NACCO INDUSTRIES INC
Form 10-K
March 06, 2013

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

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

Commission File No. 1-9172
NACCO INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of incorporation or organization) | 34-1505819<br>(I.R.S. Employer Identification No.) |
| 5875 Landerbrook Drive, Suite 220, Cleveland, Ohio<br>(Address of principal executive offices) | 44124-4069<br>(Zip Code) |

Registrant's telephone number, including area code: (440) 229-5151

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| Class A Common Stock, Par Value $1.00 Per Share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:
Class B Common Stock, Par Value $1.00 Per Share
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

| | | | |
|---|---|---|---|
| Large accelerated filer ¨ | Accelerated filer þ | Non-accelerated filer ¨ (Do not check if a smaller reporting company) | 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 þ

Aggregate market value of Class A Common Stock and Class B Common Stock held by non-affiliates as of June 30, 2012 (the last business day of the registrant's most recently completed second fiscal quarter): $674,878,564

Number of shares of Class A Common Stock outstanding at March 1, 2013: 6,825,512

Number of shares of Class B Common Stock outstanding at March 1, 2013: 1,582,285

DOCUMENTS INCORPORATED BY REFERENCE

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

NACCO INDUSTRIES, INC.
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PART I
Item 1. BUSINESS
General
NACCO Industries, Inc. (“NACCO” or the “Company”) is a holding company with the following principal businesses: mining, small appliances and specialty retail.
(a)North American Coal. The Company’s wholly owned subsidiary, The North American Coal Corporation and its affiliated companies (collectively, “NACoal”), mine and market steam and metallurgical coal for use in power generation and steel production and provide selected value-added mining services for other natural resources companies.
(b)Hamilton Beach Brands. The Company’s wholly owned subsidiary, 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.
(c)Kitchen Collection. The Company’s wholly owned subsidiary, The Kitchen Collection, LLC (“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.
Additional information relating to financial and operating data on a segment basis (including NACCO and Other) and by geographic region is set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in Part II of this Form 10-K and in Note 16 to the Consolidated Financial Statements contained in this Form 10-K.
NACCO was incorporated as a Delaware corporation in 1986 in connection with the formation of a holding company structure for a predecessor corporation organized in 1913. As of January 31, 2013, the Company and its subsidiaries had approximately 3,900 employees, including approximately 1,300 employees at the Company’s unconsolidated mines.
The Company makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports available, free of charge, through its website, www.nacco.com, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”).
Significant Events

On October 10, 2012, NACoal entered into a Lignite Sales Agreement (the “LSA”) with Otter Tail Power Company (“OTP”), a wholly owned subsidiary of Otter Tail Corporation, and with OTP's co-owners in the Coyote Station baseload generation plant, Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc., Northern Municipal Power Agency and NorthWestern Corporation. Under the LSA, NACoal will develop a lignite mine in Mercer County, North Dakota and deliver to the Coyote Station co-owners, as an exclusive supplier, the annual fuel requirements of the Coyote Station plant (expected to be approximately 2.5 million tons annually) starting in 2016.

On September 28, 2012, the Company spun-off Hyster-Yale Materials Handling, Inc. ("Hyster-Yale"), a former subsidiary. To complete the spin-off, the Company distributed one share of Hyster-Yale Class A common stock and one share of Hyster-Yale Class B common stock to NACCO stockholders for each share of NACCO Class A common stock or Class B common stock owned. In accordance with the applicable authoritative accounting guidance, the Company accounted for the spin-off based on the carrying value of Hyster-Yale.

On August 31, 2012, NACoal acquired, through a wholly owned subsidiary, four related companies - Reed Minerals, Inc., Reed Hauling Inc., C&H Mining Company, Inc. and Reed Management, LLC - from members of and entities controlled by the Reed family. These companies, known as Reed Minerals, are based in Jasper, Alabama and are involved in the mining of steam and metallurgical coal. The results of Reed Minerals operations have been included in the Company's consolidated financial statements since August 31, 2012.

During 2012, NACoal recognized a gain of $3.5 million from the sale of land and a $3.3 million gain for the sale of a dragline.

In 2011, the Company announced that the Company's Board of Directors approved the repurchase of up to $50 million of the Company's outstanding Class A common stock. The authorization for the repurchase program originally expired on December 31, 2012; however, in November 2012 the Company's Board of Directors approved an extension of the stock repurchase program through December 31, 2013. As of December 31, 2012, the Company had repurchased $5.3 million of Class A common stock under this program.

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In 2006, the Company initiated litigation in the Delaware Chancery Court against Applica Incorporated ("Applica") and individuals and entities affiliated with Applica's shareholder, Harbinger Capital Partners Master Fund, Ltd. The litigation alleged a number of contract and tort claims against the defendants related to the Company's failed transaction with Applica, which had been previously announced. On February 14, 2011, the parties to this litigation entered into a settlement agreement. The settlement agreement provided for, among other things, the payment of $60 million to the Company and dismissal of the lawsuit with prejudice. The payment was received in February 2011. Litigation costs related to this matter were $2.8 million and $18.8 million in 2011 and 2010, respectively.

## A. North American Coal

### General

NACoal mines and markets steam and metallurgical coal for use in power generation and steel production and provides selected value-added mining services for other natural resources companies. Coal is surface mined from NACoal's developed mines in North Dakota, Texas, Mississippi, Louisiana and Alabama. Total coal reserves approximate 2.2 billion tons (including the unconsolidated mining operations) with approximately 1.1 billion tons committed to customers pursuant to long-term contracts. NACoal has two consolidated mining operations: Mississippi Lignite Mining Company (“MLMC”) and Reed Minerals, Inc. ("Reed Minerals"). NACoal has ten unconsolidated subsidiaries: The Coteau Properties Company (“Coteau”), The Falkirk Mining Company (“Falkirk”), The Sabine Mining Company (“Sabine”), Demery Resources Company, LLC (“Demery”), Caddo Creek Resources Company, LLC (“Caddo Creek”), Coyote Creek Mining Company, LLC (“Coyote Creek”), Camino Real Fuels, LLC (“Camino Real”), Liberty Fuels Company, LLC (“Liberty”), NoDak Energy Services, LLC ("NoDak") and North American Coal Corporation India Private Limited (“NACC India”). Caddo Creek, Coyote Creek, Camino Real and Liberty are in the development stage and do not currently mine or deliver coal. NACoal also provides dragline mining services for independently owned limerock quarries in Florida.

The contracts with the customers of the ten unconsolidated subsidiaries provide for reimbursement to the Company at a price based on actual costs plus an agreed pre-tax profit per ton of coal sold or actual costs plus a management fee.

At December 31, 2012, NACoal's operating mines consisted both of mines where the reserves were acquired (whether in fee or through leases) and developed by NACoal, as well as mines where reserves are owned or leased by the customers of the mines and developed by NACoal. It is currently contemplated that the reported reserves will be mined within the term of the majority of the leases for each of the mines. In the future, if any of the leases are projected to expire before mining operations can commence, it is currently expected that each such lease would be amended to extend the term or new leases would be negotiated. NACoal expects coal mined pursuant to these leases will be available to meet production requirements.

The majority of NACoal's revenues is generated from its consolidated mining operations and dragline mining services. MLMC's customer, Choctaw Generation Limited Partnership, accounted for approximately 56%, 77% and 49% of NACoal's revenues for the years ended December 31, 2012, 2011 and 2010, respectively. NACoal's former customer, San Miguel Electric Cooperative, accounted for approximately 29% of NACoal's revenues for the year ended December 31, 2010. NACoal's contract with San Miguel Electric Cooperative expired December 31, 2010.

### Sales, Marketing and Operations

The principal coal customers of NACoal are electric utilities, an independent power provider and a synfuels plant. Reed Minerals also sells coal to coke processing plants, cement plants and coal brokers in Alabama. The distribution of coal sales, including sales from the unconsolidated mines, in the last five years has been as follows:

| | Distribution Synfuels Plant | | Other | |
|---|---|---|---|---|
| 2012 | 21 | % | 79 | % |
| 2011 | 22 | % | 78 | % |
| 2010 | 18 | % | 82 | % |
| 2009 | 18 | % | 82 | % |
| 2008 | 18 | % | 82 | % |

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The total coal severed by mine (in millions of tons) for the three years ended December 31 and the weighted average prices per ton delivered for the three years ended December 31 are as follows:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Unconsolidated Mines | | | |
| Freedom | 13.0 | 13.6 | 14.6 |
| Falkirk | 7.9 | 7.5 | 7.6 |
| South Hallsville No. 1 | 4.2 | 4.0 | 4.6 |
| Other | 0.1 | — | — |
| Consolidated Mines | | | |
| Red Hills | 3.0 | 2.8 | 4.0 |
| Reed Minerals (1) | 0.3 | — | — |
| San Miguel | — | — | 3.3 |
| Total tons severed | 28.5 | 27.9 | 34.1 |
| Price per ton delivered | $22.60 | $20.06 | $17.52 |

(1) The results of Reed Minerals operations have been included in the Company's consolidated financial statements since NACoal acquired Reed Minerals on August 31, 2012.

The contracts under which certain of the unconsolidated mines operate provide that, under certain conditions of default, the customer(s) involved may elect to acquire the assets (subject to the liabilities) or the capital stock of the subsidiary for an amount effectively equal to book value. NACoal does not know of any conditions of default that currently exist. In one case, the customer may elect to acquire the stock of the subsidiary upon a specified notice period without regard to default, in exchange for certain payments on coal mined thereafter. NACoal does not know of any current intention of any customer to acquire the stock of a subsidiary or terminate a contract for convenience. In addition, the contracts under which certain of the unconsolidated mines operate provide that, under certain conditions of default or termination by the customer, the subsidiaries have the right to acquire certain or all of the assets of the mines under the same terms as a third-party purchaser.

The location, mine type, reserve data, coal quality characteristics, customer, sales tonnage and contract expiration date for the mines operated by NACoal in 2012 were as follows:

COAL MINING OPERATIONS ON AN "AS RECEIVED" BASIS

| Mine/Reserve | Type of Mine | 2012 Proven and Probable Reserves (a)(b) Committed Under Contract (Millions of Tons) | Uncommitted | Total | Tons Delivered (Millions) | Owned Reserves (%) | Leased Reserves (%) | 2011 Total Committed and Uncommitted (Millions of Tons) | Tons Delivered (Millions) | Contract Expires |
|---|---|---|---|---|---|---|---|---|---|---|
| Unconsolidated Mines | | | | | | | | | | |
| Freedom Mine (c) | Surface Lignite | 526.9 | — | 526.9 | 13.1 | 2 % | 98 % | 549.5 | 13.5 | 2017 (d) |
| Falkirk Mine (c) | Surface Lignite | 427.2 | — | 427.2 | 8.0 | 1 % | 99 % | 435.8 | 7.5 | 2045 |
| South Hallsville No. 1 Mine (c) | Surface Lignite | (e) | (e) | (e) | 3.8 | (e) | (e) | (e) | 4.2 | 2035 |
| Five Forks Mine (c) | Surface Lignite | (e) | (e) | (e) | 0.1 | (e) | (e) | (e) | — | 2030 |
| Marshall Mine (c) | Surface Lignite | (e) | (e) | (e) | (f) | (e) | (e) | (e) | (f) | 2043 |
| Eagle Pass Mine (c) | Surface Sub-bituminous | (e) | (e) | (e) | (f) | (e) | (e) | (e) | (f) | 2017 |
| Liberty Mine (c) | Surface Lignite | (e) | (e) | (e) | (g) | (e) | (e) | (e) | (g) | 2054 (h) |
| Coyote Creek Mine (c) | Surface Lignite | 57.8 | — | 57.8 | (i) | 0 % | 100 % | — | — | 2040 |
| Consolidated Mines | | | | | | | | | | |
| Reed Minerals Mines | Surface Bituminous | 3.6 | 25.7 | 29.3 | 0.3 (l) | 0 % | 100 % | — | — | (j) |
| Red Hills Mine | Surface Lignite | 123.4 | 101.3 | 224.7 | 3.1 | 32 % | 68 % | 226.9 | 2.7 | 2032 |
| Total Developed | | 1,138.9 | 127.0 | 1,265.9 | 28.4 | | | 1,212.2 | 27.9 | |
| Undeveloped Mines | | | | | | | | | | |
| North Dakota | — | — | 483.9 | 483.9 | — | 0 % | 100 % | 594.1 | — | — |
| Texas | — | — | 225.6 | 225.6 | — | 54 % | 46 % | 226.2 | — | — |
| Eastern (k) | — | — | 28.2 | 28.2 | — | 100 % | 0 % | 28.7 | — | — |
| Mississippi | — | — | 187.8 | 187.8 | — | 0 % | 100 % | 211.9 | — | — |
| Total Undeveloped | | — | 925.5 | 925.5 | | | | 1,060.9 | | |
| Total Developed/Undeveloped | | 1,138.9 | 1,052.5 | 2,191.4 | | | | 2,273.1 | | |

| Mine/Reserve | Type of Mine | Coal Formation or Coal Seam(s) | Average Seam Thickness (feet) | Average Depth (feet) | Average Coal Quality (As received) | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | BTUs/lb | Sulfur (%) | Ash (%) | Moisture (%) |
| Unconsolidated Mines | | | | | | | | |
| Freedom Mine (c) | Surface Lignite | Beulah-Zap Seam | 18 | 130 | 6,700 | 0.90 % | 9 % | 36 % |
| Falkirk Mine (c) | Surface Lignite | Hagel A&B, Tavis Creek Seams | 8 | 60 | 6,200 | 0.60 % | 11 % | 38 % |
| South Hallsville No. 1 Mine (c) | Surface Lignite | (e) | (e) | (e) | (e) | (e) | (e) | (e) |
| Five Forks Mine (c) | Surface Lignite | (e) | (e) | (e) | (e) | (e) | (e) | (e) |
| Marshall Mine (c) | Surface Lignite | (e) | (e) | (e) | (e) | (e) | (e) | (e) |
| Eagle Pass Mine (c) | Surface Sub-bituminous | (e) | (e) | (e) | (e) | (e) | (e) | (e) |
| Liberty Mine (c) | Surface Lignite | (e) | (e) | (e) | (e) | (e) | (e) | (e) |
| Coyote Creek Mine (c) | Surface Lignite | Beulah-Zap Seam | 10 | 95 | 6,900 | 0.98 % | 8 % | 36 % |
| Consolidated Mines | | | | | | | | |
| Reed Minerals Mines | Surface Bituminous | Black Creek, C1, C2, C3, New Castle, Mary Lee, Jefferson, American, Nickel Plate, Pratt Seams | 1.44 | 178 | 13,226 | 2.32 % | 10 % | 3 % |
| Red Hills Mine | Surface Lignite | C, D, E, F, G, H Seams | 3.6 | 150 | 5,200 | 0.60 % | 14 % | 43 % |
| Undeveloped Mines | | | | | | | | |
| North Dakota | — | Fort Union Formation | 13 | 130 | 6,500 | 0.8 % | 8 % | 38 % |
| Texas | — | Wilcox Formation | 5 | 120 | 6,800 | 1.0 % | 16 % | 30 % |
| Eastern (k) | — | Freeport & Kittanning Seams | 4 | 400 | 12,070 | 3.3 % | 12 % | 3 % |
| Mississippi | — | Wilcox Formation | 5 | 130 | 5,200 | 0.6 % | 13 % | 44 % |

(a) Committed and uncommitted tons represent in-place estimates. The projected extraction loss is approximately 10% of the proven and probable reserves, except with respect to the Eastern Undeveloped Mines, in which case the projected extraction loss is approximately 30% of the proven and probable reserves.

(b) NACoal's reserve estimates are generally based on the entire drill hole database for each reserve, which was used to develop a geologic computer model using a 200 foot grid and inverse distance to the second power as an interpolator. As such, all reserves are considered proven (measured) within NACoal's reserve estimate. None of NACoal's coal reserves have been reviewed by independent experts.

(c) The contracts for these mines require the customer to cover the cost of the ongoing replacement and upkeep of the plant and equipment of the mine.

(d) Although the term of the existing coal sales agreement terminates in 2017, the term may be extended for four additional periods of five years, or until 2037, at the option of Coteau.

(e) The reserves are owned and controlled by the customer and, therefore, have not been listed in the table.

(f) The contracts for development of these mines were executed during 2009, and no sales occurred during 2012 or 2011.

(g) The contract for development of this mine was executed during 2010, and no sales occurred during 2012 or 2011.

(h) The term of this contract is 40 years commencing the year of commercial deliveries which is anticipated to occur during 2014.

(i) The contract for development of this mine was executed during 2012, and no sales occurred during 2012.

(j) The majority of the coal produced is sold to a single customer under contract until 2020. The remaining coal generally is sold to customers under one year contracts.

(k) The proven and probable reserves included in the table do not include coal that is leased to others. NACoal had 78.4 million tons and 79.5 million tons in 2012 and 2011, respectively, of Eastern Undeveloped Mines with leased coal committed under contract.

(l) The tons delivered only includes the period of NACoal ownership of Reed Minerals from August 31, 2012 through December 31, 2012.

Unconsolidated Mines

Freedom Mine — The Coteau Properties Company

The Freedom Mine, operated by Coteau, is located approximately 90 miles northwest of Bismarck, North Dakota. The main entrance to the Freedom Mine is accessed by means of a paved road and is located on County Road 15. Coteau holds 287 leases granting the right to mine approximately 36,546 acres of coal interests and the right to utilize approximately 24,745 acres of surface interests. In addition, Coteau owns in fee 30,548 acres of surface interests and 4,345 acres of coal interests. Substantially all of the leases held by Coteau were acquired in the early 1970s and have been replaced with new leases or have lease terms for a period sufficient to meet Coteau's contractual production requirements.

The Freedom Mine generally produces between 13 million and 15 million tons of lignite coal annually. The mine started delivering coal in 1983. All production from the mine is sold to Dakota Coal Company, a wholly owned subsidiary of Basin Electric Power Cooperative. Dakota Coal Company then sells the coal to Great Plains Synfuels Plant, Antelope Valley Station and Leland Olds Station, all of which are affiliates of Basin Electric Power Cooperative.

The reserves are located in Mercer County, North Dakota, starting approximately two miles north of Beulah, North Dakota. The center of the basin is located near the city of Williston, North Dakota, approximately 100 miles northwest of the Freedom Mine. The economically mineable coal in the reserve occurs in the Sentinel Butte Formation, and is overlain by the Coleharbor Formation. The Coleharbor Formation unconformably overlies the Sentinel Butte Formation. It includes all of the unconsolidated sediments resulting from deposition during glacial and interglacial periods. Lithologic types include gravel, sand, silt, clay and till. The modified glacial channels are in-filled with gravels, sands, silts and clays overlain by till. The coarser gravel and sand beds are generally limited to near the bottom of the channel fill. The general stratigraphic sequence in the upland portions of the reserve area consists of till, silty sands and clayey silts.

Falkirk Mine — The Falkirk Mining Company

The Falkirk Mine, operated by Falkirk, is located approximately 50 miles north of Bismarck, North Dakota on a paved access road off U.S. Highway 83. Falkirk holds 304 leases granting the right to mine approximately 47,501 acres of coal interests and the right to utilize approximately 28,209 acres of surface interests. In addition, Falkirk owns in fee 37,826 acres of surface interests and 1,270 acres of coal interests. Substantially all of the leases held by Falkirk were acquired in the early 1970s with initial terms that have been further extended by the continuation of mining operations.

The Falkirk Mine generally produces between 7 million and 9 million tons of lignite coal annually for the Coal Creek Station, an electric power generating station owned by Great River Energy. All production from the mine is used by Coal Creek Station. The mine started delivering coal in 1978.

The reserves are located in McLean County, North Dakota, from approximately nine miles northwest of the town of Washburn, North Dakota to four miles north of the town of Underwood, North Dakota. Structurally, the area is located on an intercratonic basin containing a thick sequence of sedimentary rocks. The economically mineable coals in the reserve occur in the Sentinel Butte Formation and the Bullion Creek Formation and are unconformably overlain by the Coleharbor Formation. The Sentinel Butte Formation conformably overlies the Bullion Creek Formation. The general stratigraphic sequence in the upland portions of the reserve area (Sentinel Butte Formation) consists of till, silty sands and clayey silts, main hagel lignite bed, silty clay, lower lignite of the hagel lignite interval and silty clays. Beneath the Tavis Creek, there is a repeating sequence of silty to sand clays with generally thin lignite beds.

South Hallsville No. 1 Mine — The Sabine Mining Company

The South Hallsville No. 1 Mine, operated by Sabine, is located approximately 150 miles east of Dallas, Texas on FM 968. The entrance to the mine is by means of a paved road. Sabine has no title, claim, lease or option to acquire any of the reserves at the South Hallsville No. 1 Mine. Southwestern Electric Power Company controls all of the reserves within the South Hallsville No. 1 Mine.

The South Hallsville No. 1 Mine has two active pits generally producing between 3 million and 5 million tons of lignite coal annually based upon Southwestern Electric Power Company's demand for its Henry W. Pirkey Plant and other contractual requirements. The mine started delivering coal in 1985.

Five Forks Mine — Demery Resources Company, LLC

The Five Forks Mine, operated by Demery, is located approximately three miles north of Creston, Louisiana on State Highway 153. Access to the Five Forks Mine is by means of a gravel road. Demery commenced delivering coal to its customer in 2012 and is expected to increase production beginning in 2013, with expected full production levels reached in late 2015 or 2016. Demery has no title, claim, lease or option to acquire any of the reserves at the Five Forks Mine. Demery's customer, Five Forks Mining, LLC, will control all of the reserves within the Five Forks Mine.

Marshall Mine — Caddo Creek Resources Company, LLC
The Marshall Mine, to be operated by Caddo Creek, is in the development stage and is located approximately ten miles south of Marshall, Texas on FM-1186. Access to the Marshall Mine will be by means of a paved road. Caddo Creek will have no title, claim, lease or option to acquire any of the reserves at the Marshall Mine. Marshall Mine, LLC will control all of the reserves within the Marshall Mine.
Eagle Pass Mine — Camino Real Fuels, LLC

The Eagle Pass Mine, to be operated by Camino Real, is in the development stage and is located approximately six miles north of Eagle Pass, Texas on State Highway 1588. Access to the Eagle Pass Mine has not been determined. Camino Real will have no title, claim, lease or option to acquire any of the reserves at the Eagle Pass Mine. Dos Republicas Coal Partnership will control all of the reserves within the Eagle Pass Mine.
Liberty Mine — Liberty Fuels Company, LLC

The Liberty Mine, to be operated by Liberty, is in the development stage and is located approximately 20 miles north of Meridian, Mississippi off State Highway 493. Liberty will have no title, claim, lease or option to acquire any of the reserves at the Liberty Mine. Mississippi Power Company will control all of the reserves within the Liberty Mine.
Coyote Creek Mine - Coyote Creek Mining Company, LLC

The Coyote Creek Mine, to be operated by Coyote Creek, is in the development stage and is located approximately 70 miles northwest of Bismarck, North Dakota. The main entrance to the Coyote Creek Mine is accessed by means of a four-mile graveled road extending west off of State Highway 49. Coyote Creek will hold a sublease to 71 leases granting the right to mine approximately 5,758 acres of coal interests and the right to utilize approximately 13,568 acres of surface interests. Substantially all of these leases were acquired during the years 2010 through 2012 and have lease terms for a period sufficient to meet Coyote Creek's contractual production requirements.

In May 2016, the Coyote Creek Mine is expected to begin coal deliveries to the Coyote Station owned by Otter Tail Power Company, Northern Municipal Power Agency, Montana-Dakota Utilities Company and Northwestern Corporation.

The reserves are located in Mercer County, North Dakota, starting approximately six miles southwest of Beulah, North Dakota. The center of the basin is located near the city of Williston, North Dakota, approximately 110 miles northwest of the Coyote Creek Mine. The economically mineable coal in the reserve occurs in the Sentinel Butte Formation, and is overlain by the Coleharbor Formation. The Coleharbor Formation unconformably overlies the Sentinel Butte Formation. It includes all of the unconsolidated sediments resulting from deposition during glacial and interglacial periods. Lithologic types include gravel, sand silt, clay and till. The modified glacial channels are in-filled with gravels, sands, silts and clays overlain by till. The coarser gravel and sand beds are generally limited to near the bottom of the channel fill. The general stratigraphic sequence in the upland portions of the reserve area consists of till, silty sands and clayey silts.
Consolidated Mines
Reed Minerals Mines
Reed Minerals operating mines are located about 12 miles east and southeast of the city of Jasper in Walker County, Alabama and about 20 miles southeast of the city of Jasper in Jefferson County, Alabama. The main entrances to the Walker County, Alabama operating mines are accessed by means of a half-mile graveled road extending south off Sipsey Road and a half-mile graveled road extending west off Cordova Gorgas Road. The main entrance to the Jefferson County, Alabama operating mine is accessed by means of a one-mile paved section of Short Creek Road extending south off Porter Road. The mining rights to the reserves within the Reed Minerals operating mines are controlled by Reed Minerals. The Reed Minerals operating mines produce about 900,000 tons per year which are sold to several customers in Alabama.
Structurally, the reserves for the Reed Minerals operating mines are located within the Warrior Coal Basin. The strata which underlies and outcrops in this region is of the Pottsville Formation of the Pennsylvanian Age. The Warrior

Basin is the southernmost of a series of Pennsylvanian basins of the Appalachian Plateau. The Pottsville Formation in this area consists of thin to thick bedded sandstones, siltstones, shales, clays and coal seams. This sequence of clastic sediments is representative of a deltaic depositional environment. Structurally, the Warrior Basin is formed by a large gentle syncline that extends from north-central Mississippi in the west to north-central Alabama in the east. The syncline is tilted southwestward with a regional dip of 30 to 200 feet per mile. Toward the interior of the Warrior Basin, the regional southwest dip of Pottsville strata is modified by a series of three synclines and two anticlines. Of these, the major structural areas are the Warrior and Coalburg synclines, and the Sequatchie anticline. The fold axes are parallel to the Appalachian system in a northeast-southwest direction and plunge to the southwest with the regional dip.

Red Hills Mine — Mississippi Lignite Mining Company

The Red Hills Mine, operated by MLMC, is located approximately 120 miles northeast of Jackson, Mississippi. The entrance to the mine is by means of a paved road located approximately one mile west of Highway 9. MLMC holds 126 leases granting the right to mine approximately 7,274 acres of coal interests and the right to utilize approximately 6,964 acres of surface interests. In addition, MLMC owns in fee 3,097 acres of surface interests and 2,585 acres of coal interests. Substantially all of the leases held by MLMC were acquired during the mid-1970s to the early 1980s with terms totaling 50 years, many of which can be further extended by the continuation of mining operations.

The Red Hills Mine generally produces approximately 3 million to 4 million tons of lignite coal annually for use at the Red Hills Power Plant. The mine started delivering coal in 2000.

The lignite deposits of the Gulf Coast are found primarily in a narrow band of strata that outcrops/subcrops along the margin of the Mississippi embayment. The potentially exploitable tertiary lignites in Mississippi are found in the Wilcox Group. The outcropping Wilcox is composed predominately of non-marine sediments deposited on a broad flat plain.

Florida Dragline Operations — The North American Coal Corporation

NACoal's Florida Dragline Operations operate draglines to mine limerock at the following quarries in Florida pursuant to mining services agreements with the quarry owners:

| Quarry Name | Location | Quarry Owner | Year NACoal Started Dragline Operations |
|---|---|---|---|
| White Rock Quarry — North | Miami | WRQ | 1995 |
| White Rock Quarry — South | Miami | WRQ | 2005 |
| Krome Quarry | Miami | Cemex | 2003 |
| Alico Quarry | Ft. Myers | Cemex | 2004 |
| FEC Quarry | Miami | Cemex | 2005 |
| Pennsuco Quarry | Miami | Tarmac | 2005 |
| SCL Quarry | Miami | Cemex | 2006 |
| Card Sound Quarry | Miami | Cemex | 2009 |

Vecellio & Grogan, Inc., d/b/a White Rock Quarries ("WRQ"), Cemex S.A.B. de C.V. ("Cemex") and Tarmac America LLC ("Tarmac") control all of the limerock reserves within their respective quarries. WRQ and Cemex perform drilling programs occasionally for the purpose of redefining the bottom of the limerock bed.

Access to the White Rock Quarry is by means of a paved road from 122nd Avenue, access to the Krome Quarry is by means of a paved road from Krome Avenue and access to Pennsuco Quarry is by means of a paved road from NW 121st Way. Access to the FEC Quarry is by means of a paved road from NW 118th Avenue and access to the Alico Quarry is by means of a paved road from Alico Road. Access to the SCL Quarry is by means of a paved road from NW 137th Avenue and access to the Card Sound Quarry is by means of a paved road from SW 408th Street. Florida Dragline Operations have no title, claim, lease or option to acquire any of the reserves at the White Rock Quarry (North and South), the FEC Quarry, the Krome Quarry, the Pennsuco Quarry, the SCL Quarry, the Alico Quarry or the Card Sound Quarry.

North American Coal Royalty Company

No operating mines currently exist on the undeveloped reserves in North Dakota, Texas and Mississippi. North American Coal Royalty Company does receive certain royalty payments from unrelated third parties for production or advance royalty payments for oil and gas, as well as for coal reserves located in Ohio, Pennsylvania, North Dakota, Louisiana and Texas.

General Information about the Mines

Leases. The leases held by Coteau, Falkirk and MLMC have a variety of continuation provisions, but generally they permit the leases to be continued beyond their fixed terms. Under the terms of the leases held by these companies, each respective

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company expects that coal mined pursuant to its leases will be available to meet its production requirements. Reed Minerals holds the mining rights to the reserves within their mines through leases and licenses from the coal and surface owners.

Previous Operators. There were no previous operators of the Freedom Mine, Falkirk Mine, South Hallsville No. 1 Mine, Five Forks Mine or Red Hills Mine. Reed Minerals operates mines under which third-party surface and underground mine operators may have operated in the past.

Exploration and Development. The Freedom Mine, Falkirk Mine, South Hallsville No. 1 Mine, Red Hills Mine and the Reed Minerals operating mines are well past the exploration stage and are in production. Additional pit development is underway at each mine. Drilling programs are routinely conducted for the purpose of refining guidance related to ongoing operations. For example, at the Red Hills Mine, the lignite coal reserve has been defined by a drilling program that is designed to provide 500-foot spaced drill holes for areas anticipated to be mined within six years of the current pit. Drilling beyond the six-year horizon ranges from 1,000 to 2,000-foot centers. Drilling is conducted every other year to stay current with the advance of mining operations. The Five Forks Mine commenced delivering coal to its customer in 2012 and is expected to increase production beginning in 2013, with expected full production levels reached in late 2015 or 2016. Caddo Creek, Camino Real, Coyote Creek and Liberty are in the mine planning and design phase. Geological evaluation is in process at all four locations.

Facilities and Equipment. The facilities and equipment for each of the mines are maintained to allow for safe and efficient operation. The equipment is well maintained, in good physical condition and is either updated or replaced periodically with the latest models or upgrades available to keep up with modern technology. As equipment wears out, the mines evaluate what
replacement option will be the most cost efficient, including the evaluation of both new and used equipment, and proceed with that replacement. The majority of electrical power for the draglines, shovels, coal crushers, coal conveyors and facilities generally is provided by the utility customer for the applicable mine. Electrical power for the Sabine facilities is provided by Upshur Rural Electric Co-op. Electrical power for the Sabine draglines is provided by the Pirkey Power Plant. Electrical power for a Reed Minerals dragline expected to be placed in service in 2013 is expected to be provided by Alabama Power Company. The remainder of the equipment generally is powered by diesel or gasoline.

The total cost of the property, plant and equipment, net of applicable accumulated amortization and depreciation as of December 31, 2012 is set forth in the chart below.

| Mine | Total Historical Cost of Mine Property, Plant and Equipment (excluding Coal Lands, Real Estate and Construction in Progress), Net of Applicable Accumulated Amortization and Depreciation (in millions) |
|---|---|
| Unconsolidated Mining Operations | |
| Freedom Mine — The Coteau Properties Company | $173.6 |
| Falkirk Mine — The Falkirk Mining Company | $118.4 |
| South Hallsville No. 1 Mine — The Sabine Mining Company | $214.4 |
| Five Forks Mine — Demery Resources Company, LLC | $— |
| Marshall Mine — Caddo Creek Resources Company, LLC | $— |
| Eagle Pass Mine — Camino Real Fuels, LLC | $— |
| Liberty Mine — Liberty Fuels, LLC | $20.5 |
| Coyote Creek Mine — Coyote Creek Mining, LLC | $22.8 |
| Consolidated Mining Operations | |

| | |
|---|---|
| Red Hills Mine — Mississippi Lignite Mining Company | $43.5 |
| Reed Minerals — The North American Coal Corporation | $31.4 |
| Florida Dragline Operations — The North American Coal Corporation | $2.7 |

Predominantly all of Demery, Caddo Creek and Camino Real's machinery and equipment is owned by NACoal's customers. A substantial portion of MLMC's and Reed Minerals' machinery, trucks and equipment is rented under operating leases. All other draglines were purchased used and have been or are expected to be updated with the latest technology.

Government Regulation

NACoal's coal mining operations and dragline mining services are subject to various federal, state and local laws and regulations on matters such as employee health and safety, and certain environmental laws relating to, among others, the reclamation and restoration of properties after mining operations, air pollution, water pollution, the disposal of wastes and effects on groundwater. In addition, the electric utility industry is subject to extensive regulation regarding the environmental impact of its power generation activities that could affect demand for coal from NACoal's coal mining operations.

Numerous governmental permits and approvals are required for coal mining operations. NACoal or one of its subsidiaries holds or will hold the necessary permits at all of NACoal's coal mining operations except Demery and Camino Real, where NACoal's customers hold or will hold the permits, and Reed Minerals, where a coal reserve owner and a contract miner hold certain permits. The Company believes, based upon present information provided to it by these third party mine permit holders, that these third parties have or will have all environmental permits necessary for NACoal to operate Reed Minerals, Demery and Camino Real; however, the Company cannot be certain that NACoal's customers will be able to obtain and/or maintain all such permits in the future.

At the coal mining operations where NACoal holds the permits, NACoal is required to prepare and present to federal, state or local governmental authorities data pertaining to the effect or impact that any proposed exploration for or production of coal may have upon the environment and public and employee health and safety.

The limerock quarries where NACoal provides dragline mining services are owned and operated by NACoal's customers.

Some laws, as discussed below, place many requirements on NACoal's coal mining operations and the limerock quarries where NACoal provides dragline mining services. Federal and state regulations require regular monitoring of NACoal's operations to ensure compliance.

Mine Health and Safety Laws

The Federal Mine Safety and Health Act of 1977 imposes safety and health standards on all coal mining operations. Regulations are comprehensive and affect numerous aspects of mining operations, including training of mine personnel, mining procedures, blasting, the equipment used in mining operations and other matters. The Federal Mine Safety and Health Administration enforces compliance with these federal laws and regulations.

Environmental Laws

NACoal's coal mining operations are subject to various federal environmental laws, including:

- the Surface Mining Control and Reclamation Act of 1977 ("SMCRA");
- the Clean Air Act, including amendments to that act in 1990 ("CAA");
- the Clean Water Act of 1972 (the "Clean Water Act");
- the Resource Conservation and Recovery Act; and
- the Comprehensive Environmental Response, Compensation and Liability Act.

In addition to these federal environmental laws, various states have enacted environmental laws that provide for higher levels of environmental compliance than similar federal laws. These environmental laws require reporting, permitting and/or approval of many aspects of coal mining operations. Both federal and state inspectors regularly visit mines to enforce compliance. NACoal has ongoing training, compliance and permitting programs to ensure compliance with such environmental laws.

Surface Mining Control and Reclamation Act

SMCRA establishes mining, environmental protection and reclamation standards for all aspects of surface coal mining operations. Where state regulatory agencies have adopted federal mining programs under SMCRA, the state becomes the primary regulatory authority. All of the states where NACoal has active coal mining operations have achieved primary control of enforcement through federal authorization.

Coal mine operators must obtain SMCRA permits and permit renewals for coal mining operations from the regulatory agency. These SMCRA permit provisions include requirements for coal prospecting, mine plan development, topsoil removal, storage and replacement, selective handling of overburden materials, mine pit backfilling and grading, protection of the hydrologic balance, surface drainage control, mine drainage and mine discharge control and treatment, and revegetation.

Although NACoal’s permits have stated expiration dates, SMCRA provides for a right of successive renewal. The cost of obtaining surface mining permits can vary widely depending on the quantity and type of information that must be provided to

obtain the permits; however, the cost of obtaining a permit is usually between $1,000,000 and $5,000,000, and the cost of obtaining a permit renewal is usually between $15,000 and $100,000.
The Abandoned Mine Land Fund, which is part of SMCRA, imposes a fee on all current lignite coal mining operations. The proceeds are used principally to reclaim mine lands closed prior to 1977. In addition, the Abandoned Mine Land Fund also makes transfers annually to the United Mine Workers of America Combined Benefit Fund (the “Fund”), which provides health care benefits to retired coal miners who are beneficiaries of the Fund. The fee was $0.09 per ton on lignite coal produced and $0.315 per ton on other surface-mined coal from prior to 2010 through September 30, 2012. As of October 1, 2012, the fee is currently $0.08 per ton on lignite coal produced and $0.28 per ton on other surface-mined coal.
SMCRA establishes operational, reclamation and closure standards for surface coal mines. The Company accrues for the costs of current mine disturbance and final mine closure, including the cost of treating mine water discharges, where necessary. These obligations are unfunded with the exception of the final mine closure costs for the Coyote Creek Mine, which will be funded throughout the production stage.
SMCRA stipulates compliance with many other major environmental programs. These programs include the CAA, Clean Water Act, Resource Conservation and Recovery Act, Comprehensive Environmental Response, Compensation and Liability Act, and Emergency Planning and Community Right-To-Know Act. The U.S. Army Corps of Engineers regulates activities affecting navigable waters, and the U.S. Bureau of Alcohol, Tobacco and Firearms regulates the use of explosives for blasting. In addition, the U.S. Environmental Protection Agency (the “EPA”), the U.S. Army Corps of Engineers and the Federal Office of Surface Mining are engaged in a series of rulemakings and other administrative actions under the Clean Water Act and other statutes that are directed at reducing the impact of coal mining operations on water bodies. Currently, these initiatives are primarily with respect to mining operations in the Appalachian region, especially on mountaintops. However, these initiatives may extend beyond this region to areas where NACoal has mining operations.
The Company does not believe there are any significant issues that cause a risk to NACoal’s ability to maintain its existing mining permits or hinder its ability to acquire future mining permits.
Clean Air Act

The process of burning coal can cause many compounds and impurities in the coal to be released into the air; including sulfur dioxide, nitrogen oxides, mercury, particulate matter and others. The CAA and the corresponding state laws that extensively regulate the emissions of materials into the air affect coal mining operations both directly and indirectly. Direct impacts on coal mining operations occur through CAA permitting requirements and/or emission control requirements relating to air
contaminants, especially particulate matter. Indirect impacts on coal mining operations occur through regulation of the air emissions of sulfur dioxide, nitrogen oxides, mercury, particulate matter and other compounds emitted by coal-fired power plants. The EPA has promulgated or proposed regulations that impose tighter emission restrictions in a number of areas, some of which are currently subject to litigation. The general effect of tighter restrictions could be to reduce demand for coal. Any reduction in coal’s share of the capacity for power generation could have a material adverse effect on the Company’s business, financial condition and results of operations.
States are required to submit to the EPA revisions to their state implementation plans ("SIPs") that demonstrate the manner in which the states will attain national ambient air quality standards ("NAAQS") every time a NAAQS is issued or revised by the EPA. The EPA has adopted NAAQS for several pollutants, which it continues to periodically review for revisions. When the EPA adopts new, more stringent NAAQS for a pollutant, some states have to change their existing SIPs. If a state fails to revise its SIP and obtain EPA approval, the EPA may adopt regulations to effect the revision. Coal mining operations and coal-fired power plants that emit particulate matter or other specified material are, therefore, affected by changes in the SIPs. Through this process over the last few years, the EPA has reduced the NAAQS for particulate matter, ozone, and nitrogen oxides. NACoal’s coal mining operations and utility customers may be directly affected when the revisions to the SIPs are made and incorporate new NAAQS for sulfur dioxide, nitrogen oxides, ozone and particulate matter. In response to a court remand of earlier rules to control the regional transport of sulfur dioxide and nitrogen oxides from coal-fired power plants and their impacts of downwind NAAQS areas, in mid-2011, the EPA finalized the Cross-State Air Pollution Rule ("CSAPR") to address interstate

transport of pollutants. This affects states in the eastern half of the United States, including Texas. This rule imposes additional emission restrictions on coal-fired power plants to attain ozone and fine particulate NAAQS. On August 21, 2012 the U.S. Court of Appeals stuck down the CSAPR rule, effectively eliminating the new additional emission restrictions.

The CAA Acid Rain Control Provisions were promulgated as part of the CAA Amendments of 1990 in Title IV of the CAA ("Acid Rain Program"). The Acid Rain Program required reductions of sulfur dioxide emissions from coal-fired power plants. The Acid Rain Program is now a mature program and the Company believes that any market impacts of the required controls have likely been factored into the coal market.

The EPA promulgated a regional haze program designed to protect and to improve visibility at and around Class I Areas, which are generally National Parks, National Wilderness Areas and International Parks. This program may restrict the construction of new coal-fired power plants whose operation may impair visibility at and around the Class I Areas. Additionally, the program requires certain existing coal-fired power plants to install additional control measures designed to limit haze-causing emissions, such as sulfur dioxide, nitrogen oxide and particulate matter. States were required to submit Regional Haze SIPs to the EPA by December 2007; however, many states did not meet that deadline.
Under the CAA, new and modified sources of air pollution must meet certain new source standards (the “New Source Review Program”). In the late 1990s, the EPA filed lawsuits against many coal-fired power plants in the eastern United States alleging that the owners performed non-routine maintenance, causing increased emissions that should have triggered the application of these new source standards. Some of these lawsuits have been settled with the owners agreeing to install additional emission control devices in their coal-fired power plants. The remaining litigation and the uncertainty around the New Source Review Program rules could adversely impact demand for coal. Regardless of the outcome of litigation on either rule, stricter controls on emissions of sulfur dioxide, nitrogen oxide and mercury are likely. Any such controls may have an adverse impact on the demand for coal, which may have an adverse effect on NACoal’s business, financial condition or results of operations.

Under the CAA, the EPA also adopts national emission standards for hazardous air pollutants. In December 2011, the EPA adopted a final rule called the Mercury and Air Toxics Standard ("MATS"), which applies to new and existing coal-fired and oil-fired units. This requires mercury emission reductions, but also requires reductions in emissions of acid gases during fuel combustion, and additional reductions in fine particulates, which is being regulated as a surrogate for certain metals.
NACoal’s utility customers must incur substantial costs to control emissions to meet all of the CAA requirements, including the new requirements under MATS and the EPA's regional haze program. These costs could raise the price of coal-generated electricity, making coal-fired power less competitive with other sources of electricity, thereby reducing demand for coal. In addition, NACoal's utility customers may choose to close coal-fired generation units or to postpone or cancel plans to add new capacity, in light of not only these costs, but also of the adequacy of the time mandated for compliance with the new requirements and the prospects of the imposition of additional future requirements on emissions from coal-fired units. If NACoal cannot offset the cost to control mercury, acid gas and fine particulate emissions by lowering the costs of delivery of its coal on an energy equivalent basis or if NACoal's customers elect to close coal-fired units, the Company’s business, financial condition and results of operations could be materially adversely affected.

Global climate change continues to attract considerable public and scientific attention and a considerable amount of legislative and regulatory attention in the United States. The United States Congress is considering climate change legislation that would reduce greenhouse gas (“GHG”) emissions, particularly from coal combustion by power plants. The EPA has promulgated regulations to control GHG under the CAA without new legislation. Enactment of laws and passage of regulations regarding GHG emissions by the United States or some of its states, or other actions to limit carbon dioxide emissions, such as opposition by environmental groups to expansion or modification of coal-fired power plants, could result in electric generators switching from coal to other fuel sources.
The United States Congress continues to consider a variety of proposals to reduce GHG emissions from the combustion of coal and other fuels. These proposals include emission taxes, emission reductions, including “cap-and-trade” programs, and mandates or incentives to generate electricity by using renewable resources, such as wind or solar power. Some states have established programs to reduce GHG emissions.
The EPA has begun to establish a GHG regulation program under the CAA by issuing a finding that the emission of six GHG, including carbon dioxide and methane, may reasonably be anticipated to endanger public health and welfare. On June 26, 2012 the U.S. Court of Appeals upheld this finding. Based on this finding, the EPA published a New Source Performance Standard for greenhouse gases, emitted from future new power plants, in 2012. The EPA is contemplating establishing greenhouse gas limits for existing power plants. This could impact coal-fired power plants and reduce the demand for coal.

The United States has not implemented the 1992 Framework Convention on Global Climate Change (“Kyoto Protocol”), which became effective for many countries on February 16, 2005. The Kyoto Protocol was intended to limit or reduce emissions of GHG, such as carbon dioxide. The United States has not ratified the emission targets of the Kyoto Protocol or any other GHG agreement. Because the first Protocol commitment period ended in 2012, an amendment to extend the Kyoto Protocol was adopted in Doha, Qatar on December 8, 2012. The United States is not a signatory to the amendment. Even though the United States has not accepted these international GHG limiting treaties nor has it enacted domestic legislation to control GHG, numerous lawsuits and regulatory actions have been undertaken by states and environmental groups to try to force controls on the emission of carbon dioxide; or to prevent the construction of new coal-fired power plants. The implementation by the United States of an international agreement, the regulations promulgated to date by the EPA with respect to GHG emissions or the adoption of legislation to control GHG emissions, could have a materially adverse effect on the Company’s business, financial condition and results of operations.

NACoal has obtained all necessary permits under the CAA at all of its coal mining operations where it is responsible for permitting.

Clean Water Act

The Clean Water Act affects coal mining operations by establishing in-stream water quality standards and treatment standards for waste water discharge. Permits requiring regular monitoring, reporting and performance standards govern the discharge of pollutants into water.

Federal and state regulations establish standards for water quality. These regulations prohibit the diminution of water quality. Waters discharged from coal mines will be required to meet these standards. These federal and state requirements could require more costly water treatment and could materially adversely affect the Company’s business, financial condition and results of operations.

The Company believes NACoal has obtained all permits required under the Clean Water Act and corresponding state laws and is in compliance with such permits.

Bellaire Corporation, a wholly owned non-operating subsidiary of the Company (“Bellaire”), is treating mine water drainage from coal refuse piles associated with two former underground coal mines in Ohio and one former underground coal mine in Pennsylvania, and is treating mine water from a former underground coal mine in Pennsylvania. Bellaire anticipates that it will need to continue these activities indefinitely and has accrued a liability of $16.4 million as of December 31, 2012 related to these matters.

In connection with Bellaire's normal permit renewal with the Pennsylvania Department of Environmental Protection ("DEP"), it was notified during 2004 that in order to obtain renewal of the permit it would be required to establish a mine water treatment trust (the "Trust"). On October 1, 2010, Bellaire executed a Post-Mining Treatment Trust Consent Order and Agreement (“Consent”) with the DEP which established the Trust to provide a financial assurance mechanism in order to assure the long-term treatment of post-mining discharges.

Bellaire agreed to initially fund the Trust with approximately $5.0 million. Bellaire funded $2.5 million upon execution of the Consent and the remaining amount was funded in 2011.

Resource Conservation and Recovery Act

The Resource Conservation and Recovery Act ("RCRA") affects coal mining operations by establishing requirements for the treatment, storage and disposal of wastes, including hazardous wastes. Coal mine wastes, such as overburden and coal cleaning wastes, currently are exempted from hazardous waste management. EPA has proposed a rule that may designate coal combustion residuals or coal ash ("CCRs") as hazardous waste. However, the EPA proposed rule exempts CCRs disposed of at mine sites in favor of deferring any regulation to the Federal Office of Surface Mining (“OSM”) for these materials. Currently the Office of Surface Mining is developing rules to address the use of CCRs on coal mine sites. The outcome of these rulemakings, and any subsequent actions by EPA and OSM, could impact those NACoal operations which use CCRs for haul roads and other beneficial uses. If NACoal were unable to use CCRs for this purpose, its revenues for disposing of CCRs from its customers may decrease and its costs may increase due to the purchase of alternative materials for haul roads.

Comprehensive Environmental Response, Compensation and Liability Act

The Comprehensive Environmental Response, Compensation and Liability Act and similar state laws create liabilities for the investigation and remediation of releases of hazardous substances into the environment and for damages to natural resources. The Company must also comply with reporting requirements under the Emergency Planning and Community Right-to-Know Act and the Toxic Substances Control Act.

From time to time, the Company has been the subject of administrative proceedings, litigation and investigations relating to environmental matters.

The extent of the liability and the cost of complying with environmental laws cannot be predicted with certainty due to the lack of specific information available with respect to many sites, the potential for new or changed laws and regulations and for the development of new remediation technologies and the uncertainty regarding the timing of work with respect to particular sites. As a result, the Company may incur material liabilities or costs related to environmental matters in the future, and such environmental liabilities or costs could adversely affect the Company’s results of operations and financial condition. In addition, there can be no assurance that changes in laws or regulations would not affect the manner in which NACoal is required to conduct its operations.

Competition

The coal industry competes with other sources of energy, particularly oil, gas, hydro-electric power and nuclear power. In addition, it competes with subsidized green energy projects, such as biofuels, wind and solar projects. Among the factors that affect competition are the price and availability of oil and natural gas, environmental considerations, the time and expenditures required to develop new energy sources, the cost of transportation, the cost of compliance with governmental regulations, the impact of federal and state energy policies and the current trend toward deregulation of energy markets. The ability of NACoal to market and develop its reserves will depend upon the interaction of these factors.

Based on industry information, NACoal believes it was one of the ten largest coal producers in the United States in 2012 based on total coal tons produced.

Employees

As of January 31, 2013, NACoal had approximately 1,700 employees, including approximately 1,300 employees at the unconsolidated mines. None of NACoal’s employees are unionized. NACoal believes its current labor relations with employees are satisfactory.

B. Hamilton Beach Brands
General
HBB is a leading designer, marketer and distributor of small electric household appliances, as well as commercial products for restaurants, bars and hotels. HBB's products are marketed primarily to retail merchants and wholesale distributors.
Sales and Marketing
HBB designs, markets and distributes a wide range of small electric household appliances, including, but not limited to, blenders, can openers, coffeemakers, food processors, indoor electric and outdoor gas grills, irons, mixers, slow cookers, toasters and toaster ovens. HBB also markets a line of air purifiers and odor eliminators. In addition, HBB designs, markets and distributes commercial products for restaurants, bars and hotels. HBB generally markets its "better" and "best" segments under the Hamilton Beach® brand and uses the Proctor Silex® brand for the "good" segment and its opening price point products. HBB markets premium stand mixers under the Hamilton Beach® eclectrics® brand. HBB also markets air purifiers, allergen reducers and home odor elimination products under the TrueAir® brand.
Furthermore, HBB supplies Wal-Mart with certain GE-brand kitchen electric and garment-care appliances under Wal-Mart's license agreement with General Electric Company. In addition, HBB supplies Kohl's with certain Food Network-branded kitchen appliances. HBB has licensed the Melitta® brand from Melitta, North America, Inc. for a unique line of coffee and hot beverage appliances. HBB supplies additional private label products on a limited basis throughout North America.

HBB markets its retail products primarily in North America, but also sells products in Latin America and other selected markets. HBB commercial products are sold worldwide. Retail sales are generated predominantly by a network of inside sales employees to mass merchandisers, national department stores, variety store chains, drug store chains, specialty home retailers, distributors and other retail outlets. Wal-Mart accounted for approximately 31%, 30% and 36% of HBB's revenues in 2012, 2011 and 2010, respectively. HBB's five largest customers accounted for approximately 53%, 50% and 55% of HBB's revenues for the years ended December 31, 2012, 2011 and 2010, respectively. The loss of or significant reduction in sales to any key customer could result in significant decreases in HBB's revenue and profitability and an inability to sustain or grow its business.
Sales promotion activities are primarily focused on cooperative advertising. In addition, HBB promotes certain of its innovative products through the use of television, web and print advertising. HBB also licenses certain of its trademarks to various licensees for use with microwaves, compact refrigerators, cookware, kitchen tools and gadgets and hand and stick vacuums.
Because of the seasonal nature of the markets for small electric appliances, HBB's management believes backlog is not a meaningful indicator of performance and is not a significant indicator of annual sales. Backlog represents customer orders, which may be cancelled at any time prior to shipment. Backlog for HBB was approximately $14.9 million and $13.1 million at December 31, 2012 and 2011, respectively.
HBB's warranty program to the consumer consists generally of a limited warranty lasting for varying periods of up to ten years for electric appliances, with the majority of products having a warranty of one year. Under its warranty program, HBB may repair or replace, at its option, those products found to contain manufacturing defects.
The market for small electric household appliances is highly seasonal in nature. Revenues and operating profit for HBB are traditionally greater in the second half of the year as sales of small electric appliances to retailers and consumers increase significantly with the fall holiday-selling season. Because of the seasonality of purchases of its products, HBB generally uses a substantial amount of cash or short-term debt to finance inventories and accounts receivable in anticipation of the fall holiday-selling season.
Patents, Trademarks, Copyrights and Licenses
HBB holds patents and trademarks registered in the United States and foreign countries for various products. HBB believes its business is not dependent upon any individual patent, copyright or license, but that the Hamilton Beach® and Proctor Silex® trademarks are material to its business.
Product Design and Development

HBB spent $7.5 million, $7.4 million and $7.6 million in 2012, 2011 and 2010, respectively, on product design and development activities.

Key Suppliers and Raw Material

The majority of HBB’s products are supplied to its specifications by third-party suppliers located in China. HBB does not maintain long-term purchase contracts with suppliers and operates mainly on a purchase order basis. HBB generally negotiates purchase orders with its foreign suppliers in U.S. dollars. The weakening of the U.S. dollar against local currencies could result in certain non-U.S. manufacturers increasing the U.S. dollar prices for future product purchases.

During 2012, HBB purchased approximately 98% of its finished products from suppliers in China. HBB does not currently depend on any single supplier. HBB believes the loss of any one supplier would not have a long-term material adverse effect on its business as there are adequate third-party supplier choices available that can meet HBB’s production and quality requirements. However, the loss of a supplier could, in the short term, adversely affect HBB’s business until alternative supply arrangements are secured.

The principal raw materials used by HBB’s third-party suppliers to manufacture its products are plastic, glass, steel, copper, aluminum and packaging materials. HBB believes adequate quantities of raw materials are available from various suppliers.

Competition

The small electric household appliance industry does not have onerous entry barriers. As a result, HBB competes with many small manufacturers and distributors of housewares products. Based on publicly available information about the industry, HBB believes it is one of the largest full-line distributors and marketers of small electric household appliances in North America based on key product categories.

As retailers generally purchase a limited selection of small electric appliances, HBB competes with other suppliers for retail shelf space. HBB conducts consumer advertising for the Hamilton Beach® brand. HBB believes the principal areas of competition with respect to its products are product design and innovation, quality, price, product features, merchandising, promotion and warranty.

Government Regulation

HBB is subject to numerous federal and state health, safety and environmental regulations. HBB’s management believes the impact of expenditures to comply with such laws will not have a material adverse effect on HBB.

As a marketer and distributor of consumer products, HBB is subject to the Consumer Products Safety Act and the Federal Hazardous Substances Act, which empower the U.S. Consumer Product Safety Commission (“CPSC”) to seek to exclude products that are found to be unsafe or hazardous from the market. Under certain circumstances, the CPSC could require HBB to repair, replace or refund the purchase price of one or more of HBB’s products, or HBB may voluntarily do so.

Throughout the world, electrical appliances are subject to various mandatory and voluntary standards, including requirements in some jurisdictions that products be listed by Underwriters’ Laboratories, Inc. (“UL”) or other similar recognized laboratories. HBB also uses the Intertek Testing Services for certification and testing of compliance with UL standards, as well as other nation- and industry-specific standards. HBB endeavors to have its products designed to meet the certification requirements of, and to be certified in, each of the jurisdictions in which they are sold.

The Securities and Exchange Commission (the "SEC") adopted conflict mineral rules under Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") on August 22, 2012. The rules require public companies to disclose information about their use of specific minerals originating from and financing armed groups in the Democratic Republic of the Congo or adjoining countries ("DRC"). The rules do not ban the use of minerals from conflict sources, but require public disclosure beginning with calendar year 2013. HBB is subject to the rules and is evaluating its supply chain and will continue to develop processes to assess the impacts and comply with the regulation.

Employees

As of January 31, 2013, HBB’s work force consisted of approximately 500 employees, most of whom are not represented by unions. In Canada, as of January 31, 2013, 16 hourly employees at HBB’s Picton, Ontario distribution facility were unionized. These employees are represented by an employee association which performs a consultative role on employment matters. None of HBB’s U.S. employees are unionized. HBB believes its current labor relations with both union and non-union employees are satisfactory.

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C. Kitchen Collection

General

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.

Sales and Marketing

KC operated 312 retail stores as of December 31, 2012. Kitchen Collection® stores are located primarily in factory outlet and traditional malls and feature merchandise of highly recognizable name-brand manufacturers, including Hamilton Beach® and Proctor Silex®. Le Gourmet Chef® stores are located primarily in factory outlet and traditional malls throughout the United States and feature gourmet foods and home entertainment products, as well as brand name electric and non-electric kitchen items, including Hamilton Beach®.

Seasonality

Revenues and operating profit for KC are traditionally greater in the second half of the year as sales to consumers increase significantly with the fall holiday-selling season. Because of the seasonality of purchases of its products, KC incurs substantial short-term debt to finance inventories in anticipation of the fall holiday-selling season.

Product Design and Development

KC, a retailer, has no expenditures for product design and development activities.

Product Sourcing and Distribution

KC purchases all inventory centrally, which allows KC to take advantage of volume purchase discounts and monitor controls over inventory and product mix. KC purchases its inventory from approximately 300 suppliers, one of which represented approximately 11% of purchases during the year ended December 31, 2012. No other suppliers represent more than 10% of purchases. KC believes that the loss of any one supplier would not have a long-term material adverse effect on its business as there are adequate third-party supplier choices available that can meet KC’s requirements. However, the loss of a supplier could, in the short term, adversely affect KC’s business until alternative supply arrangements are secured.

KC currently maintains its inventory for distribution to its stores at a distribution center located near its corporate headquarters in Chillicothe, Ohio.

In the near term, KC will focus on comparable store sales growth and expansion into new outlet centers. Longer term, KC will continue expansion into traditional outlet centers as new centers open and as new opportunities become available into well-established outlet centers that meet the Company's site profile. KC plans to focus on enhancing sales volume and profitability through refinement of its store format display and appearance, ongoing review of product offerings and merchandise mix, while continuing to evaluate and, as lease contracts permit, close underperforming stores. If adequate profit prospects are demonstrated at the Le Gourmet Chef® format, the Company's expansion focus will shift to increasing the number of these stores as well.

Competition

KC competes against a diverse group of retailers, including specialty stores, department stores, discount stores and internet and catalog retailers. The retail environment continues to be extremely competitive. Widespread Chinese sourcing of products allows many retailers to offer value-priced kitchen products.

KC believes there is growth potential in kitchenware retailing, but only through offering unique, high quality products at prices affordable to most consumers. While a number of very low-end and very high-end kitchenware retailers participate in the marketplace, KC believes there is still an opportunity for stores offering mid-priced, high-quality kitchenware.

Patents, Trademarks, Copyrights and Licenses

KC holds trademarks registered in the United States for the Kitchen Collection® and Le Gourmet Chef® store names. KC believes that the Kitchen Collection® and Le Gourmet Chef® store name trademarks are material to its business.

Employees

As of January 31, 2013, KC’s work force consisted of approximately 1,700 employees. None of KC’s employees are unionized. KC believes its current labor relations with employees are satisfactory.

Item 1A. RISK FACTORS
North American Coal
Termination of or default under long-term mining contracts could materially reduce the Company's profitability.
Substantially all of NACoal's profits are derived from long-term mining contracts. The contracts for certain of NACoal's unconsolidated mines permit the customer under some conditions of default to acquire the assets or stock of the subsidiary for an amount roughly equal to book value. In one case, the customer may elect to acquire the stock of the subsidiary upon a specified period of prior notice, for any reason, in exchange for payments to NACoal on coal mined at that facility in the future. If any of NACoal's long-term mining contracts were terminated or if any of its customers were to default under the contracts, profitability could be materially reduced to the extent that NACoal is unable to find alternative customers at the same level of profitability.
NACoal's unconsolidated mines are subject to risks created by changes in customer demand, inflationary adjustments and tax rates.
The contracts with the unconsolidated mines’ customers allow each mine to sell coal at a price based on actual cost plus an agreed pre-tax profit per ton or cost plus a management fee during the production stage. During the development stage, the contracts with the unconsolidated mines' customers (other than the Coyote Creek customer) provide for reimbursement of actual costs incurred plus a monthly management fee. Coyote Creek's customer does not reimburse developments costs until the production stage, when deferred development costs are reimbursed over a 52-month period. During the production stage, the unconsolidated mines' customers pay on a cost-plus basis only for the coal they consume and use. As a result, reduced coal usage by customers for any reason, including but not limited to fluctuations in demand due to unanticipated weather conditions, scheduled and unscheduled power plant outages, economic conditions or governmental regulations, could have an adverse impact on the Company's results of operations. Because of the contractual price formulas for the sale of coal and mining services by these unconsolidated mines, the profitability of these operations is also subject to fluctuations in inflationary adjustments (or lack thereof) that can impact the per ton profit or management fee paid for the coal and taxes applicable to NACoal's income on that coal. In addition, any changes in tax laws that eliminate benefits for percentage depletion would have a material adverse effect on the Company. These factors could materially reduce NACoal's profitability.
NACoal’s consolidated mining operations are subject to risks created by its capital investment in the mines, the costs of mining the coal and the dragline mining equipment, in addition to risks created by changes in customer demand, inflationary adjustments and tax rates.
The consolidated mining operations are comprised of MLMC, Reed Minerals, dragline mining services, royalties from mineral leases to other mining companies and other activities. The profitability of these consolidated mining operations is subject to the risk of loss of its investment in these mining operations, changes in demand from customers, as well as increases in the cost of mining the coal. At MLMC and Reed Minerals, the costs of mining operations are not passed on to customers. As such, increased costs at MLMC and Reed Minerals could materially reduce NACoal's profitability. NACoal's operations are subject to changes in customer demand for any reason, including but not limited to fluctuations in demand due to unanticipated weather conditions, the emergence of unidentified adverse mining conditions, planned and unplanned power plant outages, economic conditions, including economic conditions that adversely affect the demand for steel, governmental regulations, inflationary adjustments and tax risks. In addition, any changes in tax laws that eliminate benefits for percentage depletion or eliminate the expensing of exploration and development costs would have a material adverse effect on the Company. These factors could materially reduce NACoal's profitability.
Mining operations are vulnerable to weather and other conditions that are beyond NACoal's control.
Many conditions beyond NACoal's control can decrease the delivery, and therefore the use, of coal to NACoal's customers. These conditions include weather, the emergence of unidentified adverse mining conditions, unexpected maintenance problems and shortages of replacement parts, which could significantly reduce the Company's profitability.
Government regulations could impose costly requirements on NACoal.
The coal mining industry is subject to regulation by federal, state and local authorities on matters concerning the health and safety of employees, land use, permit and licensing requirements, air and water quality standards, plant and wildlife protection, reclamation and restoration of mining properties after mining, the discharge of materials into the

environment, surface subsidence from underground mining and the effects that mining has on groundwater quality and availability. Legislation mandating certain benefits for current and retired coal miners also affects the industry. Mining operations require numerous governmental permits and approvals. NACoal is required to prepare and present to federal, state or local authorities data pertaining to the impact the production of coal may have upon the environment. The public, including non-governmental organizations, opposition groups and individuals, have statutory rights to comment upon and submit objections to requested permits and approvals. Compliance with these requirements may be costly and time-consuming and may delay commencement or continuation of development or production.

On July 21, 2010, the United States Congress passed the Dodd-Frank act, which resulted in the SEC adopting rules that will require NACoal to disclose on an annual basis, beginning in 2014, certain payments made by NACoal to the U.S. government and foreign governments, including sub-national governments. NACoal's efforts to comply with the Dodd-Frank act, the rules and regulations promulgated thereunder, and other new rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

New legislation and/or regulations and orders may materially adversely affect NACoal's mining operations or its cost structure. New legislation, including proposals related to environmental protection that would further regulate and tax the coal industry, may also require NACoal or its customers to change operations significantly or incur increased costs. Possible limitations on carbon emissions and requirements for a specific mix of fuel sources for energy generation methods may reduce potential coal demand. All of these factors could significantly reduce the Company's profitability.

NACoal is subject to federal and state mining regulations, which place a burden on it.

Federal and state statutes require NACoal to restore mine property in accordance with specified standards and an approved reclamation plan, and require that NACoal obtain and periodically renew permits for mining operations. Regulations require NACoal to incur the cost of reclaiming current mine disturbance. Although the Company believes that appropriate accruals have been recorded for all expected reclamation and other costs associated with closed mines, future profitability would be adversely affected if accruals for these costs are later determined to be insufficient or if changed conditions, including adverse judicial proceedings or revised assumptions, require a change in these reserves.

NACoal's operations are impacted by the Clean Air Act requirements affecting coal consumption.

The process of burning coal can cause many compounds and impurities in the coal to be released into the air; including sulfur dioxide, nitrogen oxides, mercury, particulate matter and others. The CAA and the corresponding state laws that extensively regulate the emissions of materials into the air affect coal mining operations both directly and indirectly. Direct impacts on coal mining operations occur through CAA permitting requirements and/or emission control requirements relating to air
contaminants, especially particulate matter. Indirect impacts on coal mining operations occur through regulation of the air emissions of sulfur dioxide, nitrogen oxides, mercury, particulate matter and other compounds emitted by coal-fired power plants. The EPA has promulgated or proposed regulations that impose tighter emission restrictions in a number of areas, some of which are currently subject to litigation. The general effect of tighter restrictions could be to reduce demand for coal. Any reduction in coal’s share of the capacity for power generation could have a material adverse effect on the Company’s business, financial condition and results of operations.

States are required to submit to the EPA revisions to their SIPs that demonstrate the manner in which the states will attain NAAQS every time a NAAQS is issued or revised by the EPA. The EPA has adopted NAAQS for several pollutants, which it continues to periodically review for revisions. When the EPA adopts new, more stringent NAAQS for a pollutant, some states have to change their existing SIPs. If a state fails to revise its SIP and obtain EPA approval, the EPA may adopt regulations to effect the revision. Coal mining operations and coal-fired power plants that emit particulate matter or other specified material are, therefore, affected by changes in the SIPs. Through this process over the last few years, the EPA has reduced the NAAQS for particulate matter, ozone, and nitrogen oxides. NACoal’s coal mining operations and utility customers may be directly affected when the revisions to the SIPs are made and incorporate new NAAQS for sulfur dioxide, nitrogen oxides, ozone and particulate matter. In response to a court remand of earlier rules to control the regional transport of sulfur dioxide and nitrogen oxides from coal-fired power plants and their impacts of downwind NAAQS areas, in mid-2011, the EPA finalized CSAPR to address interstate transport of pollutants. This affects states in the west, including Texas, whose emissions may travel to states in the eastern half of the United States. This rule imposes additional emission restrictions on coal-fired power plants to attain ozone and fine particulate NAAQS. On August 21, 2012 the U.S. Court of Appeals stuck down the CSAPR rule, effectively eliminating the new additional emission restrictions.

The CAA Acid Rain Control Provisions were promulgated as part of the CAA Amendments of 1990 in Title IV of the CAA. The Acid Rain Program required reductions of sulfur dioxide emissions from coal-fired power plants. The Acid Rain Program is now a mature program and the Company believes that any market impacts of the required controls have likely been factored into the coal market.

The EPA promulgated a regional haze program designed to protect and to improve visibility at and around Class I Areas, which are generally National Parks, National Wilderness Areas and International Parks. This program may restrict the construction of new coal-fired power plants whose operation may impair visibility at and around the Class I Areas. Additionally, the program requires certain existing coal-fired power plants to install additional control measures designed to limit haze-causing emissions, such as sulfur dioxide, nitrogen oxide and particulate matter. States were required to submit Regional Haze SIPs to the EPA by December 2007; however, many states did not meet that deadline.

Under the CAA, new and modified sources of air pollution must meet certain new source standards. In the late 1990s, the EPA filed lawsuits against many coal-fired power plants in the eastern United States alleging that the owners performed non-routine maintenance, causing increased emissions that should have triggered the application of these new source standards. Some of these lawsuits have been settled with the owners agreeing to install additional emission control devices in their coal-fired power plants. The remaining litigation and the uncertainty around the New Source Review Program rules could adversely impact demand for coal. Regardless of the outcome of litigation on either rule, stricter controls on emissions of sulfur dioxide, nitrogen oxide and mercury are likely. Any such controls may have an adverse impact on the demand for coal, which may have an adverse effect on NACoal’s business, financial condition or results of operations.

Under the CAA, the EPA also adopts national emission standards for hazardous air pollutants. In December 2011, the EPA adopted a final rule called MATS, which applies to new and existing coal-fired and oil-fired units. This requires mercury emission reductions, but also requires reductions in emissions of acid gases during fuel combustion, and additional reductions in fine particulates, which is being regulated as a surrogate for certain metals.

NACoal’s utility customers must incur substantial costs to control emissions to meet all of the CAA requirements, including the new requirements under CSAPR and the EPA's regional haze program. These costs could raise the price of coal-generated electricity, making coal-fired power less competitive with other sources of electricity, thereby reducing demand for coal. In addition, NACoal's utility customers may choose to close coal-fired generation units or to postpone or cancel plans to add new capacity, in light of not only these costs, but also of the adequacy of the time mandated for compliance with the new requirements and the prospects of the imposition of additional future requirements on emissions from coal-fired units. If NACoal cannot offset the cost to control mercury, acid gas and fine particulate emissions by lowering the costs of delivery of its coal on an energy equivalent basis or if NACoal's customers elect to close coal-fired units, the Company’s business, financial condition and results of operations could be materially adversely affected.

Global climate change continues to attract considerable public and scientific attention and a considerable amount of legislative and regulatory attention in the United States. Congress is considering climate change legislation that would reduce GHG emissions, particularly from coal combustion by power plants. The EPA has promulgated regulations to control GHG under the CAA without new legislation. Enactment of laws and passage of regulations regarding GHG emissions by the United States or some of its states, or other actions to limit carbon dioxide emissions, such as opposition by environmental groups to expansion or modification of coal-fired power plants, could result in electric generators switching from coal to other fuel sources.

Congress continues to consider a variety of proposals to reduce GHG emissions from the combustion of coal and other fuels. These proposals include emission taxes, emission reductions, including “cap-and-trade” programs, and mandates or incentives to generate electricity by using renewable resources, such as wind or solar power. Some states have established programs to reduce GHG emissions.

The EPA has begun to establish a GHG regulation program under the CAA by issuing a finding that the emission of six GHG, including carbon dioxide and methane, may reasonably be anticipated to endanger public health and welfare. On June 26, 2012 the U.S. Court of Appeals upheld this finding. Based on this finding, the EPA published a New Source Performance Standard for greenhouse gases, emitted from future new power plants, in 2012. The EPA is contemplating establishing greenhouse gas limits for existing power plants. This could impact coal-fired power plants and reduce the demand for coal.

The United States has not implemented the Kyoto Protocol, which became effective for many countries on February 16, 2005. The Kyoto Protocol was intended to limit or reduce emissions of GHG, such as carbon dioxide. The United States has not ratified the emission targets of the Kyoto Protocol or any other GHG agreement. Because the first Protocol commitment period ended in 2012, an amendment to extend the Kyoto Protocol was adopted in Doha, Qatar on December 8, 2012. The United States is not a signatory to the amendment. Even though the United States has not accepted these international GHG limiting treaties nor has it enacted domestic legislation to control GHG, numerous lawsuits and regulatory actions have been undertaken by states and environmental groups to try to force controls on the emission of carbon dioxide; or to prevent the construction of new coal-fired power plants. The implementation by the United States of an international agreement, the regulations promulgated to date by the EPA with respect to GHG emissions or the adoption of legislation to control GHG emissions, could have a materially adverse effect on the Company’s business, financial condition and results of operations.

NACoal is subject to the high costs and risks involved in the development of new coal and dragline mining projects.
From time to time, NACoal seeks to develop new coal and dragline mining projects. The costs and risks associated with such projects can be substantial. In addition, any changes in tax laws that eliminate the expensing of exploration and development costs will increase the cost of building a mine and make the cost of coal less competitive with other power generation fuels.

Hamilton Beach Brands

HBB's business is sensitive to the strength of the U.S. retail market and weakness in this market could adversely affect its business.

The strength of the retail economy in the United States has a significant impact on HBB's performance. Weakness in consumer confidence and poor financial performance by mass merchandisers, warehouse clubs, department stores or any of HBB's other customers would result in lost revenues. A general slowdown in the retail sector would result in additional pricing and marketing support pressures on HBB.

The market for HBB's products is highly seasonal and dependent on consumer spending, which could result in significant variations in the Company's revenues and profitability.

Sales of HBB's products are related to consumer spending. Any downturn in the general economy or a shift in consumer spending away from small electric household appliances would adversely affect its business. In addition, the market for small electric household appliances is highly seasonal in nature. HBB often recognizes a substantial portion of its sales in the last half of the year as sales of small electric appliances to retailers and consumers increase significantly with the fall holiday-selling season. Accordingly, quarter-to-quarter comparisons of past operating results of HBB are meaningful only when comparing equivalent time periods, if at all. Any economic downturn, decrease in consumer spending or a shift in consumer spending away from small electric household appliances may significantly reduce revenues and profitability.

HBB is dependent on key customers and the loss of, or significant decline in business from, one or more of its key customers could materially reduce its revenues and profitability and its ability to sustain or grow its business.

HBB relies on several key customers. Its five largest customers accounted for approximately 53%, 50% and 55% of revenues for the years ended December 31, 2012, 2011 and 2010, respectively. Wal-Mart accounted for approximately 31%, 30% and 36% of HBB's revenues in 2012, 2011 and 2010, respectively. Although HBB has long-established relationships with many customers, it does not have any long-term supply contracts with these customers, and purchases are generally made using individual purchase orders. A loss of any key customer could result in significant decreases in HBB's revenues and profitability and an inability to sustain or grow its business.

HBB must receive a continuous flow of new orders from its large, high-volume retail customers; however, it may be unable to continually meet the needs of those customers. In addition, failure to obtain anticipated orders or delays or cancellations of orders or significant pressure to reduce prices from key customers could impair its ability to sustain or grow its business.

As a result of dependence on its key customers, HBB could experience a material adverse effect on its revenues and profitability if any of the following were to occur:

- the insolvency or bankruptcy of any key customer;
- a declining market in which customers materially reduce orders or demand lower prices; or
- a strike or work stoppage at a key customer facility, which could affect both its suppliers and customers.

If HBB were to lose, or experience a significant decline in business from, any major retail customer or if any major retail customers were to go bankrupt, HBB might be unable to find alternate distribution sources.

HBB depends on third-party suppliers for the manufacturing of all of its products, which subjects the Company to risks, including unanticipated increases in expenses, decreases in revenues and disruptions in the supply chain.

HBB is dependent on third-party suppliers for the manufacturing of all of its products. HBB's ability to select reliable suppliers who provide timely deliveries of quality products will impact its success in meeting customer demand. Any inability of HBB's suppliers to timely deliver products that meet HBB's specifications or any unanticipated changes in suppliers could be disruptive and costly to the Company. Any significant failure by HBB to obtain quality products on a timely basis at an affordable cost or any significant delays or interruptions of supply would have a material adverse effect on the Company's profitability.

Because HBB's suppliers are primarily based in China, international operations subject the Company to additional risks including, among others:
•currency fluctuations;
•labor unrest;
•potential political, economic and social instability;
•lack of developed infrastructure;
•restrictions on transfers of funds;
•import and export duties and quotas;
•changes in domestic and international customs and tariffs;
•uncertainties involving the costs to transport products;
•long distance shipping routes dependent upon a small group of shipping and rail carriers;
•unexpected changes in regulatory environments;
•regulatory issues involved in dealing with foreign suppliers and in exporting and importing products;
•protection of intellectual property;
•difficulty in complying with a variety of foreign laws;
•difficulty in obtaining distribution and support; and
•potentially adverse tax consequences.
The foregoing factors could have a material adverse effect on HBB's ability to maintain or increase the supply of products, which may result in material increases in expenses and decreases in revenues.
Increases in costs of products may materially reduce the Company's profitability.
Factors that are largely beyond the Company's control, such as movements in commodity prices for the raw materials needed by suppliers of HBB's products, may affect the cost of products, and HBB may not be able to pass those costs on to its customers. As an example, HBB's products require a substantial amount of plastic. Because the primary resource used in plastic is petroleum, the cost and availability of plastic varies to a great extent with the price of petroleum. In recent years, the prices of petroleum, as well as steel, aluminum and copper, have increased significantly. These price increases may materially reduce the Company's profitability.
The increasing concentration of HBB's small electric household appliance sales among a few retailers and the trend toward private label brands could materially reduce revenues and profitability.
With the growing trend towards the concentration of HBB's small electric household appliance sales among a few retailers, HBB is increasingly dependent upon fewer customers whose bargaining strength is growing as a result of this concentration. HBB sells a substantial quantity of products to mass merchandisers, national department stores, variety store chains, drug store chains, specialty home retailers and other retail outlets. These retailers generally purchase a limited selection of small electric household appliances. As a result, HBB competes for retail shelf space with its competitors. In addition, certain of HBB's larger customers use their own private label brands on household appliances that compete directly with some of HBB's products. As the retailers in the small electric household appliance industry become more concentrated, competition for sales to these retailers may increase, which could materially reduce the Company's revenues and profitability.
The small electric household and commercial appliance industry is consolidating, which could reduce HBB's ability to successfully secure product placements at key customers and limit its ability to sustain a cost competitive position in the industry.
Over the past several years, the small electric household and commercial appliance industry has undergone substantial consolidation, and further consolidation is likely. As a result of this consolidation, the small electric household and commercial appliance industry primarily consists of a limited number of large distributors. To the extent that HBB does not continue to be a

major participant in the small electric household and commercial appliance industry, its ability to compete effectively with these larger distributors could be negatively impacted. As a result, this condition could reduce HBB's ability to successfully secure product placements at key customers and limit the ability to sustain a cost competitive position in the industry.

HBB's inability to compete effectively with competitors in its industry, including large established companies with greater resources, could result in lost market share and decreased revenues.

The small electric household and commercial appliance industry does not have onerous entry barriers. As a result, HBB competes with many small manufacturers and distributors of housewares products. Additional competitors may also enter this market and cause competition to intensify. For example, some of HBB's customers have expressed interest in sourcing, or expanding the extent of sourcing, small electric household and commercial appliances directly from manufacturers in Asia. The Company believes competition is based upon several factors, including product design and innovation, quality, price, product features, merchandising, promotion and warranty. If HBB fails to compete effectively with these manufacturers and distributors, it could lose market share and experience a decrease in revenues, which would adversely affect the Company's results of operations.

HBB also competes with established companies, a number of which have substantially greater facilities, personnel, financial and other resources. In addition, HBB competes with retail customers, who use their own private label brands, and importers and foreign manufacturers of unbranded products. Some competitors may be willing to reduce prices and accept lower profit margins to compete with HBB. As a result of this competition, HBB could lose market share and revenues.

Government regulations could impose costly requirements on HBB.

The SEC adopted conflict mineral rules under Section 1502 of Dodd-Frank on August 22, 2012. The rules require disclosure of the use of certain minerals, known as "conflict minerals," which are mined from the DRC and adjoining countries. The new rules will require HBB to engage in due diligence efforts for the 2013 calendar year, with initial disclosures required no later than May 31, 2014, and subsequent disclosures required no later than May 31 of each following year. HBB expects that it will incur additional costs and expenses, which may be significant, in order to comply with these rules, including (i) due diligence to verify the sources of such conflict minerals; and (ii) any changes that HBB may make to its products, processes, or sources of supply as a result of such diligence and verification activities. Since HBB's supply chain is complex, ultimately it may not be able to designate all products as "DRC conflict free" which may adversely affect its reputation with certain customers. In such event, HBB may also face difficulties in satisfying customers who require products purchased from HBB to be "DRC conflict free". If HBB is not able to meet such requirements, customers may choose not to purchase HBB products, which could adversely affect sales and the value of portions of HBB's inventory. Further, there may be only a limited number of suppliers offering products containing only DRC conflict free parts, components and subassemblies and, as a result, HBB cannot be sure that it will be able to satisfy its purchase requirements, from such suppliers in sufficient quantities or at competitive prices. Any one or a combination of these various factors could harm HBB's business, which would adversely affect HBB's results of operations.

Kitchen Collection

The market for KC's products is highly seasonal and dependent on consumer spending, which could result in significant variations in the Company's revenues and profitability.

Sales of products sold at KC stores are subject to a number of factors related to consumer spending, including general economic conditions affecting disposable consumer income such as unemployment rates, business conditions, interest rates, levels of consumer confidence, energy prices, mortgage rates, the level of consumer debt and taxation. A weak economic environment, a worsening of the general economy or a shift in consumer spending will adversely affect KC's business. In addition, KC often recognizes a substantial portion of its revenues and operating profit in the last half of the year as sales to consumers increase significantly with the fall holiday-selling season. Accordingly, any economic downturn, decrease in consumer spending or a shift in consumer spending away from KC's products could significantly reduce, or cause significant variations in, KC's revenues and profitability.

KC faces an extremely competitive specialty retail market, and such competition could result in a reduction of KC's prices and loss of market share.

The retail market is highly competitive. KC competes against a diverse group of retailers, including specialty stores, department stores, discount stores and internet and catalog retailers. Widespread sourcing of products allows many retailers to offer value-priced kitchen products. Many of KC's competitors are larger and have significantly greater financial, marketing and other resources. This competition could result in the reduction of KC product prices and a loss of market share.



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KC may not be able to forecast customer preferences accurately in its merchandise selections.

KC's success depends in part on its ability to anticipate the tastes of its customers and to provide merchandise that appeals to their preferences. KC's strategy requires merchandising staff to introduce products that meet current customer preferences and that are affordable and distinctive in quality and design. KC's failure to anticipate, identify or react appropriately to changes in consumer trends could cause excess inventories and higher mark-downs or a shortage of products and could harm KC's business and operating results.

KC depends on third-party suppliers for all of its products, which subjects KC to risks, including unanticipated increases in expenses, decreases in revenues and disruptions in the supply chain.

KC is dependent on third-party suppliers for all of its products. KC's ability to select reliable suppliers who provide timely deliveries of quality products will impact its success in meeting customer demand. Any inability of KC's suppliers to timely deliver products or any unanticipated changes in suppliers could be disruptive and costly to KC. The loss of a supplier could, in the short term, adversely affect KC’s business until alternative supply arrangements are secured. In addition, KC may not be able to acquire desired merchandise in sufficient quantities on acceptable terms in the future. KC's business would also be adversely affected by any delays in product shipments due to freight difficulties, strikes or other difficulties at its principal transport providers. Any significant failure by KC to obtain products on a timely basis at an affordable cost or any significant delays or interruptions of supply would have a material adverse effect on KC's profitability.

Increases in health insurance costs could adversely impact KC's profitability.

The costs of employee health care insurance have been increasing in recent years due to rising health care costs, legislative changes, and general economic conditions. The Patient Protection and Affordable Care Act, as amended, and related legislation (collectively, the “Health Care Reform Laws”) that were signed into law in March 2010, with varied effective dates may require KC to provide health care insurance to certain part-time employees that would not otherwise have participated in KC's health care insurance plan. As a result, KC may incur additional costs. A continued increase in health care costs or additional costs incurred as a result of the Health Care Reform Laws could have a negative impact on KC's profitability.

General

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

Because the Company has employees, property and business operations outside of the United States, the Company is subject to the laws and the court systems of many jurisdictions. The Company may become subject to claims outside the United States based in foreign jurisdictions for violations of their laws with respect to the foreign operations of NACoal and HBB. In addition, these laws may be changed or new laws may be enacted in the future. International litigation is often expensive, time consuming and distracting. As a result, any of these risks could significantly reduce the Company's profitability and its ability to operate its businesses effectively.

The Company is dependent on key personnel and the loss of these key personnel could significantly reduce its profitability.

The Company is highly dependent on the skills, experience and services of its respective key personnel and the loss of key personnel could have a material adverse effect on its business, operating results and financial condition. Employment and retention of qualified personnel is important to the successful conduct of the Company's business. Therefore, the Company's success also depends upon its ability to recruit, hire, train and retain additional skilled and experienced management personnel. The Company's inability to hire and retain personnel with the requisite skills could impair its ability to manage and operate its business effectively and could significantly reduce its profitability.

The amount and frequency of dividend payments made on NACCO's common stock could change.

The Board of Directors has the power to determine the amount and frequency of the payment of dividends. Decisions regarding whether or not to pay dividends and the amount of any dividends are based on earnings, capital and future expense requirements, financial conditions, contractual limitations and other factors the Board of Directors may consider. Accordingly, holders of NACCO's common stock should not rely on past payments of dividends in a particular amount as an indication of the amount of dividends that will be paid in the future.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

A. NACCO

NACCO leases office space in Mayfield Heights, Ohio, a suburb of Cleveland, Ohio, that serves as its corporate headquarters.

B. NACoal

NACoal leases its corporate headquarters office space in Plano, Texas. NACoal's proven and probable coal reserves and deposits (owned in fee or held under leases, which generally remain in effect until exhaustion of the reserves if mining is in progress) are estimated at approximately 2.2 billion tons (including the unconsolidated mining operations), all of which are lignite coal deposits, except for approximately 57.5 million tons of bituminous coal. Reserves are estimates of quantities of coal, made by NACoal's geological and engineering staff, which are considered mineable in the future using existing operating methods. Developed reserves are those which have been allocated to mines which are in operation; all other reserves are classified as undeveloped. Information concerning mine type, reserve data and coal quality characteristics for NACoal's properties are set forth on the table on pages 4 and 5 under "Item 1. Business — A. North American Coal — Sales, Marketing and Operations."

C. Hamilton Beach Brands

The following table presents the principal distribution and office facilities owned or leased by HBB:

| Facility Location | Owned/ Leased | Function(s) |
|---|---|---|
| Glen Allen, Virginia | Leased | Corporate headquarters |
| Geel, Belgium | (1) | Distribution center |
| Hong Kong, People's Republic of China | (1) | Distribution center |
| Mexico City, Mexico | Leased | Mexico sales and administrative headquarters |
| Tlalnepantla de Baz, Mexico | (1) | Distribution center |
| Olive Branch, Mississippi | Leased | Distribution center |
| Picton, Ontario, Canada | Leased | Distribution center |
| Southern Pines, North Carolina | Owned | Service center for customer returns; catalog distribution center; parts distribution center |
| Shenzhen, China | Leased | Administrative office |
| Markham, Ontario, Canada | Leased | Canada sales and administration headquarters |

(1) This facility is not owned or leased by HBB. This facility is managed by a third-party distribution provider.

Sales offices are also leased in several cities in the United States, Canada and Mexico.

D. The Kitchen Collection

KC leases its corporate headquarters building and the KC warehouse/distribution facility in Chillicothe, Ohio. KC leases its retail stores. A typical Kitchen Collection® store is approximately 3,000 square feet and a typical Le Gourmet Chef® store is approximately 4,300 square feet. At December 31, 2012, there were 261 Kitchen Collection® stores and 51 Le Gourmet Chef® stores. The Kitchen Collection® store count at December 31, 2012 does not include 34 stores that were only open for the holiday-selling season.

Item 3. LEGAL PROCEEDINGS

Neither the Company nor any of its subsidiaries is a party to any material legal proceeding other than ordinary routine litigation incidental to its respective business.

Item 4. MINE SAFETY DISCLOSURES

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 filed to this Form 10-K.

Item 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The information under this Item is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

There exists no arrangement or understanding between any executive officer and any other person pursuant to which such executive officer was elected. Each executive officer serves until his or her successor is elected and qualified.

The following tables set forth the name, age, current position and principal occupation and employment during the past five years of the Company’s executive officers. Certain executive officers of the Company listed below are also executive officers for certain of NACCO's subsidiaries.

EXECUTIVE OFFICERS OF THE COMPANY

| Name | Age | Current Position | Other Positions |
| --- | --- | --- | --- |
| Alfred M. Rankin, Jr. | 71 | Chairman, President and Chief Executive Officer of NACCO (from prior to 2008), Chairman of HBB (from January 2010), Chairman of KC (from January 2010), Chairman of NACoal (from February 2010) | Chairman, President and Chief Executive Officer of Hyster-Yale (from September 2012). From October 2008 to September 2012, Chairman of NACCO Materials Handling Group, Inc. |
| J.C. Butler, Jr. | 52 | Senior Vice President - Finance, Treasurer and Chief Administrative Officer of NACCO (from September 2012), Senior Vice President - Project Development and Administration of NACoal (from January 2010). | From prior to 2008 to September 2012, Vice President - Corporate Development and Treasurer of NACCO. From September 2011 to September 2012, Treasurer of NACCO Materials Handling Group, Inc. From May 2008 to January 2010, Senior Vice President - Project Development of NACoal. |
| Mark E. Barrus | 51 | Vice President and Controller (from February 2013) | From prior to 2008, Partner, KPMG LLP (an international accounting firm). |
| John D. Neumann | 37 | Vice President, General Counsel and Secretary of NACCO (from September 2012), Vice President, General Counsel and Secretary of NACoal (from January 2011). | From March 2009 to December 2010, Assistant General Counsel and Assistant Secretary of NACoal. From prior to 2008 to February 2009, associate, Jones Day (law firm). |

PRINCIPAL OFFICERS OF THE COMPANY'S SUBSIDIARIES

A. NACOAL

| Name | Age | Current Position | Other Positions |
|---|---|---|---|
| Robert L. Benson | 65 | President and Chief Executive Officer of NACoal (from prior to 2008) | |
| Michael J. Gregory | 65 | Vice President - International Operations and Special Projects of NACoal (from August 2010) | From May 2008 to August 2010, Vice President - Engineering, Human Resources and International Operations of NACoal. From prior to 2008 to May 2008, Vice President - Southern Operations and Human Resources of NACoal. |
| K. Donald Grischow | 65 | Treasurer of NACoal (from prior to 2008) | |
| Thomas A. Koza | 66 | Vice President, Senior Counsel and Assistant Secretary of NACoal (from January 2011) | From prior to 2008 to December 2010, Vice President - Law and Administration, and Secretary of NACoal. |
| John R. Pokorny | 57 | Controller of NACoal (from October 2009) | From prior to 2008 to October 2009, Director of Accounting and Financial Planning of NACoal. |
| Harry B. Tipton III | 55 | Vice President - Engineering, and Louisiana and Mississippi Operations of NACoal (from September 2010) | From prior to 2008 to September 2010, General Manager of Mississippi Lignite Mining Company. |

PRINCIPAL OFFICERS OF THE COMPANY'S SUBSIDIARIES

B. HBB

| Name | Age | Current Position | Other Positions |
|---|---|---|---|
| Gregory H. Trepp | 51 | President and Chief Executive Officer of HBB (from January 2010), Chief Executive Officer of KC (from January 2010) | From June 2008 to January 2010, Vice President, Global Marketing of HBB. From prior to 2008 to June 2008, Vice President, Marketing of HBB. From April 2009 to January 2010, Interim President and Chief Executive Officer of KC. |
| Keith B. Burns | 56 | Vice President, Engineering and Information Technology of HBB (from June 2008) | From prior to 2008 to June 2008, Vice President — Engineering and New Product Development of HBB. |
| Kathleen L. Diller | 61 | Vice President, General Counsel and Secretary of HBB (from prior to 2008) | |
| Richard E. Moss | 49 | Senior Director, Finance and Treasurer of HBB (from January 2011) | From March 2009 to December 2010, Senior Director Finance and Credit of HBB. From prior to 2008 to February 2009, Director Financial Planning and Analysis of HBB. |
| Gregory E. Salyers | 52 | Senior Vice President, Global Operations of HBB (from January 2010) | From prior to 2008 to January 2010, Vice President, Global Operations of HBB. |
| James H. Taylor | 55 | Vice President and Chief Financial Officer of HBB (from January 2011) | From prior to 2008 to January 2011, Vice President, Chief Financial Officer and Treasurer of HBB. |
| R. Scott Tidey | 48 | Senior Vice President, North America Sales and Marketing of HBB (from January 2010) | From July 2008 to January 2010, Vice President, North America Sales of HBB. From prior to 2008 to July 2008, Vice President, U.S. Consumer Sales of HBB. |

C. KC

| Name | Age | Current Position | Other Positions |
|---|---|---|---|
| Richard R. Chene, Jr. | 50 | President of KC (from February 2011) | From July 2008 to January 2011, Vice President, General Merchandising Manager - Dog, PETCO Animal Supplies, Inc. (a pet supply company). From prior to 2008 to April 2008, Divisional Merchandising Manager - Bed, Bath, Window, Rug and Storage, Sears Holdings Corporation (a national retailer). |

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

NACCO's Class A common stock is traded on the New York Stock Exchange under the ticker symbol "NC." Because of transfer restrictions, no trading market has developed, or is expected to develop, for the Company's Class B common stock. The Class B common stock is convertible into Class A common stock on a one-for-one basis.

On September 28, 2012, the Company spun-off Hyster-Yale, a former subsidiary. To complete the spin-off, the Company distributed one share of Hyster-Yale Class A common stock and one share of Hyster-Yale Class B common stock to NACCO stockholders for each share of NACCO Class A common stock or Class B common stock owned.
The high and low sales prices for the Class A common stock and dividends per share for both classes of common stock for each quarter during the past two years are presented in the table below:

| | 2012 | | |
|---|---|---|---|
| | Sales Price | | |
| | High | Low | Cash Dividend (2) |
| Fourth quarter (1) | $60.96 | $41.04 | $3.7500 |
| Third quarter | $129.20 | $97.95 | $0.5475 |
| Second quarter | $119.31 | $97.54 | $0.5475 |
| First quarter | $119.25 | $88.39 | $0.5325 |
| | 2011 | | |
| | Sales Price | | |
| | High | Low | Cash Dividend |
| Fourth quarter | $92.98 | $56.53 | $0.5325 |
| Third quarter | $103.70 | $60.01 | $0.5325 |
| Second quarter | $111.95 | $86.55 | $0.5325 |
| First quarter | $132.69 | $91.11 | $0.5225 |

(1) On September 28, 2012, the Company spun-off Hyster-Yale, a former subsidiary. To complete the spin-off, the Company distributed one share of Hyster-Yale Class A common stock and one share of Hyster-Yale Class B common stock to NACCO stockholders for each share of NACCO Class A common stock or Class B common stock owned.

(2) The fourth quarter dividend included a regular quarterly cash dividend of 25 cents per share and a one-time special cash dividend of $3.50 per share. The 25 cent dividend paid in the fourth quarter of 2012 was the first regular quarterly dividend following the spin-off of Hyster-Yale.

At December 31, 2012, there were approximately 810 Class A common stockholders of record and approximately 200 Class B common stockholders of record. See Note 18 to Consolidated Financial Statements contained elsewhere in this Form 10-K for a discussion of the amount of NACCO's investment in subsidiaries that was restricted at December 31, 2012.

Sales of Unregistered Company Stock

Pursuant to the Non-Employee Directors' Equity Compensation Plan, the Company issued an aggregate of 7,882 shares of its Class A common stock on January 1, 2012, April 1, 2012, July 1, 2012 and October 1, 2012 for payment of a portion of the directors' annual retainer fee. In addition, pursuant to the terms of such plan, directors may elect to receive shares of Class A common stock in lieu of cash for up to 100% of the balance of their annual retainer, meeting attendance fees and any committee chairman's fees. An aggregate of 2,078 shares of Class A common stock were issued under voluntary elections on January 1, 2012, April 1, 2012, July 1, 2012 and October 1, 2012. The issuance of these unregistered shares qualifies as an exempt transaction pursuant to Section 4(2) of the Securities Act of 1933.
Pursuant to the Non-Employee Directors' Equity Compensation Plan, the Company issued an aggregate of 4,016 shares of its Class A common stock on January 1, 2011, April 1, 2011, July 1, 2011 and October 1, 2011 for payment of a portion of the directors' annual retainer fee. In addition, pursuant to the terms of such plan, directors may elect to receive shares of Class A common stock in lieu of cash for up to 100% of the balance of their annual retainer, meeting

attendance fees and any committee chairman's fees. An aggregate of 1,109 shares of Class A common stock were issued under voluntary elections on January 1,

2011, April 1, 2011, July 1, 2011 and October 1, 2011. The issuance of these unregistered shares qualifies as an exempt transaction pursuant to Section 4(2) of the Securities Act of 1933.
Pursuant to the Non-Employee Directors’ Equity Compensation Plan, the Company issued an aggregate of 3,516 shares of its Class A common stock on January 1, 2010, April 1, 2010, July 1, 2010 and October 1, 2010 for payment of a portion of the directors’ annual retainer fee. In addition, pursuant to the terms of such plan, directors may elect to receive shares of Class A common stock in lieu of cash for up to 100% of the balance of their annual retainer, meeting attendance fees and any committee chairman's fees. An aggregate of 1,062 shares of Class A common stock were issued under voluntary elections on January 1, 2010, April 1, 2010, July 1, 2010 and October 1, 2010. The issuance of these unregistered shares qualifies as an exempt transaction pursuant to Section 4(2) of the Securities Act of 1933.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers
Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of the Publicly Announced Program | (d) Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Program (1) |
|---|---|---|---|---|
| Month #1 (October 1 to 31, 2012) | — | — | — | $47,359,610 |
| Month #2 (November 1 to 30, 2012) | — | — | — | $47,359,610 |
| Month #3 (December 1 to 31, 2012) | 44,223 | $58.76 | 44,223 | $44,761,058 |
| Total | 44,223 | $58.76 | 44,223 | $44,761,058 |

(1) On November 8, 2011, the Company announced that the Company's Board of Directors approved the repurchase of up to $50 million of the Company's outstanding Class A common stock. The timing and amount of any repurchases will be determined at the discretion of the Company's management based on a number of factors, including the availability of capital, other capital allocation alternatives and market conditions for the Company's Class A common stock. The original authorization for the repurchase program expired on December 31, 2012; however, in November 2012 the Company's Board of Directors approved an extension of the stock repurchase program through December 31, 2013. The share repurchase program does not require the Company to acquire any specific number of shares. It may be modified, suspended, extended or terminated by the Company at any time without prior notice and may be executed through open market purchases, privately negotiated transactions or otherwise. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which would allow repurchases under pre-set terms at times when the Company might otherwise be prevented from doing so. As of December 31, 2012, the Company had repurchased $5.2 million of Class A common stock under this program.

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Item 6. SELECTED FINANCIAL DATA

| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011[2] | 2010[2] | 2009[2] | 2008[1][2] |
| | (In millions, except per share data) | | | | |
| Operating Statement Data: | | | | | |
| Revenues | $873.4 | $790.4 | $885.6 | $835.4 | $840.8 |
| Operating profit (loss) | $67.5 | $64.1 | $94.2 | $90.3 | $(45.5) |
| Income (loss) from continuing operations | $42.2 | $79.5 | $47.1 | $51.6 | $(63.9) |
| Discontinued operations, net of tax[3][4] | 66.5 | 82.6 | 32.4 | (20.5) | (373.7) |
| Net income (loss) | $108.7 | $162.1 | $79.5 | $31.1 | $(437.6) |
| Basic earnings (loss) per share: | | | | | |
| Continuing operations | $5.04 | $9.49 | $5.66 | $6.22 | $(7.71) |
| Discontinued operations[3][4] | 7.93 | 9.85 | 3.89 | (2.47) | (45.13) |
| Basic earnings (loss) per share | $12.97 | $19.34 | $9.55 | $3.75 | $(52.84) |
| Diluted earnings (loss) per share: | | | | | |
| Continuing operations | $5.02 | $9.46 | $5.65 | $6.22 | $(7.71) |
| Discontinued operations[3][4] | 7.90 | 9.82 | 3.88 | (2.47) | (45.13) |
| Diluted earnings (loss) per share | $12.92 | $19.28 | $9.53 | $3.75 | $(52.84) |

(1) During the fourth quarter of 2008, the Company's stock price significantly declined compared with previous periods and the Company's market value of equity was below its book value of tangible assets and the book value of equity. The Company performed an interim impairment test, which indicated that goodwill and certain other intangibles were impaired at December 31, 2008. Therefore, the Company recorded a non-cash impairment charge of $435.7 million during the fourth quarter of 2008, of which $84.6 million is included in continuing operations and $351.1 million is included in discontinued operations.

(2) In 2006, the Company initiated litigation in the Delaware Chancery Court against Applica Incorporated ("Applica") and individuals and entities affiliated with Applica's shareholder, Harbinger Capital Partners Master Fund, Ltd. The litigation alleged a number of contract and tort claims against the defendants related to the Company's failed transaction with Applica, which had been previously announced. On February 14, 2011, the parties to this litigation entered into a settlement agreement. The settlement agreement provided for, among other things, the payment of $60 million to the Company and dismissal of the lawsuit with prejudice. The payment was received in February 2011. Litigation costs related to this matter were $2.8 million, $18.8 million, $1.1 million and $0.8 million in 2011, 2010, 2009 and 2008, respectively.

(3) During 2012, NACCO spun-off Hyster-Yale, a former subsidiary. The results of operations of Hyster-Yale are reflected as discontinued operations in the table above.

(4) During 2009, NACoal completed the sale of certain assets of the Red River Mining Company (“Red River”). The results of operations of Red River are reflected as discontinued operations in the table above.

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| | Year Ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2012 [3] | 2011 | 2010 | 2009 | 2008 [1] |
| | (In millions, except per share and employee data) | | | | |
| Balance Sheet Data at December 31: | | | | | |
| Total assets [3] | $776.3 | $1,808.7 | $1,670.9 | $1,497.4 | $1,702.3 |
| Long-term debt [3] | $135.4 | $74.5 | $139.8 | $148.4 | $170.6 |
| Stockholders' equity | $281.4 | $576.2 | $447.4 | $396.6 | $356.7 |
| Cash Flow Data: | | | | | |
| Provided by operating activities [5] | $143.1 | $155.2 | $63.1 | $157.0 | $4.9 |
| Provided by (used for) investing activities [5] | $(74.2) | $(32.7) | $(5.8) | $23.1 | $(71.4) |
| Used for financing activities [5] | $(123.4) | $(42.0) | $(43.3) | $(64.1) | $(83.2) |
| Other Data: | | | | | |
| Per share data: | | | | | |
| Cash dividends [4] | $5.378 | $2.120 | $2.085 | $2.068 | $2.045 |
| Market value at December 31 | $60.69 | $89.22 | $108.37 | $49.80 | $37.41 |
| Stockholders' equity at December 31 | $33.69 | $68.81 | $53.69 | $47.82 | $43.05 |
| Actual shares outstanding at December 31 | 8.353 | 8.374 | 8.333 | 8.294 | 8.286 |
| Basic weighted average shares outstanding | 8.384 | 8.383 | 8.328 | 8.290 | 8.281 |
| Diluted weighted average shares outstanding | 8.414 | 8.408 | 8.344 | 8.296 | 8.281 |
| Total employees at December 31[2] | 4,300 | 4,000 | 3,900 | 4,100 | 3,800 |

(1) During the fourth quarter of 2008, the Company's stock price significantly declined compared with previous periods and the Company's market value of equity was below its book value of tangible assets and the book value of equity. The Company performed an interim impairment test, which indicated that goodwill and certain other intangibles were impaired at December 31, 2008. Therefore, the Company recorded a non-cash impairment charge of $435.7 million during the fourth quarter of 2008, of which $84.6 million is included in continuing operations and $351.1 million is included in discontinued operations.

(2) Includes employees of Reed Minerals in 2012 and the unconsolidated mines for all years presented. Excludes employees of Hyster-Yale and Red River for all years presented.

(3) During 2012, the Company spun-off Hyster-Yale, a former subsidiary.

(4) 2012 cash dividends includes a one-time special cash dividend of $3.50 per share. The 25 cent dividend paid in the fourth quarter of 2012 was the first regular quarterly dividend following the spin-off of Hyster-Yale.

(5) Includes both continuing operations and discontinued operations.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO INDUSTRIES, INC. AND SUBSIDIARIES
(Tabular Amounts in Millions, Except Per Share and Percentage Data)

OVERVIEW

NACCO Industries, Inc. (the parent company or “NACCO”) and its wholly owned subsidiaries (collectively, the “Company”) operate in the following principal industries: mining, small appliances and specialty retail. Results of operations and financial condition are discussed separately by subsidiary, which corresponds with the industry groupings.

The North American Coal Corporation and its affiliated coal companies (collectively, “NACoal”) mine and market steam and metallurgical coal for use in power generation and steel production and provide selected value-added mining services for other natural resources companies. Hamilton Beach Brands, Inc. (“HBB”) is a leading designer, marketer and distributor of small electric household appliances primarily in the United States, Canada, Mexico and Latin America, as well as commercial products for restaurants, bars and hotels. The Kitchen Collection, LLC (“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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities (if any). On an ongoing basis, the Company evaluates its estimates based on historical experience, actuarial valuations and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition: Revenues are generally recognized when title transfers and risk of loss passes to the customer. Under its mining contracts, the Company recognizes revenue as the coal or limerock is delivered. Revenues at HBB are recognized when customer orders are completed and shipped. Revenues at KC are recognized at the point of sale when payment is made and customers take possession of the merchandise in stores. Reserves for discounts and returns are maintained for anticipated future claims at HBB and KC. The accounting policies used to develop these product discounts and returns include:

Product discounts: The Company records estimated reductions to revenues for customer programs and incentive offerings, including special pricing agreements, price competition, promotions and other volume-based incentives. At HBB, net sales represent gross sales less cooperative advertising, other volume-based incentives, estimated returns and allowances for defective products. At KC, retail markdowns are incorporated into KC's retail method of accounting for cost of sales. If market conditions were to decline or if competition was to increase, the Company may take actions to increase customer incentive offerings, possibly resulting in an incremental reduction of revenues at the time the incentive is offered. If the Company's estimates of customer programs and incentives were one percent higher than the levels offered during 2012, the reserves for product discounts would increase and revenues would be reduced by $0.1 million. The Company's past results of operations have not been materially affected by a change in the estimate of product discounts and although there can be no assurances, the Company is not aware of any circumstances that would be reasonably likely to materially change its estimates in the future.

Product returns: Products generally are not sold with the right of return. However, based on the Company's historical experience, a portion of products sold are estimated to be returned due to reasons such as buyer remorse, duplicate gifts received, product failure and excess inventory stocked by the customer which, subject to certain terms and conditions, the Company will agree to accept. The Company records estimated reductions to revenues at the time of sale based on this historical experience and the limited right of return provided to certain customers. If future trends were to change significantly from those experienced in the past, incremental reductions to revenues may result based on this new experience. If the Company's estimate of average return rates for each type of product sold were to increase by one percent over historical levels, the reserves for product returns would increase and revenues would be reduced by less than $0.2 million. The Company's past results of operations have not been materially affected by a change in the estimate of product returns and although there can be no assurances, the Company is not aware of any circumstances that would be reasonably likely to materially change its estimates in the future.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
NACCO INDUSTRIES, INC. AND SUBSIDIARIES
(Tabular Amounts in Millions, Except Per Share and Percentage Data)

Retirement benefit plans: The Company maintains various defined benefit pension plans that provide benefits based on years of service and average compensation during certain periods. Pension benefits are frozen for all employees other than certain NACoal unconsolidated mines' employees. All other eligible employees of the Company, including employees whose pension benefits are frozen, receive retirement benefits under defined contribution retirement plans. The Company's policy is to periodically make contributions to fund the defined benefit pension plans within the range allowed by applicable regulations. The defined benefit pension plan assets consist primarily of publicly traded stocks and government and corporate bonds. There is no guarantee the actual return on the plans' assets will equal the expected long-term rate of return on plan assets or that the plans will not incur investment losses.

The expected long-term rate of return on defined benefit plan assets reflects management's expectations of long-term rates of return on funds invested to provide for benefits included in the projected benefit obligations. In establishing the expected long-term rate of return assumption for plan assets, the Company considers the historical rates of return over a period of time that is consistent with the long-term nature of the underlying obligations of these plans as well as a forward-looking rate of return. The historical and forward-looking rates of return for each of the asset classes used to determine the Company's estimated rate of return assumption were based upon the rates of return earned or expected to be earned by investments in the equivalent benchmark market indices for each of the asset classes.

Expected returns for pension plans are based on a calculated market-related value of assets. Under this methodology, asset gains and losses resulting from actual returns that differ from the Company's expected returns are recognized in the market-related value of assets ratably over three years.

The Company also maintains health care plans which provide benefits to eligible retired employees. All health care plans of the Company have a cap on the Company's share of the costs. These plans have no assets. Under the Company's current policy, plan benefits are funded at the time they are due to participants. Effective June 30, 2010, the parent company eliminated its subsidized retiree medical plan. Effective September 1, 2010, HBB eliminated its retiree life insurance plan. The Company no longer maintains any retiree life insurance plans.

The basis for the selection of the discount rate for each plan is determined by matching the timing of the payment of the expected obligations under the defined benefit plans and health care plans against the corresponding yield of high-quality corporate bonds of equivalent maturities.

Changes to the estimate of any of these factors could result in a material change to the Company's pension obligation causing a related increase or decrease in reported net operating results in the period of change in the estimate. Because the 2012 assumptions are used to calculate 2013 pension expense amounts, a one percentage-point change in the expected long-term rate of return on plan assets would result in a change in pension expense for 2013 of approximately $0.6 million for the plans. A one percentage-point change in the discount rate would result in a change in pension expense for 2013 by approximately $0.4 million. A one percentage-point increase in the discount rate would have lowered the plans' projected benefit obligation as of the end of 2012 by approximately $7.1 million; while a one percentage-point decrease in the discount rate would have raised the plans' projected benefit obligation as of the end of 2012 by approximately $8.6 million.

See Note 15 to the Consolidated Financial Statements in this Form 10-K for further discussion of the Company's retirement benefit plans.

Self-insurance liabilities: The Company is generally self-insured for product liability, environmental liability, medical claims, certain workers' compensation claims and certain closed mine liabilities. For product liability, catastrophic insurance coverage is retained for potentially significant individual claims. An estimated provision for claims reported and for claims incurred but not yet reported under the self-insurance programs is recorded and revised periodically based on industry trends, historical experience and management judgment. In addition, industry trends are considered within management's judgment for valuing claims. Changes in assumptions for such matters as legal judgments and settlements, inflation rates, medical costs and actual experience could cause estimates to change in the near term.

Changes in any of these factors could materially change the Company's estimates for these self-insurance obligations causing a related increase or decrease in reported net operating results in the period of change in the estimate.
Accounting for Asset Retirement Obligations: The Company's asset retirement obligations are principally for costs to dismantle certain mining equipment as well as for costs to close its surface mines and reclaim the land it has disturbed as a result of its normal mining activities. Under certain federal and state regulations, the Company is required to reclaim land disturbed as a result of mining. The Company determined the amounts of these obligations based on estimates adjusted for

inflation, projected to the estimated closure dates, and then discounted using a credit-adjusted risk-free interest rate. Changes in any of these estimates could materially change the Company's estimates for these asset retirement obligations causing a related increase or decrease in reported net operating results in the period of change in the estimate. The accretion of the liability is being recognized over the estimated life of each individual asset retirement obligation. The Company has capitalized an asset's retirement cost as part of the cost of the related long-lived asset. These capitalized amounts are subsequently allocated to expense using a systematic and rational method.

Bellaire Corporation ("Bellaire") is a non-operating subsidiary of the Company with legacy liabilities relating to closed mining operations, primarily former Eastern U.S. underground coal mining operations. These legacy liabilities include obligations for water treatment and other environmental remediation that arose as part of the normal course of closing these underground mining operations. The Company determined the amounts of these obligations based on estimates adjusted for inflation and then discounted using a credit-adjusted risk-free interest rate. The accretion of the liability is recognized over the estimated life of the asset retirement obligation. Since Bellaire's properties are no longer active operations, no associated asset has been capitalized. Changes in any of these estimates could materially change the Company's estimates for these asset retirement obligations causing a related increase or decrease in reported net operating income in the period of change in the estimate.

Inventory reserves: The Company writes down its inventory to the lower of cost or market, which includes an estimate for obsolescence or excess inventory based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required. Upon a subsequent sale or disposal of the impaired inventory, the corresponding reserve for impaired value is relieved to ensure that the cost basis of the inventory reflects any write-downs. An impairment in value of one percent of net inventories would result in additional expense of approximately $1.7 million.

Allowances for doubtful accounts: The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. These allowances are based on both recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire customer pool. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. An impairment in value of one percent of net accounts receivable would require an increase in the allowance for doubtful accounts and would result in additional expense of approximately $1.5 million.

Income taxes: Tax law requires certain items to be included in the tax return at different times than the items are reflected in the financial statements. Some of these differences are permanent, such as expenses that are not deductible for tax purposes, and some differences are temporary, reversing over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities. The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year, and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the financial statements or tax returns.

The Company's tax assets, liabilities, and tax expense are supported by historical earnings and losses and the Company's best estimates and assumptions of future earnings. When the Company determines, based on all available evidence, that it is more likely than not that deferred tax assets will not be realized, a valuation allowance is established.

Since significant judgment is required to assess the future tax consequences of events that have been recognized in the Company's financial statements or tax returns, the ultimate resolution of these events could result in adjustments to the Company's financial statements and such adjustments could be material. The Company believes the current assumptions, judgments and other considerations used to estimate the current year accrued and deferred tax positions are appropriate. If the actual outcome of future tax consequences differs from these estimates and assumptions, due to changes or future events, the resulting change to the provision for income taxes could have a material impact on the

Company's results of operations and financial position

Valuation of acquisitions: The allocation of the purchase price to the tangible assets and liabilities and identifiable intangible assets acquired requires management to make significant estimates in determining the fair values of assets acquired and liabilities assumed, especially with respect to contingent consideration in the Reed Minerals acquisition. These estimates are based on information obtained from management of the acquired companies, future coal prices and future volume forecasts. These estimates can include, but are not limited to, the cash flows that the acquisition is expected to generate in the future and the appropriate weighted-average cost of capital. These estimates are inherently uncertain and unpredictable, and if different estimates were used,

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the purchase price for the acquisition may have been allocated to the acquired assets and liabilities assumed differently from the current allocation. Although the Company believes the assumptions, judgments and estimates used are reasonable and appropriate, different assumptions, judgments and estimates could materially affect the value ascribed to an acquired asset and, potentially, the Company's results of operations and financial position if changes to the contingent consideration or impairment charges were required to be recorded.

CONSOLIDATED FINANCIAL SUMMARY

Selected consolidated results of the Company were as follows:

| | 2012 | 2011 (1) | 2010 |
|---|---|---|---|
| Consolidated results: | | | |
| Income from continuing operations | $42.2 | $79.5 | $47.1 |
| Discontinued operations, net of tax (2) | 66.5 | 82.6 | 32.4 |
| Net income | $108.7 | $162.1 | $79.5 |
| Basic earnings per share: | | | |
| Income from continuing operations | $5.04 | $9.49 | $5.66 |
| Discontinued operations (2) | 7.93 | 9.85 | 3.89 |
| Basic earnings per share | $12.97 | $19.34 | $9.55 |
| Diluted earnings per share: | | | |
| Income from continuing operations | $5.02 | $9.46 | $5.65 |
| Discontinued operations (2) | 7.90 | 9.82 | 3.88 |
| Diluted earnings per share | $12.92 | $19.28 | $9.53 |

(1) In 2006, the Company initiated litigation in the Delaware Chancery Court against Applica and individuals and entities affiliated with Applica's shareholder, Harbinger Capital Partners Master Fund, Ltd. The litigation alleged a number of contract and tort claims against the defendants related to the Company's failed transaction with Applica, which had been previously announced. On February 14, 2011, the parties to this litigation entered into a settlement agreement. The settlement agreement provided for, among other things, the payment of $60 million to the Company and dismissal of the lawsuit with prejudice. The payment was received in February 2011. Litigation costs related to this matter were $2.8 million and $18.8 million in 2011 and 2010, respectively.

(2) During 2012, the Company spun-off Hyster-Yale, a former subsidiary. The results of operations of Hyster-Yale are reflected as discontinued operations in the table above.

The following table identifies the components of change for 2012 compared with 2011 by subsidiary:

| | Revenues | Operating Profit | Net Income |
|---|---|---|---|
| 2011 | $790.4 | $64.1 | $162.1 |
| Increase (decrease) in 2012 | | | |
| NACoal | 50.6 | 8.0 | 3.4 |
| HBB | 28.6 | 2.0 | 2.8 |
| KC (net of eliminations) | 3.8 | (6.9) | (4.2) |
| NACCO and Other | — | 0.3 | (39.3) |
| Discontinued operations | — | — | (16.1) |
| 2012 | $873.4 | $67.5 | $108.7 |

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THE NORTH AMERICAN COAL CORPORATION

NACoal mines and markets steam and metallurgical coal for use in power generation and steel production and provides selected value-added mining services for other natural resources companies. Coal is surface mined from NACoal's developed mines in North Dakota, Texas, Mississippi, Louisiana and Alabama. Total coal reserves approximate 2.2 billion tons with approximately 1.1 billion tons committed to customers pursuant to long-term contracts. NACoal has two consolidated mining operations: Mississippi Lignite Mining Company (“MLMC”) and Reed Minerals, Inc. ("Reed Minerals"). NACoal has ten unconsolidated subsidiaries: The Coteau Properties Company (“Coteau”), The Falkirk Mining Company (“Falkirk”), The Sabine Mining Company (“Sabine”), Demery Resources Company, LLC (“Demery”), Caddo Creek Resources Company, LLC (“Caddo Creek”), Coyote Creek Mining Company, LLC (“Coyote Creek”), Camino Real Fuels, LLC (“Camino Real”), Liberty Fuels Company, LLC (“Liberty”), NoDak Energy Services, LLC ("NoDak") and North American Coal Corporation India Private Limited (“NACC India”). Caddo Creek, Coyote Creek, Camino Real and Liberty are in the development stage and do not currently mine or deliver coal. NACoal also provides dragline mining services for independently owned limerock quarries in Florida. NoDak was formed to operate and maintain a coal processing facility. NACC India was formed to provide technical advisory services to the third-party owners of a mine in India. NACoal also provides dragline mining services for independently owned limerock quarries in Florida. At the end of 2010, NACoal's contract at the San Miguel Lignite Mine (“San Miguel”) expired and its mining operations were transitioned to another company.
The contracts with the unconsolidated operations' customers provide for reimbursement at a price based on actual costs plus an agreed pre-tax profit per ton of coal sold or actual costs plus a management fee. The unconsolidated operations each meet the definition of a variable interest entity and are accounted for using the equity method.
FINANCIAL REVIEW
Tons delivered by NACoal’s operating mines were as follows for the years ended December 31:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Coteau | 13.1 | 13.5 | 14.6 |
| Falkirk | 8.0 | 7.5 | 7.6 |
| Sabine | 3.8 | 4.2 | 4.4 |
| Other | 0.1 | — | — |
| Unconsolidated mines | 25.0 | 25.2 | 26.6 |
| San Miguel | — | — | 3.3 |
| MLMC | 3.1 | 2.7 | 3.6 |
| Reed Minerals | 0.3 | — | — |
| Consolidated mines | 3.4 | 2.7 | 6.9 |
| Total tons sold | 28.4 | 27.9 | 33.5 |

The limerock dragline mining operations delivered 18.8 million, 13.7 million and 17.9 million cubic yards of limerock for the years ended December 31, 2012, 2011 and 2010, respectively. The decrease in limerock yards delivered in 2011 compared with 2012 and 2010 was primarily from lower customer requirements.
Total coal reserves were as follows at December 31:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| | (in billions of tons) | | |
| Unconsolidated mines | 1.0 | 1.0 | 1.0 |
| Consolidated mines | 1.2 | 1.3 | 1.1 |
| Total coal reserves | 2.2 | 2.3 | 2.1 |

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Operating Results

The results of operations for NACoal were as follows for the years ended December 31:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues | $132.4 | $81.8 | $156.8 |
| Operating profit | $43.2 | $35.2 | $53.3 |
| Interest expense | $2.9 | $3.0 | $3.3 |
| Other (income) expense | $(1.5) | $(1.7) | $(0.4) |
| Net income | $32.8 | $29.4 | $39.6 |
| Effective income tax rate | 21.5 % | 13.3 % | 21.4 % |

The NACoal effective income tax rate is affected by the benefit of percentage depletion. The effective tax rate in 2012 and 2010 is higher than the effective tax rate in 2011 primarily due to a shift in mix of taxable income towards entities with a higher effective income tax rate and a decrease in taxable income at entities eligible for percentage depletion in 2012 and 2010.

2012 Compared with 2011

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

| | Revenues |
|---|---|
| 2011 | $81.8 |
| Increase in 2012 from: | |
| Reed Minerals | 29.3 |
| Other consolidated mining operations | 15.8 |
| Royalty and other income | 5.5 |
| 2012 | $132.4 |

Revenues increased 61.9% in 2012 to $132.4 million from $81.8 million in 2011 due to the Reed Minerals acquisition, higher revenues at the consolidated mining operations and an increase in royalty and other income. The increase at the consolidated mining operations was primarily the result of an increase in tons delivered at MLMC due to improvements at a customer's power plant in 2012 compared with 2011 and increased customer requirements at the limerock dragline mining operations in 2012 compared with 2011.

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

| | Operating Profit |
|---|---|
| 2011 | $35.2 |
| Increase (decrease) in 2012 from: | |
| Royalty and other income | 5.9 |
| Gain on sale of assets | 5.8 |
| Other consolidated mining operations | 4.7 |
| Reed Minerals | 1.5 |
| Other selling, general and administrative expenses | (9.6) |
| Earnings of unconsolidated mines | (0.3) |
| 2012 | $43.2 |

Operating profit increased to $43.2 million in 2012 from $35.2 million in 2011, primarily as a result of higher royalty and other income, gains on the sale of draglines and land recorded in 2012, an increase in consolidated mining operating results

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and operating profit contributed by the newly acquired Reed Minerals. The increase in operating profit at the other consolidated mining operations is attributable to increased deliveries as a result of improvements at a customer's power plant in 2012 compared with 2011 and higher limerock dragline mining operating profit due to increased customer requirements. These increases were partially offset by higher other selling, general and administrative expenses, primarily from an increase in employee-related expenses and $2.6 million of acquisition-related costs, including professional fees. Employee-related costs increased primarily due to incentives tied to the significant expansion of NACoal's business through the new Coyote Creek mining contract and the Reed Minerals acquisition.

Net income increased to $32.8 million in 2012 from $29.4 million in 2011 primarily due to the factors affecting operating profit partially offset by an increase in income tax expense due to a shift in the mix of taxable income to entities with higher effective income tax rates.

2011 Compared with 2010

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

| | Revenues |
|---|---|
| 2010 | $156.8 |
| Decrease in 2011 from: | |
| San Miguel | (45.8) |
| Consolidated mining operations | (16.9) |
| Pre-development revenue | (7.6) |
| Royalty and other income | (4.7) |
| 2011 | $81.8 |

Revenues decreased 47.8% in 2011 to $81.8 million from $156.8 million in 2011 mainly due to the expiration of NACoal's contract at San Miguel at the end of 2010. In addition, the decrease was the result of lower revenues at the consolidated mining operations, the absence of revenue recognized in 2010 related to the reimbursement from Mississippi Power Company for previously recognized costs for pre-development activities and lower royalty and other income. The decrease at the consolidated mining operations was primarily due to a decrease in tons delivered at MLMC as a result of unplanned customer power plant outages in 2011 and reduced customer requirements at the limerock dragline mining operations.

The following table identifies the components of change in operating profit for 2011 compared with 2010.

| | Operating Profit |
|---|---|
| 2010 | $53.3 |
| Increase (decrease) in 2011 from: | |
| Consolidated mining operations | (11.7) |
| Pre-development revenue | (7.4) |
| Royalty and other income | (1.1) |
| Earnings of unconsolidated mines | 2.1 |
| 2011 | $35.2 |

Operating profit decreased to $35.2 million in 2011 from $53.3 million in 2010, primarily as a result of a decrease in consolidated mining operating profit mainly from lower sales at MLMC, the absence of revenue recognized in 2010 related to the reimbursement from Mississippi Power Company and lower royalty and other income. The decrease in operating profit was partially offset by higher earnings at the unconsolidated mines due to income associated with the

Liberty mine.

Net income decreased to $29.4 million in 2011 from $39.6 million in 2010 primarily due to the factors affecting operating profit.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

| | 2012 | 2011 | Change |
|---|---|---|---|
| Operating activities: | | | |
| Net income | $32.8 | $29.4 | $3.4 |
| Depreciation, depletion and amortization | 10.9 | 7.9 | 3.0 |
| Deferred income taxes | 12.2 | (1.8) | 14.0 |
| Gain on sale of assets | (6.8) | (1.0) | (5.8) |
| Other | 5.9 | 1.9 | 4.0 |
| Working capital changes | (4.8) | (4.7) | (0.1) |
| Net cash provided by operating activities | 50.2 | 31.7 | 18.5 |
| | | | |
| Investing activities: | | | |
| Expenditures for property, plant and equipment | (37.1) | (14.1) | (23.0) |
| Acquisition of business | (69.3) | — | (69.3) |
| Proceeds from the sale of assets | 35.9 | 3.4 | 32.5 |
| Proceeds from note receivable | 14.4 | — | 14.4 |
| Other | (0.2) | — | (0.2) |
| Net cash used for investing activities | (56.3) | (10.7) | (45.6) |
| | | | |
| Cash flow before financing activities | $(6.1) | $21.0 | $(27.1) |

The increase in net cash provided by operating activities was primarily the result of the change in deferred income taxes and net income in 2012 compared with 2011, partially offset by gains on sale of assets recorded in 2012.

The change in net cash used for investing activities was primarily attributable to the acquisition of Reed Minerals in 2012 and an increase in expenditures for property, plant and equipment including the purchase of two draglines in 2012. These items were partially offset by proceeds received from the sale of land and two different draglines in 2012 and proceeds received under a long-term note related to the prior sale of a dragline.

| | 2012 | 2011 | Change |
|---|---|---|---|
| Financing activities: | | | |
| Net additions to long-term debt and revolving credit agreements | $34.7 | $49.0 | $(14.3) |
| Cash dividends paid to NACCO | (25.6) | (72.9) | 47.3 |
| Financing fees paid | — | (0.8) | 0.8 |
| Net cash provided by (used for) financing activities | $9.1 | $(24.7) | $33.8 |

The increase in net cash provided by (used for) financing activities during 2012 compared with 2011 was primarily due to a decrease in the amount of cash dividends paid to NACCO in 2012 compared with 2011 partially offset by higher borrowings under the NACoal Facility to fund the acquisition of Reed Minerals and two draglines.

Financing Activities

NACoal has an unsecured revolving line of credit of up to $150.0 million (the “NACoal Facility”) that expires in December 2016. Borrowings outstanding under the NACoal Facility were $110.0 million at December 31, 2012. Therefore, at

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December 31, 2012, the excess availability under the NACoal Facility was $38.8 million, which reflects a reduction for outstanding letters of credit of $1.2 million.

The NACoal Facility has performance-based pricing, which sets interest rates based upon achieving various levels of debt to EBITDA ratios of NACoal, as defined in the NACoal Facility. Borrowings bear interest at a floating rate plus a margin based on the level of debt to EBITDA ratio achieved, as defined in the NACoal Facility. The applicable margins, effective December 31, 2012, for base rate and LIBOR loans were 0.75% and 1.75%, respectively. The NACoal Facility also has a commitment fee which is also based upon achieving various levels of debt to EBITDA ratios. The commitment fee was 0.35% on the unused commitment at December 31, 2012. The floating rate of interest applicable to the NACoal Facility at December 31, 2012 was 1.95% including the floating rate margin.
The NACoal Facility also contains restrictive covenants that require, among other things, NACoal to maintain certain debt to EBITDA and interest coverage ratios, and provides the ability to make loans, dividends and advances to NACCO, with some restrictions based on maintaining a maximum debt to EBITDA ratio of 3.0 to 1.0 in conjunction with maintaining unused availability thresholds of borrowing capacity under a minimum interest coverage ratio, as defined in the NACoal Facility, of 4.0 to 1.0. The current level of availability required to pay dividends is $15.0 million. At December 31, 2012, NACoal was in compliance with the financial covenants in the NACoal Facility.
During 2004 and 2005, NACoal issued unsecured notes totaling $45.0 million in a private placement (the “NACoal Notes”), which require annual principal payments of approximately $6.4 million that began in October 2008 and will mature on October 4, 2014. These unsecured notes bear interest at a weighted-average fixed rate of 6.08%, payable semi-annually on April 4 and October 4. The NACoal Notes are redeemable at any time at the option of NACoal, in whole or in part, at an amount equal to par plus accrued and unpaid interest plus a “make-whole premium,” if applicable. NACoal had $12.9 million of the private placement notes outstanding at December 31, 2012. The NACoal Notes contain certain covenants and restrictions that require, among other things, NACoal to maintain certain net worth, leverage and interest coverage ratios, and limit dividends to NACCO based upon maintaining a maximum debt to EBITDA ratio of 3.5 to 1.0. At December 31, 2012, NACoal was in compliance with the financial covenants in the NACoal Notes.

NACoal has a demand note payable to Coteau which bears interest based on the applicable quarterly federal short-term interest rate as announced from time to time by the Internal Revenue Service. At December 31, 2012, the balance of the note was $3.5 million and the interest rate was 0.23%.

NACoal believes funds available from the NACoal Facility and operating cash flows will provide sufficient liquidity to finance its operating needs and commitments arising during the next twelve months and until the expiration of the NACoal Facility in December 2016.
Contractual Obligations, Contingent Liabilities and Commitments
Following is a table which summarizes the contractual obligations of NACoal as of December 31, 2012:

| | Payments Due by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| Contractual Obligations | Total | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter |
| NACoal Facility | $110.0 | $22.6 | $— | $— | $87.4 | $— | $— |
| Variable interest payments on NACoal Facility | 6.9 | 2.0 | 1.7 | 1.7 | 1.5 | — | — |
| NACoal Notes | 12.9 | 6.4 | 6.5 | — | — | — | — |
| Interest payments on NACoal Notes | 1.1 | 0.7 | 0.4 | — | — | — | — |
| Other debt | 3.5 | — | — | — | — | — | 3.5 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Capital lease obligations, including principal and interest | 13.3 | 1.2 | 1.4 | 1.4 | 1.4 | 1.4 | 6.5 |
| Operating leases | 41.4 | 12.8 | 8.7 | 6.9 | 5.7 | 2.8 | 4.5 |
| Purchase and other obligations | 21.4 | 21.4 | — | — | — | — | — |
| Total contractual cash obligations | $210.5 | $67.1 | $18.7 | $10.0 | $96.0 | $4.2 | $14.5 |

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NACoal has a long-term liability of approximately $0.7 million for unrecognized tax benefits, including interest and penalties, as of December 31, 2012. At this time, the Company is unable to make a reasonable estimate of the timing of payments due to, among other factors, the uncertainty of the timing and outcome of its audits.
An event of default, as defined in the NACoal Facility, NACoal Notes and NACoal’s lease agreements, could cause an acceleration of the payment schedule. No such event of default has occurred or is anticipated to occur.
NACoal’s variable interest payments are calculated based upon NACoal’s anticipated payment schedule and the December 31, 2012 base rate and applicable margins, as defined in the NACoal Facility. A 1/8% increase in the base rate would increase NACoal’s estimated total interest payments on the NACoal Facility by $0.4 million.
The purchase and other obligations are primarily for accounts payable, open purchase orders and accrued payroll and incentive compensation.
Pension and postretirement funding can vary significantly each year due to plan amendments, changes in the market value of plan assets, legislation and the Company’s funding decisions to contribute any excess above the minimum legislative funding requirements. As a result, pension and postretirement funding has not been included in the table above. NACoal does not expect to contribute to its pension plan in 2013. NACoal maintains one supplemental retirement plan that pays monthly benefits to participants directly out of corporate funds and expects to pay benefits of approximately $0.5 million in 2013 and $0.4 million per year from 2014 through 2022. Benefit payments beyond that time cannot currently be estimated. All other pension benefit payments are made from assets of the pension plan. NACoal also expects to make payments related to its other postretirement plans of approximately $0.2 million per year from 2013 through 2022. Benefit payments beyond that time cannot currently be estimated.
NACoal has a long-term liability for mine closing reserves, primarily asset retirement obligations, of approximately $14.2 million that is not included in the table above due to the uncertainty of the timing of payments to settle these liabilities.

Off Balance Sheet Arrangements

NACoal has not entered into any off balance sheet financing arrangements, other than operating leases, which are disclosed in the contractual obligations table above.

Capital Expenditures

Following is a table which summarizes actual and planned capital expenditures:

| | Planned 2013 | Actual 2012 | Actual 2011 |
|---|---|---|---|
| NACoal | $40.5 | $37.1 | $14.1 |

Planned expenditures for 2013 include mine equipment and development at existing mines. These expenditures are expected to be funded from internally generated funds and bank borrowings. The increase in capital expenditures in 2012 and 2013 from 2011 levels is due to dragline purchases in 2012 and dragline refurbishment and other capital expenditures related to consolidated mines in 2013.

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Capital Structure

NACoal’s capital structure is presented below:

| | December 31 | | |
|---|---|---|---|
| | 2012 | 2011 | Change |
| Cash and cash equivalents | $4.3 | $1.3 | $3.0 |
| Other net tangible assets | 166.3 | 130.9 | 35.4 |
| Goodwill and coal supply agreements, net | 69.8 | 57.9 | 11.9 |
| Net assets | 240.4 | 190.1 | 50.3 |
| Total debt | (138.0) | (94.0) | (44.0) |
| Total equity | $102.4 | $96.1 | $6.3 |
| Debt to total capitalization | 57% | 49% | 8% |

The increase in other net tangible assets during 2012 is primarily due to the acquisition of Reed Minerals and the purchase of two draglines in 2012, partially offset by the sale of two different draglines and the collection of a note receivable related to the prior sale of a dragline.

Total debt increased $44.0 million primarily due to additional borrowings made during 2012 to fund the acquisition of Reed Minerals.

Total equity increased primarily due to net income of $32.8 million, partially offset by dividends paid to NACCO of $25.6 million and a $0.9 million decrease in accumulated other comprehensive loss in 2012.

OUTLOOK

NACoal expects steady operating performance at its coal mining operations in 2013. Steam coal tons delivered in 2013 are expected to increase over 2012 at both the consolidated and unconsolidated mining operations provided customers achieve currently planned power plant operating levels. However, metallurgical coal sales for Reed Minerals are expected to be below the company's initial expectations as demand for steel is down and customers are reducing inventories. Limerock deliveries are expected to decrease in 2013 compared with 2012 as customer requirements are expected to decline moderately. Demery Resources Company's Five Forks Mine commenced delivering coal to its customer in 2012 and is expected to increase production in 2013, with full production levels expected to be reached in late 2015 or 2016. Royalty income is expected to be lower in 2013 compared with 2012. Unconsolidated mines currently in development are expected to continue to generate modest income in 2013. The company's four mines in development are also not expected to be at full production for several years. Liberty Fuels is eventually expected to produce approximately 4.5 million tons of lignite coal annually for Mississippi Power Company's new Ratcliffe power plant currently being built in Mississippi. The project is on track for initial coal deliveries in mid-2014. In February 2013, the mining permit needed to commence mining operations at the Caddo Creek Resources Company's project in Texas was issued. Caddo Creek expects to mine approximately 650,000 tons of coal annually and initial deliveries are expected in early 2014. In January 2013, the mining permit needed to commence mining operations at the Camino Real Fuels project in Texas was issued. Camino Real Fuels expects initial deliveries in the third quarter of 2014, and expects to mine approximately 2.7 million tons of coal annually when at full production. In addition, in October 2012, NACoal's subsidiary, Coyote Creek Mining Company, entered into a new agreement with the co-owners of the Coyote Station generation plant to develop a lignite mine in Mercer County, North Dakota. Coyote Creek Mining Company expects to deliver approximately 2.5 million tons of coal annually, beginning in May 2016.

NACoal also has new project opportunities for which it expects to continue to incur additional expenses in 2013. In particular, the company continues to move forward to obtain a permit for its Otter Creek reserve in North Dakota in preparation for the anticipated construction of a new mine.

Overall, NACoal expects net income in 2013 to decrease slightly from 2012 primarily due to the absence of pre-tax gains of approximately $7.0 million from asset sales during 2012. Excluding the effect of the asset sales, operating results are

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expected to increase compared with 2012 mainly as a result of increased deliveries and lower operating expenses. Cash flow before financing activities for 2013 is expected to be higher than 2012, but not at the levels of 2011 due to an anticipated increase in capital expenditures to support the Reed Minerals operations.

Over the longer term, NACoal expects to continue its efforts to develop new mining projects. The company is actively pursuing domestic opportunities for new or expanded coal mining projects, which include prospects for power generation, coal-to-liquids, coal-to-chemicals, coal gasification, coal drying and other clean coal technologies. Also, the company views its acquisition of Reed Minerals as the first step in a metallurgical coal strategic initiative which includes coal exports. NACoal also continues to pursue additional non-coal mining opportunities, principally in aggregates, and international value-added mining services projects, particularly in India.

HAMILTON BEACH BRANDS, INC.

HBB’s business is seasonal and a majority of revenues and operating profit typically occurs in the second half of the year when sales of small electric appliances to retailers and consumers increase significantly for the fall holiday-selling season.

FINANCIAL REVIEW

Operating Results

The results of operations for HBB were as follows for the years ended December 31:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues | $521.6 | $493.0 | $515.7 |
| Operating profit | $35.8 | $33.8 | $45.9 |
| Interest expense | $2.7 | $5.2 | $7.2 |
| Other expense | $0.3 | $0.8 | $0.3 |
| Net income | $21.2 | $18.4 | $24.4 |
| Effective income tax rate | 35.4 % | 33.8 % | 36.5 % |

2012 Compared with 2011

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

| | Revenues |
|---|---|
| 2011 | $493.0 |
| Increase (decrease) in 2012 from: | |
| Unit volume and product mix | 28.5 |
| Average sales price | 2.2 |
| Foreign currency | (2.1) |
| 2012 | $521.6 |

Revenues increased 5.8% to $521.6 million in 2012 compared with $493.0 million in 2011 primarily due to an increase in sales volumes of higher-priced products in the U.S. consumer retail market, mainly at HBB's mass market retail customers, and higher prices on comparable products sold. The increase in revenues was partially offset by unfavorable foreign currency movements in 2012 compared with 2011.

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

| | Operating Profit | |
|---|---|---|
| 2011 | $33.8 | |
| Increase (decrease) in 2012 from: | | |
| Gross profit | 6.9 | |
| Other selling, general and administrative expenses | (3.2 | ) |
| Foreign currency | (1.7 | ) |
| 2012 | $35.8 | |

HBB's operating profit increased to $35.8 million in 2012 compared with $33.8 million in 2011. Operating profit increased primarily as a result of higher gross profit caused by a shift in sales mix to higher-margin and higher-priced products partially offset by increased product and transportation costs. In addition, operating profit was favorably affected by the absence of a $1.3 million charge during 2011 for the write-off of a capital lease asset no longer being leased and $0.9 million of costs related to moving the HBB distribution center into a larger facility during 2011. The increase in operating profit was partially offset by an increase in other selling, general and administrative expenses mainly due to higher employee-related expenses and unfavorable foreign currency movements.

HBB recognized net income of $21.2 million in 2012 compared with $18.4 million in 2011. The change was mainly due to the increase in operating profit in 2012, lower interest expense primarily due to lower levels of borrowings and lower average interest rates during 2012 compared with 2011.

2011 Compared with 2010

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

| | Revenues | |
|---|---|---|
| 2010 | $515.7 | |
| Increase (decrease) in 2011 from: | | |
| Unit volume and product mix | (22.9 | ) |
| Average sales price | (1.5 | ) |
| Foreign currency | 1.7 | |
| 2011 | $493.0 | |

Revenues decreased 4.4% to $493.0 million in 2011 compared with $515.7 million in 2010 primarily due to a decrease in sales volumes in the U.S. consumer retail market, mainly at HBB's mass market retail customers, and lower prices on comparable products sold. The decrease in revenues was partially offset by improved international and commercial sales and favorable foreign currency movements in 2011 compared with 2010.

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

| | Operating Profit | |
|---|---|---|
| 2010 | $45.9 | |
| Increase (decrease) in 2011 from: | | |
| Gross profit | (15.9 | ) |
| Foreign currency | 2.1 | |
| Other selling, general and administrative expenses | 1.7 | |
| 2011 | $33.8 | |

HBB's operating profit decreased to $33.8 million in 2011 compared with $45.9 million in 2010. Operating profit declined primarily as a result of higher product costs, reduced sales volumes and higher transportation costs. In addition, operating

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profit decreased as a result of a $1.3 million charge during 2011 for the write-off of a capital lease asset no longer being leased and $0.9 million of costs related to moving the HBB distribution center into a larger facility during 2011. The decrease in operating profit was partially offset by favorable foreign currency movements and a decrease in other selling, general and administrative expenses mainly due to lower employee-related expenses.

HBB recognized net income of $18.4 million in 2011 compared with $24.4 million in 2010. The change was mainly due to the decrease in operating profit in 2011 partially offset by lower interest expense primarily as a result of $60.0 million of voluntary repayments under the HBB term loan agreement in 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

| | 2012 | 2011 | Change |
|---|---|---|---|
| Operating activities: | | | |
| Net income | $21.2 | $18.4 | $2.8 |
| Depreciation and amortization | 3.1 | 4.9 | (1.8) |
| Other | 1.9 | 1.7 | 0.2 |
| Working capital changes | 1.2 | (0.8) | 2.0 |
| Net cash provided by operating activities | 27.4 | 24.2 | 3.2 |
| | | | |
| Investing activities: | | | |
| Expenditures for property, plant and equipment | (3.2) | (3.7) | 0.5 |
| Net cash used for investing activities | (3.2) | (3.7) | 0.5 |
| | | | |
| Cash flow before financing activities | $24.2 | $20.5 | $3.7 |

Net cash provided by operating activities increased $3.2 million in 2012 compared with 2011 primarily due to the increase in net income and the change in working capital, partially offset by a reduction in depreciation and amortization expense. The change in working capital was primarily the result of an increase in accounts payable and accrued payroll in 2012 compared with a decrease in 2011 partially offset by an increase in inventory and accounts receivable in 2012 compared with a decrease in 2011, mainly due to lower levels of inventory and accounts receivable in 2011 from reduced sales volume. Depreciation expense for 2011 includes a charge of $1.3 million for a capital lease asset no longer being leased.

| | 2012 | 2011 | Change |
|---|---|---|---|
| Financing activities: | | | |
| Net reductions of long-term debt and revolving credit agreements | $(14.5) | $(60.6) | $46.1 |
| Cash dividends paid to NACCO | (15.0) | — | (15.0) |
| Financing fees paid | (1.2) | — | (1.2) |
| Capital contribution from NACCO | — | 4.0 | (4.0) |
| Other | — | (0.2) | 0.2 |
| Net cash used for financing activities | $(30.7) | $(56.8) | $26.1 |

The decrease in net cash used for financing activities was primarily the result of repaying $60.6 million of the HBB term loan agreement during 2011. This was partially offset by cash dividends paid to NACCO in 2012 of $15.0 million and the absence of a $4.0 million capital contribution from NACCO in 2011.

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Financing Activities
HBB has a $115.0 million senior secured floating-rate revolving credit facility (the “HBB Facility”) that expires in July 2017. The obligations under the HBB Facility are secured by substantially all of HBB's assets. The approximate book value of HBB's assets held as collateral under the HBB Facility was $215.5 million as of December 31, 2012.

The maximum availability under the HBB Facility is governed by a borrowing base derived from advance rates against eligible accounts receivable, inventory and trademarks of the borrowers, as defined in the HBB Facility. Adjustments to reserves booked against these assets, including inventory reserves, will change the eligible borrowing base and thereby impact the liquidity provided by the HBB Facility. A portion of the availability is denominated in Canadian dollars to provide funding to HBB's Canadian subsidiary. Borrowings bear interest at a floating rate, which can be a base rate or LIBOR, as defined in the HBB Facility, plus an applicable margin. The applicable margins, effective December 31, 2012, for base rate loans and LIBOR loans denominated in U.S. dollars were 0.00% and 1.50%, respectively. The applicable margins, effective December 31, 2012, for base rate loans and bankers' acceptance loans denominated in Canadian dollars were 0.00% and 1.50%, respectively. The HBB Facility also requires a fee of 0.375% per annum on the unused commitment. The margins and unused commitment fee under the HBB Facility are subject to quarterly adjustment based on average excess availability and average usage, respectively.

At December 31, 2012, the borrowing base under the HBB Facility was $112.0 million. Borrowings outstanding under the HBB Facility were $39.7 million at December 31, 2012. Therefore, at December 31, 2012, the excess availability under the HBB Facility was $72.3 million. The floating rate of interest applicable to the HBB Facility at December 31, 2012 was 1.98% including the floating rate margin.

The HBB Facility includes restrictive covenants, which, among other things, limit the payment of dividends to NACCO, subject to achieving availability thresholds. Dividends are limited to (i) $15.0 million from the closing date of the HBB Facility through December 31, 2012, so long as HBB has excess availability, as defined in the HBB Facility, of at least $30.0 million; (ii) the greater of $20.0 million or excess cash flow from the most recently ended fiscal year in each of the two twelve-month periods following the closing date of the HBB Facility, so long as HBB has excess availability under the HBB Facility of not less than $25.0 million and maintains a minimum fixed charge coverage ratio of 1.0 to 1.0, as defined in the HBB Facility; and (iii) in such amounts as determined by HBB subsequent to the second anniversary of the closing date of the HBB Facility, so long as HBB has excess availability under the HBB Facility of not less than $25.0 million. The HBB Facility also requires HBB to achieve a minimum fixed charge coverage ratio in certain circumstances, as defined in the HBB Facility. At December 31, 2012, HBB was in compliance with the financial covenants in the HBB Facility.

HBB believes funds available from cash on hand at HBB and the Company, the HBB Facility and operating cash flows will provide sufficient liquidity to meet its operating needs and commitments arising during the next twelve months and until the HBB Facility expires in July 2017.
Contractual Obligations, Contingent Liabilities and Commitments
Following is a table which summarizes the contractual obligations of HBB as of December 31, 2012:

| | Payments Due by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| Contractual Obligations | Total | 2013 | 2014 | 2015 | 2016 | 2017 | Thereafter |
| HBB Facility | $39.7 | $12.7 | $— | $— | $— | $27.0 | $— |
| Variable interest payments on HBB Facility | 10.0 | 1.7 | 2.1 | 2.4 | 2.5 | 1.3 | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Purchase and other obligations | 163.0 | 156.2 | 3.3 | 1.6 | 1.9 | — | — |
| Operating leases | 29.8 | 3.6 | 4.0 | 4.1 | 3.7 | 3.0 | 11.4 |
| Total contractual cash obligations | $242.5 | $174.2 | $9.4 | $8.1 | $8.1 | $31.3 | $11.4 |

HBB has a long-term liability of approximately $1.8 million for unrecognized tax benefits, including interest and penalties, as of December 31, 2012. At this time, the Company is unable to make a reasonable estimate of the timing of payments due to, among other factors, the uncertainty of the timing and outcome of its audits.

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An event of default, as defined in the HBB Facility and in HBB's operating agreements, could cause an acceleration of the payment schedule. No such event of default has occurred under these agreements.
HBB's interest payments are calculated based upon HBB's anticipated payment schedule and the December 31, 2012 LIBOR rate and applicable margins, as defined in the HBB Facility. A 1/8% increase in the LIBOR rate would increase HBB's estimated total interest payments on HBB's Facility by $0.2 million.
The purchase and other obligations are primarily for accounts payable, open purchase orders and accrued payroll and incentive compensation.
Pension funding can vary significantly each year due to plan amendments, changes in the market value of plan assets, legislation and the Company's funding decisions to contribute any excess above the minimum legislative funding requirements. As a result, pension and postretirement funding has not been included in the table above. Pension benefit payments are made from assets of the pension plans. HBB does not expect to contribute to its pension plans in 2013.
Off Balance Sheet Arrangements
HBB has not entered into any off balance sheet financing arrangements, other than operating leases, which are disclosed in the contractual obligations table above.
Capital Expenditures
Following is a table which summarizes actual and planned capital expenditures:

| | Planned 2013 | Actual 2012 | Actual 2011 |
|---|---|---|---|
| HBB | $4.8 | $3.2 | $3.7 |

Planned expenditures for 2013 are primarily for tooling for new products. These expenditures are expected to be funded from internally generated funds and bank borrowings.
Capital Structure
HBB's capital structure is presented below:

| | December 31 2012 | 2011 | Change |
|---|---|---|---|
| Cash and cash equivalents | $2.8 | $9.3 | $(6.5) |
| Other net tangible assets | 80.1 | 79.9 | 0.2 |
| Net assets | 82.9 | 89.2 | (6.3) |
| Total debt | (39.7) | (54.2) | 14.5 |
| Total equity | $43.2 | $35.0 | $8.2 |
| Debt to total capitalization | 48% | 61% | (13)% |

OUTLOOK
HBB's target consumer, the middle-market mass consumer, continues to struggle with financial and economic concerns. As a result, sales volumes in the middle-market portion of the U.S. small kitchen appliance market in which HBB participates are projected to grow only moderately in 2013 compared with 2012. International and commercial product markets are expected to continue to grow reasonably in 2013 compared with 2012.
HBB continues to focus on strengthening its North American consumer market position through product innovation, promotions, increased placements and branding programs, together with appropriate levels of advertising for the company's highly successful and innovative product lines, with particular focus on single-serve coffee products such as The Scoop® and FlexBrew™. HBB expects The Scoop®, the Two-Way Brewer and the Durathon™ iron product line, all introduced in late

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2011, as well as the FlexBrew™ launched in late 2012, to continue to gain market position as broader distribution is attained over time. The company is continuing to introduce innovative products in several small appliance categories. In the first quarter of 2013, HBB expects to launch the Hamilton Beach® Breakfast Sandwich Maker, which provides an innovative and convenient way for consumers to cook breakfast sandwiches quickly at home. These products, as well as other new product introductions in the pipeline for 2013, are expected to increase both revenues and operating profit. As a result of these new products, the company's improving position in commercial and international markets and execution of the company's strategic initiatives, HBB expects to increase volumes and revenues in 2013 compared with 2012 at more than the 2013 market forecast rate of increase.

Overall, HBB expects full year 2013 net income to be comparable to 2012 as anticipated increases in profit from increased revenues are forecasted to be largely offset by expected increases in operating expenses to support HBB's strategic initiatives. Product and transportation costs are currently expected to remain comparable to 2012. However, HBB continues to monitor commodity costs closely and will adjust product prices and product placements, as appropriate, if these costs increase more than anticipated. HBB expects 2013 cash flow before financing activities to be moderately lower than in 2012 due to increased working capital.

Longer term, HBB will work to take advantage of the potential to improve return on sales through economies of scale derived from market growth, strategic partnerships and a focus on its five strategic growth initiatives: (1) enhancing its placements in the North America consumer business through consumer-driven innovative products and strong sales and marketing support, (2) enhancing internet sales by providing best in class retailer support and increased consumer content and engagement, (3) achieving further penetration of the global Commercial market through a commitment to an enhanced global product line for chains and distributors serving the global food service and hospitality markets, (4) expanding internationally in the emerging Asian and Latin American markets by offering products designed specifically for those market needs and by expanding distribution channels and sales and marketing capabilities and (5) entering the "only the best" market with a strong brand and broad product line.

THE KITCHEN COLLECTION, LLC

KC’s business is seasonal and a majority of revenues and operating profit typically occurs in the second half of the year when sales of small electric appliances to consumers increase significantly for the fall holiday-selling season.

FINANCIAL REVIEW

Operating Results

The results of operations for KC were as follows for the years ended December 31:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Revenues | $224.7 | $221.2 | $219.6 |
| Operating profit (loss) | $(4.6) | $2.5 | $5.9 |
| Interest expense | $0.5 | $0.5 | $0.3 |
| Other expense | $— | $0.1 | $0.1 |
| Net income (loss) | $(3.1) | $1.1 | $3.5 |
| Effective income tax rate | 39.2% | 42.1% | 36.4% |

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2012 Compared with 2011

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

| | Revenues |
|---|---|
| 2011 | $221.2 |
| Increase (decrease) in 2012 from: | |
| New store sales | 17.0 |
| KC comparable store sales | 0.4 |
| Closed stores | (12.3) |
| LGC comparable store sales | (1.5) |
| Other | (0.1) |
| 2012 | $224.7 |

Revenues increased to $224.7 million in 2012 compared with $221.2 million in 2011, primarily as a result of opening new KC stores during the past twelve months. The increase in revenue was partially offset by the effect of closing unprofitable LGC and KC stores since December 31, 2011 and a decrease in comparable store sales at LGC. The decrease in comparable store sales at LGC was mainly attributable to fewer customer visits and a decline in store transactions, partially offset by a higher average sales transaction value.

At December 31, 2012, KC operated 261 stores compared with 276 stores at December 31, 2011. LGC operated 51 stores at December 31, 2012 compared with 61 stores at December 31, 2011. The Kitchen Collection® store count at December 31, 2012 does not include 34 stores that were only open for the holiday-selling season. The company did not utilize the seasonal store format in 2011.

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

| | Operating Profit (Loss) |
|---|---|
| 2011 | $2.5 |
| Increase (decrease) in 2012 from: | |
| KC comparable stores | (2.2) |
| Selling, general and administrative expenses | (2.2) |
| Closed stores | (1.5) |
| LGC comparable stores | (1.1) |
| Leasehold impairment charge | (0.7) |
| New stores | (0.1) |
| Warehouse combination costs | 0.7 |
| 2012 | $(4.6) |

KC recorded an operating loss of $4.6 million in 2012 compared with operating profit of $2.5 million in 2011. The operating loss in 2012 was primarily due to lower comparable store results as a result of a shift in sales to lower margin products at both KC and LGC comparable stores and higher employee-related costs at both KC and LGC stores. Higher selling, general and administrative expenses were primarily due to an increase in employee-related expenses, professional fees and real estate taxes. Unfavorable margins at closed stores from the liquidation of inventory contributed to the 2012 operating loss. In addition, KC recorded an impairment charge for leasehold improvements and furniture and fixtures at certain stores in 2012. The operating loss was favorably affected by the absence of costs incurred in 2011 for the relocation of KC's two distribution centers into one larger facility.

KC reported a net loss of $3.1 million in 2012 compared with net income of $1.1 million in 2011 primarily due to the factors affecting the change in operating profit.

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2011 Compared with 2010

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

| | Revenues |
|---|---|
| 2010 | $219.6 |
| Increase (decrease) in 2011 from: | |
| New store sales | 18.3 |
| KC comparable store sales | 1.0 |
| Closed stores | (16.7) |
| LGC comparable store sales | (1.0) |
| 2011 | $221.2 |

Revenues increased to $221.2 million in 2011 compared with $219.6 million in 2010, primarily as a result of opening new KC stores during the past twelve months and an increase in comparable store sales at KC. The increase in comparable store sales was mainly due to a higher average sales transaction value partially offset by a decline in store transactions and fewer customer visits. The increase in revenue was partially offset by the effect of closing unprofitable LGC and KC stores since December 31, 2010 and a decrease in comparable store sales at LGC. The decrease in comparable store sales at LGC was mainly attributable to fewer customer visits and a decline in store transactions, partially offset by a higher average sales transaction value.

At December 31, 2011, KC operated 276 stores compared with 268 stores at December 31, 2010. LGC operated 61 stores at December 31, 2011 compared with 72 stores at December 31, 2010. The Kitchen Collection® and Le Gourmet Chef® store counts at December 31, 2010 included 34 stores and 6 stores, respectively, that were only open for the holiday-selling season. The company did not utilize the seasonal store format in 2011.

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

| | Operating Profit |
|---|---|
| 2010 | $5.9 |
| Increase (decrease) in 2011 from: | |
| KC comparable stores | (1.7) |
| Selling, general and administrative expenses | (0.7) |
| Warehouse combination costs | (0.7) |
| LGC comparable stores | (0.6) |
| Closed stores | 0.3 |
| 2011 | $2.5 |

KC recorded lower operating profit of $2.5 million in 2011 compared with $5.9 million in 2010. The decrease was primarily due to lower comparable store results, primarily at KC stores, as a result of a shift in sales to lower margin products, higher selling, general and administrative expenses and costs incurred in the first quarter of 2011 for the relocation of KC's two distribution centers into one larger facility. The increase in the operating loss was partially offset by the favorable effect of closing unprofitable LGC stores during 2011.

KC reported net income of $1.1 million in 2011 compared with $3.5 million in 2010 primarily due to the factors affecting the change in operating profit.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

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

| | 2012 | 2011 | Change |
|---|---|---|---|
| Operating activities: | | | |
| Net income (loss) | $(3.1) | $1.1 | $(4.2) |
| Depreciation and amortization | 3.6 | 3.1 | 0.5 |
| Other | (0.3) | — | (0.3) |
| Working capital changes | 3.6 | 0.7 | 2.9 |
| Net cash provided by operating activities | 3.8 | 4.9 | (1.1) |