, recourse or repurchase obligations related to transactions with NFS. In addition, in connection with the 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 June 30, 2009, the amount of NFS debt guaranteed by NMHG was $176.8 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, but is monitoring the effect of the current economic environment on NFS and GECC.

NMHG provides a standard warranty on its lift trucks, generally for six to twelve months or 1,000 to 2,000 hours. For certain series of lift trucks, NMHG provides an extended powertrain warranty of two years as part of the standard warranty. HBB provides a standard warranty to consumers for all of its products. The specific terms and conditions of those warranties vary depending upon the product brand. In general, if a product is returned under warranty, a refund is provided to the consumer by HBB s customer, the retailer. Generally, the retailer returns those products to HBB for a credit. The Company estimates the costs which may be incurred under its standard warranty programs and records a liability for such costs at the time product revenue is recognized.

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

NMHG 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 at NMHG and HBB and adjusts the amounts as necessary. Factors that affect the Company s warranty liability include the number of units sold, historical and anticipated rates of warranty claims and the cost per claim.

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

	2009
Balance at January 1	$ 59.9
Warranties issued	14.5
Settlements made	(27.3)
Foreign currency effect	1.5
Balance at June 30	**$ 48.6**

Note 8 Income Taxes

The income tax provision includes U.S. federal, state and local, and foreign income taxes and is based on the application of a forecasted annual income tax rate applied to the current quarter s year-to-date pre-tax income or loss. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of the Company s annual earnings, taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company s ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, tax rates, and certain circumstances with respect to valuation allowances or 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. Additionally, FIN No. 18, Accounting for Income Taxes in Interim Periods, requires that the Company s interim effective income tax rate be computed and applied without regard to pre-tax losses where such losses are not expected to generate a current-year tax benefit.

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A reconciliation of the Company s consolidated federal statutory and effective income tax is as follows:

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2009	2008	**2009**	2008
Income (loss) before income taxes:	**$ 6.4**	$ 3.1	**$ (2.3)**	$ 11.2
Statutory taxes (benefit) at 35%	**$ 2.2**	$ 1.1	**$ (0.8)**	$ 3.9
FIN No. 18 interim adjustment	**1.8**		**6.3**	
Other permanent items:				
NACoal percentage depletion	**(2.3)**	(0.2)	**0.4**	(0.4)
Foreign tax rate differential	**(0.9)**	(0.5)	**0.2**	(0.8)
Valuation allowance	**3.6**	0.1	**(0.7)**	0.2
Other	**0.6**	0.2		0.3
	1.0	(0.4)	**(0.1)**	(0.7)
Income tax provision	**$ 5.0**	$ 0.7	**$ 5.4**	$ 3.2
Effective income tax rate	**(a)**	22.6%	**(a)**	28.6%

(a) The effective income tax rate is not meaningful.

The effective income tax rate for the three and six months ended June 30, 2009 was not meaningful primarily due to the interim accounting adjustment required by the calculation of the effective income tax rate in accordance with FIN No. 18.

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Note 9 Retirement Benefit Plans

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

Pension benefits for all parent company, HBB and NACoal employees in the United States, excluding certain project mining subsidiary employees, have been frozen since at least 2004. Pension benefits were frozen for employees covered under NMHG s U.S. plans, except for those NMHG employees in the United States participating in collective bargaining agreements, in 1996. In the second quarter of 2009, the Company negotiated that pension benefits for the remaining NMHG collectively-bargained employees will be frozen effective December 31, 2009. As a result, no employees in the United States, other than certain project mining subsidiary employees, will earn retirement benefits under defined benefit pension plans after December 31, 2009. Effective January 1, 2009, pension benefits for HBB employees in Canada were frozen. Certain grandfathered NMHG employees in the United Kingdom still earn retirement benefits under a defined benefit pension plan. All other eligible employees of the Company, including employees whose pension benefits are frozen, receive retirement benefits under defined contribution retirement plans.

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

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

THREE MONTHS
ENDED