

NACCO INDUSTRIES INC

Form 10-Q

May 05, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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 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 **NO**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES **NO**

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

Large
accelerated filer

Accelerated
filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

YES NO

Number of shares of Class A Common Stock outstanding at April 29, 2009 6,684,176

Number of shares of Class B Common Stock outstanding at April 29, 2009 1,604,396

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

| | MARCH | DECEMBER |
|---|----------------------------------|-------------------|
| | 31 | 31 |
| | 2009 | 2008 |
| | (In millions, except share data) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 155.8 | \$ 138.3 |
| Accounts receivable, net | 294.9 | 419.2 |
| Inventories | 452.5 | 480.2 |
| Deferred income taxes | 34.1 | 38.2 |
| Prepaid expenses and other | 64.5 | 65.3 |
| Total Current Assets | 1,001.8 | 1,141.2 |
| Property, Plant and Equipment, Net | 346.5 | 358.9 |
| Coal Supply Agreements and Other Intangibles, Net | 65.9 | 66.7 |
| Long-term Deferred Income Taxes | 22.8 | 21.3 |
| Other Non-current Assets | 113.0 | 99.8 |
| Total Assets | \$ 1,550.0 | \$ 1,687.9 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 265.7 | \$ 376.4 |
| Revolving credit agreements not guaranteed by the parent company | 66.0 | 6.4 |
| Current maturities of long-term debt not guaranteed by the parent company | 48.7 | 42.6 |
| Accrued payroll | 18.8 | 34.2 |
| Accrued warranty | 38.9 | 46.3 |
| Deferred revenue | 17.9 | 17.7 |
| Other current liabilities | 126.2 | 151.7 |
| Total Current Liabilities | 582.2 | 675.3 |
| Long-term Debt not guaranteed by the parent company | 380.6 | 400.5 |
| Pension and other Post-retirement Obligations | 98.2 | 100.9 |
| Other Long-term Liabilities | 148.1 | 154.3 |
| Total Liabilities | 1,209.1 | 1,331.0 |
| Stockholders Equity | | |
| Common stock: | 6.7 | 6.7 |

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| | | |
|---|-------------------|------------|
| Class A, par value \$1 per share, 6,684,175 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, 1,604,397 shares outstanding (2008 - 1,605,226 shares outstanding) | 1.6 | 1.6 |
| Capital in excess of par value | 14.6 | 14.4 |
| Retained earnings | 385.9 | 399.3 |
| Accumulated other comprehensive income (loss): | | |
| Foreign currency translation adjustment | 7.1 | 17.4 |
| Deferred loss on cash flow hedging | (2.7) | (9.1) |
| Pension and post-retirement plan adjustment | (72.5) | (73.6) |
| Total Stockholders Equity | 340.7 | 356.7 |
| Noncontrolling Interest | 0.2 | 0.2 |
| Total Equity | 340.9 | 356.9 |
| Total Liabilities and Equity | \$ 1,550.0 | \$ 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 MARCH 31 | |
|---|--------------------------------------|-----------|
| | 2009 | 2008 |
| | (In millions, except per share data) | |
| Revenues | \$ 558.6 | \$ 865.0 |
| Cost of sales | 472.8 | 732.7 |
| Gross Profit | 85.8 | 132.3 |
| Earnings of unconsolidated project mining subsidiaries | 10.5 | 8.6 |
| Operating Expenses | | |
| Selling, general and administrative expenses | 98.1 | 124.2 |
| Restructuring charges | 0.7 | 0.6 |
| Gain on sale of assets | (1.7) | (0.2) |
| | 97.1 | 124.6 |
| Operating Profit (Loss) | (0.8) | 16.3 |
| Other income (expense) | | |
| Interest expense | (8.2) | (11.0) |
| Interest income | 0.8 | 3.1 |
| Income (loss) from other unconsolidated affiliates | (0.8) | 1.8 |
| Other | 0.3 | (2.1) |
| | (7.9) | (8.2) |
| Income (Loss) Before Income Taxes | (8.7) | 8.1 |
| Income tax provision | 0.4 | 2.5 |
| Net Income (Loss) | \$ (9.1) | \$ 5.6 |
| Comprehensive Income (Loss) | \$ (11.9) | \$ 13.1 |
| Basic and Diluted Earnings (Loss) per Share | \$ (1.10) | \$ 0.68 |
| Dividends per Share | \$ 0.5150 | \$ 0.5000 |
| Basic Weighted Average Shares Outstanding | 8.287 | 8.275 |
| Diluted Weighted Average Shares Outstanding | 8.287 | 8.282 |

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | THREE MONTHS ENDED MARCH 31 | |
|---|-----------------------------------|---------------|
| | 2009 | 2008 |
| | (In millions) | |
| Operating Activities | | |
| Net income (loss) | \$ (9.1) | \$ 5.6 |
| Adjustments to reconcile net income (loss) to net cash used for operating activities: | | |
| Depreciation, depletion and amortization | 13.6 | 15.4 |
| Amortization of deferred financing fees | 0.5 | 0.5 |
| Deferred income taxes | 4.0 | 16.0 |
| Restructuring charges | 0.7 | 0.6 |
| Gain on sale of assets | (1.7) | (0.2) |
| Other | (8.8) | 1.9 |
| Working capital changes | | |
| Accounts receivable | 120.8 | 35.6 |
| Inventories | 22.2 | (54.9) |
| Other current assets | (16.0) | (27.1) |
| Accounts payable | (107.2) | (15.5) |
| Other liabilities | (40.0) | (63.4) |
| Net cash used for operating activities | (21.0) | (85.5) |
| Investing Activities | | |
| Expenditures for property, plant and equipment | (9.0) | (18.0) |
| Proceeds from the sale of assets | 4.9 | 1.8 |
| Other | (0.8) | |
| Net cash used for investing activities | (4.9) | (16.2) |
| Financing Activities | | |
| Additions to long-term debt | 5.6 | 8.3 |
| Reductions of long-term debt | (18.2) | (25.8) |
| Net additions to revolving credit agreements | 60.3 | 62.2 |
| Cash dividends paid | (4.3) | (4.1) |
| Other | (0.2) | |
| Net cash provided by financing activities | 43.2 | 40.6 |
| Effect of exchange rate changes on cash | 0.2 | 1.7 |
| Cash and Cash Equivalents | | |

| | | |
|---|-----------------|-----------------|
| Increase (decrease) for the period | 17.5 | (59.4) |
| Balance at the beginning of the period | 138.3 | 281.2 |
| Balance at the end of the period | \$ 155.8 | \$ 221.8 |

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

| | THREE MONTHS ENDED MARCH 31 | |
|---|--------------------------------------|--------|
| | 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 | 0.1 | 0.4 |
| Shares issued under stock compensation plans | 0.1 | 0.1 |
| | 14.6 | 14.6 |
| | | |
| 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) | (9.1) | 5.6 |
| Cash dividends on Class A and Class B common stock: | | |
| 2009 \$0.5150 per share | (4.3) | |
| 2008 \$0.5000 per share | | (4.1) |
| | 385.9 | 855.3 |
| | | |
| Accumulated Other Comprehensive Income (Loss) | | |
| Beginning balance | (65.3) | 14.1 |
| Foreign currency translation adjustment | (10.3) | 11.3 |
| Reclassification of hedging activity into earnings | 1.1 | 0.3 |
| Current period cash flow hedging activity | 5.3 | (6.1) |
| Cumulative effect of accounting change for SFAS No. 158 | | 1.0 |
| Reclassification of pension and post-retirement activities into earnings | 1.1 | 1.0 |
| | (68.1) | 21.6 |

| | | |
|----------------------------------|-----------------|-----------------|
| Total Stockholders Equity | 340.7 | 899.8 |
| Noncontrolling Interest | 0.2 | |
| Total Equity | \$ 340.9 | \$ 899.8 |

See notes to unaudited condensed consolidated financial statements.

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NACCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 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 70% 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 March 31, 2009 and the results of its operations for the three months ended March 31, 2009 and 2008 and the results of its cash flows and changes in equity for the three months ended March 31, 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 months ended March 31, 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.

Note 2 Recently Issued Accounting Standards

FSP FAS 132(R)-1: In December 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("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 ended December 31, 2009.

FSP FAS 107-1 and APB 28-1: In April 2009, the FASB issued 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 Statement of Financial Accounting Standards (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 is effective for interim reporting periods ending after June 15, 2009. The Company will include the disclosures upon adoption in its Quarterly Report on Form 10-Q for the second quarter of 2009.

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SFAS No. 141R: In December 2007, the FASB issued 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.

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.

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

Note 3 Restructuring and Related Programs**NMHG Program**

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 2009 related to severance. Severance payments of \$2.5 million were made during the first three months of 2009. Payments related to these reductions in force are expected to continue through the first half 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.

NMHG 2007 Restructuring Programs

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. Payments of \$2.4 million were made for severance during the first three months of 2009. Payments related to this restructuring plan are expected to be made through the first half of 2009. No further charges related to this plan are expected.

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

| | Total charges expected to be incurred | Total charges incurred through December 31, 2008 | Charges incurred in the three months ended March 31, 2009 |
|---------------------|---|--|---|
| Cash charges | | | |
| Severance | \$ 14.0 | \$ 13.3 | \$ 0.7 |
| Other | 1.3 | 1.3 | |

\$ 15.3 \$ 14.6 \$ **0.7**

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Following is an analysis of the activity related to the NMHG restructuring liability:

| | Severance |
|----------------------------------|------------------|
| Balance at January 1, 2009 | \$ 10.0 |
| Provision | 0.7 |
| Payments | (4.9) |
| Foreign currency effect | (0.2) |
| Balance at March 31, 2009 | \$ 5.6 |

Note 4 Inventories

Inventories are summarized as follows:

| | MARCH 31 2009 | DECEMBER 31 2008 |
|---|------------------------------|---------------------------------|
| Manufactured inventories: | | |
| Finished goods and service parts - NMHG Wholesale | \$ 172.0 | \$ 177.9 |
| Raw materials and work in process - NMHG Wholesale | 174.2 | 196.4 |
| Total manufactured inventories | 346.2 | 374.3 |
| Sourced inventories: | | |
| HBB | 72.4 | 70.4 |
| Retail inventories: | | |
| NMHG Retail | 23.2 | 24.7 |
| KC | 50.8 | 50.4 |
| Total retail inventories | 74.0 | 75.1 |
| Total inventories at FIFO | 492.6 | 519.8 |
| Coal NACoal | 8.7 | 11.8 |
| Mining supplies NACoal | 11.6 | 11.6 |
| Total inventories at weighted average | 20.3 | 23.4 |
| NMHG LIFO reserve | (60.4) | (63.0) |
| | \$ 452.5 | \$ 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 March 31, 2009 and December 31, 2008, 37% 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 first three months of 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 was a benefit of \$2.4 million and \$0.8 million during the first three months of 2009 and 2008, respectively.

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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 \$0.8 million and the fair value of derivative liabilities was \$39.8 million at March 31, 2009.

Foreign Currency Derivatives: NMHG and HBB held forward foreign currency exchange contracts with total notional amounts of \$398.7 million and \$12.4 million, respectively, at March 31, 2009, primarily denominated in euros, British pounds, Japanese yen, Canadian dollars, Swedish kroner, Mexican pesos and Australian dollars. 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 \$13.4 million and \$10.7 million at March 31, 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 March 31, 2009, \$2.0 million of the amount included in OCI at March 31, 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 March 31, 2009 and December 31, 2008:

| | Notional Amount | | Average Fixed Rate | | Remaining Term at March 31, 2009 |
|--------|------------------|------------------------|---------------------|------------------------|-------------------------------------|
| | March 31 2009 | December 31 2008 | March 31 2009 | December 31 2008 | |
| NMHG | \$211.0 | \$ 211.0 | 4.4% | 4.4% | Various, extending to May 2012 |
| HBB | \$108.0 | \$ 108.0 | 4.7% | 4.7% | Various, extending to May 2012 |
| NACoal | \$ 15.0 | \$ 25.0 | 5.8% | 5.8% | March 2010 |

In addition to the interest rate swap agreements reflected in the table, at March 31, 2009, NMHG holds certain contracts that begin on various dates starting in May 2009 and extend to various dates through February 2013. These contracts increase the notional amount to \$428.5 million at March 31, 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 March 31, 2009, HBB holds certain contracts that begin on various dates starting in June 2009 and extend to various dates through June 2013. These contracts increase the notional amount to \$203.0 million at March 31, 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 \$25.6 million and \$26.1 million at March 31, 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 March 31, 2009, \$5.0 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 March 31, 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 March 31, 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 March 31, 2009 and December 31, 2008 as recorded in the Consolidated Balance Sheets:

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| | | Asset Derivatives | | Liability Derivatives | |
|--|----------------------------|-------------------|----------|-----------------------------|---------------|
| | | March | December | | |
| | | 31 | 31 | | |
| Balance sheet | | 2009 | 2008 | Balance sheet | |
| location | | Fair | Fair | location | |
| | | value | value | Fair value | |
| Derivatives designated as hedging instruments under SFAS 133 | | | | | |
| Interest rate swap agreements | | | | | |
| Current | Prepaid expenses and other | \$ | \$ | Other current liabilities | \$ 4.4 \$ 3.4 |
| Long-term | Other non-current assets | | | Other long-term liabilities | 20.6 21.9 |
| Foreign currency exchange contracts | | | | | |
| Current | Prepaid expenses and other | 0.8 | 1.4 | Other current liabilities | 15.8 13.8 |
| Long-term | Other non-current assets | | 1.7 | Other long-term liabilities | |
| Total derivatives designated as hedging instruments under SFAS 133 | | | | | |
| | | \$ 0.8 | \$ 3.1 | \$ 40.8 \$ 39.1 | |
| Derivatives not designated as hedging instruments under SFAS 133 | | | | | |
| Interest rate swap agreements | | | | | |
| Current | Prepaid expenses and other | \$ | \$ | Other current liabilities | \$ 0.6 \$ 0.7 |
| Long-term | Other non-current assets | | | Other long-term liabilities | |
| Foreign currency exchange contracts | | | | | |
| Current | Prepaid expenses and other | | (0.1) | Other current liabilities | (1.6) |
| Long-term | Other non-current assets | | | Other long-term liabilities | |
| Total derivatives not designated as hedging instruments under SFAS 133 | | | | | |
| | | \$ | \$ (0.1) | \$ (1.0) \$ 0.7 | |

| | | | | |
|--------------------------|---------------|---------------|----------------|----------------|
| Total derivatives | \$ 0.8 | \$ 3.0 | \$ 39.8 | \$ 39.8 |
|--------------------------|---------------|---------------|----------------|----------------|

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The following table summarizes the impact of derivative instruments for the three months ended March 31 as recorded in the Consolidated Statements of Operations:

| Derivatives in SFAS 133 Cash Flow Hedging Relationships | Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) | | Location of Gain or (Loss) Reclassified from OCI into Income (Effective Portion) | Amount of Gain or (Loss) Reclassified from OCI into Income (Effective Portion) | | Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) | |
|---|--|------------------|--|--|---------------|--|--|-----------|
| | 2009 | 2008 | | 2009 | 2008 | | 2009 | 2008 |
| Interest rate swap agreements | \$ 1.5 | \$ (8.1) | Interest income | \$ (2.1) | \$ (0.6) | N/A | \$ | \$ |
| Foreign currency exchange contracts | 3.1 | (2.6) | Cost of sales | 0.6 | 1.1 | N/A | | |
| Total | \$ 4.6 | \$ (10.7) | | \$ (1.5) | \$ 0.5 | | \$ | \$ |

| 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 | |
|--|---|---|---------------|
| | | 2009 | 2008 |
| Interest rate swap agreements | Other | \$ 0.2 | \$ (1.0) |
| Foreign currency exchange contracts | Cost of sales or Other | (0.4) | 2.0 |
| Total | | \$ (0.2) | \$ 1.0 |

Table of Contents**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 \$18.3 million and \$16.6 million at March 31, 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 \$3.7 million and \$5.0 million at March 31, 2009 and December 31, 2008, respectively.

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

| | THREE MONTHS ENDED MARCH 31 | |
|-----------------------------------|--------------------------------|--------|
| | 2009 | 2008 |
| Revenues | \$95.1 | \$80.9 |
| Gross profit | \$15.9 | \$12.7 |
| Income before income taxes | \$10.5 | \$ 8.6 |
| Income from continuing operations | \$ 8.2 | \$ 6.6 |
| Net income | \$ 8.2 | \$ 6.6 |

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 March 31, 2009 and December 31, 2008, NMHG's investment in NFS was \$12.8 million and \$14.8 million, respectively, and NMHG's investment in SN was \$28.5 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 | |
|-----------------------------------|--------------------|---------|
| | MARCH 31 | |
| | 2009 | 2008 |
| Revenues | \$71.0 | \$101.9 |
| Gross profit | \$20.6 | \$ 29.2 |
| Income from continuing operations | \$ 0.1 | \$ 6.3 |
| Net income | \$ 0.1 | \$ 6.3 |

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 March 31, 2009 and December 31, 2008 were \$166.3 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 March 31, 2009 was approximately \$192.8 million based on Company estimates. The Company estimates the fair value of the collateral using information regarding the original sales price, the current age of the equipment and general market conditions that influence the value of both new and used lift trucks. The Company also regularly monitors the external credit ratings of the entities in which it has provided guarantees. As of March 31, 2009, the Company does not believe there is a significant risk of non-payment or non-performance of the obligations by these entities. 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 \$16.7 million as of March 31, 2009. The \$50.3 million is included in the \$166.3 million of total guarantees and amounts subject to standby recourse or repurchase obligations at March 31, 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 March 31, 2009, approximately \$132.0 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 March 31, 2009, the amount of NFS' debt guaranteed by NMHG was \$182.7 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.

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

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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 | 7.3 |
| Settlements made | (15.3) |
| Foreign currency effect | (0.3) |
| Balance at March 31 | \$ 51.6 |

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.

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

| | THREE MONTHS ENDED MARCH 31 | |
|------------------------------------|-----------------------------------|---------------|
| | 2009 | 2008 |
| Income (loss) before income taxes: | \$ (8.7) | \$ 8.1 |
| Statutory taxes (benefit) at 35% | \$ (3.0) | \$ 2.8 |
| FIN No. 18 interim adjustment | 4.5 | |
| Other permanent items: | | |
| NACoal percentage depletion | 2.7 | (0.2) |
| Foreign tax rate differential | 1.1 | (0.3) |
| Valuation allowance | (4.3) | 0.1 |
| Other | (0.6) | 0.1 |

| | | |
|---------------------------|---------------|--------|
| | (1.1) | (0.3) |
| Income tax provision | \$ 0.4 | \$ 2.5 |
| Effective income tax rate | (4.6%) | 30.9% |

The effective income tax rate for the three months ended March 31, 2009 was negative since the Company recorded an income tax provision on a loss before income taxes, primarily due to the interim accounting adjustment required by the calculation of the effective income tax rate in accordance with FIN No. 18.

Table of Contents**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.

Effective January 1, 2009, pension benefits for HBB employees in Canada were frozen. Pension benefits for certain NACoal employees, excluding certain project mining subsidiary employees, were frozen in 2004. In 1996, pension benefits were frozen for employees covered under NMHG's and HBB's U.S. plans, except for those NMHG 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 of the Company, including employees whose pension benefits were frozen, will 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 MARCH 31 | |
|--------------------------------------|-----------------------------------|--------|
| | 2009 | 2008 |
| U.S. Pension | | |
| Service cost | \$ 0.1 | \$ 0.1 |
| Interest cost | 2.1 | 2.2 |
| Expected return on plan assets | (2.2) | (2.7) |
| Amortization of actuarial loss | 1.2 | 0.6 |
| Amortization of prior service cost | | 0.1 |
| Total | \$ 1.2 | \$ 0.3 |
| Non-U.S. Pension | | |
| Service cost | \$ 0.5 | \$ 0.8 |
| Interest cost | 1.6 | 2.2 |
| Expected return on plan assets | (1.9) | (2.4) |
| Employee contributions | (0.2) | (0.3) |
| Amortization of actuarial loss | 0.4 | 0.9 |
| Total | \$ 0.4 | \$ 1.2 |
| Post-retirement | | |
| Service cost | \$ 0.1 | \$ 0.1 |
| Interest cost | 0.2 | 0.2 |
| Amortization of prior service credit | (0.1) | (0.1) |
| Total | \$ 0.2 | \$ 0.2 |

Table of Contents**Note 10 Business Segments**

Financial information for each of NACCO's reportable segments, as defined by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, is presented in the following table. See Note 1 for a discussion of the Company's operating segments and product lines. NACCO's non-operating segment, NACCO and Other, includes the accounts of the parent company and Bellaire Corporation.

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. HBB derives a portion of its revenues from transactions with KC. The amounts of these revenues, which are based in current market prices on similar third-party transactions, are indicated in the following table on the line Eliminations in the revenues section. No other sales transactions occur among reportable segments. Other transactions among reportable segments are recognized based on similar third-party transactions; that is, at current market prices.

| | THREE MONTHS ENDED MARCH 31 | |
|--|-----------------------------------|----------|
| | 2009 | 2008 |
| Revenue from external customers | | |
| NMHG | | |
| NMHG Wholesale | \$ 371.6 | \$ 677.9 |
| NMHG Retail | 31.0 | 46.9 |
| NMHG Eliminations | (13.5) | (25.9) |
| | 389.1 | 698.9 |
| | | |
| HBB | 94.2 | 95.2 |
| KC | 39.7 | 39.2 |
| NACoal | 36.5 | 32.3 |
| NACCO and Other Eliminations | (0.9) | (0.6) |
| | | |
| Total | \$ 558.6 | \$ 865.0 |
| | | |
| Operating profit (loss) | | |
| NMHG | | |
| NMHG Wholesale | \$ (12.8) | \$ 13.4 |
| NMHG Retail | (0.4) | (0.3) |
| NMHG Eliminations | 0.6 | 0.1 |
| | (12.6) | 13.2 |
| | | |
| HBB | 4.4 | 2.7 |
| KC | (4.3) | (5.5) |
| NACoal | 12.8 | 6.5 |
| NACCO and Other Eliminations | (1.1) | (0.7) |
| | | 0.1 |

Total \$ (0.8) \$ 16.3

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| | THREE MONTHS ENDED MARCH 31 | |
|--------------------------|-----------------------------------|--------|
| | 2009 | 2008 |
| Net income (loss) | | |
| NMHG | | |
| NMHG Wholesale | \$ (19.1) | \$ 7.9 |
| NMHG Retail | (0.5) | (0.3) |
| NMHG Eliminations | 1.1 | (0.3) |
| | (18.5) | 7.3 |
| | | |
| HBB | 1.4 | 0.1 |
| KC | (2.8) | (3.2) |
| NACoal | 10.8 | 3.8 |
| NACCO and Other | (1.5) | 0.4 |
| Eliminations | 1.5 | (2.8) |
| | | |
| Total | \$ (9.1) | \$ 5.6 |

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

(Tabular Amounts in Millions, Except Per Share and Percentage Data)

NACCO Industries, Inc. (the parent company or "NACCO") and its wholly owned subsidiaries (collectively, the Company) operate in the following principal industries: lift trucks, small appliance distribution, specialty retail and mining. Results of operations and financial condition are discussed separately by segment, which corresponds with the industry groupings. The Company manages its lift truck operations as two reportable segments: wholesale manufacturing and retail distribution. Results by segment are also summarized in Note 10 to the Unaudited Condensed Consolidated Financial Statements.

NMHG Holding Co. ("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 in the United States. Lignite coal is delivered from NACoal's mines in Texas, North Dakota, Louisiana and Mississippi to adjacent or nearby power plants. Dragline mining services are provided for independently owned limerock quarries in Florida.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to the discussion of the Company's Critical Accounting Policies and Estimates as disclosed on pages 36 through 39 in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The Company's Critical Accounting Policies and Estimates have not materially changed from December 31, 2008.

Table of Contents**NACCO MATERIALS HANDLING GROUP
FINANCIAL REVIEW**

NMHG Retail includes the elimination of intercompany revenues and profits resulting from sales by NMHG Wholesale to NMHG Retail.

The segment and geographic results of operations for NMHG were as follows for the three months ended March 31:

| | 2009 | 2008 |
|--------------------------------|-----------------|----------|
| Revenues | | |
| Wholesale | | |
| Americas | \$ 229.2 | \$ 394.1 |
| Europe | 100.3 | 222.7 |
| Asia-Pacific | 42.1 | 61.1 |
| | 371.6 | 677.9 |
| Retail (net of eliminations) | | |
| Europe | 4.4 | 5.5 |
| Asia-Pacific | 13.1 | 15.5 |
| | 17.5 | 21.0 |
| NMHG Consolidated | \$ 389.1 | \$ 698.9 |
| Operating profit (loss) | | |
| Wholesale | | |
| Americas | \$ (1.8) | \$ 1.9 |
| Europe | (10.1) | 11.4 |
| Asia-Pacific | (0.9) | 0.1 |
| | (12.8) | 13.4 |
| Retail (net of eliminations) | | |
| Europe | (0.3) | |