

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

NACCO INDUSTRIES INC

CIK: **789933** | IRS No.: **341505819** | State of Incorporation: **DE** | Fiscal Year End: **1231**
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SIC: **3537** Industrial trucks, tractors, trailers & stackers

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K ANNUAL REPORT

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

For the fiscal year ended December 31, 1998 Commission File No. 1-9172

NACCO INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

34-1505819
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

5875 Landerbrook Drive
Mayfield Heights, Ohio
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

44124-4017
(ZIP CODE)

Registrant's telephone number, including area code: (440) 449-9600

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

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 and (2) has been subject to such filing requirement for the past 90 days.

YES NO

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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.

Aggregate market value of Class A Common Stock and Class B Common Stock held by non-affiliates as of February 26, 1999:

\$425,312,262

Number of shares of Class A Common Stock outstanding at February 26, 1999:

6,502,486

Number of shares of Class B Common Stock outstanding at February 26, 1999:

1,651,577

DOCUMENTS INCORPORATED BY REFERENCE

(a) Portions of the Company's 1998 Annual Report are incorporated herein by reference in Part I and Part II; and

(b) Portions of the Company's Proxy Statement for its 1999 annual meeting of stockholders are incorporated herein by reference in Part III.

PART I

ITEM 1. BUSINESS

GENERAL

NACCO Industries, Inc. ("NACCO" or the "Company") is a holding company that owns four principal operating subsidiaries that function in three principal business segments: lignite mining, lift trucks and housewares.

(a) North American Coal. The Company's wholly owned subsidiary, The North American Coal Corporation, and its affiliated coal companies (collectively, "NACoal"), mine and market lignite for use primarily as fuel for power generation by electric utilities. NACoal also provides dragline mining services for a limerock quarry near Miami, Florida. NACoal accounted for 11% and 21% of NACCO's revenues and operating profits, respectively, in 1998.

(b) NACCO Materials Handling Group. The Company owns approximately 98% of the outstanding capital stock of Hyster-Yale Materials Handling, Inc. ("Hyster-Yale"), which is the sole stockholder of NACCO Materials Handling Group, Inc. and NMHG Distribution Co. (NACCO Materials Handling Group, Inc., NMHG Distribution Co. and Hyster-Yale are hereinafter referred to as "NMHG"). NMHG designs, manufactures and markets a full line of forklift trucks and related service parts under the Hyster(R) and Yale(R) brand names. NMHG accounted for 68% and 67% of NACCO's revenues and operating profits, respectively, in 1998.

(c) NACCO Housewares Group. NACCO Housewares Group ("Housewares") consists of two of the Company's wholly owned subsidiaries: Hamilton BeachProctor-Silex, Inc. ("HBPS"), one of the nation's leading manufacturers and marketers of small electric and heat driven appliances, and The Kitchen Collection, Inc. ("KCI"), a national specialty retailer of kitchenware, tableware, small electric appliances and related accessories. Housewares accounted for 21% and 18% of NACCO's revenues and operating profits, respectively, in 1998.

Additional information relating to financial and operating data on a segment basis (including NACCO and Other, which reduced operating profits by 6% in 1998) is set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 1998 Annual Report (the "1998 Annual Report") and in Note 19 to the Consolidated Financial Statements in the 1998 Annual Report, which portions of the 1998 Annual Report are incorporated herein by reference.

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.

SIGNIFICANT EVENTS

In September 1997, Phillips Coal Company and NACoal formed a joint venture (75% owned by Phillips Coal and 25% owned by NACoal) to develop a new lignite mine in Mississippi. The 30 year lignite sales contract between the joint venture and the electric power facility was entered into on April 1, 1998. Commercial operation of the electric power facility is scheduled for the second half of 2000.

In 1998, NMHG completed a restructuring of its organizations around the world to reduce costs and enhance efficiencies. NMHG centralized the administrative functions of its Hyster and Yale marketing operations and relocated those functions to one North American location (Greenville, North Carolina) and one European location (Fleet, England). NMHG also restructured its engineering and development function and consolidated that function for counterbalanced trucks in Portland, Oregon, for warehouse trucks in Greenville, North Carolina, and for big trucks in Nijmegen, the Netherlands. The restructuring also involved reorganizing its world headquarters in Portland, Oregon to focus on global strategic initiatives.

On December 31, 1997, the Chinese government gave approval for the formation of Shanghai Hyster Forklift Truck, Ltd., a joint venture (the "Shanghai Hyster Joint Venture") among NMHG (55% share), Sumitomo-NACCO Materials Handling Group (30% share) and Shanghai Perfect Jinqiao United Development Co. (15% share). The Shanghai Hyster Joint Venture acquired land in the Pudong area of Shanghai and commenced construction of a manufacturing facility in the second quarter of 1998. NMHG expects production to commence in the third quarter of 1999. The facility will manufacture Hyster large and medium capacity lift trucks primarily for sale in the Chinese domestic market. The Shanghai Hyster Joint Venture will also distribute domestic and imported Hyster forklift trucks.

In 1998, NMHG acquired land in Ramos Arizpe (near Saltillo), Mexico and constructed a manufacturing facility on the land. The Ramos Arizpe facility manufactures components for shipment primarily to NMHG's plants in the United States. Production at this facility commenced in the third quarter of 1998.

In 1998, NMHG embarked on a strategy of permanently acquiring or investing in certain of its independently-owned Hyster and Yale retail dealerships. As of March 15, 1999, NMHG had acquired two dealerships in the United States, seven dealerships in Europe and three dealerships in Asia-Pacific.

In early 1998, HBPS completed an expansion of its Saltillo, Mexico manufacturing plant. Throughout the year, additional operations were moved from HBPS' North Carolina plants to the Saltillo plant. The lower cost structure at Saltillo has greatly improved HBPS' ability to compete with low-cost Chinese imports.

In December 1998, HBPS entered into an agreement to lease a 500,000 square foot distribution center in Memphis, Tennessee. The new distribution center is expected to allow HBPS to consolidate its distribution network and enhance efficiencies and customer service. HBPS expects the new distribution center to become operational during the second quarter of 1999.

BUSINESS SEGMENT INFORMATION

A. NORTH AMERICAN COAL

GENERAL

NACoal is engaged in the mining and marketing of lignite for use primarily as fuel for power generation by electric utilities. Sales by NACoal are made primarily through wholly owned project mining subsidiaries pursuant to long-term, cost plus a profit per ton contracts. The utility customers have arranged and guaranteed the financing of the development and operation of the project mining subsidiaries. There is no recourse to NACCO or NACoal for the financing of these subsidiary mines. NACoal also provides dragline mining services for a limerock quarry near Miami, Florida. At December 31, 1998, NACoal's operating mines consist of mines where the reserves were acquired and developed by NACoal, except for the South Hallsville No. 1 Mine and the San Miguel Lignite Mine where reserves are owned by the customers of these mines. NACoal also earns royalty income from the lease of various coal and gas properties. For further information as to the financing of the project mining subsidiaries, see Note 10 to the Consolidated Financial Statements at pages 48 and 49 of the 1998 Annual Report. Project mining subsidiaries accounted for 21% and 29% of NACCO's assets and liabilities, respectively, as of December 31, 1998, while their operations accounted for 9% and 19% of NACCO's revenues and operating profits, respectively, in 1998.

SALES, MARKETING AND OPERATIONS

The principal customers of NACoal are electric utilities and a synfuels plant. In 1998, sales to one customer, which supplies coal to four facilities, accounted for 52% of NACoal's revenues compared with 46% and 57% in 1997 and 1996, respectively. The distribution of sales in the last five years has been as follows:

<TABLE>

<CAPTION>

	TOTAL TONS SOLD (MILLIONS)	DISTRIBUTION	
		ELECTRIC UTILITIES	SYNFUELS PLANT
<S>	<C>	<C>	<C>
1998	31.7	80%	20%
1997	29.9	80%	20%
1996	27.6	77%	23%
1995	26.7	76%	24%
1994	27.2	76%	24%

</TABLE>

The contracts under which the project mining subsidiaries were organized 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. In one case, the customer may elect to acquire the stock of the subsidiary after a specified period of time without reference to default, in exchange for certain payments on coal thereafter mined. NACoal does not know of any conditions of default that currently exist.

The location, mine type, reserve data, coal quality characteristics, customer, sales tonnage and contract expiration date for the mines operated by NACoal in 1998 were as follows:

DEVELOPED LIGNITE MINING
OPERATIONS

PROVEN AND PROBABLE RESERVES

(MILLIONS OF TONS) (1)

<TABLE>
<CAPTION>

Project Mining Subsidiaries	Mine	Location	Type Of Mine	Committed under Contract	Uncommitted	Average BTUs Per Pound
-----	----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
The Coteau Properties Company (2)	Freedom Mine	Beulah, ND	Surface Lignite	574.0	----	6,767
The Falkirk Mining Company	Falkirk Mine (2)	Underwood, ND	Surface Lignite	511.7	----	6,200
The Sabine Mining Company	South Hallsville No. 1 Mine (2)	Hallsville, TX	Surface Lignite	(4)	(4)	(4)
OTHER						
San Miguel Lignite Mining Operations	San Miguel Lignite Mine	Jourdanton, TX	Surface Lignite	(5)	(5)	(5)
Red River Mining Company (6)	Oxbow Mine	Coushatta, LA	Surface Lignite	9.7 (7) ---	12.2 (7) ----	6,722
Total Developed				1,095.4	12.2	
UNDEVELOPED MINING OPERATIONS						
North Dakota	----	----	----	----	566.5	6,428
Texas	----	----	----	----	130.5	6,208
Eastern	----	----	----	78.1	54.6	12,070
Mississippi	----	----	----	41.2 (9) ----	24.7 (9) ----	5,300
Total Undeveloped				119.3	776.3	
Total Developed/ Undeveloped				1,214.7	788.5	

<CAPTION>

Project Mining Subsidiaries	Average Sulfur Content Per Unit	Customer(s) (Plant)	1998 Sales	Contract Expires
	Of Weight		Tonnage (Millions)	
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
The Coteau Properties Company	0.8%	Dakota Coal Company (Great Plains Synfuels Plant)	6.2	2007(3)
		Dakota Coal Company (Antelope Valley Station)	5.8	2007(3)
		Dakota Coal Company (Leland Olds Station)	3.5	2007(3)
		Dakota Coal Company (Stanton Station of United Power Association)	0.9	2002
The Falkirk Mining Company	0.6%	United Power Association/ Cooperative Power Association (Coal Creek Station)	7.0	2020
The Sabine Mining Company	(4)	Southwestern Electric Power Company (Henry W. Pirkey Power Plant)	3.8	2020
OTHER				
San Miguel Lignite Mining Operations	(5)	San Miguel Electric Cooperative, Inc. (San Miguel Power Plant)	3.5	2007
Red River Mining Company (6)	0.7%	Central Louisiana Electric Company/ Southwestern Electric Power Company (Dolet Hills Power Plant)	1.0 (8)	2010
Undeveloped Mining Operations				
North Dakota	0.7%	----	----	----
Texas	0.9%	----	----	----
Eastern	3.3%	----	----	----
Mississippi	0.6%	----	----	----

</TABLE>

- (1) The projected extraction loss is approximately ten percent (10%) of the proven and probable reserves, except with respect to the reserves for the Eastern Undeveloped Mining Operations, in which case the extraction loss is approximately thirty percent (30%) of the proven and probable reserves.
- (2) 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.
- (3) Although the term of the existing coal sales agreement terminates in 2007, the term may be extended for six (6) additional periods of five years, or until 2037, at the option of The Coteau Properties Company.
- (4) The reserves of the South Hallsville No. 1 Mine are owned and controlled by the customer and, therefore, have not been listed in the table.
- (5) The reserves of the San Miguel Lignite Mine are owned and controlled by the customer and, therefore, have not been listed in the table.
- (6) Joint venture with Phillips Coal Company.
- (7) These amounts represent the total (100%) of the joint venture reserves.
- (8) This amount represents the total (100%) of the 1998 joint venture tonnage.
- (9) These amounts represent 25% of the reserves owned and controlled by the joint venture with Phillips Coal Company.

GOVERNMENT REGULATION

NACoal, in common with other coal producers, continues to be subject to Federal and state health, safety and environmental regulations. The 1999 expenditures which will be required for compliance with the provisions of governmental regulations, including mined land reclamation and other air and water pollution abatement requirements, are estimated at \$7.6 million for certain closed mines and are included in the caption "Self-Insurance Reserves and Other" in NACCO's Consolidated Financial Statements in the 1998 Annual Report. The active operations are required to make certain additional capital expenditures to comply with such governmental regulations, which expenditures will be recovered under the terms of the coal sales agreements with the utility customers.

NACoal's management believes that the Clean Air Act Amendments, which became effective in 1990, have not had and will not have a material adverse effect on its current operations, because substantially all of the power generating facilities operated or supplied by NACoal's customers meet or exceed the requirements of the Clean Air Act.

COMPETITION

The coal industry competes with other sources of energy, particularly oil, gas, hydro-electric power and nuclear power. 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 regulation of operations, 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.

There is no official source of information on the subject, but NACoal believes that it is the ninth largest coal producer in the United States.

EMPLOYEES

As of February 28, 1999, NACoal had approximately 1000 employees.

B. NACCO MATERIALS HANDLING GROUP

GENERAL

NMHG is one of the leading worldwide designers, manufacturers and marketers of forklift trucks, which comprise the largest segment of the materials handling equipment industry. NMHG accounted for 57% and 47% of NACCO's assets and liabilities, respectively, as of December 31, 1998, while its operations accounted for 68% and 67% of NACCO's revenues and operating profits, respectively, in 1998.

THE INDUSTRY

Forklift trucks are used in a wide variety of business applications, including manufacturing and warehousing. The materials handling industry, especially in industrialized nations, is generally a mature industry, which has historically been cyclical. Fluctuations in the rate of orders for forklift trucks reflect the capital investment decisions of the customers, which in turn depend upon the general level of economic activity in the various industries served by such customers.

Since 1991, the worldwide market for forklift trucks has gradually increased to approximately 500,000 units. During this time, however, individual geographic markets have been subject to cyclicality. The North American market for forklift trucks peaked in 1995, began a cyclical downturn in 1996 and then recovered to a new high in 1998. The European market reversed a declining trend in 1994 and has steadily grown to a new high in 1998. The Japanese market reversed a growth trend in 1998 as a result of the widely publicized financial problems in Japan in 1998. The market in Asia-Pacific (outside of Japan) continued modest growth in 1996 and the first half of 1997. However, the late-1997 Asian financial crisis, which continued through 1998, has negatively affected lift truck demand in that part of the world. For further information, see the 1998 Annual Report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations--Outlook. "

COMPANY OPERATIONS

NMHG maintains product differentiation between Hyster and Yale brands of forklift trucks and distributes its products through separate worldwide dealer networks. Nevertheless, NMHG has integrated overlapping operations and takes advantage of economies of scale in design, manufacturing and purchasing.

NMHG provides virtually all of its own design, manufacturing and administrative functions. Products are marketed and sold through two separate dealer networks which retain and promote the Hyster and Yale identities. In Japan, NMHG has a 50% owned joint venture with Sumitomo Heavy Industries Ltd. which is generally known as Sumitomo-NACCO Materials Handling Group ("S-N"). S-N

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performs certain design activities and produces lift trucks and components which it markets in Japan under the name "Sumitomo Yale" and which are exported for sale by NMHG and its affiliates in the U.S., Europe and Asia-Pacific.

PRODUCT LINES

NMHG designs and manufactures a wide range of forklift trucks under both the Hyster and Yale brand names. The principal categories of forklift trucks include electric rider, electric narrow-aisle and electric motorized hand forklift trucks primarily for indoor use and internal combustion engine ("ICE") forklift trucks for indoor or outdoor use. Forklift truck sales accounted for approximately 83%, 82% and 84% of NMHG's net sales in 1998, 1997 and 1996, respectively.

NMHG also derives significant revenues from the sale of service parts for its products. Profit margins on service parts are greater than those on forklift trucks. The large population of Hyster and Yale forklift trucks now in service provides a market for service parts. In addition to parts for its own forklift trucks, NMHG has a program in North America, UNISOURCE(TM), and in Europe, MULTIQUIP(TM), designed to supply Hyster dealers with replacement parts for most competing brands of forklift trucks. NMHG has a similar program, PREMIER(TM), for its Yale dealers in the Americas and Europe. Accordingly, NMHG dealers can offer their mixed fleet customers a "one stop" supply source. Certain of these parts are manufactured by and purchased from third party component makers. Service parts accounted for approximately 17%, 18% and 16% of NMHG net sales in 1998, 1997 and 1996, respectively. For further information on geographic regions, see Note 19 to the Consolidated Financial Statements in the 1998 Annual Report.

COMPETITION

The forklift truck industry is highly competitive. The worldwide competitive structure of the industry is fragmented by product line and country; however, the three largest manufacturers have a significantly greater market position on a unit volume basis than the other manufacturers. The principal methods of competition among forklift truck manufacturers are product performance, price, service and distribution networks. The forklift truck industry also competes with alternative methods of materials handling, including conveyor systems, automated guided vehicle systems and manual labor. Global competition is also affected by a number of other factors, including currency fluctuations, variations in labor costs and effective tax rates, and the costs related to compliance with applicable regulations, including export restraints, antidumping provisions and environmental regulations.

Although there is no official source for information on the subject, NACCO believes that in 1998 NMHG was one of the leading manufacturers of forklift trucks in the world, based on the number of lift trucks sold.

NMHG's position is strongest in North America, where it believes it is the leader in unit sales of electric rider and ICE forklift trucks and has a significant share of unit sales of electric narrow-aisle and electric motorized hand forklift trucks. Although the European market is fragmented and competitive positions vary from country to country, NMHG believes that it has a significant share of unit sales of electric rider and ICE forklift trucks in Western Europe. Although NMHG's current market share in the Asia-Pacific, Chinese and Japanese markets is lower than in other geographic areas, these markets have been targeted for additional opportunities. However, the late-1997 Asian financial crisis, which continued through 1998, has negatively affected lift truck demand in that part of the world.

TRADE RESTRICTIONS

A. UNITED STATES

Since June 1988, Japanese-built ICE forklift trucks imported into the U.S., with lifting capacities between 2,000 and 15,000 pounds, including finished and unfinished forklift trucks, chassis, frames and frames assembled with one or more component parts, have been subject to an antidumping duty order. Antidumping duty rates in effect through 1998 range from 7.39% to 56.81% depending on manufacturer or importer. The antidumping duty rate applicable to imports from S-N is 51.33%. NMHG does not currently import for sale in the United States any forklift trucks or components subject to the antidumping duty

order. This antidumping duty order will remain in effect until the Japanese manufacturers and importers satisfy the U.S. Department of Commerce (the "Commerce Department") that they have not individually sold merchandise subject to the order in the United States below foreign market value for at least three consecutive years, or unless the Commerce Department or the U.S. International Trade Commission finds that changed circumstances exist sufficient to warrant the retirement of the order. The legislation implementing the Uruguay round of GATT negotiations passed in 1994 provides that the antidumping order will be reviewed for possible retirement in 2000. All of NMHG's major Japanese competitors have either built or acquired manufacturing or assembly facilities in the United States. NMHG cannot predict with any certainty if

there have been or will be any negative effects to it resulting from Japanese manufacturers sourcing their forklift products from the United States. NMHG intends to oppose retirement of the antidumping duty in 2000, but cannot predict if it will be successful or what the effect would be on NMHG if the order is retired.

B. EUROPE

From 1986 through 1994, Japanese forklift truck manufacturers were subject to informal export restraints on Japanese-manufactured electric rider, electric narrow-aisle and ICE forklift trucks shipped to Europe. These informal restraints terminated in 1995. Several Japanese manufacturers have established manufacturing or assembly facilities within the European Union.

PRODUCT DESIGN AND DEVELOPMENT

NMHG spent \$38.6 million, \$23.5 million and \$23.3 million on product design and development activities in 1998, 1997 and 1996, respectively. The Hyster and Yale products are differentiated for the specific needs of their respective customer bases. NMHG continues to pursue opportunities to improve product costs by engineering new Hyster and Yale brand products with component commonality.

Certain product design and development activities with respect to ICE forklift trucks and some components are performed in Japan by S-N. S-N spent approximately \$4.3 million, \$4.1 million and \$4.2 million on product design and development in 1998, 1997 and 1996, respectively.

BACKLOG

As of December 31, 1998, NMHG's backlog of unfilled orders for forklift trucks was approximately 19,500 units, or \$350 million, of which substantially all is expected to be filled during fiscal 1999. This compares to the backlog as of December 31, 1997 of approximately 22,100 units, or \$392 million. Increased production and a slight reduction in the rate of incoming orders for forklift trucks in 1998 caused this slight decline in backlog levels. Backlog represents unit orders to NMHG's manufacturing plants from independent dealerships, retail customers and contracts with the U.S. Government. Although these orders are believed to be firm, such orders may be subject to cancellation or modification.

SOURCES

NMHG has adopted a strategy of obtaining its raw materials and principal components on a global basis from competitively priced sources. NMHG is dependent on a limited number of suppliers for certain of its critical components, including diesel and gasoline engines and cast-iron counterweights used on certain forklift trucks. There would be a material adverse effect on NMHG if it were unable to obtain all or a significant portion of such components, or if the cost of such components was to increase significantly under circumstances which prevented NMHG from passing on such increases to its customers.

DISTRIBUTION

The Hyster and Yale brand products are distributed through separate highly developed worldwide dealer networks which are primarily independently owned. In addition, NMHG has an internal sales force for each brand to sell directly to major customers. In Japan, forklift truck products are distributed by S-N.

In 1998, NMHG embarked on a strategy of permanently acquiring or investing in certain of its independently-owned Hyster and Yale retail dealerships. NMHG believes its expansion into retail distribution will be beneficial because of the significant revenue and profit stream that occurs at the retail level from new and used unit sales, part sales, rental income and maintenance and repair business. NMHG believes that ownership of retail dealers

will ensure strategic alignment of its manufacturing with its distribution and will streamline its distribution channel. NMHG's ownership and operation of retail dealers will allow it to financially strengthen this portion of its distribution organization. NMHG's goal is to have a combination of large, well capitalized, professionally run independent and company-owned dealers. For further information, see the 1998 Annual Report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."

As of March 15, 1999, NMHG has acquired two dealerships in the United States, seven dealerships in Europe and three dealerships in Asia-Pacific. NMHG expects to complete a significant number of additional dealer acquisitions throughout the world in 1999.

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NMHG has added personnel throughout its worldwide organizational structure to staff its emerging retail business. NMHG competes in this arena with its own independent Hyster or Yale dealers, independently-owned dealers for competing brands, dealerships owned by competing manufacturers, independently-owned rental fleets and independent maintenance and repair businesses. NMHG has experience prior to 1992 operating company-owned Hyster and Yale dealers and believes it has the experience, personnel and resources to be successful in the retail distribution end of the materials handling business.

FINANCING OF SALES

In 1998, NMHG amended its existing joint venture agreement with General Electric Capital Corporation ("GE Capital") to provide that GE Capital would furnish leasing and financing services to selected Hyster dealers in North America in addition to the North American Yale dealers GE Capital was already supporting under the agreement. NMHG owns 20% of the joint venture entity, NMHG Financial Services, Inc., and is entitled to certain fees and remarketing profits. In addition, NMHG entered into an International Operating Agreement with GE Capital pursuant to which GE Capital will provide leasing and financing services to Hyster and Yale dealers throughout the major countries of the world and make referral fee payments to NMHG once certain thresholds are met. The agreements expire in 2003.

Hyster U.S. dealer and direct sales of Hyster products in the U.S. also are supported by leasing and financing services provided by Hyster Credit Company, a division of AT&T Capital, pursuant to an operating agreement that expires in 2000.

EMPLOYEES

As of February 28, 1999, NMHG had approximately 7,000 employees. Employees in the Danville, Illinois manufacturing and parts depot operations (approximately 773 employees) are unionized, as are tool room employees (approximately 22 employees) located in Portland, Oregon. A three-year contract for the Danville union employees expires in June 2000. A one-year contract with the Portland tool room union expires in October 1999. Employees at the facilities in Berea, Kentucky; Sulligent, Alabama; and Greenville and Lenoir, North Carolina are not represented by unions.

In Europe, shop employees in the Craigavon, Northern Ireland facility are unionized. Employees in the Irvine, Scotland and Nijmegen, the Netherlands facilities are not represented by unions. The employees in Nijmegen have organized a works council, as required by Dutch law, which performs a consultative role on employment matters.

NMHG's management believes its current labor relations with both union and non-union employees are generally satisfactory and that it will be able to renew the Portland union contract in 1999 on acceptable terms.

GOVERNMENT REGULATION

NMHG's manufacturing facilities, in common with others in the industry, are subject to numerous laws and regulations designed to protect the environment, particularly with respect to disposal of plant waste. NMHG's products are also subject to various industry and governmental standards. NMHG's management believes that the impact of expenditures to comply with such requirements will not have a material adverse effect on NMHG.

PATENTS, TRADEMARKS AND LICENSES

NMHG is not materially dependent upon patents or patent protection. NMHG is the owner of the Hyster trademark, which is currently registered in approximately 55 countries. The Yale trademark, which is used on a perpetual royalty-free basis by NMHG in connection with the manufacture and sale of

forklift trucks and related components, is currently registered in approximately 150 countries. NMHG's management believes that its business is not dependent upon any individual trademark registration or license, but that the Hyster and Yale trademarks are material to its business.

FOREIGN OPERATIONS

For a description of net sales and other financial information by geographic region, see Note 19 to the Consolidated Financial Statements in the 1998 Annual Report.

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C. NACCO HOUSEWARES GROUP

GENERAL

In the second quarter of 1998, NACCO began reporting the results of HB*PS and KCI on a combined basis as the NACCO Housewares Group. HB*PS believes that it is the largest full-line manufacturer and marketer of small electric household appliances in North America based on market share of key product categories. HB*PS' products are marketed primarily to retail merchants and wholesale distributors. KCI is a national specialty retailer of kitchenware, small electric appliances and related accessories that operated 145 retail stores as of February 28, 1999. Stores are located primarily in factory outlet complexes that feature merchandise of highly recognizable name-brand manufacturers, including HB*PS. Housewares accounted for 18% and 13% of NACCO's assets and liabilities, respectively, as of December 31, 1998, while its operations accounted for 21% and 18% of NACCO's revenues and operating profits, respectively, in 1998.

SALES AND MARKETING

HB*PS manufactures and markets a wide range of small electric household appliances, including motor driven appliances such as blenders, food processors, mixers and electric knives, and heat-generating appliances such as toasters, irons, coffeemakers, indoor grills and toaster ovens. HB*PS also makes commercial products for restaurants, bars and hotels. HB*PS generally markets its "better" and "best" segments under the Hamilton Beach(R) brand and uses the Proctor-Silex(R) brand for the "good" and "better" segments. HB*PS generally markets its products primarily in North America, but also sells products in Latin America, Asia and Europe. Sales are generated predominantly by a network of inside sales employees to mass merchandisers, national department stores, variety store chains, drug store chains, catalog showrooms and other retail outlets. Principal customers include Wal-Mart, Kmart, Target, Canadian Tire, Zellers, SAM'S Club, Dollar General, Sears and Ames. Sales promotional activities are primarily focused on cooperative advertising.

Because of the seasonal nature of the markets for small electric appliances, HB*PS' management believes that backlog is not a meaningful indicator of performance and is not a significant indicator of annual sales. Backlog of orders as of December 31, 1998 was approximately \$5.5 million. This compares with the aggregate backlog as of December 31, 1997 of approximately \$11.0 million. This backlog represents customer orders, which may be canceled at any time prior to shipment.

HB*PS' warranty program to the consumer consists generally of a limited warranty lasting for two years for electric appliances. Under its warranty program, HB*PS may repair or replace, at its option, those products found to contain manufacturing defects.

Revenues and operating profit for Housewares 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, HB*PS incurs substantial short-term debt to finance inventories and accounts receivable during this period.

PRODUCT DESIGN AND DEVELOPMENT

The Housewares Group spent \$5.5 million in 1998, \$4.4 million in 1997 and \$3.7 million in 1996 on product design and development activities. All of these expenditures were made by HB*PS.

SOURCES

The principal raw materials used to manufacture and distribute HB*PS'

products are steel, aluminum, plastic and packaging materials. HB*PS' management believes that adequate quantities of raw materials are available from various suppliers.

COMPETITION

The small electric household appliance industry is highly competitive. Based on publicly available information about the industry, HB*PS' management believes it is the largest full-line manufacturer and marketer of small household appliances in North America based on key product categories.

As retailers generally purchase a limited selection of small electric appliances, HB*PS competes with other suppliers for retail shelf space and focuses its primary marketing efforts on retailers rather than consumers. In 1996, HB*PS also initiated consumer advertising for the Hamilton Beach(R) brand. HB*PS' management believes that the principal areas of competition with respect to its products are quality, price, product design, product features, merchandising, promotion and warranty. HB*PS' management believes that it is competitive in all of these areas.

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As the outlet channel of the retail industry is approaching maturity, the management of KCI continues to explore alternate areas of growth and diversification. For the past several years, KCI has been testing alternative store formats both within the outlet industry and the more traditional retail environments. Not all of these formats have met KCI's rigorous financial performance standards. KCI continues to explore alternate channels of distribution, including distribution through the Internet.

GOVERNMENT REGULATION

HB*PS, in common with other manufacturers, is subject to numerous Federal and state health, safety and environmental regulations. HB*PS' management believes that the impact of expenditures to comply with such laws will not have a material adverse effect on HB*PS. HB*PS' products are subject to testing or regulation by Underwriters' Laboratories, the Canadian Standards Association and various entities in foreign countries that review product design.

PATENTS, TRADEMARKS, COPYRIGHTS AND LICENSES

HB*PS holds patents and trademarks registered in the United States and foreign countries for various products. HB*PS' management believes that its business is not dependent upon any individual patent, trademark, copyright or license, but that the Hamilton Beach and Proctor-Silex trademarks are material to its business.

EMPLOYEES

As of February 28, 1999, Housewares' work force consisted of approximately 5,650 employees, most of which are not represented by unions. In Canada, approximately 20 hourly employees at HB*PS' Picton, Ontario distribution facility are unionized. These employees are represented by an employee association which performs a consultative role on employment matters. On February 1, 1999, a collective bargaining agreement was executed for HB*PS' Saltillo manufacturing facility. There are approximately 1,120 employees subject to the terms of this agreement.

The management of HB*PS and KCI believe their current labor relations with both union and non-union employees are satisfactory.

ITEM 2. PROPERTIES

A. NACCO

NACCO currently leases its corporate headquarters building in Mayfield Heights, Ohio.

B. NACOAL

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 2.0 billion tons, approximately 83% of which are lignite deposits in North Dakota. Reserves are estimates of quantities of coal, made by NACoal's geological and engineering staff, that 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 page 3 under "Item 1. Business -- A.

C. NMHG

The following table summarizes certain information with respect to the principal manufacturing, distribution and office facilities owned or leased by NMHG.

<TABLE> <CAPTION> LOCATION ----- <S>	OWNED ----- <C>	LEASED ----- <C>	FUNCTION/PRINCIPAL PRODUCTS ----- <C>
Berea, Kentucky	X		Manufacture of forklift trucks
Craigavon, Northern Ireland	X		Manufacture of forklift trucks
Danville, Illinois	X		Manufacture of forklift trucks, components and service parts
Danville, Illinois	X		Distribution of service parts for both Hyster and Yale forklift trucks
Fleet, England		X	Hyster and Yale forklift truck marketing and sales operations for Europe, the Middle East and Africa
Greenville, North Carolina	X		NMHG Americas division headquarters; Hyster and Yale marketing and sales operations for NMHG Americas; design and manufacture of warehouse forklift trucks
Irvine, Scotland	X		NMHG European division headquarters; manufacture of forklift trucks
Lenoir, North Carolina	X		Manufacture of component parts for forklift trucks
Masate, Italy		X	Manufacture of forklift trucks
Modena, Italy		X	Manufacture of forklift trucks
Nijmegen, the Netherlands	X		Design and manufacture of forklift trucks and component parts; distribution of service parts for forklift trucks
Obu, Japan	X		S-N headquarters; manufacture of forklift trucks and component parts; distribution of service parts for forklift trucks
Portland, Oregon	X		Counterbalanced forklift truck development center for design and testing of forklift trucks, prototype equipment and component parts
Portland, Oregon		X	NMHG global headquarters
Portland, Oregon		X	Manufacture of production tooling and prototype units
Ramos Arizpe, Mexico (near Saltillo)	X		Manufacturing facility for component parts of forklift trucks
Sao Paulo, Brazil	X		Assembly of forklift trucks; distribution of service parts for forklift trucks
Shanghai, China	X		Manufacturing facility for forklift trucks under construction by Shanghai Hyster Joint Venture
Sulligent, Alabama		X	Manufacture of component parts for forklift trucks

</TABLE>

D. NACCO HOUSEWARES GROUP

The following table summarizes certain information with respect to the principal manufacturing, distribution and office facilities owned or leased by HBPS.

LOCATION	OWNED	LEASED	FUNCTION/PRINCIPAL PRODUCTS
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Collierville, Tennessee	X		Distribution center
El Paso, Texas		X	Distribution center
Glen Allen, Virginia		X	Corporate headquarters
Juarez, Chihuahua, Mexico		X	Assembly of heat driven products (two plants); plastic molding facility (one plant)
Memphis, Tennessee		X	Distribution center
Mt. Airy, North Carolina		X	Manufacture of heat driven products
Picton, Ontario, Canada		X	Distribution center
Southern Pines, North Carolina		X	Manufacture of iron components; service center for customer returns; catalog sales center; parts distribution center
Toronto, Ontario, Canada		X	Proctor-Silex Canada sales and administration headquarters
Washington, North Carolina		X	Distribution and warranty center; manufacture of motor driven products; plastic molding facility
Saltillo, Mexico	X		Manufacture of heat driven and motor products and plastic molding facility

</TABLE>

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

KCI currently leases its corporate headquarters building, a warehouse/distribution facility and a retail store in Chillicothe, Ohio. KCI leases the remainder of its retail stores. A typical store is approximately 3,000 square feet.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders of the Company.

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 successor is elected and qualified.

The table on the following pages sets forth the name, age, current position and principal occupation and employment during the past five years of the Company's executive officers.

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EXECUTIVE OFFICERS OF THE COMPANY

<TABLE>
<CAPTION>

NAME ----	AGE ---	CURRENT POSITION -----	OTHER POSITIONS -----
<S>	<C>	<C>	<C>
Alfred M. Rankin, Jr.	57	Chairman, President and Chief Executive Officer of NACCO (since May 1994)	From prior to 1994 to May 1994, President and Chief Executive Officer of NACCO.
Charles A. Bittenbender	49	Vice President, General Counsel and Secretary of NACCO (since prior to 1994)	
Kenneth C. Schilling	39	Vice President and Controller of NACCO (since May 1997)	From June 1996 to May 1997, Controller of NACCO. From July 1995 to May 1996, Manager of Tax and Budgeting of NACCO. From prior to 1994 to June 1995, Manager of Tax of NACCO.
J.C. Butler, Jr.	38	Vice President - Corporate Development and Treasurer of NACCO (since May 1997)	From June 1996 to May 1997, Manager of Corporate Development and Treasurer of NACCO. From May 1995 to May 1996, Manager of Corporate Development of NACCO. From prior to 1994 to 1995, Associate at McFarland Dewey & Co. (investment banking).
Lauren E. Miller	44	Vice President - Consulting Services of NACCO (since May 1997)	From January 1996 to May 1997, Director of Internal Consulting of NACCO. From prior to 1994 to December 1995, Manager of Strategy Development of NACCO.

</TABLE>

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PRINCIPAL OFFICERS OF THE COMPANY'S SUBSIDIARIES

A. NACOAL

<TABLE>
<CAPTION>

NAME ----	AGE ---	CURRENT POSITION -----	OTHER POSITIONS -----
<S>	<C>	<C>	<C>
Clifford R. Miercort	59	President and Chief Executive Officer of NACOal (since prior to 1994)	
Herschell A. Cashion	56	Senior Vice President - Business Development of NACOal (since August 1994)	From prior to 1994 to August 1994, Vice President - Business Development of NACOal.
Charles B. Friley	57	Vice President and Chief Financial Officer of NACOal (since February 1995)	From prior to 1994 to October 1994, Senior Vice President of Phillips Alaska Natural Gas Company.
Thomas A. Koza	52	Vice President - Law and Administration of NACOal; Secretary of NACOal (since prior to 1994)	
Clark A. Moseley	47	Vice President - Engineering of NACOal (since June 1997)	From August 1994 to June 1997, Manager, Engineering and Project Development, NACOal. From prior to 1994 to August 1994, Manager, Technical Services, NACOal.
K. Donald Grischow	51	Controller and Treasurer of NACOal (since prior to 1994)	

</TABLE>

PRINCIPAL OFFICERS OF THE COMPANY'S SUBSIDIARIES

B. NMHG

<TABLE>

<CAPTION>

NAME ----	AGE ---	CURRENT POSITION -----	OTHER POSITIONS -----
<S>	<C>	<C>	<C>
Reginald R. Eklund	58	President and Chief Executive Officer of NMHG (since prior to 1994)	
Julie C. Hui	42	Controller of NMHG (since January 1995)	From prior to 1994 to January 1995, Controller, Burr Brown Corporation (manufacturer of micro electronics and systems products).
Ron J. Leptich	55	Vice President, Engineering and Big Trucks of NMHG (since October 1997)	From June 1996 to October 1997, Vice President, Engineering and Big Trucks, Worldwide of NMHG. From prior to 1994 to June 1996, Vice President, Engineering, Worldwide of NMHG.
Geoffrey D. Lewis	41	Vice President, General Counsel and Secretary of NMHG (since September 1995)	From prior to 1994 to September 1995, Senior Vice President, General Counsel and Corporate Secretary of American Health Properties, Inc. (health care facilities).
Jeffrey C. Mattern	46	Treasurer of NMHG (since prior to 1994)	
William C. Maxwell	52	Vice President, Finance and Chief Financial Officer of NMHG (since August 1996)	From prior to 1994 to August 1996, Vice President Finance - Europe of NMHG.
Frank G. Muller	57	Vice President of NMHG; President, Americas (since prior to 1994)	
Ronald D. Muller	52	Vice President, Operations Strategy & Counterbalanced Products of NMHG (since August 1998)	From August 1996 to August 1998, Vice President, Manufacturing and Information Services, Worldwide of NMHG. From February 1995 to August 1996, Vice President, Manufacturing and Component Strategy, Worldwide of NMHG. From prior to 1994 to February 1995, Vice President, Manufacturing, Worldwide of NMHG.
Victoria L. Rickey	46	Vice President of NMHG; Managing Director, NMHG Europe, Africa and Middle East (since January 1995)	From prior to 1994 to January 1995, Senior Vice President International Business Group, J.I. Case (manufacturer of agricultural and construction equipment).
Edward W. Ryan	60	Vice President, Marketing of NMHG (since February 1995); President, NMHG Asia-Pacific, China and Japan (since November 1996)	From February 1995 to November 1996, Vice President, Counterbalanced Trucks, Worldwide of NMHG. From January 1994 to February 1995, Vice President, Yale Materials Handling Corporation. From prior to 1994 to February 1995, Vice President, Yale Marketing.

</TABLE>

PRINCIPAL OFFICERS OF THE COMPANY'S SUBSIDIARIES

C. NACCO HOUSEWARES GROUP

1. HB*PS

<TABLE>

<CAPTION>

NAME	AGE	CURRENT POSITION	OTHER POSITIONS
------	-----	------------------	-----------------

----	---	-----	-----
<S>	<C>	<C>	<C>
Richard E. Posey	52	President and Chief Executive Officer of HB*PS (since September 1995)	From prior to 1994 to June 1994, Executive Vice President, Consumer Products, North America, S.C. Johnson & Sons, Inc. (manufacturer of consumer products).
Charles B. Hoyt	51	Senior Vice President - Finance and Chief Financial Officer of HB*PS (since January 1997)	From prior to 1994 to January 1997, Vice President - Finance and Chief Financial Officer of HB*PS.
Clark S. Leslie	65	Senior Vice President - Operations of HB*PS (since January 1997)	From March 1996 to December 1996, Vice President - Operations of HB*PS. From prior to 1994 to March 1996, General Manager, Washington, N.C. plant, HB*PS.
Michael J. Morecroft	56	Senior Vice President - Engineering /Product Development of HB*PS (since January 1997)	From prior to 1994 to December 1996, Vice President, Engineering/Product Development of HB*PS.
Judith B. McBee	51	Senior Vice President - Marketing of HB*PS (since January 1997)	From October 1994 to December 1996, Executive Vice President - Marketing of HB*PS. From prior to 1994 to September 1994, Executive Vice President - Marketing/Sales of HB*PS.
Paul C. Smith	52	Senior Vice President - Sales and International of HB*PS (since January 1996)	From September 1994 to January 1996, Senior Vice President - Sales of HB*PS. From prior to 1994 to September 1994, Vice President and General Manager, Consumer Markets Division, Fuji Photo Film U.S.A. (manufacturer of photographic film).
George P. Manson, Jr.	45	Vice President, General Counsel and Secretary of HB*PS (since July 1996)	From March 1995 to July 1996, Corporate Counsel of American Home Products Corp. (health care and consumer products manufacturer). From February 1994 to January 1995, Assistant General Counsel, A.T. Massey Coal Company (mining company).
James H. Taylor	41	Vice President and Treasurer of HB*PS (since prior to 1994)	

2. KCI

NAME	AGE	CURRENT POSITION	OTHER POSITIONS
----	---	-----	-----
Randolph J. Gawelek	51	President, Secretary and Treasurer of KCI (since March 1999).	From December 1998 to March 1999, Executive Vice President, Secretary and Treasurer of KCI. From prior to 1994 to December 1998, Executive Vice President and Secretary of KCI.

</TABLE>

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PART II

ITEM 5. MARKET FOR NACCO INDUSTRIES, INC. COMMON STOCK AND RELATED SECURITY HOLDERS' MATTERS

The information required by this Item 5 is set forth on page 38 of the 1998 Annual Report under the heading "Market For NACCO Industries, Inc. Common Stock and Related Security Holders' Matters," which information is incorporated herein by reference and filed herewith as Exhibit 13.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The information required by this Item 6 with respect to selected financial data is set forth on page 1 of the 1998 Annual Report under the heading "Selected Financial and Operating Data," which information is incorporated herein by reference and filed herewith as Exhibit 13.

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

The information required by this Item 7 is set forth at pages 22 through 38 of the 1998 Annual Report under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," which information is incorporated herein by reference and filed herewith as Exhibit 13.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item 7A is set forth at pages 37 and 38 of the 1998 Annual Report under the heading "Quantitative and Qualitative Disclosures About Market Risk," which information is incorporated herein by reference and filed herewith as Exhibit 13.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 is set forth at pages 39 through 59 of the 1998 Annual Report, which information is incorporated herein by reference and filed herewith as Exhibit 13.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information with respect to Directors of the Company is set forth in the 1999 Proxy Statement under the headings "Business to be Transacted -- 1. Election of Directors," and "Section 16(a) Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference. Information regarding the executive officers of the Company is included as Item 4A of Part I as permitted by Instruction 3 to Item 401(b) of Regulation S-K.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to executive compensation is set forth in the 1999 Proxy Statement under the heading "Business to be Transacted -- 1. Election of Directors" under the subheadings "-- Compensation of Directors," "-- Compensation of Executive Officers," "-- Stock Option Grants," "-- Stock Option Exercises and Fiscal Year-End Values," "-- Long-Term Incentive Plans," "-- Compensation Committee Interlocks and Insider Participation" and "-- Pension Plans," which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is set forth in the 1999 Proxy Statement under the heading "Business to be Transacted -- 1. Election of Directors -- Beneficial Ownership of Class A Common and Class B Common," which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to certain relationships and related transactions is set forth in the 1999 Proxy Statement under the heading "Business to be Transacted -- 1. Election of Directors -- Compensation Committee Interlocks and Insider Participation," which information is incorporated herein by reference.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) and (2) The response to Item 14(a) (1) and (2) is set forth beginning at page F-1 of this Annual Report on Form 10-K.

(a) (3) Listing of Exhibits -- See the exhibit index beginning at page X-1 of this Annual Report on Form 10-K.

(b) The Company did not file any current reports on Form 8-K during the fourth quarter of 1998.

(c) The response to Item 14(c) is set forth beginning at page X-1 of this Annual Report on Form 10-K.

(d) Financial Statement Schedules -- The response to Item 14(d) is set

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NACCO Industries, Inc.

By: /s/ Kenneth C. Schilling

 Kenneth C. Schilling
 Vice President and Controller
 (principal financial
 and accounting officer)

March 26, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<S>	<C>	<C>
/s/ Alfred M. Rankin, Jr. ----- Alfred M. Rankin, Jr.	Chairman, President and Chief Executive Officer (principal executive officer), Director	March 26, 1999
/s/ Kenneth C. Schilling ----- Kenneth C. Schilling	Vice President and Controller (principal financial and accounting officer)	March 26, 1999
* Owsley Brown II ----- Owsley Brown II	Director	March 26, 1999
* Robert M. Gates ----- Robert M. Gates	Director	March 26, 1999
* Leon J. Hendrix, Jr. ----- Leon J. Hendrix, Jr.	Director	March 26, 1999
* Dennis W. LaBarre ----- Dennis W. LaBarre	Director	March 26, 1999
* Richard de J. Osborne ----- Richard de J. Osborne	Director	March 26, 1999
* Ian M. Ross ----- Ian M. Ross	Director	March 26, 1999
* John C. Sawhill ----- John C. Sawhill	Director	March 26, 1999
* Britton T. Taplin ----- Britton T. Taplin	Director	March 26, 1999
* David F. Taplin ----- David F. Taplin	Director	March 26, 1999

John F. Turben

*Kenneth C. Schilling, by signing his name hereto, does hereby sign this Annual Report on Form 10-K on behalf of each of the above named and designated directors of the Company pursuant to a Power of Attorney executed by such persons and filed with the Securities and Exchange Commission.

/s/ Kenneth C. Schilling

March 26, 1999

Kenneth C. Schilling, Attorney-in-Fact

</TABLE>

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ANNUAL REPORT ON FORM 10-K

ITEM 8, ITEM 14(a)(1) AND (2), AND ITEM 14(d)

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 1998

NACCO INDUSTRIES, INC.

MAYFIELD HEIGHTS, OHIO

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FORM 10-K

ITEM 14(a)(1) AND (2)

NACCO INDUSTRIES, INC. AND SUBSIDIARIES

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of NACCO Industries, Inc. and Subsidiaries are incorporated by reference in Item 8 beginning at page 39 of the 1998 Annual Report:

Report of Independent Public Accountants--Year ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Income and Comprehensive Income--Year ended December 31, 1998, 1997 and 1996.

Consolidated Balance Sheets--December 31, 1998 and December 31, 1997.

Consolidated Statements of Cash Flows--Year ended December 31, 1998,

1997 and 1996.

Consolidated Statements of Stockholders' Equity--Year ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements.

NACCO Industries, Inc. Report of Management.

The following consolidated financial statement schedules of NACCO Industries, Inc. and Subsidiaries are included in Item 14(d):

Schedule I -- Condensed Financial Information of the Parent
Schedule II -- Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of NACCO Industries, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in NACCO Industries, Inc.'s annual report to stockholders, incorporated by reference in this Form 10-K, and have issued our report thereon dated February 9, 1999. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in the index are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Arthur Andersen LLP

Cleveland, Ohio
February 9, 1999

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SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF THE PARENT NACCO INDUSTRIES, INC. AND SUBSIDIARIES PARENT COMPANY CONDENSED BALANCE SHEETS

<TABLE>
<CAPTION>

	Year ended December 31	
	1998	1997
	(In millions)	
<S>	<C>	<C>
Current assets	\$ 0.6	\$ --
Net amounts receivable from subsidiaries	5.5	12.4
Other assets	0.2	0.5
Investment in subsidiaries		
NMHG	451.0	375.8
Housewares	150.1	137.9
NACoal	15.1	15.1

Bellaire	0.7	0.8
	-----	-----
	616.9	529.6
Property, plant and equipment, net	1.6	1.9
Deferred income taxes	21.8	21.2
	-----	-----
Total Assets	\$646.6	\$565.6
	=====	=====
Current liabilities	\$ 10.0	\$ 15.2
Reserve for future interest on UMWA obligation	57.1	59.2
Note payable to Bellaire	38.4	39.3
Notes payable to other subsidiaries	18.0	22.6
Deferred income taxes and other	4.8	4.2
Stockholders' equity	518.3	425.1
	-----	-----
Total Liabilities and Stockholders' Equity	\$646.6	\$565.6
	=====	=====

</TABLE>

See Notes to Parent Company Financial Statements.

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SCHEDULE I--CONDENSED FINANCIAL INFORMATION OF THE PARENT
NACCO INDUSTRIES, INC. AND SUBSIDIARIES
PARENT COMPANY STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year Ended December 31		
	1998	1997	1996
	-----	-----	-----
	(In millions)		
<S>	<C>	<C>	<C>
Income (expense):			
Intercompany interest income	\$ --	\$ --	\$ 0.1
Intercompany interest expense	(1.0)	(2.3)	(0.5)
Other - net	0.9	1.9	0.4
	-----	-----	-----
	(0.1)	(0.4)	--
Administrative and general expenses	10.5	8.4	8.9
	-----	-----	-----
Loss before income taxes	(10.6)	(8.8)	(8.9)
Income tax benefit	(4.2)	(3.4)	(3.1)
	-----	-----	-----
Net loss before equity in earnings of Subsidiaries	(6.4)	(5.4)	(5.8)
Equity in earnings of subsidiaries	108.7	67.2	56.4
	-----	-----	-----
Net income	\$102.3	\$ 61.8	\$ 50.6
	=====	=====	=====

</TABLE>

SCHEDULE I--CONDENSED FINANCIAL INFORMATION OF THE PARENT
 NACCO INDUSTRIES, INC. AND SUBSIDIARIES
 PARENT COMPANY STATEMENTS OF CASH FLOWS

<TABLE>
 <CAPTION>

	Year Ended December 31		
	1998	1997	1996
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income	\$102.3	\$ 61.8	\$ 50.6
Equity in earnings of subsidiaries	(108.7)	(67.2)	(56.4)
Parent company only net loss	(6.4)	(5.4)	(5.8)
Deferred income taxes	(0.6)	(1.3)	1.9
Income taxes net of intercompany tax payments	(6.8)	6.0	(0.9)
Working capital changes	3.4	(1.3)	0.8
Changes in current intercompany amounts	7.9	(1.8)	1.9
Changes in reserve for future interest on UMWA obligation	(2.1)	(2.3)	(2.8)
Items of income or expense not requiring cash outlays	0.4	0.4	--
Net cash used for operating activities	(4.2)	(5.7)	(4.9)
INVESTING ACTIVITIES			
Capital contributions to NMHG	--	--	(1.8)
Dividends and advances received from subsidiaries	15.4	14.8	55.9
Notes payable to Bellaire	(0.8)	(1.3)	(2.7)
Expenditures for equipment	(0.1)	(0.1)	(1.4)
Net cash provided by investing activities	14.5	13.4	50.0
FINANCING ACTIVITIES			
Cash dividends	(6.6)	(6.3)	(6.7)
Purchases of treasury stock	(4.7)	(2.8)	(40.4)
Treasury stock sales under stock option and Directors' compensation plans - net	1.0	1.0	1.1
Other - net	--	0.1	0.1
Net cash used for financing activities	(10.3)	(8.0)	(44.8)
CASH AND CASH EQUIVALENTS			
Increase (decrease) for the period	--	(0.3)	0.3
Balance at the beginning of the period	--	0.3	--
Balance at the end of the period	\$ --	\$ --	0.3

</TABLE>

See Notes to Parent Company Financial Statements.

NACCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

The Notes to Consolidated Financial Statements, incorporated by reference elsewhere in this Form 10-K, are hereby incorporated by reference into these Notes to Parent Company Financial Statements.

NOTE A - LONG-TERM OBLIGATIONS AND GUARANTEES

NACCO Industries, Inc. ("NACCO" the parent company) is a holding company which owns four operating subsidiaries. It is NACCO's policy not to guarantee the debt of such subsidiaries.

NOTE B - CASH DIVIDENDS AND ADVANCES TO NACCO

Dividends received from the subsidiaries were \$22.6 million in 1998, \$37.7 million in 1997 and \$27.2 million in 1996.

NOTE C - UNRESTRICTED CASH

The amount of unrestricted cash available to NACCO, included in Investment in subsidiaries was \$34.7 million at December 31, 1998.

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SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
NACCO INDUSTRIES, INC. AND SUBSIDIARIES
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

COL A.	COL B.	COL C.		COL D.	COL E.
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts --Describe	Deductions --Describe	Balance at End of Period
(In millions)					
1998	<C>	<C>	<C>	<C>	<C>
<S> Reserves deducted from asset accounts:					
Allowance for doubtful accounts	\$ 6.3	\$ 2.5	\$ 0.1 (C)	\$ 1.1 (A)	\$ 7.8
Allowance for discounts, adjustments and returns	7.8	17.4	--	17.4 (B)	7.8
Reserve for losses on inventory	15.8	7.2	0.5 (C)	2.0 (A)	21.5
Valuation allowance against deferred tax assets	5.9	0.8	--	--	6.7
					1997
Reserves deducted from asset accounts:					
Allowance for doubtful accounts	5.0	2.0	(0.1) (C)	0.6 (A)	6.3
Allowance for discounts, adjustments and returns	7.5	16.7	--	16.4 (B)	7.8
Reserve for losses on inventory	16.1	9.8	(3.3) (C)	6.8 (A)	15.8
Valuation allowance against deferred tax assets	--	5.9	--	--	5.9
					1996
Reserves deducted from asset accounts:					
Allowance for doubtful accounts	4.4	1.9	--	1.3 (A)	5.0
Allowance for discounts, adjustments and returns	6.9	15.2	--	14.6 (B)	7.5
Reserve for losses on inventory	11.1	12.3	(0.2) (C)	7.1 (A)	16.1

Note A - Write-offs, net of recoveries.

Note B - Payments.

Note C - Subsidiary's foreign currency translation adjustments and other.

Note D - Balances which are not required to be presented and those which are immaterial have been omitted.

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EXHIBIT INDEX

(3) Articles of Incorporation and By-laws.

(i) Restated Certificate of Incorporation of the Company is incorporated by reference to Exhibit 3(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Commission File Number 1-9172.

(ii) Restated By-laws of the Company are incorporated by reference to Exhibit 3(ii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Commission File Number 1-9172.

(4) Instruments defining the rights of security holders, including indentures.

(i) The Company by this filing agrees, upon request, to file with the Securities and Exchange Commission the instruments defining the rights of holders of Long-Term debt of the Company and its subsidiaries where the total amount of securities authorized thereunder does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

(ii) The Mortgage and Security Agreement, dated April 8, 1976, between The Falkirk Mining Company (as Mortgagor) and Cooperative Power Association and United Power Association (collectively as Mortgagee) is incorporated by reference to Exhibit 4(ii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Commission File Number 1-9172.

(iii) Amendment No. 1 to the Mortgage and Security Agreement, dated as of December 15, 1993, between Falkirk Mining Company (as Mortgagor) and Cooperative Power Association and United Power Association (collectively as Mortgagee) is incorporated by reference to Exhibit 4(iii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

(iv) Stockholders' Agreement, dated as of March 15, 1990, among the signatories thereto, the Company and Ameritrust Company National Association, as depository, is incorporated herein by reference to Exhibit 2 to the Schedule 13D filed on March 29, 1990 with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

(v) Amendment to Stockholders' Agreement, dated as of April 6, 1990, among the signatories thereto, the Company and Ameritrust Company National Association, as depository, is incorporated herein by reference to Exhibit 4 to Amendment No. 1 to the Schedule 13D filed on April 11, 1990 with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

(vi) Amendment to Stockholders' Agreement, dated as of April 6, 1990, among the signatories thereto, the Company and Ameritrust Company National Association, as depository, is incorporated herein by reference to Exhibit 5 to Amendment No. 1 to the Schedule 13D filed on April 11, 1990 with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

(vii) Amendment to Stockholders' Agreement, dated as of November 17, 1990, among the signatories thereto, the Company and Ameritrust Company National Association, as depository, is incorporated herein by reference to Amendment No. 2 to the Schedule 13D filed on March 18, 1991 with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

(viii) Amendment to Stockholders' Agreement, dated November 14, 1996, adding CTR Family Associates, L.P. as a Participating Stockholder, among the signatories thereto, the Company, and Key Bank, N.A. (successor to Ameritrust Company National Association), as depository, is incorporated herein by reference to Amendment No. 3 to the Schedule 13D filed on November 26, 1996, with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

(ix) Amendment to Stockholders' Agreement, dated as of November 14, 1996, adding Rankin Management, Inc. as a Participating Stockholder, among the signatories thereto, the Company, and Key Bank, N.A. (successor to Ameritrust Company National Association), as depository, is incorporated herein by reference to Amendment No. 3 to the Schedule 13D filed on November 26, 1996,

with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

(x) Amendment to Stockholders' Agreement, dated as of April 9, 1998, by and among KeyCorp Shareholder Services, Inc., the Company, the Participating Stockholders (as defined therein) and the New Participating Stockholders (as defined therein) is incorporated by reference to Amendment No. 6 to the Schedule 13D filed on March 25, 1999, with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

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(xi) Amendment to Stockholders' Agreement, dated as of December 26, 1998, by and among KeyCorp Shareholder Services, Inc., the Company, the Participating Stockholders (as defined therein) and the New Participating Stockholders (as defined therein) is incorporated by reference to Amendment No. 6 to the Schedule 13D filed on March 25, 1999, with respect to the Class B Common Stock, par value \$1.00 per share, of NACCO Industries, Inc.

(10) Material contracts.

*(i) The NACCO Industries, Inc. 1975 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(ii) Form of Incentive Stock Option Agreement for incentive stock options granted before 1987 under The NACCO Industries, Inc. 1975 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(ii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(iii) Form of Incentive Stock Option Agreement for incentive stock options granted after 1986 under The NACCO Industries, Inc. 1975 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(iii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(iv) Form of Non-Qualified Stock Option Agreement under The NACCO Industries, Inc., 1975 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(iv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(v) The NACCO Industries, Inc. 1981 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(v) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(vi) Form of Non-Qualified Stock Option Agreement under The NACCO Industries, Inc. 1981 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(vi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(vii) Form of Incentive Stock Option Agreement for incentive stock options granted before 1987 under The NACCO Industries, Inc. 1981 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(vii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(viii) Form of Incentive Stock Option Agreement for incentive stock options granted after 1986 under The NACCO Industries, Inc. 1981 Stock Option Plan (as amended and restated as of July 17, 1986) is incorporated herein by reference to Exhibit 10(viii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(ix) The Retirement Benefit Plan for Alfred M. Rankin, Jr., effective as of January 1, 1994 is incorporated herein by reference to Exhibit 10 (ix) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 1-9172.

*(x) Amendment No. 1 to the Retirement Benefit Plan for Alfred M. Rankin, Jr., dated as of March 15, 1995, is incorporated herein by reference to Exhibit 10 (x) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 1-9172.

*(xi) Instrument of Adoption and Merger for NACCO Industries, Inc. for the NACCO Materials Handling Group, Inc. Unfunded Benefit Plan (As Amended and Restated Effective October 1, 1994) dated December 30, 1994, is incorporated herein by reference to Exhibit 10(xxii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 1-9172.

*(xii) Instrument of Withdrawal and Transfer of Liabilities from The North American Coal Corporation Deferred Compensation Plan for Management Employees, effective as of December 31, 1994, is incorporated herein by reference to Exhibit 10(xxiii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 1-9172.

*(xiii) NACCO Industries, Inc. Annual Incentive Compensation Plan, effective as of January 1, 1998, is incorporated herein by reference to as Exhibit 10(xx) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

*(xiv) NACCO Industries, Inc. Supplemental Annual Incentive Compensation Plan, effective as of January 1, 1996, is incorporated herein by reference to Exhibit 10(xiv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission File Number 1-9172.

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*(xv) NACCO Industries, Inc. Executive Long-Term Incentive Compensation Plan, amended and restated as of January 1, 1996, is attached incorporated herein by reference to Exhibit 10(xv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, Commission File Number 1-9172.

(xvi) Assumption Agreement, made as of December 20, 1991, between the Company and Citicorp North America, Inc., as agent is incorporated herein by reference to Exhibit 10(xciii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

(xvii) Intentionally left blank.

*(xviii) NACCO Industries, Inc. Non-Employee Directors' Equity Compensation Plan, effective January 1, 1992, is incorporated by reference to Exhibit 10(cxi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Commission File Number 1-9172.

*(xix) Amendment No. 2 to the Retirement Benefit Plan for Alfred M. Rankin, Jr. (as amended and restated effective January 1, 1994) dated June 30, 1995 is incorporated herein by reference to Exhibit 10 (clxxi) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995, Commission File Number 1-9172.

*(xx) NACCO Industries, Inc. Annual Incentive Compensation Plan, effective as of January 1, 1999, is attached hereto as Exhibit 10(xx).

(xxi) - (xxx) Intentionally left blank.

*(xxxii) The North American Coal Annual Incentive Plan, effective as of January 1, 1998, is incorporated herein by reference to Exhibit 10(xlv) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, Commission File Number 1-9172.

*(xxxiii) Instrument of Merger, Amendment and Transfer of Sponsorship of Benefit Plans, effective as of August 31, 1994, is incorporated herein by reference to Exhibit 10(xxviii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 1-9172.

(xxxiiii) Credit Agreement, dated as of September 27, 1991, among The North American Coal Corporation, Citibank, N.A., Ameritrust Company National Association and Morgan Guaranty Trust Company of New York, as agent is incorporated herein by reference to Exhibit 10(xcii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

(xxxiv) Subordination Agreement, dated September 27, 1991, among The North American Coal Corporation, the Company and Morgan Guaranty Trust Company of New York, as agent, is incorporated herein by reference to Exhibit 10(xciv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission File Number 1-9172.

*(xxxv) The North American Coal Corporation Value Appreciation Plan, as amended on March 11, 1992 is incorporated herein by reference to Exhibit 10(xcviii) to the Company's Annual Report on Form 10-K for the fiscal year ended

*(xxxvi) Amendment No. 1 to The North American Coal Corporation Value Appreciation Plan, dated as of December 14, 1994, is incorporated herein by reference to Exhibit 10(xcix) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 1-9172.

(xxxvii) Intentionally left blank.

(xxxviii) Amendment No. 1 to the Credit Agreement dated as of July 28, 1993 among The North American Coal Corporation and the banks listed on the signatory pages and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(cxxxxiii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Commission File Number 1-9172.

(xxxix) Amendment No. 2 to the Credit Agreement dated as of September, 1995 among The North American Coal Corporation and the banks listed on the signatory pages and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(xxxix) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission File Number 1-9172.

*(xl) The North American Coal Corporation Supplemental Retirement Benefit Plan as amended and restated effective September 1, 1994 is incorporated by reference to Exhibit 10 (clxv) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, Commission File Number 1- 9172.

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*(xli) The North American Coal Corporation Deferred Compensation Plan for Management Employees (as amended and restated effective January 1, 1996), is incorporated herein by reference to Exhibit 10(xli) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission File Number 1-9172.

*(xlii) Amendment No. 1, dated December 1, 1995, to The North American Coal Corporation Supplemental Retirement Benefit Plan (as amended and restated effective September 1, 1994), effective as of December 31, 1994, is incorporated herein by reference to Exhibit 10 (xlii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission File Number 1-9172.

(xliii) Amendment No. 3 to the Credit Agreement dated as of September 16, 1996 among The North American Coal Corporation and the banks listed on the signatory pages and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(xliii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, Commission File Number 1-9172.

*(xliv) Intentionally left blank.

*(xlv) The North American Coal Annual Incentive Plan, effective as of January 1, 1999, is attached hereto as Exhibit 10(xlv).

(xlvi) Waiver Agreement dated November 15, 1996 by and among Morgan Guaranty Trust Company, Citibank, N.A., Wells Fargo (Texas), N.A., Key Bank National Association and The North American Coal Corporation is incorporated herein by reference to Exhibit 10(xlvi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, Commission File Number 1-9172.

(xlvii) Amendment No. 4 to the Credit Agreement dated as of July 29, 1997 among The North American Coal Corporation, the banks listed on the signatory pages and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(xlvii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

(xlviii) Assignment and Assumption Agreement dated as of August 22, 1997 among The North American Coal Corporation, the banks listed on the signatory pages and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(xlviii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

*(xlix) The North American Coal Corporation Deferred Compensation Plan for Management Employees, dated December 29, 1998 (as amended and restated effective January 1, 1999) is attached hereto as Exhibit 10(xlix).

* (l) Amendment No. 2, dated October 1, 1998, to The North American Coal Corporation Supplemental Retirement Benefit Plan (as amended and restated effective September 1, 1994), effective as of July 15, 1998, is attached hereto as Exhibit 10(l).

*(li) Amendment No. 3, dated October 30, 1998, to The North American Coal Corporation Supplemental Retirement Benefit Plan (as amended and restated effective September 1, 1994), effective as of July 15, 1998, is attached hereto as Exhibit 10(li).

(lii) - (liii) Intentionally left blank.

*(liv) Amendment No. 1 to the Hyster-Yale Materials Handling, Inc. Long-Term Incentive Compensation Plan, effective as of January 1, 1994, is incorporated herein by reference to Exhibit 10(lxxxviii) to the Hyster-Yale Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 33-28812.

(lv) Agreement and Plan of Merger, dated as of April 7, 1989, among NACCO Industries, Inc., Yale Materials Handling Corporation, Acquisition I, Esco Corporation, Hyster Company and Newesco, is incorporated herein by reference to Exhibit 2.1 to Hyster-Yale Materials Handling, Inc.'s Registration Statement on Form S-1 filed May 17, 1989 (Registration Statement Number 33-28812).

(lvi) Agreement and Plan of Merger, dated as of April 7, 1989, among NACCO Industries, Inc., Yale Materials Handling Corporation, Acquisition II, Hyster Company and Newesco, is incorporated herein by reference to Exhibit 2.2 to Hyster-Yale Materials Handling, Inc.'s Registration Statement on Form S-1 filed May 17, 1989 (Registration Statement Number 33-28812).

(lvii) Intentionally left blank.

*(lviii) NACCO Materials Handling Group, Inc. Annual Incentive Compensation Plan for 1998 is incorporated herein by reference to Exhibit 10(lxiii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

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*(lix) Hyster-Yale Materials Handling, Inc. Long-Term Incentive Compensation Plan, dated as of January 1, 1990, is incorporated herein by reference to Exhibit 10(lxxxix) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(lx) Intentionally left blank.

(lxi) Agreement and Plan of Merger dated as of December 20, 1993, between Hyster Company, an Oregon corporation, and Hyster Company, a Delaware corporation, is incorporated herein by reference to Exhibit 10(lxxviii) to Hyster-Yale Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Commission File Number 33-28812.

*(lxii) Agreement and Plan of Merger dated as of December 20, 1993, between Yale Materials Handling Corporation, a Delaware corporation, Hyster Company, a Delaware corporation, and Hyster-Yale Materials Handling, Inc., a Delaware corporation, is incorporated herein by reference to Exhibit 10(lxxix) to Hyster-Yale Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Commission File Number 33-28812.

*(lxiii) NACCO Materials Handling Group, Inc. Annual Incentive Plan, effective as of January 1, 1999, is attached hereto as Exhibit 10(lxiii).

(lxiv) - (lxvi) Intentionally left blank.

*(lxvii) Amendment No. 3 to the Hyster-Yale Materials Handling, Inc. Long-Term Incentive Compensation Plan effective January 1, 1994 is incorporated herein by reference to Exhibit 10 (lxxxv) to the Hyster-Yale Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, Commission File Number 33-28812.

*(lxviii) Amendment No. 2 effective as of December 31, 1993 to the Hyster-Yale Materials Handling, Inc. Long-Term Incentive Compensation Plan is incorporated herein by reference to Exhibit 10 (lxxxiii) of the Hyster-Yale Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Commission File Number 33-28812.

(lxix) Amendment dated as of January 1, 1994 to the Third Amendment and Restated Operating Agreement dated as of November 7, 1991, between NACCO

Materials Handling Group and AT&T Commercial Finance Corporation is incorporated herein by reference to Exhibit 10(c) to the Hyster-Yale Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, Commission File Number 33-28812.

*(lxx) The Yale Materials Handling Corporation Deferred Incentive Compensation Plan (also known as The Yale Materials Handling Corporation Short-Term Incentive Compensation Deferral Plan), dated March 1, 1984, is incorporated herein by reference to Exhibit 10(lxxi) to the Hyster-Yale Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Commission File Number 33-28812.

(lxxi) Intentionally left blank.

(lxxii) Credit Agreement between NACCO Materials Handling Group, Inc. and Morgan Guaranty Trust company of New York, as Agent, and the other banks listed thereto, dated February 28, 1995, is incorporated by reference herein to Exhibit 10(lxxxvii) of the Hyster-Yale Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission File Number 33-28812.

(lxxiii) Intentionally left blank.

*(lxxiv) The NACCO Materials Handling Group, Inc. Unfunded Benefit Plan (as amended and restated effective as of January 1, 1999) is attached hereto as Exhibit 10(lxxxiv).

(lxxv) Amended and Restated Credit Agreement dated as of June 4, 1996 among NACCO Materials Handling Group, Inc., the Banks party thereto, the Co-Arrangers and Co-Agents listed on the signature page thereto and Morgan Guaranty Trust Company of New York, as Agent, is incorporated by reference to Exhibit 10(lxxv) to the Company's Quarterly Statement on Form 10-Q for the quarter ended June 30, 1996, Commission File Number 1-9172.

(lxxvi) Amendment dated as of December 16, 1996 to the Amended and Restated Credit Agreement dated as of June 4, 1996 among NACCO Materials Handling Group, Inc., the Banks party thereto, the Co-Arrangers and Co-Agents listed on the signature page thereto and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(lxxxvi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, Commission File Number 1-9172.

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(lxxvii) Amendment No. 2 dated as of March 26, 1997 to the Amended and Restated Credit Agreement dated as of June 4, 1996 among NACCO Materials Handling Group, Inc., the Banks party thereto, the Co-arrangers and Co-agents listed on the signature page thereto and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(lxxviii) to the Company's Quarterly Statement on Form 10-Q for the quarter ended March 31, 1997, Commission File Number 1-9172.

(lxxviii) Amendment No. 3 dated as of May 19, 1997 to the Amended and Restated Credit Agreement dated as of June 4, 1996 among NACCO Materials Handling Group, Inc., the Banks party thereto, the Co-arrangers and Co-agents listed on the signature page thereto and Morgan Guaranty Trust Company of New York, as Agent, is incorporated herein by reference to Exhibit 10(lxxviii) to the Company's Quarterly Statement on Form 10-Q for the quarter ended June 30, 1997, Commission File Number 1-9172.

(lxxix) - (lxxxv) Intentionally left blank.

(lxxxvi) Agreement of Merger, dated as of January 20, 1988, among NACCO Industries, Inc., Housewares Holding Company, WE-PS Merger, Inc. and WearEver-ProctorSilex, Inc., is incorporated herein by reference to pages 8 through 97 of Exhibit 2 to the Company's Current Report on Form 8-K, dated February 1, 1988, Commission File Number 1-9172.

(lxxxvii) Shareholders Agreement, dated January 20, 1988, among NACCO Industries, Inc. and the shareholders named therein is incorporated herein by reference to pages 98 through 108 of Exhibit 2 to the Company's Current Report on Form 8-K, dated February 1, 1988, Commission File Number 1-9172.

(lxxxviii) Intentionally left blank.

*(lxxxix) The Hamilton Beach/Proctor-Silex, Inc. Unfunded Benefit Plan (As Amended and Restated Effective January 1, 1999) is attached hereto as Exhibit 10(lxxxix).

*(xc) Amendment No. 1 dated as of December 29, 1997 to the Hamilton Beach/Proctor-Silex, Inc. Unfunded Benefit Plan (As Amended and Restated Effective January 1, 1997) is incorporated herein by reference to Exhibit 10(xc) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

(xci) Intentionally left blank.

(xcii) Pledge Agreement re: 66% Pledge of PSC Stock, dated as of October 11, 1990, between Hamilton Beach/Proctor-Silex and The Chase Manhattan Bank (National Association) is incorporated herein by reference to Exhibit 10(cx) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(xciii) Pledge Agreement re: 66% Pledge of PSM Stock, dated as of October 11, 1990, between Hamilton Beach/Proctor-Silex and The Chase Manhattan Bank (National Association) is incorporated herein by reference to Exhibit 10(cxii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(xciv) Pledge Agreement re: 34% pledge of PSC Stock, dated as of October 11, 1990, between Hamilton Beach/Proctor-Silex and The Chase Manhattan Bank (National Association) is incorporated herein by reference to Exhibit 10(cxiii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(xcv) Pledge Agreement re: 33.2% Pledge of PSM Stock, dated as of October 11, 1990, between Hamilton Beach/Proctor Silex and The Chase Manhattan Bank (National Association) is incorporated herein by reference to Exhibit 10(cxiiii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(xcvi) Pledge Agreement, dated as of October 11, 1990, between Housewares Holding Company and The Chase Manhattan Bank (National Association) is incorporated herein by reference to Exhibit 10(cxiv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(xcvii) Pledge Agreement, dated as of October 11, 1990, between HB-PS Holding Company, Inc. and The Chase Manhattan Bank (National Association) is incorporated herein by reference to Exhibit 10(cxv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(xcviii) Security Agreement, dated as of October 11, 1990, between Hamilton Beach/Proctor-Silex and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxvi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

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(xcix) Collateral Assignment of Patents and Trademarks and Security Agreement, dated as of October 11, 1990, between Hamilton Beach/Proctor-Silex and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxvii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(c) NACCO Supplemental Agreement, dated as of October 11, 1990, between NACCO and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxviii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(ci) Housewares Supplemental Agreement, dated as of October 11, 1990, between Housewares Holding Company and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxix) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(cii) Holdings Supplemental Agreement, dated as of October 11, 1990, between HB-PS Holding Company, Inc. and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxx) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(ciii) Override Agreement, dated as of October 11, 1990, among the Company, Housewares Holding Company, Glen Dimplex, Precis [521] Ltd., Glen Electric, Ltd. and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxxi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(civ) General Security Agreement, dated as of October 11, 1990, by Proctor-Silex Canada to and in favor of The Chase Manhattan Bank of Canada, as the Canadian agent, is incorporated herein by reference to Exhibit 10(cxxii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

*(cv) The Hamilton Beach/Proctor-Silex, Inc. 1998 Annual Incentive Compensation Plan is incorporated herein by reference to Exhibit 10(cxx) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

*(cvi) Hamilton Beach/Proctor-Silex, Inc. Long-Term Incentive Compensation Plan, effective January 1, 1993, is incorporated by reference to Exhibit 10(cxxiv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, Commission File Number 1-9172.

(cvii) First Amendment to the Housewares Supplemental Agreement, dated as of March 1, 1991, between Housewares Holding Company and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxxv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(cviii) First Amendment to the Holdings Supplemental Agreement, dated as of March 1, 1991, between HB-PS Holding Company and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxxvi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(cvix) Consent and Authorization with reference made to the Credit Agreement dated October 11, 1990, as amended among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. de C.V., the banks named on the signatory pages and The Chase Manhattan Bank is incorporated herein by reference to Exhibit (cxxxvii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Commission File Number 1-9172.

(cx) Amended and Restated Credit Agreement, dated as of May 10, 1994 among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. DE C.V., the banks named on the signatory pages and the Chase Manhattan Bank is incorporated herein by reference to as Exhibit 10 (cxxxviii) to the NACCO Industries, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, Commission File Number 1-9172.

(cxi) Confirmation Agreement dated May 10, 1994 among Hamilton Beach/Proctor-Silex, Inc., Housewares Holding Company, Precis [521] Ltd., HB-PS Holding Company, Glen Dimplex, Glen Electric, Ltd., the banks named on the signatory pages, the Chase Manhattan Bank and the Chase Manhattan Bank of Canada is incorporated herein by reference to Exhibit 10 (cxxxix) to the NACCO Industries, Inc. Quarterly Report on Form 10-Q for the quarter ended on June 30, 1994, Commission File Number 1-9172.

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(cxii) First Amendment to the NACCO Supplemental Agreement, dated as of March 1, 1991, between the Company and The Chase Manhattan Bank (National Association), as the United States agent, is incorporated herein by reference to Exhibit 10(cxxi) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission File Number 1-9172.

(cxiii) Waiver Agreement, dated January 16, 1996 among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. de C.V. the banks named on the signatory pages and Chase Manhattan Bank is incorporated herein by reference to Exhibit 10 (cxiii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission File Number 1-9172.

(cxiv) Amended and Restated Credit Agreement, dated as of April 18, 1995, among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex, Inc.,

Proctor-Silex S.A. de C.V., the banks named on the signatory pages and The Chase Manhattan Bank is incorporated herein by reference to Exhibit 10(cxiv) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission File Number 1-9172.

(cxv) Amendment No. 1 dated as of March 29, 1996 to the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, amended and restated as of April 18, 1995, among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A de C.V., as Borrowers, the Banks signatory thereto and The Chase Manhattan Bank, N.A., as U.S. Agent, and The Chase Manhattan Bank of Canada, as Canadian Agent, is incorporated by reference herein to Exhibit 10 (cxvii) on the Company's Quarterly Statement on Form 10-Q for the quarter ended June 30, 1996, Commission File Number 1-9172.

(cxvi) Amendment No. 2 dated as of October 4, 1996 to the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, amended and restated as of April 18, 1995, among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. de C.V., as Borrowers, the Banks signatory thereto and The Chase Manhattan Bank, N.A., as U.S. Agent, and The Chase Manhattan Bank of Canada, as Canadian Agent, is incorporated herein by reference to Exhibit 10(cxviii) to the Company's Quarterly Statement for the quarter ended September 30, 1996, Commission File Number 1-9172.

(cxvii) Amendment No. 3 dated as of April 14, 1997 to the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, amended and restated as of April 18, 1995, among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. de C.V., as Borrowers, the Banks signatory thereto and The Chase Manhattan Bank, N.A., as U.S. Agent, and The Chase Manhattan Bank of Canada, as Canadian Agent, is incorporated herein by reference to Exhibit 10(cxviii) to the Company's Quarterly Statement for the quarter ended June 30, 1997, Commission File Number 1-9172.

(cxviii) Pledge Agreement, dated as of November 30, 1995, between Hamilton Beach/Proctor-Silex and The Chase Manhattan Bank (National Association), is incorporated herein by reference to Exhibit 10(cxviii) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

(cxix) Pledge Agreement re: 66% of PST Stock, dated as of November 30, 1995, between HB/PS El Paso, Inc. and The Chase Manhattan Bank (National Association), is incorporated herein by reference to Exhibit 10(cxix) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission File Number 1-9172.

*(cxx) The Hamilton Beach/Proctor-Silex, Inc. 1999 Annual Incentive Plan is attached hereto as Exhibit 10 (cxx).

(cxxi) Amendment No. 4 dated as of April 22, 1998 to the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, amended and restated as of April 18, 1995, among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. de C.V., as Obligors, the Banks signatory thereto and The Chase Manhattan Bank, N.A., as U.S. Agent, and The Chase Manhattan Bank of Canada, as Canadian Agent, is incorporated herein by reference to Exhibit 10(cxxi) to the Company's Quarterly Statement for the quarter ended March 31, 1998, Commission File Number 1-9172.

(cxxii) Amendment No. 5 dated as of June 10, 1998 to the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, amended and restated as of April 18, 1995, among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. de C.V., as Obligors, the Banks signatory thereto and The Chase Manhattan Bank, N.A., as U.S. Agent, and The Chase Manhattan Bank of Canada, as Canadian Agent, is incorporated herein by reference to Exhibit 10(cxxii) to the Company's Quarterly Statement for the quarter ended June 30, 1998, Commission File Number 1-9172.

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(cxxiii) Amendment No. 6 dated as of December 8, 1998 to the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, amended and restated as of April 18, 1995, among Hamilton Beach/Proctor-Silex, Inc., Proctor-Silex Canada, Inc., Proctor-Silex S.A. de C.V., as Obligors, the Banks

signatory thereto and The Chase Manhattan Bank (successor by merger to The Chase Manhattan Bank, N.A.) (the Existing U.S. Agent), KeyBank National Association (the Successor U.S. Agent), The Chase Manhattan Bank of Canada (the Existing Canadian Agent) and The Bank of Nova Scotia (the Successor Canadian Agent), is attached hereto as Exhibit 10 (cxiii).

- (13) Portions of the Company's 1998 Annual Report to security holders that are incorporated by reference into this Form 10-K are attached hereto as Exhibit 13.
- (21) Subsidiaries. A list of the subsidiaries of the Company is attached hereto as Exhibit 21.
- (23) Consents of experts and counsel.
 - (i) The consent of Arthur Andersen LLP, independent accountant, is attached hereto as Exhibit 23(i).
- (24) Powers of Attorney.
 - (i) A copy of a power of attorney for Owsley Brown II is attached hereto as Exhibit 24(i).
 - (ii) A copy of a power of attorney for Robert M. Gates is attached hereto as Exhibit 24(ii).
 - (iii) A copy of a power of attorney for Leon J. Hendrix, Jr. is attached hereto as Exhibit 24(iii).
 - (iv) A copy of a power of attorney for Dennis W. LaBarre is attached hereto as Exhibit 24(iv).
 - (v) A copy of a power of attorney for Richard de J. Osborne is attached hereto as Exhibit 24(v).
 - (vi) A copy of a power of attorney for Ian M. Ross is attached hereto as Exhibit 24 (vi).
 - (vii) A copy of a power of attorney for John C. Sawhill is attached hereto as Exhibit 24(vii).
 - (viii) A copy of a power of attorney for Britton T. Taplin is attached hereto as Exhibit 24 (viii).
 - (ix) A copy of a power of attorney for David F. Taplin is attached hereto as Exhibit 24 (ix).
 - (x) A copy of a power of attorney for John F. Turben is attached hereto as Exhibit 24(x).
- (27) Financial Data Schedules -- filed electronically for SEC information purposes only.
- (99) Other exhibits not required to otherwise be filed.**

- (i) Audited Financial Statements for NACCO Materials Handling Group, Inc. for the fiscal year ended December 31, 1998, are attached hereto as Exhibit 99(i).

- (ii) Audited Financial Statements for The North American Coal Corporation for the fiscal year ended December 31, 1998, are attached hereto as Exhibit 99(ii).

- (iii) Unaudited Financial Statements for NACCO Housewares Group for the fiscal year ended December 31, 1998, are attached hereto as Exhibit 99(iii).

*Management contract or compensation plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of this Annual Report on Form 10-K.

**Audited Financial Statements of subsidiary companies are not required disclosures and are included only for informational purposes. These statements do not reflect certain adjustments (including reclassifications and eliminations) that are required by GAAP in the preparation of NACCO Industries, Inc. and Subsidiaries Consolidated Financial Statements incorporated by reference in Part IV hereof, and should be read accordingly.

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NACCO INDUSTRIES, INC.
1999 ANNUAL INCENTIVE COMPENSATION PLAN

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1. Purpose of the Plan

The purpose of the NACCO Industries, Inc. 1999 Annual Incentive Compensation Plan (the "Plan") is to further the profits and growth of NACCO Industries, Inc. (the "Company") by enabling the Company to attract and retain key employees of the Company by offering annual incentive compensation to those key employees who will be in a position to help the Company to meet its financial and business objectives.

2. Definitions

(a) "Award" means cash paid to a Participant under the Plan for the Award Term in an amount determined in accordance with Section 4.

(b) "Award Term" means the period from January 1, 1999 through December 31, 1999.

(c) "Base Amount" means for any Participant a dollar amount, which shall be equal to the salary midpoint for the Salary Points assigned to the Participant by the Committee for the Award Term multiplied by 60% of the short-term incentive compensation target percent for those Salary Points. Attached hereto as EXHIBIT A is a schedule listing the Base Amount for each Participant for the Award Term.

(d) "Committee" means the Nominating, Organization and Compensation Committee of the Company's Board of Directors or any other committee appointed by the Company's Board of Directors to administer this Plan in accordance with Section 3, so long as any such committee consists of not less than two directors of the Company and so long as each member of the Committee is not an employee of the Company or any of its subsidiaries.

(e) "Participant" means any salaried employee of the Company who in the judgment of the Committee occupies a key position in which his efforts may significantly contribute to the profits or growth of the Company; provided, however, that the Committee may select any employee who is expected to contribute, or who has contributed, significantly to the Company's profitability to participate in the Plan and receive an Award hereunder; and further provided, however, that following the end of the Award Term the Committee may make one or more discretionary Awards to employees of the Company who are not Participants.

to participate in the Plan. Employees of the Company's subsidiaries shall not be eligible to participate in the Plan. The Committee shall have the power to add Participants at any later date in the Award Term if individuals subsequently become eligible to participate in the Plan. Each Participant shall be notified that he is eligible to receive an Award for such term and the amount of his Base Amount. If a Participant receives a change in Salary Points, salary midpoint and/or short-term incentive compensation target percent, such change and any resulting change in his Base Amount will be reflected on an amended EXHIBIT A. Unless otherwise determined by the Committee, a Participant must be both employed by the Company and a Participant on December 31 of the Award Term, and the amount of any Award to a Participant who was not also employed by the Company and a Participant on the first day of the Award Term shall be not more than the pro-rated amount based upon the number of days actually employed by the Company in the Award Term. Attached hereto as EXHIBIT A is a schedule listing the Participants for the Award Term.

(f) "Salary Points" means the salary points assigned to a Participant by the Committee pursuant to the Hay salary point system, or any successor salary point system adopted by the Committee.

3. Administration

This Plan shall be administered by the Committee. The Committee shall have complete authority to interpret all provisions of this Plan consistent with law, to prescribe the form of any instrument evidencing any Award granted or paid under this Plan, to adopt, amend and rescind general and special rules and regulations for its administration, and to make all other determinations necessary or advisable for the administration of this Plan. A majority of the Committee shall constitute a quorum, and the action of members of the Committee present at any meeting at which a quorum is present or acts unanimously approved in writing, shall be the act of the Committee. All acts and decisions of the Committee with respect to any questions arising in connection with the administration and interpretation of this Plan, including the severability of any or all of the provisions hereof, shall be conclusive, final and binding upon the Company and all present and former Participants, all other employees of the Company, and their respective descendants, successors and assigns. No member of the Committee shall be liable for any such act or decision made in good faith.

4. Awards

The Committee may, from time to time and upon such conditions as it may determine, authorize Awards for Participants, which Awards shall be not

inconsistent with, and shall be subject to all of the requirements of, the following provisions:

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(a) PERFORMANCE TARGETS. The Committee shall determine performance target descriptions, weightings and targets for the Award Term, which shall be attached hereto as EXHIBIT B. The Committee shall have the power to add, delete and amend target descriptions, weightings and targets during the Award Term, which shall be reflected on an amended EXHIBIT B. No performance targets used in this Plan shall be used in the Company's Supplemental Annual Incentive Compensation Plan in the same year.

(b) AWARDS. Following the end of the Award Term, the Committee shall compare the actual performance against the performance targets for each of the performance target descriptions. Based thereupon, the Committee shall determine the total payout percentage under the Plan (the "Payout Percentage"). The Committee shall then determine the Award for each Participant, which shall be equal to the Participant's Base Amount, multiplied by the Payout Percentage, and further adjusted by such other factors, including an individual performance factor for each Participant, as the Committee shall determine are appropriate; provided, however, that no Award may be made to any Participant which exceeds 150% of his Base Amount. Promptly following the approval of the final Awards, the Company shall pay the amount of such Awards to the Participants in cash, subject to all withholdings and deductions pursuant to Section 5; provided, however, that no Award shall be payable to a Participant except as determined by the Committee.

5. Withholding Taxes

Any Award paid to a Participant under this Plan, shall be subject to standard federal, state and local income tax, social security and other standard withholdings and deductions.

6. Amendment and Termination

The Committee may alter or amend this Plan from time to time or terminate it in its entirety; provided, however, that no such action shall, without the consent of a Participant, affect the rights in an outstanding Award of such Participant.

7. General Provisions

(a) NO RIGHT OF EMPLOYMENT. Neither the adoption or operation of this Plan, nor any document describing or referring to this Plan, or any part thereof, shall confer upon any employee any right to continue in the employ of

the Company, or shall in any way affect the right and power of the Company to terminate the employment of any employee at any time with or without assigning a reason therefor to the same extent as the Company might have done if this Plan had not been adopted.

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(b) GOVERNING LAW. The provisions of this Plan shall be governed by and construed in accordance with the laws of the State of Delaware.

(c) MISCELLANEOUS. Headings are given to the sections of this Plan solely as a convenience to facilitate reference. Such headings, numbering and paragraphing shall not in any case be deemed in any way material or relevant to the construction of this Plan or any provisions thereof. The use of the masculine gender shall also include within its meaning the feminine. The use of the singular shall also include within its meaning the plural, and vice versa.

8. Effective Date

This Plan shall become effective as of January 1, 1999.

1999 INCENTIVE COMPENSATION PLAN

SUMMARY

The Incentive Compensation Plan (Plan) offers a highly attractive incentive compensation opportunity to senior managers when all performance objectives under their control or influence are achieved. This is accomplished through a structure containing the following elements:

- Each participant is assigned an individual incentive target, stated as a percentage of his salary midpoint, that establishes the incentive compensation amount he will receive when performance objectives are met.
- The individual target amount is allocated among the following performance components:
 - North American Coal (NAC) corporate performance.
 - Bellaire Corporation cash flow.
 - Business unit results.
 - Individual achievement.
- Percentage weightings are assigned to each component, based on the participant's accountabilities and their impact on each component.
- One or more performance objectives will be established at the beginning of the year for each performance component.
- A performance range, which defines the acceptable level of results, from threshold to maximum, is created for each performance objective.
- A payout range is defined, which provides for incentive payments of up to 150 percent of the incentive target, except to the extent the Committee elects to increase the actual pool by up to 10 percent, as described below.
- A performance/payout schedule combines the two ranges into a matrix that defines the level of incentive compensation payment that will result from each level of performance.
- After audited financials are available, awards will be calculated based on actual results compared to the established objectives.
- A final individual performance adjustment may be made based on a judgment of the participant's overall performance, as long as the total of all incentive payments does not exceed the actual pool.

This Incentive Compensation Plan will allow management and the Board to establish, in advance, the performance expectations and related incentive compensation potential that NAC's executives can expect for the year. At year-end, the Plan requires that the management team's performance be based on predetermined objectives. This should produce fairness in the determination of rewards.

PLAN STRUCTURE

INDIVIDUAL INCENTIVE TARGETS

The primary focus of the proposed Plan is the individual incentive compensation target. Each participant is assigned a target, stated as a percentage of the mid-point of base salary, which will be paid when all relevant performance objectives are achieved. The Plan provides for payments above or below the target to reflect acceptable variances from performance objectives.

PERFORMANCE GOALS

Four sets of goals are proposed:

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INCENTIVE AWARD RANGE

Actual performance results attained probably will not match the established performance goals exactly. Therefore, the Plan is designed to provide incentive compensation payouts of up to 150 percent of the target award if actual results fall within a predetermined range of acceptable performance.

The award range is defined as follows:

<TABLE>
<CAPTION>

AWARD LEVEL	% OF TARGET	DESCRIPTION
Maximum	150%	Highest level of incentive paid.
Target	100%	Competitive incentive opportunity for achieving all important goals.
Threshold	50%	Incentive paid when results meet minimum acceptable standards.
Below threshold	0%	Performance does not merit incentive payment.

</TABLE>

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1999 INCENTIVE COMPENSATION PLAN
page 3

COMPONENT WEIGHTINGS

Participants' potential incentive awards will be allocated between performance components based on their individual impact on results. The allocations allow for awards to be earned based on the achievement of the performance objectives over which each executive has the most control. Weightings will be stated as a percentage and total 100 percent for each participant. The weightings will be established each year to reflect current organizational accountabilities and the relative importance of the various performance components. Our recommended weightings are as follows:

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When there is more than one goal for a performance component, further

percentage weightings may be assigned, within the overall weightings, to reflect the relative priority of each goal. For example, if the individual component has a 40 percent weighting and there are five individual goals, each individual goal might be assigned a priority weighting of 20 percent.

PERFORMANCE RANGE

A range of performance acceptable for incentive compensation payment will be established for each performance objective. For quantitative goals, the range may be set as a percentage of the objective. For goals that cannot be quantified, the range will be defined in narrative form.

The following general definitions will apply. The percentage ranges indicated are only guidelines; specific percentage ranges or narrative descriptions should be determined for each goal based on the definitions.

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1999 INCENTIVE COMPENSATION PLAN
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<TABLE>
<CAPTION>

PERFORMANCE LEVEL	PERFORMANCE PERCENTAGE GUIDELINE	DEFINITION
Threshold	75%	Minimum acceptable results justifying payment of incentives.
Objective	100%	Results meet high performance demands justifying fully competitive rewards.
Maximum	125%	Highest foreseeable level of performance.

</TABLE>

PERFORMANCE/PAYOUT SCHEDULE

Combining the performance and payout ranges yields a performance/payout schedule as in the following example:

<TABLE>
<CAPTION>

PERFORMANCE	DEFINITION	RESULTS	AWARD LEVELS	PAYOUT
Threshold	Minimum	75%	Threshold	50%
Objective	On plan	100%	Target	100%
Maximum	Exceeding expectations	125%	Maximum	150%

</TABLE>

This schedule is applied separately to the results of each established performance element to determine the incentive amount earned in accordance with assigned weightings. Performance that falls between the defined levels would result in proportionally adjusted payouts, which may be calculated mathematically or determined judgmentally.

CORPORATE PERFORMANCE THRESHOLD

No incentive compensation awards will be earned under the Plan in any year unless the threshold level of the corporate performance component is achieved. Once the corporate performance threshold is attained, each performance objective is separate and distinct. This means that partial awards can be earned for the attainment of one performance objective even if another is not sufficient to generate a payout.

INDIVIDUAL ADJUSTMENT FACTOR

Each individual award, as calculated above, may be adjusted upward or downward, based on management's judgment of each individual's overall performance.

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1999 INCENTIVE COMPENSATION PLAN
page 5

PARTIAL AWARDS

Executives who are hired or promoted during the year to positions eligible for participation in the Plan may be included in the Plan on a prorata basis.

COMMITTEE DISCRETION

It is the intent of the Plan that the total incentive compensation, as determined above, will be the final total corporate incentive compensation to be paid. However, the Committee, in its sole discretion, may increase or decrease, by up to 10 percent, the total incentive compensation or may approve an incentive compensation payment where normally there would be no payment, due to corporate performance which is below the criteria established for the year.

1999 PERFORMANCE TARGETS

See Plan Summary.

THE NORTH AMERICAN COAL CORPORATION
DEFERRED COMPENSATION PLAN FOR MANAGEMENT EMPLOYEES

The North American Coal Corporation (the "Company") does hereby adopt this amendment and restatement of The North American Coal Corporation Deferred Compensation Plan for Management Employees, effective January 1, 1999.

ARTICLE I
PREFACE

SECTION 1.1. EFFECTIVE DATE. The effective date of this restatement of the Plan is January 1, 1999.

SECTION 1.2. PURPOSE OF THE PLAN. The purpose of this Plan is to (a) allow certain Employees to defer the receipt of certain long-term incentive compensation award payments and (b) provide for certain Employees the benefits they would have received under the Savings Plan but for the limitations imposed under Sections 402(g), 401(a)(17), 401(k)(3), 401(m) and 415 of the Code.

SECTION 1.3. GOVERNING LAW. This Plan shall be regulated, construed and administered under the laws of the State of Ohio, except when preempted by federal law.

SECTION 1.4. GENDER AND NUMBER. For purposes of interpreting the provisions of this Plan, the masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall include the plural unless otherwise clearly required by the context.

SECTION 1.5. STATUS OF PLAN. This document is classified as a single "plan" for purposes of recordkeeping, the Code and the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). For purposes of the federal securities laws, however, this document shall be classified as two separate "plans." One plan shall consist of the Accounts of those persons who satisfy the requirements of an "accredited investor" or a "sophisticated purchaser" under Rule 506 of the Securities Act of 1933 and the other plan shall consist of the Accounts of all other Plan Participants.

ARTICLE II
DEFINITIONS

Except as otherwise provided in this Plan, terms defined in

the Savings Plan as they may be amended from time to time shall have the same meanings when used herein, unless a different meaning is clearly required by the context of this Plan. In addition, the following words and phrases shall have the following respective meanings for purposes of this Plan.

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SECTION 2.1. ACCOUNT shall mean the record maintained in accordance with Section 3.4 by the Employer as the sum of the Participant's Excess 401(k) Sub-Account, Excess Matching Sub-Account and VAP Deferral Sub-Account.

SECTION 2.2. ADJUSTED ROE.

(a) For purposes of this Section, the following terms shall have the following meanings:

(i) "NET INCOME (BEFORE EXTRAORDINARY ITEMS)" is defined as consolidated net income, as defined by general accepted accounting principles ("GAAP"), for NACCO Industries, Inc. and its subsidiaries for the subject year before extraordinary items, but including any extraordinary items related to refinancings (net of tax);

(ii) "AMORTIZATION OF GOODWILL" is defined as the consolidated amortization expense related to the intangible asset goodwill for NACCO Industries, Inc. and its subsidiaries for the subject year;

(iii) "WEIGHTED AVERAGE STOCKHOLDERS' EQUITY" is calculated by adding the consolidated stockholders' equity for NACCO Industries, Inc., as defined by GAAP, at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen;

(iv) "WEIGHTED AVERAGE ACCUMULATED AMORTIZATION OF GOODWILL" is calculated by adding consolidated accumulated amortization of goodwill, as defined by GAAP, at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen; and

(v) "WEIGHTED AVERAGE UMWA ADJUSTMENT" is calculated by adding the balance in the Obligation to United Mine Workers of America Combined Benefit Fund, net of tax, for NACCO Industries, Inc. at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen.

(b) "Adjusted ROE" shall mean the average return on equity of NACCO Industries, Inc. calculated for the applicable time period, based on A divided by B, where:

A = Net Income (before extraordinary items) +

Amortization of Goodwill; and

B = Weighted Average (Stockholders' Equity + Accumulated Amortization of Goodwill + UMWA Adjustment).

(c) Adjusted ROE shall be determined at least annually by NACCO Industries, Inc.

SECTION 2.3. BENEFICIARY shall mean the person or persons designated by the Participant as his Beneficiary under

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this Plan, in accordance with the provisions of Article VII hereof.

SECTION 2.4. COMPANY shall mean The North American Coal Corporation.

SECTION 2.5: COMPENSATION shall have the same meaning as under the Savings Plan, except that Compensation shall be deemed to include (a) the amount of compensation deferred by the Participant under this Plan, excluding VAP Deferral Benefits and (b) amounts in excess of the limitation imposed by Code Section 401(a) (17).

SECTION 2.6. EMPLOYER shall mean the Company and any other Controlled Group Member that adopts this Plan pursuant to Section 8.7.

SECTION 2.7. EXCESS RETIREMENT BENEFIT OR BENEFIT shall mean a VAP Deferral Benefit, a Basic or Additional Excess 401(k) Benefit or a Basic or Additional Excess Matching Benefit (as described in Article III) which is payable to or with respect to a Participant under this Plan.

SECTION 2.8. FIXED INCOME FUND shall mean the Stable Asset Fund under the Savings Plan or any equivalent fixed income fund thereunder which is designated by the NACCO Industries, Inc. Retirement Funds Investment Committee as the successor to the Stable Asset Fund.

SECTION 2.9. INSOLVENT. For purposes of this Plan, an Employer shall be considered Insolvent at such time as it (a) is unable to pay its debts as they mature, or (b) is subject to a pending voluntary or involuntary proceeding as a debtor under the United States Bankruptcy Code.

SECTION 2.10. PARTICIPANT.

(a) For purposes of Sections 3.1 and 3.2 of the Plan, the term "Participant" means an Employee of an Employer (other than a San Miguel Employee or a Florida Dragline Employee) who is a Participant in the Savings Plan who (i)

is unable to make all of the Before-Tax Contributions that he has elected to make to the Savings Plan, or is unable to receive the maximum amount of Matching Contributions under the Savings Plan because of the limitations of Section 402(g), 401(a)(17), 401(k)(3), 401(m) or 415 of the Code and (ii) is in salary grade 14 or above.

(b) For purposes of Section 3.3 of the Plan, the term "Participant" means an Employee of an Employer who (i) is a participant in the VAP Plan and (ii) is in salary grade 14 or above.

SECTION 2.11. PLAN shall mean The North American Coal Corporation Deferred Compensation Plan for Management Employees, as herein set forth or as duly amended.

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SECTION 2.12. PLAN ADMINISTRATOR shall mean the Company.

SECTION 2.13. PLAN YEAR shall mean the calendar year.

SECTION 2.14. SAVINGS PLAN shall mean The North American Coal Corporation Retirement Savings Plan (or any successor plan).

SECTION 2.15. UNFORESEEABLE EMERGENCY shall mean an event which results (or will result) in severe financial hardship to the Participant as a consequence of an unexpected illness or accident or loss of the Participant's property due to casualty or other similar extraordinary or unforeseen circumstances out of the control of the Participant.

SECTION 2.16. VALUATION DATE shall mean the last business day of each Plan Year and any other date chosen by the Plan Administrator.

SECTION 2.17. VAP PLAN shall mean The North American Coal Corporation Value Appreciation Plan (Effective as of January 1, 1990), as amended.

ARTICLE III
EXCESS RETIREMENT BENEFITS

SECTION 3.1 BASIC AND ADDITIONAL EXCESS 401(K) BENEFITS.

(a) AMOUNT OF EXCESS 401(K) BENEFITS. Each Participant may, prior to the first day of any Plan Year or within 30 days of becoming a Participant hereunder, by completing a "Deferral Election Form" direct his Employer to reduce his Compensation for such Plan Year and, subject to Subsection (e) below, subsequent Plan Years, by an amount equal to the

difference between (i) a certain percentage, in 1% increments, with a maximum of 15%, of his Compensation for the Plan Year, and (ii) the maximum Before-Tax Contributions actually permitted to be contributed for him to the Savings Plan by reason of the application of the limitations under Sections 402(g), 401(a)(17), 401(k)(3) and 415 of the Code (which amounts shall be referred to as the "Excess 401(k) Benefits").

(b) CLASSIFICATION OF EXCESS 401(K) BENEFITS. The Excess 401(k) Benefits for a particular Plan Year shall be calculated monthly and shall be further divided into the "Basic Excess 401(k) Benefits" and the "Additional Excess 401(k) Benefits" as follows:

(i) The Basic Excess 401(k) Benefits shall be determined by multiplying each Excess 401(k) Benefit by a fraction, the numerator of which is the lesser of the percentage of Compensation elected to be deferred in the Deferral Election Form for such Plan Year or 7% and the denominator

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of which is the percentage of Compensation elected to be deferred; and

(ii) The Additional Excess 401(k) Benefits (if any) shall be determined by multiplying such Excess 401(k) Benefit by a fraction, the numerator of which is the difference between (1) the percentage of Compensation elected to be deferred in the Deferral Election Form for such Plan Year and (2) 7%, and the denominator of which is the percentage of Compensation elected to be deferred.

The Basic Excess 401(k) Benefits shall be credited to the Basic Excess 401(k) Sub-Account under this Plan and the Additional Excess 401(k) Benefits shall be credited to the Additional Excess 401(k) Sub-Account hereunder. The Basic and Additional Excess 401(k) Sub-Accounts shall be referred to collectively as the "Excess 401(k) Sub-Account."

(c) DEFERRAL PERIOD. The Deferral Election Form shall also contain such Participant's irrevocable election regarding the time of the commencement of payment of the Excess 401(k) Benefits to which such Form relate. Payment elections made prior to the Effective Date shall continue to govern the timing of the payment of amounts credited to the Participant's Excess 401(k) Sub-Account as of the Effective Date. In the Deferral Election Form, such Participant may elect to commence payment of his Excess 401(k) Sub-Account on (i) the date on which he ceases to be an Employee of the Controlled Group, (ii) the date on which he attains an age specified in the Deferral Election Form, or (iii) the earlier or later of such dates.

(d) FORM OF PAYMENT. In the Deferral Election Form, the Participant shall also elect whether to receive his Excess 401(k) and Excess Matching Benefits to which such Form relate in the form of a lump sum payment or in annual installments for a period not exceeding ten years.

(e) EFFECT AND DURATION OF DEFERRAL ELECTION. Any direction by a Participant to make deferrals of Excess 401(k) Benefits hereunder shall be effective with respect to Compensation otherwise payable to the Participant during the Plan Year for which the Deferral Election is effective, and the Participant shall not be eligible to receive such Excess 401(k) Benefits. Instead, such amounts shall be credited to the Participant's Basic or Additional Excess 401(k) Sub-Account (as applicable). Any direction made in accordance with Subsection (a) above shall be irrevocable and shall remain in effect for subsequent Plan Years unless changed or terminated by the Participant for Plan Years commencing after such change or termination, on the appropriate form provided by the Plan Administrator, prior to the first day of any subsequent Plan Year.

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(f) AUTOMATIC TERMINATION/SUSPENSION OF DEFERRAL ELECTION.

(i) A Participant's direction to make deferrals of Excess 401(k) Benefits shall automatically terminate on the earlier of the date on which (1) the Participant ceases employment with the Employers, (2) the Participant's Employer is deemed Insolvent, (3) the Participant is no longer eligible to make deferrals of Excess 401(k) Benefits hereunder or (4) the Plan is terminated.

(ii) Any Participant whose eligibility to make Before-Tax Contributions to the Savings Plan has been suspended for any reason (including the taking of a hardship withdrawal thereunder) shall not be eligible to defer Excess 401(k) Benefits under this Plan for the period of his suspension from the Savings Plan.

(iii) The Plan Administrator may, in its sole and absolute discretion, pursuant to nondiscriminatory rules adopted by it, reduce and/or cease the deferral of Excess 401(k) Benefits being made by one or more Participants, to the extent deemed necessary or desirable in order to satisfy the requirements of any applicable law (including, without limitation, federal securities laws).

SECTION 3.2. EXCESS MATCHING BENEFITS.

(a) AMOUNT. A Participant shall have credited to his Basic or Additional Excess Matching Sub-Account (as applicable) an amount equal to the Matching Contributions attributable to the Basic or Additional Excess 401(k) Benefits that he is prevented from receiving under the Savings Plan

because of the limitations imposed under Code Sections 402(g), 401(a)(17), 401(k)(3), 401(m) and 415 of the Code (collectively, the "Excess Matching Benefits").

(b) TIME AND FORM OF PAYMENT. The Excess Matching Benefits shall be paid (or commence to be paid) at the same time and in the same form as the Excess 401(k) Benefits to which they relate (as specified in the Deferral Election Form applicable to such Benefits).

SECTION 3.4 VAP DEFERRAL BENEFITS.

(a) AMOUNT. Each Participant (as defined in Section 2.10(b)) may, with the consent of the Company, by completing an approved deferral election form, direct his Employer:

(i) to reduce an Award (as that term is defined in the VAP Plan) payable under the VAP Plan by a specified dollar amount or percentage; and

(ii) to credit the amount of the reduction (the "VAP Deferral Benefits") to the VAP Deferral Sub-Account hereunder. Such election must be made no later than one-year prior to the date such Award would otherwise be payable to the Participant

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under the VAP Plan or at such other time as approved by the Company, in its sole and absolute discretion.

(b) DEFERRAL PERIOD. The deferral election made by a Participant under Subsection (a) above shall also contain such Participant's irrevocable election regarding the time of the commencement of payment of the VAP Deferral Benefits. The Participant may elect to commence payment of his VAP Deferral Benefits on (i) the date on which he ceases to be an Employee of the Controlled Group, (ii) the date on which he attains an age specified in the deferral form, or (iii) the earlier or later of such dates.

(c) EFFECT OF DEFERRAL ELECTION. Any direction by a Participant to defer receipt of all or part of an Award under the VAP Plan and to receive VAP Deferral Benefits in lieu thereof shall be irrevocable with respect to such Award.

(d) AUTOMATIC TERMINATION OF DEFERRAL ELECTION.

(i) A Participant's direction to defer an Award under the VAP Plan shall automatically terminate on the earlier of the date on which (1) the Participant ceases employment with the Controlled Group, (2) the Participant ceases to satisfy the requirements of Section 2.8(b), (3) the Participant's Employer is deemed Insolvent or (4) the Plan is terminated.

(ii) The Plan Administrator may, in its sole and absolute discretion, pursuant to nondiscriminatory rules adopted by the Plan Administrator, reduce and/or cease the deferral of VAP Deferral Benefits being made by one or more Participants, to the extent deemed necessary or desirable in order to satisfy the requirements of any applicable law (including, without limitation, federal securities laws).

SECTION 3.4. PARTICIPANTS' ACCOUNTS. Each Employer shall establish and maintain on its books for each Participant who is an Employee of such Employer an Account which shall contain the following entries:

(a) Credits to a Basic or Additional Excess 401(k) Sub-Account (as applicable) for the Excess 401(k) Benefits described in Section 3.1, which shall be credited to the Sub-Account when a Participant is prevented from making a Before-Tax Contribution under the Savings Plan;

(b) Credits to a Basic or Additional Excess Matching Sub-Account (as applicable) for the Excess Matching Benefits described in Section 3.2, which shall be credited to the Sub-Account when a Participant is prevented from receiving Matching Contributions under the Savings Plan;

(c) Credits to a VAP Deferral Sub-Account for the VAP Deferral Benefits described in Section 3.3, which shall be credited to the Sub-Account at the time the Award would otherwise be payable to the Participant under the VAP Plan;

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(d) Credits to all Sub-Accounts for the earnings described in Article IV, which shall continue until such Sub-Accounts have been distributed to the Participant or his Beneficiary; and

(e) Debits for any distributions made from the Sub-Accounts.

SECTION 3.5. EFFECT ON OTHER BENEFITS. Benefits payable to or with respect to a Participant under the Savings Plan or any other Employer-sponsored (qualified or nonqualified) plan, if any, are in addition to those provided under this Plan.

SECTION 3.6. STATEMENTS. Participants shall be provided with statements of their Account balances as soon as practicable following each Valuation Date.

ARTICLE IV
EARNINGS

SECTION 4.1. EARNINGS ON BASIC 401(K) AND MATCHING

SUB-ACCOUNTS.

(a) Subject to Subsection (b) and Section 4.4, at the end of each calendar month during a Plan Year, the Basic Excess 401(k) Sub-Account and the Basic Excess Matching Sub-Account of each Participant shall be credited with an amount determined by multiplying such Participant's average Sub-Account balance during such month by the blended rate earned during such month by the Fixed Income Fund. Notwithstanding the foregoing, in the event that the Adjusted ROE determined for such Plan Year exceeds the rate credited to the Participant's Sub-Accounts under the preceding sentence, such Sub-Accounts shall retroactively be credited with the difference between (i) the amount determined under the preceding sentence, and (ii) the amount determined by multiplying the Participant's average Sub-Account balance during each month of such Plan Year by the Adjusted ROE determined for such Plan Year, compounded monthly.

(b) The Adjusted ROE calculation described in Subsection (a) shall be made during the month in which the Participant terminates employment and shall be based on the year-to-date Adjusted ROE for the month ending prior to the date the Participant terminated employment, as calculated by NACCO Industries, Inc. For any subsequent month following such termination, the Adjusted ROE calculation shall not apply. The Fixed Income Fund calculation described in Subsection(a) for the month in which the Participant receives a distribution from his Sub-Account shall be based on the blended rate earned during the preceding month by the Fixed Income Fund.

SECTION 4.2. EARNINGS ON ADDITIONAL 401(K) AND MATCHING SUB-ACCOUNTS. Subject to Section 4.4, at the end of each calendar month during a Plan Year, the Additional Excess 401(k) Sub-Account and Additional Excess Matching Sub-Account of each Participant shall be credited with an amount determined by

multiplying such Participant's average Sub-Account balance during such month by the blended rate earned during such month by the Fixed Income Fund. The earnings calculation for the month in which the Participant receives a distribution from his Sub-Account shall be based on the blended rate earned during the preceding month by the Fixed Income Fund.

SECTION 4.3. EARNINGS ON VAP DEFERRAL SUB-ACCOUNTS. Subject to Section 4.4, at the end of each calendar month during a Plan Year, the VAP Deferral Sub-Account of each Participant shall be credited with an amount determined by multiplying such Participant's average Sub-Account balance during such month by "10-Year U.S. Treasury Yield" plus 2.0%. For purposes hereof, the 10-Year U.S. Treasury Yield shall be the 10 year yield on U.S. Treasury issues

as listed in the BOND MARKET DATA BANK for the last day of the preceding calendar quarter as printed in the WALL STREET JOURNAL. In the event that a yield is not listed for a maturity exactly 10 years from the calendar quarter end, the next preceding chronological treasury bond issue yield shall be used.

SECTION 4.4. CHANGES IN/LIMITATIONS ON EARNINGS ASSUMPTIONS.

(a) The Committee (as defined in Section 9.5 of the Plan) may change (but not suspend) the earnings rate credited on Accounts hereunder at any time upon at least 30 days notice to Participants.

(b) Notwithstanding any provision of the Plan to the contrary, in no event will earnings on Accounts for a Plan Year be credited at a rate which exceeds 14%.

ARTICLE V
VESTING

A Participant shall always be 100% vested in amounts credited to his Account hereunder.

ARTICLE VI
DISTRIBUTION OF BENEFITS TO PARTICIPANTS

SECTION 6.1. TIME AND MANNER OF PAYMENT.

(a) EXCESS 401(K) AND MATCHING BENEFITS.

(i) The Excess 401(k) and Matching Benefits shall be paid (or commence to be paid) to the Participant no later than the 30th day after the date specified in the Deferral Election Form applicable to such Benefits.

(ii) The Excess 401(k) and Excess Matching Benefits shall be distributed in the form elected by the Participant in the Deferral Election Form applicable to such Benefits. If installment payments are elected, the first installment shall be

paid on the date specified in Section 6.1(a) (i) and shall be paid annually thereafter, with each installment being based on the value of the Sub-Account on the date immediately preceding the date such installment is to be paid and being a fraction of such value in which the numerator is one and the denominator is the total number of remaining installments to be paid.

(b) VAP DEFERRAL BENEFITS.

(i) The VAP Deferral Benefits shall be paid (or commence to be paid) to the Participant no later than the 30th day after the date specified in the deferral form attributable to such Benefits.

(ii) The VAP Deferral Sub-Account shall each be distributed to the Participant in the form of ten annual installments with each installment being based on the value of the Sub-Account on the Valuation Date on which such installment is to be paid and being a fraction of such value in which the numerator is one and the denominator is the total number of remaining installments to be paid. Notwithstanding the foregoing, the Participant may elect to receive the amount credited to his VAP Deferral Sub-Account in the form of a single lump sum payment or in annual installments for a period of less than 10 years by filing a notice in writing, signed by the Participant and filed with the Plan Administrator while the Participant is alive and at least one year prior to the time he had elected to commence receiving payment of such Sub-Account. Any such election of the form of benefit may be changed at any time and from time to time, without the consent of any other person, by filing a later election in writing that is signed by the Participant and filed with the Plan Administrator while the Participant is alive and at least one year prior to the time he had elected to commence receiving payment of such Sub-Account.

(c) UNFORESEEABLE EMERGENCY DISTRIBUTIONS. Notwithstanding the foregoing, the Company may at any time, upon written request of the Participant, cause to be paid to such Participant an amount equal to all or any part of the Participant's Account if the Company determines, in its absolute discretion based on such reasonable evidence that it shall require, that such a payment or payments is necessary for the purpose of alleviating the consequences of an Unforeseeable Emergency occurring with respect to the Participant. Payments of amounts because of an Unforeseeable Emergency shall be permitted only to the extent reasonably necessary to satisfy the emergency need.

(d) SMALL ACCOUNTS. Notwithstanding any provision of the Plan or a Participant's Deferral Election Form to the contrary, in the event that the Account of a Participant does not exceed \$10,000 at the time of the Participant's termination of employment with the Controlled Group, such Account shall automatically be paid to him in a single lump sum payment as soon as practicable following his termination of employment.

SECTION 6.2. LIABILITY FOR PAYMENT/EXPENSES. The Employer by which the Participant was last employed prior to his payment commencement date under the Plan shall pay all Excess Retirement Benefits hereunder to or on behalf of such Participant, but such Employer's liability shall be limited to its proportionate share of such amount, as hereinafter provided. If the Excess

Retirement Benefits payable to or on behalf of a Participant are based on the Participant's employment with more than one Employer, the liability for such Benefits shall be shared by all such Employers (by reimbursement to the Employer making such payment) as may be agreed to among them in good faith (taking into consideration the Participant's service and Compensation paid by each such Employer) and as will permit the deduction (for purposes of federal income tax) by each such Employer of its portion of the payments made and to be made hereunder. Expenses of administering the Plan shall be paid by the Employers, as directed by the Company.

ARTICLE VII
BENEFICIARIES

SECTION 7.1. BENEFICIARY DESIGNATIONS. A designation of a Beneficiary hereunder may be made only by an instrument (in form acceptable to the Plan Administrator) signed by the Participant and filed with and received by the Plan Administrator prior to the Participant's death. In the absence of such a designation and at any other time when there is no existing Beneficiary designated hereunder, the Beneficiary of a Participant for his Excess Retirement Benefits shall be the estate of the last to die of the Participant and his Beneficiaries. If two or more persons designated as a Participant's Beneficiary are in existence with respect to a single Excess Retirement Benefit, the amount of any payment to the Beneficiary under this Plan shall be divided equally among such persons unless the Participant's designation specifically provides for a different allocation. Any change in Beneficiary shall be made by giving written notice thereof to the Plan Administrator and any change shall be effective only if received by the Plan Administrator prior to the death of the Participant.

SECTION 7.2. DISTRIBUTIONS TO BENEFICIARIES.

(a) AMOUNT OF BENEFITS. The Excess Retirement Benefit payable to a Participant's Beneficiary under this Plan shall be equal to such Participant's Account balance on the date of the distribution of the Account to the Beneficiary.

(b) TIME OF PAYMENT. The Excess Retirement Benefits payable to a Beneficiary under this Plan shall be paid as soon as practicable following the death of the Participant.

(c) FORM OF PAYMENT. All Excess Retirement Benefits payable to a Beneficiary hereunder shall be paid in the form of a lump sum payment.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1. LIABILITY OF EMPLOYERS. Nothing in this Plan shall constitute the creation of a trust or other fiduciary relationship between an Employer and any Participant, Beneficiary or any other person.

SECTION 8.2. LIMITATION ON RIGHTS OF PARTICIPANTS AND BENEFICIARIES - NO LIEN. The Plan is designed to be an unfunded, nonqualified plan. Nothing contained herein shall be deemed to create a trust or lien in favor of any Participant or Beneficiary on any assets of an Employer. The Employers shall have no obligation to purchase any assets that do not remain subject to the claims of the creditors of the Employers for use in connection with the Plan. No Participant or Beneficiary or any other person shall have any preferred claim on, or any beneficial ownership interest in, any assets of an Employer prior to the time that such assets are paid to the Participant or Beneficiary as provided herein. Each Participant and Beneficiary shall have the status of a general unsecured creditor of his Employer.

SECTION 8.3. NO GUARANTEE OF EMPLOYMENT. Nothing in this Plan shall be construed as guaranteeing future employment to Participants. A Participant continues to be an Employee of the Employers solely at the will of the Employers subject to discharge at any time, with or without cause.

SECTION 8.4. PAYMENT TO GUARDIAN. If a benefit payable hereunder is payable to a minor, to a person declared incompetent or to a person incapable of handling the disposition of his property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Plan Administrator may require such proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Employers from all liability with respect to such benefit.

SECTION 8.5. ASSIGNMENT.

(a) Subject to Subsection (b), no right or interest under this Plan of any Participant or Beneficiary shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of the Participant or Beneficiary.

(b) Notwithstanding the foregoing, the Plan Administrator shall honor a judgment, order or decree from a state domestic relations court which requires the payment of all or a part of a Participant's or Beneficiary's vested interest under this Plan to an "alternate payee" as defined in Code Section 414(p).

SECTION 8.6. SEVERABILITY. If any provision of this Plan or the application thereof to any circumstance(s) or person(s) is held to be invalid by a court of competent jurisdiction, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

SECTION 8.7. ADOPTION BY OTHER EMPLOYERS. Any member of the Controlled Group that is an Employer under the Savings Plan or the VAP Plan may adopt this Plan with the consent of the Committee by executing an instrument evidencing its adoption of this Plan on the order of its Board of Directors (or the applicable committee of such Board of Directors) and filing a copy thereof with the Company. Such adoption may be subject to such terms and conditions as the Committee requires or approves.

ARTICLE IX
ADMINISTRATION OF PLAN

SECTION 9.1. ADMINISTRATION. (a) IN GENERAL. The Plan shall be administered by the Plan Administrator. The Plan Administrator shall have the discretion to interpret where necessary all provisions of the Plan (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan), to make factual findings with respect to any issue arising under the Plan, to determine the rights and status under the Plan of Participants, or other persons, to resolve questions (including factual questions) or disputes arising under the Plan and to make any determinations with respect to the benefits payable under the Plan and the persons entitled thereto as may be necessary for the purposes of the Plan. Without limiting the generality of the foregoing, the Plan Administrator is hereby granted the authority (i) to determine whether a person is a Participant, and (ii) to determine if a person is entitled to Excess Retirement Benefits hereunder and, if so, the amount and duration of such Benefits. The Plan Administrator's determination of the rights of any person hereunder shall be final and binding on all persons, subject only to the provisions of Sections 9.3 and 9.4 hereof.

(b) DELEGATION OF DUTIES. The Plan Administrator may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of Excess Retirement Benefits, to a named administrator or administrators. Pursuant to this delegation power, the Company has appointed the Administrative Committee under the Savings Plan (as it exists from time to time) as the Plan Administrator of this Plan.

SECTION 9.2. REGULATIONS. The Plan Administrator shall promulgate any rules and regulations it deems necessary in order to carry out the purposes of the Plan or to interpret the provisions of the Plan; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by

the Plan Administrator shall, subject to the provisions of Sections 9.3 and 9.4 hereof, be final and binding on all persons.

SECTION 9.3. CLAIMS PROCEDURES. The Plan Administrator shall determine the rights of any person to any Excess Retirement Benefits hereunder. Any person who believes that he has not received the Excess Retirement Benefits to which he is entitled under the Plan may file a claim in writing with the Plan Administrator. The Plan Administrator shall, no later than 90 days after the receipt of a claim (plus an additional period of 90 days if required for processing, provided that notice of the extension of time is given to the claimant within the first 90 day period), either allow or deny the claim in writing. If a claimant does not receive written notice of the Plan Administrator's decision on his claim within the above-mentioned period, the claim shall be deemed to have been denied in full.

A denial of a claim by the Plan Administrator, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:

- (a) the specific reasons for the denial;
- (b) specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claim review procedure.

A claimant whose claim is denied (or his duly authorized representative) may within 60 days after receipt of denial of a claim file with the Plan Administrator a written request for a review of such claim. If the claimant does not file a request for review of his claim within such 60-day period, the claimant shall be deemed to have acquiesced in the original decision of the Plan Administrator on his claim. If such an appeal is so filed within such 60 day period, the Company (or its delegate) shall conduct a full and fair review of such claim. During such review, the claimant shall be given the opportunity to review documents that are pertinent to his claim and to submit issues and comments in writing. For this purpose, the Company (or its delegate) shall have the same power to interpret the Plan and make findings of fact thereunder as is given to the Plan Administrator under Section 9.1 above.

The Company shall mail or deliver to the claimant a written decision on the matter based on the facts and the pertinent provisions of the Plan within 60 days after the receipt of the request for review (unless special

circumstances require an extension of up to 60 additional days, in which case written notice of such extension shall be given to the claimant prior to the commencement of such extension). Such decision shall be

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written in a manner calculated to be understood by the claimant, shall state the specific reasons for the decision and the specific Plan provisions on which the decision was based and shall, to the extent permitted by law, be final and binding on all interested persons. If the decision on review is not furnished to the claimant within the above-mentioned time period, the claim shall be deemed to have been denied on review.

SECTION 9.4. REVOCABILITY OF PLAN ADMINISTRATOR/ EMPLOYER ACTION. Any action taken by the Plan Administrator or an Employer with respect to the rights or benefits under the Plan of any person shall be revocable by the Plan Administrator or the Employer as to payments not yet made to such person, and acceptance of any Excess Retirement Benefits under the Plan constitutes acceptance of and agreement to the Plan Administrator's or the Employer's making any appropriate adjustments in future payments to such person (or to recover from such person) any excess payment or underpayment previously made to him.

SECTION 9.5. AMENDMENT. The Nominating, Organization and Compensation Committee of the Board of Directors of the Company (the "Committee") may at any time (without the consent of an Employer) amend any or all of the provisions of this Plan, except that (a) no such amendment may adversely affect any Participant's Excess Retirement Benefit as of the date of such amendment and (b) no such amendment may suspend the crediting of earnings on the balance of a Participant's Account, until the entire balance of such Account has been distributed, in either case, without the prior written consent of the affected Participant. Any amendment shall be in the form of a written instrument executed by an officer of the Company on the order of the Committee. Subject to the foregoing provisions of this Section, such amendment shall become effective as of the date specified in such instrument or, if no such date is specified, on the date of its execution.

SECTION 9.6. TERMINATION.

(a) The Committee, in its sole discretion, may terminate this Plan at any time and for any reason whatsoever, except that, subject to Subsection (b) hereof, (i) no such termination may adversely affect any Participant's Excess Retirement Benefit as of the date of such termination, and (ii) no such termination may suspend the crediting of earnings on the balance of a Participant's Account, until the entire balance of such Account has been distributed, in either case, without the prior written consent of the affected Participant. Any such termination shall be expressed in the form of a written instrument executed by an officer of the Company on the order of the Committee.

Subject to the foregoing provisions of this Subsection, such termination shall become effective as of the date specified in such instrument or, if no such date is specified, on the date of its execution. Written notice of any termination shall be given to the Participants as soon as practicable after the instrument is executed.

(b) Notwithstanding anything in the Plan to the contrary, in the event of a termination of the Plan, the Company, in its sole and absolute discretion, shall have the right to change the time and form of distribution of Participants' Excess Retirement Benefits, including requiring that all amounts credited to Participant's Accounts hereunder be immediately distributed in the form of a lump sum payment.

(c) Any Employer (other than the Company) that adopts the Plan may elect to withdraw from the Plan and such withdrawal shall constitute a termination of the Plan as to such Employer; provided, however, that such terminating Employer shall continue to be an Employer for the purposes hereof as to Participants or Beneficiaries to whom it owes obligations hereunder. Such withdrawal and termination shall be expressed in an instrument executed by the terminating Employer on authority of its Board of Directors (or the applicable Committee thereof) and filed with the Company, and shall become effective as of the date designated in such instrument or, if no such date is specified, on the date of its execution. Notwithstanding any other provision of the Plan, if an Employer (other than the Company) ceases to be a member of the Controlled Group, the Plan shall automatically terminate with respect to such Employer and all amounts credited to the Accounts of Employees of such Employer shall be immediately payable in the form of a lump sum payment.

Executed, this 29th day of December, 1998.

THE NORTH AMERICAN COAL
CORPORATION

By: /s/ Charles A. Bittenbender

Title: Assistant Secretary

AMENDMENT NO. 2
TO THE
THE NORTH AMERICAN COAL CORPORATION
SUPPLEMENTAL RETIREMENT BENEFIT PLAN
(AS AMENDED AND RESTATED EFFECTIVE SEPTEMBER 1, 1994)

The North American Coal Corporation hereby adopts this Amendment No. 2 to The North American Coal Corporation Supplemental Retirement Benefit Plan (as Amended and Restated Effective September 1, 1994) (the "Plan"), effective July 15, 1998. Words and phrases used herein with initial capital letters which are defined in the Plan are used herein as so defined.

SECTION 1

The heading to Section 3.2A of the Plan is hereby deleted in its entirety and replaced with the following heading: "1994 Special Early Retirement Window Benefits for Certain Participants."

SECTION 2

A new Section 3.2B is hereby added to the Plan, immediately following Section 3.2A, to read as follows:

"3.2B 1998 SPECIAL EARLY RETIREMENT WINDOW BENEFITS.

(1) The following provisions shall apply to Participants who (a) are Employees (other than officers) of The Coteau Properties Company or The Falkirk Mining Company, (b) are paid on a semi-monthly basis, (c) have attained at least age 50 and have been credited with at least 10 years of Benefit Service by July 15, 1998, (d) effectively elected by August 31, 1998, in writing on a form provided by the Employers, to retire on January 4, 1999 and (e) are highly compensated employees (as defined in Code Section 414(q)) whose Compensation for the 1997 and 1998 Plan Years was at least \$100,000 (a "1998 Window Participant").

(2) In addition to the Supplemental Retirement Benefit described in Section 3.1, the 1998 Window Participants shall also receive the following additional Supplemental Retirement Benefits:

(a) A monthly amount equal to the difference between (i) the amount of the monthly benefit payable to the 1998 Window Participant or his Beneficiary under Plan 005, calculated by adding an additional

sixty months of Benefit Service or sixty months of Age (or any combination thereof

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not exceeding sixty total months, as elected by the 1998 Window Participant) to the years of Benefit Service and/or Age otherwise used for purposes of calculating a Pension under Plan 005 (to the extent that such additions result in an increased Pension thereunder) and (ii) the amount of the Actual Pension Benefit.

(b) For 1998 Window Participants who have not attained age 62 by January 4, 1999, a non-qualified Social Security Supplement in the amount of \$1,000 per month. The Social Security Supplement shall automatically be payable for the period from the first day of the month after the end of the 1998 Window Participant's pay-through date for vacation pay purposes until and including the month in which the 1998 Window Participant reaches age 62 and is eligible to apply for Social Security benefits (whether or not he or she actually applies for such benefits). In the event of the death of the 1998 Window Participant prior to reaching age 62, the Social Security Supplement shall continue to be paid to the surviving Spouse of the 1998 Window Participant (if any) until and including the month in which the 1998 Window Participant would have attained age 62 if he or she had lived."

SECTION 3

Section 3.3(1) of the Plan is hereby amended by adding the following sentence to the end thereof:

"Notwithstanding the foregoing, the provisions of Section 3.2B(2) (b) shall govern the timing and form of payment of the Social Security Supplement to the 1998 Window Participants."

EXECUTED this 1st day of October, 1998.

THE NORTH AMERICAN COAL CORPORATION

By: /s/Thomas A. Koza

Title: Vice President-Law and
Administration

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AMENDMENT NO. 3
TO THE
THE NORTH AMERICAN COAL CORPORATION
SUPPLEMENTAL RETIREMENT BENEFIT PLAN
(AS AMENDED AND RESTATED EFFECTIVE SEPTEMBER 1, 1994)

The North American Coal Corporation hereby adopts this Amendment No. 3 to The North American Coal Corporation Supplemental Retirement Benefit Plan (as Amended and Restated Effective September 1, 1994) (the "Plan"), effective July 15, 1998. Words and phrases used herein with initial capital letters which are defined in the Plan are used herein as so defined.

SECTION 1

Section 3.3(1) of the Plan is hereby amended by adding the following sentence to the end thereof:

"In addition, the Supplemental Retirement Benefit for a 1998 Window Participant who has not attained age 55 by January 4, 1999 may commence to be paid under this Plan at the time and in the form elected by such Participant; provided, however, that (i) if such Participant elects to commence the Supplemental Retirement Benefit before the earliest date on which the Actual Pension Plan Benefit becomes payable, the Supplemental Retirement Benefit payable hereunder shall be reduced by the Actual Pension Plan Benefit on the earliest date on which such Actual Pension Plan Benefit becomes payable under the Pension Plan, (ii) if such Participant does not elect to commence the Supplemental Retirement Benefit until on or after the earliest date on which the Actual Pension Plan Benefit becomes payable, the Supplemental Retirement Benefit payable hereunder shall be reduced by the Actual Pension Plan Benefit payable on the date on which the Supplemental Retirement Benefit commences, and (iii) for purposes of this sentence, the term "Actual Pension Plan Benefit" shall mean the monthly benefit that would be payable to the Participant or his Beneficiary under the Pension Plan if paid in the same form as the Supplemental Retirement Benefit."

EXECUTED this 30th day of October, 1998.

THE NORTH AMERICAN COAL CORPORATION

By: /s/Thomas A. Koza

Title: Vice President-Law and
Administration

ANNUAL INCENTIVE COMPENSATION PLAN

1999

GENERAL

NACCO Materials Handling Group, Inc., (the "Company") has established an Annual Incentive Compensation Plan ("Plan") as part of a competitive compensation program for the officers and key management employees of the Company and its Subsidiaries.

PLAN OBJECTIVE

The Company desires to attract and retain talented employees to enable the Company to meet its financial and business objectives. The objective of the Plan is to provide an opportunity to earn annual incentive compensation to those employees whose performance has a significant impact on the Company's short-term and long-term profitability.

ADMINISTRATION AND PARTICIPATION

The Plan is administered by the Nominating, Organization and Compensation Committee of the Board of Directors of the Company (the "Committee").

The Committee:

- a. May amend, modify or discontinue the Plan.

- b. Will approve participation in the Plan. Generally, participants will include all employees in NACCO Materials Handling Group salary grades 22 and above. However, the Committee may select any employee

who has contributed significantly to the Company's profitability to participate in the Plan and receive an annual incentive compensation award. Subject to paragraphs g and h, below, no employee of NACCO Materials Handling Group shall be eligible to be a participant in the Plan, and no participant in the Plan shall be eligible to receive an award, unless such individual is employed for at least 90 calendar days during the year.

- c. Will determine the annual performance criteria which generate the incentive compensation pool.
- d. Will determine the total amount of both the target and actual annual incentive compensation pool.
- e. Will approve individual incentive compensation awards to officers and employees in NACCO Materials Handling Group above salary grade 29.
- f. May delegate to the Chief Executive Officer of the Company the approval of incentive compensation awards to NACCO Materials Handling Group employees in salary grade 29 and below.
- g. May consider at the end of each year the award of a discretionary bonus amount to non-participants as an addition to the regular incentive compensation pool on a special one-time basis to motivate individuals not eligible to participate in the Plan.

- h. May approve a pro-rated incentive compensation award for participants in the Plan whose employment is terminated (1) due to death, disability, retirement or facility closure, such award to be determined pursuant to the provisions of subparagraphs (e) and (f) above, or (2) under other circumstances at the recommendation of the Chief Executive Officer of the Company.

DETERMINATION OF CORPORATE INCENTIVE COMPENSATION POOL

Each participant in the Plan will have an individual target incentive compensation percentage which is determined by the participant's salary grade. This percentage is multiplied by the mid-point of the participant's salary grade to determine his individual target incentive compensation award. The total of the target incentive compensation awards of all participants equals the target corporate incentive compensation pool ("Target Pool"). The Target Pool is approved each year by the Committee.

The actual corporate incentive compensation pool ("Actual Pool") is determined at the end of each year based on the Company's actual performance against specific criteria established in the beginning of the year by the Committee. The Target Pool is adjusted upwards or downwards by corporate performance adjustment factors to determine the Actual Pool. In no event will the Actual Pool exceed 150% of the Target Pool, except to the extent that the Committee elects to increase the Actual Pool by up to 110%, as described below.

The Target and Actual Pools may consist of the sum of two or more subpools, provided the subpools have individual objectives.

It is the intent of the Plan that the Actual Pool, as determined above, will be the final total corporate incentive compensation pool. However, the Committee, in its sole discretion, may increase or decrease by up to 10% the Actual Pool or may approve an incentive compensation pool where there would normally be no pool due to Company performance which is below the criteria established for the year.

The Actual and Target Pools exclude the Marketing Incentive Plan for regional parts, service, sales and national account managers. However, total compensation or employees covered by the Marketing Incentive Plan will be based on competitive levels.

DETERMINATION OF INDIVIDUAL INCENTIVE COMPENSATION AWARDS

Salary grades and the corresponding target incentive percentages for each participant in the Plan will be established at the beginning of each year and approved by the Committee. Individual target incentive compensation will then be adjusted by the appropriate pool or subpool factor.

The total of all individual incentive compensation awards must not exceed the Actual Pool for the Year.

Below are examples of actual pool and individual award calculations.

a. Example calculation for determination actual pool:

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- b. Example calculation for determination of individual incentive compensation award:

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NACCO MATERIALS HANDLING GROUP, INC.
UNFUNDED BENEFIT PLAN

NACCO Materials Handling Group, Inc. (the "Company") does hereby amend and completely restate the NACCO Materials Handling Group, Inc. Unfunded Benefit Plan on the terms and conditions described hereinafter, effective January 1, 1999:

ARTICLE I
PREFACE

SECTION 1.1. EFFECTIVE DATE. The original effective date of this Plan was February 10, 1993. The effective date of this amendment and restatement is January 1, 1999.

SECTION 1.2. PURPOSE OF THE PLAN. The purpose of this Plan is to (a) allow certain employees to defer the receipt of certain long-term incentive compensation award payments and (b) provide for certain Employees the benefits they would have received under the Qualified Plans but for (1) the dollar limitation on Compensation taken into account under the Qualified Plans as a result of Section 401(a)(17) of the Code, (2) the limitations imposed under Section 415 of the Code, and (3) the limitations under Sections 402(g), 401(k)(3) and 401(m) of the Code.

SECTION 1.3. GOVERNING LAW. This Plan shall be regulated, construed and administered under the laws of the State of North Carolina, except when preempted by federal law.

SECTION 1.4. GENDER AND NUMBER. For purposes of interpreting the provisions of this Plan, the masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall

include the plural unless otherwise clearly required by the context.

SECTION 1.5. STATUS OF PLAN. This document is classified as a single "plan" for purposes of recordkeeping, the Code and the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). For purposes of the federal securities laws, however, this document shall be classified as two separate "plans." One plan shall consist of the Accounts of

those persons who satisfy the requirements of an "accredited investor" or a "sophisticated purchaser" under Rule 506 of the Securities Act of 1933 and the other plan shall consist of the Accounts of all other Plan Participants.

ARTICLE II
DEFINITIONS

Except as otherwise provided in this Plan, terms defined in the Qualified Plans as they may be amended from time to time shall have the same meanings when used herein, unless a different meaning is clearly required by the context of this Plan. In addition, the following words and phrases shall have the following respective meanings for purposes of this Plan.

SECTION 2.1. ACCOUNT shall mean the record maintained by the Employer in accordance with Section 4.1 as the sum of the Participant's Excess Profit Sharing Sub-Account, Excess 401(k) Sub-Account, Excess Matching Sub-Account, Excess Deferral Sub-Account and LTIP Deferral Sub-Account.

SECTION 2.2. ADJUSTED ROE.

(a) For purposes of this Section, the following terms shall have the following meanings:

(i) "NET INCOME (BEFORE EXTRAORDINARY ITEMS)" is defined as consolidated net income, as defined by general

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accepted accounting principles ("GAAP"), for the Company or NACCO Industries, Inc. and its subsidiaries, as applicable, for the subject year before extraordinary items, but including any extraordinary items related to refinancings (net of tax);

(ii) "AMORTIZATION OF GOODWILL" is defined as the consolidated amortization expense related to the intangible asset goodwill for the Company or NACCO Industries, Inc. and its subsidiaries, as applicable for the subject year;

(iii) "WEIGHTED AVERAGE STOCKHOLDERS' EQUITY" is calculated by adding the consolidated stockholders' equity for the Company or NACCO Industries, Inc., as applicable, as defined by GAAP, at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen;

(iv) "WEIGHTED AVERAGE ACCUMULATED AMORTIZATION OF GOODWILL" is calculated by adding consolidated accumulated amortization of goodwill, as defined by GAAP, at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen; and

(v) "WEIGHTED AVERAGE UMWA ADJUSTMENT" is calculated by adding the balance in the Obligation to United Mine Workers of America Combined Benefit Fund, net of tax, for NACCO Industries, Inc. at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen.

(b) For Participants who are Employees of NACCO Industries, Inc., "Adjusted ROE" shall mean the average return on equity of NACCO Industries, Inc. calculated for the applicable time period, based on A divided by B, where:

A = Net Income (before extraordinary items) + Amortization of Goodwill; and

B = Weighted Average (Stockholders' Equity + Accumulated Amortization of Goodwill + UMWA Adjustment).

(c) For Participants who are Employees of the Company, "Adjusted ROE" shall mean the average return on equity of the Company calculated for the applicable time period, based on A divided by B, where:

A = Net Income (before extraordinary items) + Amortization of Goodwill; and

B = Weighted Average (Stockholders' Equity + Accumulated Amortization of Goodwill).

(d) Adjusted ROE shall be determined at least annually by the Employers.

SECTION 2.3. BENEFICIARY shall mean the person or persons designated by the Participant as his Beneficiary under this Plan, in accordance with the provisions of Article VIII hereof.

SECTION 2.4. CASH BALANCE EMPLOYEE shall mean a participant in the Cash Balance Plan.

SECTION 2.5. CASH BALANCE PLAN shall mean Part III of The Combined Defined Benefit Plan for NACCO Industries, Inc. and Its Subsidiaries (commonly known as the NACCO Materials Handling Group, Inc. Cash Balance Plan) or any successor thereto. The Cash Balance Plan was generally frozen effective December 31, 1996.

SECTION 2.6. COMPANY shall mean NACCO Materials Handling Group, Inc. or any entity that succeeds NACCO Materials Handling Group, Inc. by merger, reorganization or otherwise.

SECTION 2.7. COMPENSATION shall have the same meaning as under the Profit Sharing Plan, except that Compensation shall be deemed to include (a) the amount of compensation deferred by the Participant under this Plan, excluding, however, LTIP Deferral Benefits and (b) amounts in excess of the limitation imposed by Code Section 401(a)(17).

SECTION 2.8. EMPLOYER shall mean the Company and NACCO Industries, Inc.

SECTION 2.9. EXCESS RETIREMENT BENEFIT OR BENEFIT shall mean an LTIP Deferral Benefit, Excess Pension Benefit, Excess Profit Sharing Benefit, Excess 401(k) Benefit, Excess Matching Benefit or Excess Deferral Benefit (as described in Article III) which is payable to or with respect to a Participant under this Plan.

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SECTION 2.10. FIXED INCOME FUND shall mean the Stable Asset Fund under the Profit Sharing Plan or any equivalent fixed income fund thereunder which is designated by the NACCO Industries, Inc. Retirement Funds Investment Committee as the successor to the Stable Asset Fund.

SECTION 2.11. 401(k) EMPLOYEE shall mean an Employee of an Employer who is a Participant in the Profit Sharing Plan who is eligible to receive Before-Tax Contributions and Matching Employer Contributions thereunder.

SECTION 2.12. INSOLVENT. For purposes of this Plan, an Employer shall be considered Insolvent at such time as it (a) is unable to pay its debts as they mature, or (b) is subject to a pending voluntary or involuntary proceeding as a debtor under the United States Bankruptcy Code.

SECTION 2.13. LTIP PLAN shall mean the NACCO Materials Handling Group, Inc. Long-Term Incentive Compensation Plan (Effective January 1, 1990), as amended.

SECTION 2.14. PARTICIPANT.

(a) For purposes of Section 3.1 of the Plan, the term "Participant" means a Participant in the Cash Balance Plan who is an Employee of the Company whose benefit under the Cash Balance Plan is limited by the application of Section 401(a)(17) or 415 of the Code and who was designated as a Participant in this Plan by the Administrative Committee.

(b) For purposes of Section 3.2 of the Plan, the term "Participant" means a Participant in the profit sharing portion of the Profit Sharing Plan (i) whose profit sharing benefit is limited by the application of Section 401(a)(17) or 415 of the Code and (ii) who is either an Employee of

NACCO Industries, Inc. and has at least 950 Hay Points or is an Employee of the Company and whose base salary as of the November 1 of the preceding Plan Year was at least \$100,000.

(c) For purposes of Section 3.4 and 3.5 of the Plan, the term "Participant" means a 401(k) Employee who (i) is unable to make all of the Before-Tax Contributions that he has elected to make to the Profit Sharing Plan, or is unable to receive the maximum amount of Matching Employer Contributions under the

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Profit Sharing Plan because of the limitations of Section 402(g), 401(a)(17), 401(k)(3), or 401(m) of the Code, and (ii) whose total annual compensation from the Controlled Group for the Plan Year in which a deferral election is required was at least \$100,000.

(d) For purposes of Section 3.6 of the Plan, the term "Participant" means an Employee of the Company (i) who is a participant in the LTIP Plan, (ii) who is a U.S. citizen or resident alien and is covered on a U.S. payroll and (iii) whose total annual compensation from the Controlled Group for the Plan Year in which a deferral election is required was at least \$100,000.

(e) The term "Participant" shall also include any other person who, as of December 31, 1998, was entitled to receive an Excess Retirement Benefit under the Plan.

SECTION 2.15. PLAN shall mean the NACCO Materials Handling Group, Inc. Unfunded Benefit Plan, as herein set out or as duly amended.

SECTION 2.16. PLAN ADMINISTRATOR shall mean the Company.

SECTION 2.17. PLAN YEAR shall mean the calendar year.

SECTION 2.18. PRIOR PLAN shall mean the Yale Materials Handling Corporation Unfunded Deferred Compensation Plan.

SECTION 2.19. PROFIT SHARING EMPLOYEE shall mean an Employee of an Employer who is a participant in the Profit Sharing Plan and who is eligible for Profit Sharing Contributions.

SECTION 2.20. PROFIT SHARING PLAN shall mean the NACCO Materials Handling Group, Inc. Profit Sharing Plan or any successor thereto.

SECTION 2.21. QUALIFIED PLAN shall mean (a) for Cash Balance Employees, the Cash Balance Plan, (b) for Profit Sharing Employees, the

Plan and (c) for 401(k) Employees, the Before-Tax Contributions and Matching Employer Contributions portion of the Profit Sharing Plan. References throughout this Plan to a "Qualified Plan" shall be deemed to refer to the underlying Qualified Plan to which a particular Excess Retirement Benefit relates.

SECTION 2.22. UNFORESEEABLE EMERGENCY shall mean an event which results (or will result) in severe financial hardship to the Participant as a consequence of an unexpected illness or accident or loss of the Participant's property due to casualty or other similar extraordinary or unforeseen circumstances out of the control of the Participant.

SECTION 2.23. Valuation Date shall mean the last day of each Plan Year and any other date chosen by the Plan Administrator.

ARTICLE III
EXCESS RETIREMENT BENEFITS

SECTION 3.1. EXCESS PENSION BENEFITS. The Excess Pension Benefit payable to or with respect to a Participant who is a Cash Balance Employee shall be a monthly benefit equal to the excess, if any, of (a) the amount of the monthly benefit that would be payable to the Participant under the Cash Balance Plan (in the form actually paid) if such Plan did not contain the limitations imposed under Sections 401(a)(17) and 415 of the Code and, effective as of January 1, 1995, the definition of "compensation" under such Plan included any amounts deferred under this Plan, OVER (b) the amount of the monthly benefit that is actually payable to the Participant under the Cash Balance Plan.

SECTION 3.2. EXCESS PROFIT SHARING BENEFITS.

(a) IN GENERAL. Each Employer shall credit to a Sub-Account (the "Excess Profit Sharing Sub-Account") established for

each Participant who is both an Employee of such Employer and a Profit Sharing Employee, an amount equal to the excess, if any, of (i) the amount of the Employer's Profit Sharing Contribution which would have been made to the profit sharing portion of the Profit Sharing Plan on behalf of the Participant if (1) such Plan did not contain the limitations imposed under Sections 401(a)(17) and 415 of the Code and (2) the term "Compensation" (as defined in Section 2.7

hereof) were used for purposes of determining the amount of profit sharing contributions under the Qualified Plan, over (ii) the amount of the Employer's Profit Sharing Contribution which is actually made to such Plan on behalf of the Participant for such Plan Year (the "Excess Profit Sharing Benefits").

(b) MINIMUM BENEFIT. Notwithstanding the foregoing, the Excess Profit Sharing Sub-Account balance of a Participant who was a participant in the Prior Plan shall in no event be less than the amount credited to such Participant's account under the Prior Plan as of February 10, 1993.

SECTION 3.3. BASIC AND ADDITIONAL EXCESS DEFERRAL BENEFITS.

(a) IN GENERAL. Prior to January 1, 1996, certain Employees of the Company were permitted to elect to defer specified amounts of salary and bonus of up to 7% of compensation (the "Basic Excess Deferrals") and in excess of 7% of compensation (the "Additional Excess Deferrals"). The Basic Excess Deferrals were credited to

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the "Excess Deferral Sub-Account No. 1" which shall be renamed the "Basic Excess Deferral Sub-Account" and the Additional Excess Deferrals were credited to the "Excess Deferral Sub-Account No. 2" which shall be renamed as the "Additional Excess Deferral Sub-Account."

(b) PAYMENT DATE. At the time the Basic and Additional Excess Deferrals were elected, the Participant irrevocably designated the date of commencement of payment of such Excess Deferrals by choosing one of the following dates: (a) the date on which he ceases to be an Employee of the Controlled Group, (b) the date on which he attains an age specified in the election form, or (c) the earlier or later of such dates.

SECTION 3.4. BASIC AND ADDITIONAL EXCESS 401(K) BENEFITS.

(a) AMOUNT OF EXCESS 401(k) BENEFITS. Each 401(k) Employee who is a Participant, may, prior to the first day of any Plan Year, by completing a "401(k) Deferral Election Form," direct his Employer to reduce his Compensation for such Plan Year and, subject to Subsection (d) below, subsequent Plan Years, by an amount equal to the difference between (i) a specified percentage, in 1% increments, with a maximum of 17%, of his Compensation for the Plan Year, and (ii) the maximum Before-Tax Contributions actually permitted to be contributed for him to the Profit Sharing Plan for such Plan Year by reason of the application of the limitations under Sections 402(g), 401(a)(17), and 401(k)(3) of the Code (which amounts shall be referred to as the "Excess 401(k) Benefits").

(b) CLASSIFICATION OF EXCESS 401(k) BENEFITS. The Excess 401(k) Benefits for a particular Plan Year shall be calculated monthly and shall be

further divided into the "Basic Excess 401(k) Benefits" and the "Additional Excess 401(k) Benefits" as follows:

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- (i) The Basic Excess 401(k) Benefits shall be determined by multiplying each Excess 401(k) Benefit by a fraction, the numerator of which is the lesser of the percentage of Compensation elected to be deferred in the 401(k) Deferral Election Form for such Plan Year or 7% and the denominator of which is the percentage of Compensation elected to be deferred; and
- (ii) The Additional Excess 401(k) Benefits (if any) shall be determined by multiplying each Excess 401(k) Benefit by a fraction, the numerator of which is the difference between (1) the percentage of Compensation elected to be deferred in the 401(k) Deferral Election Form for such Plan Year and (2) 7%, and the denominator of which is the percentage of Compensation elected to be deferred.

The Basic Excess 401(k) Benefits shall be credited to the Basic Excess 401(k) Sub-Account under this Plan and the Additional Excess 401(k) Benefits shall be credited to the Additional Excess 401(k) Sub-Account hereunder.

(c) DEFERRAL PERIOD. The 401(k) Deferral Election Form shall also contain such Participant's irrevocable election regarding the time of the commencement of payment of the Excess 401(k) Benefits to which such Form relate. Payment elections made prior to the Effective Date shall continue to govern the timing of the payment of amounts credited to the Participant's Excess 401(k) Sub-Account as of the Effective Date. In the 401(k) Deferral Election Form, such Participant may elect to commence payment of his Excess 401(k) Sub-Account on (i) the date

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on which he ceases to be an Employee of the Controlled Group, (ii) the date on which he attains an age specified in the 401(k) Deferral Election Form, or (iii) the earlier or later of such dates.

(d) EFFECT AND DURATION OF DEFERRAL ELECTION. Any direction by a Participant to make deferrals of Excess 401(k) Benefits hereunder shall be effective with respect to Compensation otherwise payable to the Participant during the Plan Year for which the 401(k) Deferral Election Form is in effect, and the Participant shall not be eligible to receive such Excess 401(k)

Benefits. Instead such amounts shall be credited to the Participant's Basic or Additional Excess 401(k) Sub-Account (as applicable). Any directions made in accordance with Subsection (a) above shall be irrevocable and shall remain in effect for subsequent Plan Years unless changed or terminated by the Participant for Plan Years commencing after such change or termination on the appropriate form provided by the Plan Administrator, prior to the first day of any subsequent Plan Year.

(E) AUTOMATIC TERMINATION/SUSPENSION OF DEFERRAL ELECTION.

(i) A Participant's direction to make deferrals of Excess 401(k) Benefits shall automatically terminate on the earlier of the date on which (1) the Participant ceases employment with the Employers, (2) the Participant's Employer is deemed Insolvent, (3) the Participant is no longer eligible to make deferrals of Excess 401(k) Benefits hereunder or (4) the Plan is terminated.

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(ii) Any Participant whose eligibility to make Before-Tax Contributions to the Profit Sharing Plan has been suspended because he has taken a hardship withdrawal from such plan shall not be eligible to defer Excess 401(k) Benefits under this Plan for the period of his suspension from the Profit Sharing Plan.

(iii) The Plan Administrator may, in its sole and absolute discretion, pursuant to nondiscriminatory rules adopted by the Plan Administrator, reduce and/or cease the deferral of Excess 401(k) Benefits being made by one or more Participants, to the extent deemed necessary or desirable in order to satisfy the requirements of any applicable law (including, without limitation, federal securities laws).

SECTION 3.5. EXCESS MATCHING BENEFITS.

(a) AMOUNT. A 401(k) Employee who is a Participant shall have credited to his Basic or Additional Excess Matching Sub-Account (as applicable) an amount equal to the Matching Employer Contributions attributable to the Basic or Additional Excess 401(k) Benefits that he is prevented from receiving under the Profit Sharing Plan because of the limitations of Code Sections 402(g), 401(a)(17), 401(k)(3) and 401(m) of the Code (the "Excess Matching Benefits").

(b) TIME OF PAYMENT. The Excess Matching Benefits shall be paid (or commence to be paid) at the same time as the Excess 401(k) Benefits to which they relate (as specified in the 401(k) Deferral Election Form applicable to such Benefits).

SECTION 3.5 LTIP DEFERRAL BENEFITS.

(a) AMOUNT. Each Participant (as defined in Section 2.14(d)) may, with the consent of the Company, by completing an approved deferral election form, direct the Company:

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(i) to reduce an Award (as that term is defined in the LTIP Plan) payable under the LTIP Plan by a specified dollar amount or percentage; and

(ii) to credit the amount of the reduction (the "LTIP Deferral Benefits") to the LTIP Deferral Sub-Account hereunder. Such election must be made no later than one-year prior to the date such Award would otherwise be payable to the Participant under the LTIP Plan or at such other time as approved by the Company, in its sole and absolute discretion.

(b) DEFERRAL PERIOD. The deferral election made by a Participant under Subsection (a) above shall also contain such Participant's irrevocable election regarding the time of the commencement of payment of the LTIP Deferral Benefits to which such form relates. The Participant may elect to commence payment of his LTIP Deferral Benefits on (i) the date on which he ceases to be an Employee of the Controlled Group, (ii) the date on which he attains an age specified in the deferral form, or (iii) the earlier or later of such dates.

(c) EFFECT OF DEFERRAL ELECTION. While separate deferral elections may be entered into with respect to each Award payable under the LTIP Plan, any direction by a Participant to defer receipt of all or part of a specific Award and to receive LTIP Deferral Benefits in lieu thereof shall be irrevocable with respect to that Award.

(d) AUTOMATIC TERMINATION OF DEFERRAL ELECTION.

(i) A Participant's direction to defer an Award under the LTIP Plan shall automatically terminate on the earlier of the date on which (1) the Participant ceases employment with the Controlled Group,, (2) the Participant ceases to satisfy the

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requirements of Section 2.14(d), (3) the Company is deemed Insolvent or (4) the Plan is terminated.

(ii) The Plan Administrator may, in its sole and absolute discretion, pursuant to nondiscriminatory rules adopted by the Plan Administrator, reduce and/or cease the deferral of LTIP Deferral Benefits being

made by one or more Participants, to the extent deemed necessary or desirable in order to satisfy the requirements of any applicable law (including, without limitation, federal securities laws).

ARTICLE IV
ACCOUNTS

SECTION 4.1. PARTICIPANTS' ACCOUNTS. Each Employer shall establish and maintain on its books an Account for each Participant which shall contain the following entries:

(a) Credits to an Excess Profit Sharing Sub-Account for the Excess Profit Sharing Benefits described in Section 3.2, which shall be credited to the Sub-Account at the time the Profit Sharing Contributions are otherwise credited to Participants' accounts under the Profit Sharing Plan.

(b) Credits to a Basic or Additional Excess Deferral Sub-Account for the Basic and Additional Excess Deferrals described in Section 3.3.

(c) Credits to a Basic or Additional Excess 401(k) Sub-Account for the Basic and Additional Excess 401(k) Benefits described in Section 3.4, which shall be credited to the Sub-Account when a 401(k) Employee is prevented from making a Before-Tax Contribution under the Profit Sharing Plan.

(d) Credits to a Basic or Additional Excess Matching Sub-Account for the Basic and Additional Excess Matching Benefits described in Section 3.5, which amounts shall be credited to the Sub-Account when a 401(k) Employee is prevented from receiving Matching Employer Contributions under the Profit Sharing Plan.

(e) Credits to an LTIP Deferral Sub-Account for the LTIP Deferral Benefits described in Section 3.6, which shall be credited to the Sub-Account at the time the Award would otherwise be payable to the Participant under the LTIP Plan.

(f) Credits to all Sub-Accounts for the earnings described in Article V, which shall continue until the vested

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portions of such Sub-Accounts have been distributed to the Participant or his Beneficiary.

(g) Debits for any distributions made from the Sub-Accounts and any amounts forfeited under Section 6.1(b). To the extent determined necessary

by the Company, the Company may also establish a "notional account" in the name of each Cash Balance Employee to reflect the Excess Pension Benefits payable to such Employees.

SECTION 4.2. EFFECT ON OTHER BENEFITS. Benefits payable to or with respect to a Participant under the Qualified Plans or any other Employer sponsored (qualified or nonqualified) plan, if any, are in addition to those provided under this Plan.

ARTICLE V
EARNINGS

SECTION 5.1. EARNINGS ON BASIC AND PROFIT SHARING SUB-ACCOUNTS.

(a) Subject to Subsection (b) and Section 5.4, at the end of each calendar month during a Plan Year, the Excess Profit Sharing Sub-Account, Basic Excess Deferral Sub-Account, Basic Excess 401(k) Sub-Account and Basic Excess Matching Sub-Account of each Participant shall be credited with an amount determined by multiplying such Participant's average Sub-Account balance during such month by the blended rate earned during such month by the Fixed Income Fund. Notwithstanding the foregoing, in the event that the Adjusted ROE determined for such Plan Year that is applicable to the Participant exceeds the rate credited to the Sub-Accounts under the preceding sentence, such Sub-Accounts shall retroactively be credited with the difference between (i) the amount determined under the preceding sentence, and (ii) the amount determined by multiplying the Participant's average Sub-

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Account balance during each month of such Plan Year by the Adjusted ROE determined for such Plan Year, compounded monthly.

(b) The Adjusted ROE calculation described in Subsection (a) shall be made during the month in which the Participant terminates employment and shall be based on the year-to-date Adjusted ROE for the month ending prior to the date the Participant terminated employment, as calculated by the Participant's Employer. For any subsequent month following termination, such Adjusted ROE calculation shall not apply. The Fixed Income Fund calculation described above for the month in which the Participant receives a distribution from his Sub-Account shall be based on the blended rate earned during the preceding month by the Fixed Income Fund.

SECTION 5.2. EARNINGS ON ADDITIONAL SUB-ACCOUNTS. Subject to Section 5.4, at the end of each calendar month during the Plan Year, the Additional Excess Deferral Sub-Account, Additional Excess 401(k) Sub-Account and

Additional Excess Matching Sub-Account of each Participant shall be credited with an amount determined by multiplying such Participant's average Sub-Account balance during such month by the blended rate earned during such month by the Fixed Income Fund. The earnings calculation for the month in which the Participant receives a distribution from his Sub-Account shall be based on the blended rate earned during the preceding month by the Fixed Income Fund.

SECTION 5.3. EARNINGS ON LTIP DEFERRAL SUB-ACCOUNTS. Subject to Section 5.4, at the end of each calendar month during a Plan Year, the LTIP Deferral Sub-Account of each Participant shall be credited with an amount determined by multiplying such Participant's average Sub-Account balance during such month by

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the "10-Year U.S. Treasury Yield" plus 2.0%. For purposes hereof, the 10-Year U.S. Treasury Yield shall be the 10 year yield on U.S. Treasury issues as listed in the BOND MARKET DATA BANK for the last day of the preceding calendar quarter as printed in the WALL STREET JOURNAL. In the event that a yield is not listed for a maturity exactly 10 years from the calendar quarter end, the next preceding chronological treasury bond issue yield shall be used.

SECTION 5.4. CHANGES IN/LIMITATIONS ON EARNINGS ASSUMPTION.

(a) The Nominating, Organization and Compensation Committee of the Board of Directors of the Company (the "Committee") may change (but not suspend) the earnings rate credited on Accounts under the Plan at any time upon at least 30 days advance notice to Participants.

(b) Notwithstanding any provision of the Plan to the contrary, in no event will earnings on Accounts for a Plan Year be credited at a rate which exceeds 14%.

ARTICLE VI
VESTING

SECTION 6.1. VESTING.

(a) EXCESS DEFERRAL SUB-ACCOUNT, EXCESS 401(k) SUB-ACCOUNT, EXCESS MATCHING SUB-ACCOUNT AND LTIP DEFERRAL SUB-ACCOUNT. A Participant shall always be 100% vested in the amounts credited to his Excess Deferral Sub-Account, his Excess 401(k) Sub-Account, his Excess Matching Sub-Account and his LTIP Deferral Sub-Account hereunder.

(b) EXCESS PENSION BENEFIT AND EXCESS PROFIT SHARING BENEFIT. A Participant shall not become vested in his Excess

Pension Benefit or Excess Profit Sharing Benefit until he becomes vested in the corresponding benefit under the underlying Qualified Plan and the Excess Pension Benefit and/or Excess Profit Sharing Benefit of a Participant who is partially or fully vested under the underlying Qualified Plan shall at all times be vested hereunder to the extent he is so vested. The non-vested portion of any Benefit shall be forfeited upon a Participant's termination of employment with the Controlled Group, in accordance with the vesting, forfeiture and service rules contained in the applicable underlying Qualified Plan and any such forfeiture shall be subtracted from the applicable Sub-Account balance hereunder.

ARTICLE VII
DISTRIBUTION OF BENEFITS TO PARTICIPANTS

SECTION 7.1. TIME AND MANNER OF PAYMENT.

(a) EXCESS PENSION BENEFITS AND EXCESS PROFIT SHARING BENEFITS.

The vested Excess Pension Benefit and vested Excess Profit Sharing Benefit payable to a Participant shall be paid in the form of a single lump sum payment at the time the benefits payable to the Participant under the applicable underlying Qualified Plan commence to be paid. For purposes of the Excess Pension Benefit, such lump sum amount shall be equal to the Actuarial Equivalent present value of such Excess Pension Benefit.

(b) EXCESS DEFERRAL SUB-ACCOUNT, EXCESS 401(k) SUB-ACCOUNT,
EXCESS MATCHING SUB-ACCOUNT AND LTIP DEFERRAL SUB-ACCOUNT.

(i) TIMING. Each of the above-named Sub-Accounts shall be paid (or commence to be paid) to the Participant at the time

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specified in the deferral election form applicable to such Sub-Account.

(ii) FORM. Each such Sub-Account shall be distributed to the Participant in the form of ten annual installments with each installment being based on the value of the applicable Sub-Account on the Valuation Date on which such installment is to be paid and being a fraction of such value in which the numerator is one and the denominator is the total number of remaining installments to be paid. Notwithstanding the foregoing, the Participant may elect to receive the amount credited to a particular Sub-Account in the form of a single lump sum payment or in annual installments for a period of less than 10 years by filing a notice in writing, signed by the Participant and filed with

the Plan Administrator while the Participant is alive and at least one year prior to the time he had elected to commence receiving payment of such Sub-Account. Any such election of the form of benefit may be changed at any time and from time to time, without the consent of any other person, by filing a later election in writing that is signed by the Participant and filed with the Plan Administrator while the Participant is alive and at least one year prior to the time he had elected to commence receiving payment of such Sub-Account.

(c) UNFORESEEABLE EMERGENCY DISTRIBUTIONS. Notwithstanding the foregoing, an Employer may at any time, upon written request of the Participant, cause to be paid to such Participant an amount equal to all or any part of the Participant's Excess Deferral Sub-Account and/or Excess 401(k) Sub-Account and/or Excess Matching Sub-Account if the Employer determines, in its absolute discretion based on such

reasonable evidence that it shall require, that such a payment or payments is necessary for the purpose of alleviating the consequences of an Unforeseeable Emergency occurring with respect to the Participant. Payments of amounts because of an Unforeseeable Emergency shall be permitted only to the extent reasonably necessary to satisfy the emergency need.

(d) SMALL ACCOUNTS. Notwithstanding the foregoing, in the event that the vested portion of a Participant's total Account does not exceed \$10,000 at the time of the Participant's termination of employment with the Controlled Group, such vested portion of his Account shall automatically be paid to him in a single lump sum payment as soon as practicable following his termination of employment.

SECTION 7.2. LIABILITY FOR PAYMENT/EXPENSES. Each Employer shall be liable for the payment of the Excess Retirement Benefits which are payable hereunder to its Employees. Expenses of administering the Plan shall be paid by the Employers, as directed by the Company.

ARTICLE VIII
BENEFICIARIES

SECTION 8.1. BENEFICIARY DESIGNATIONS. A designation of a Beneficiary hereunder may be made only by an instrument (in form acceptable to the Plan Administrator) signed by the Participant and filed with the Plan Administrator prior to the Participant's death. Separate Beneficiary designations may be made for each Benefit under the Plan. In the absence of such a designation and at any other time when there is no existing Beneficiary designated hereunder, (a) the Beneficiary of a Participant for his Excess Pension Benefits shall be his

beneficiary under the Cash Balance Plan, (b) the Beneficiary of a Participant for his Excess 401(k) Benefits, his Excess Matching Benefits and his Excess Profit Sharing Benefits shall be his beneficiary under the Profit Sharing Plan, and (c) the Beneficiary of a Participant for his Excess Deferral Benefits and his LTIP Deferral Benefits shall be his surviving spouse or, if none, his estate. A person designated by a Participant as his Beneficiary who or which ceases to exist shall not be entitled to any part of any payment thereafter to be made to the Participant's Beneficiary unless the Participant's designation specifically provided to the contrary. If two or more persons designated as a Participant's Beneficiary are in existence with respect to a single Sub-Account, the amount of any payment to the Beneficiary under this Plan shall be divided equally among such persons unless the Participant's designation specifically provides for a different allocation.

SECTION 8.2. CHANGE IN BENEFICIARY. (a) Anything herein or in the Qualified Plans to the contrary notwithstanding, a Participant may, at any time and from time to time, change a Beneficiary designation hereunder without the consent of any existing Beneficiary or any other person. A change in Beneficiary hereunder may be made regardless of whether such a change is also made under the Qualified Plans. In other words, the Beneficiary hereunder need not be the same as under the Qualified Plan.

(b) Any change in Beneficiary shall be made by giving written notice thereof to the Employer or Plan Administrator and any change shall be effective only if received prior to the death of the Participant.

SECTION 8.3. DISTRIBUTIONS TO BENEFICIARIES.

(a) AMOUNT OF BENEFITS.

(1) AMOUNT OF EXCESS PENSION BENEFIT. The Excess Pension Benefit payable to a Beneficiary under this Plan shall be a monthly benefit equal to the excess, if any, of (i) the amount of the monthly benefit that would be payable to the beneficiary last effectively designated by the Participant under the Qualified Plan (in the form actually paid) if such Plan did not contain the limitations imposed under Sections 401(a)(17) and 415 of the Code, over (ii) the amount of the monthly benefit that is actually paid to such beneficiary under such Plan.

(2) AMOUNT OF EXCESS PROFIT SHARING BENEFIT, EXCESS DEFERRAL

BENEFIT, EXCESS 401(K) BENEFIT, EXCESS MATCHING BENEFIT AND LTIP DEFERRAL BENEFIT. The above-described Benefits payable to a Participant's Beneficiary under this Plan shall be equal to the vested balance in the applicable Sub-Account of such Participant on the date of the distribution of the Sub-Account to the Beneficiary.

(b) TIME OF PAYMENT.

(1) EXCESS PENSION BENEFIT. The Excess Pension Benefit payable to a Beneficiary under this Plan shall be paid at the time the benefits payable to the Beneficiary last effectively designated by the Participant under the Qualified Plan commence to be paid.

(2) EXCESS PROFIT SHARING BENEFIT/EXCESS DEFERRAL BENEFIT/EXCESS 401(k) BENEFIT/EXCESS MATCHING BENEFIT AND LTIP DEFERRAL BENEFIT. The above-described Benefits payable to a Beneficiary under this Plan shall be paid as soon as practicable following the death of the Participant.

(c) FORM OF PAYMENT. All Benefits payable to a Beneficiary hereunder shall be paid in the form of a lump sum payment. For purposes of the Excess Pension Benefit, such lump sum amount shall be equal to the Actuarial Equivalent present value of such Excess Pension Benefit.

ARTICLE IX
MISCELLANEOUS

SECTION 9.1. LIABILITY OF EMPLOYER. Nothing in this Plan shall constitute the creation of a trust or other fiduciary

relationship between an Employer and any Participant, Beneficiary or any other person.

SECTION 9.2. LIMITATION ON RIGHTS OF PARTICIPANTS AND BENEFICIARIES - NO LIEN. This Plan is designed to be an unfunded, nonqualified plan. Nothing contained herein shall be deemed to create a trust or lien in favor of any Participant or Beneficiary on any assets of an Employer. The Employers shall have no obligation to purchase any assets that do not remain subject to the claims of the creditors of the Employers for use in connection with the Plan. No Participant or Beneficiary or any other person shall have any preferred claim on, or any beneficial ownership interest in, any assets of the

Employers prior to the time that such assets are paid to the Participant or Beneficiary as provided herein. Each Participant and Beneficiary shall have the status of a general unsecured creditor of his Employer.

SECTION 9.3. NO GUARANTEE OF EMPLOYMENT. Nothing in this Plan shall be construed as guaranteeing future employment to Participants. A Participant continues to be an Employee of an Employer solely at the will of such Employer subject to discharge at any time, with or without cause.

SECTION 9.4. PAYMENT TO GUARDIAN. If a Benefit payable hereunder is payable to a minor, to a person declared incompetent or to a person incapable of handling the disposition of his property, the Plan Administrator may direct payment of such Benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Plan Administrator may require such proof of incompetency, minority, incapacity or guardianship as it may deem appropriate

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prior to distribution of the benefit. Such distribution shall completely discharge the Employers from all liability with respect to such Benefit.

SECTION 9.5. ASSIGNMENT. (a) Subject to Subsection (b), no right or interest under this Plan of any Participant or Beneficiary shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of the Participant or Beneficiary.

(b) Notwithstanding the foregoing, the Plan Administrator shall honor a judgment, order or decree from a state domestic relations court which requires the payment of all or a part of a Participant's or Beneficiary's vested interest under this Plan to an "alternate payee" as defined in Code Section 414(p).

SECTION 9.6. SEVERABILITY. If any provision of this Plan or the application thereof to any circumstance(s) or person(s) is held to be invalid by a court of competent jurisdiction, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

ARTICLE X
ADMINISTRATION OF PLAN

SECTION 10.1. ADMINISTRATION. (a) IN GENERAL. The Plan shall be administered by the Plan Administrator. The Plan Administrator shall have

discretion to interpret where necessary all provisions of the Plan (including, without limitation, by supplying omissions from, correcting deficiencies in, or

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resolving inconsistencies or ambiguities in, the language of the Plan), to make factual findings with respect to any issue arising under the Plan, to determine the rights and status under the Plan of Participants or other persons, to resolve questions (including factual questions) or disputes arising under the Plan and to make any determinations with respect to the benefits payable under the Plan and the persons entitled thereto as may be necessary for the purposes of the Plan. Without limiting the generality of the foregoing, the Plan Administrator is hereby granted the authority (i) to determine whether a particular employee is a Participant, and (ii) to determine if a person is entitled to Benefits hereunder and, if so, the amount and duration of such Benefits. The Plan Administrator's determination of the rights of any person hereunder shall be final and binding on all persons, subject only to the provisions of Sections 10.3 and 10.4 hereof.

(b) DELEGATION OF DUTIES. The Plan Administrator may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of Benefits, to a named administrator or administrators. Pursuant to this provision, NACCO Industries, Inc. shall be responsible for the administration of the Benefits for its employees.

SECTION 10.2. REGULATIONS. The Plan Administrator shall promulgate any rules and regulations it deems necessary in order to carry out the purposes of the Plan or to interpret the provisions of the Plan; provided, however, that no rule, regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by

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the Plan Administrator shall, subject only to the provisions of Sections 10.3 and 10.4 hereof, be final and binding on all persons.

SECTION 10.3. CLAIMS PROCEDURES. The Plan Administrator shall determine the rights of a person to any Benefits hereunder. Any person who believes that he has not received the Benefits to which he is entitled under the Plan may file a claim in writing with the Plan Administrator. The Plan Administrator shall, no later than 90 days after the receipt of a claim (plus an additional period of 90 days if required for processing, provided that notice of the extension of time is given to the claimant within the first 90 day period), either allow or deny the claim in writing. If a claimant does not receive written notice of the Plan Administrator's decision on his claim within the

above-mentioned period, the claim shall be deemed to have been denied in full.

A denial of a claim by the Plan Administrator, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:

- (a) the specific reasons for the denial;
- (b) specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claim review procedure.

A claimant whose claim is denied (or his duly authorized representative) may within 60 days after receipt of denial of a claim file with the Plan Administrator a written request for a review of such claim. If the claimant does not file a request

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for review of his claim within such 60-day period, the claimant shall be deemed to have acquiesced in the original decision of the Plan Administrator on his claim. If such an appeal is so filed within such 60 day period, the Company (or its delegate) shall conduct a full and fair review of such claim. During such review, the claimant shall be given the opportunity to review documents that are pertinent to his claim and to submit issues and comments in writing. For this purpose, the Company (or its delegate) shall have the same power to interpret the Plan and make findings of fact thereunder as is given to the Plan Administrator under Section 10.1(a) above.

The Company shall mail or deliver to the claimant a written decision on the matter based on the facts and the pertinent provisions of the Plan within 60 days after the receipt of the request for review (unless special circumstances require an extension of up to 60 additional days, in which case written notice of such extension shall be given to the claimant prior to the commencement of such extension). Such decision shall be written in a manner calculated to be understood by the claimant, shall state the specific reasons for the decision and the specific Plan provisions on which the decision was based and shall, to the extent permitted by law, be final and binding on all interested persons. If the decision on review is not furnished to the claimant within the above-mentioned time period, the claim shall be deemed to have been denied on review.

SECTION 10.4. REVOCABILITY OF PLAN ADMINISTRATOR/COMPANY ACTION.

Any action taken by the Plan Administrator or the Company with respect to the rights or benefits under the Plan of any person shall be revocable by the

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Plan Administrator or the Company as to payments not yet made to such person, and acceptance of any Benefits under the Plan constitutes acceptance of and agreement to the Plan Administrator's or the Company's making any appropriate adjustments in future payments to such person (or to recover from such person) any excess payment or underpayment previously made to him.

SECTION 10.5. AMENDMENT. The Committee may at any time (without the consent of any Employer) amend any or all of the provisions of this Plan, except that (a) no such amendment may adversely affect any Participant's vested Benefit as of the date of such amendment, and (b) no such amendment may suspend the crediting of earnings on the balance of a Participant's Account, until the entire balance of such Account has been distributed, in either case, without the prior written consent of the affected Participant. Any amendment shall be in the form of a written instrument executed by an officer of the Company on the order of the Committee. Subject to the foregoing provisions of this Section, such amendment shall become effective as of the date specified in such instrument or, if no such date is specified, on the date of its execution.

SECTION 10.6. TERMINATION.

(a) The Committee (without the consent of any Employer), in its sole discretion, may terminate this Plan at any time and for any reason whatsoever, except that, subject to Subsection (b) hereof, (i) no such termination may adversely affect any Participant's vested Benefit as of the date of such termination and (ii) no such termination may suspend the crediting of earnings on the balance of a Participant's Account,

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until the entire balance of such Account has been distributed, in either case, without the prior written consent of the affected Participant. Any such termination shall be expressed in the form of a written instrument executed by an officer of the Company on the order of the Committee. Subject to the foregoing provisions of this Section, such termination shall become effective as of the date specified in such instrument or, if no such date is specified, on the date of its execution. Written notice of any termination shall be given to the Participants as soon as practicable after the instrument is executed.

(b) Notwithstanding anything in the Plan to the contrary, in the

event of a termination of the Plan (or any portion thereof), the Company, in its sole and absolute discretion, shall have the right to change the time and form of distribution of Participants' Excess Retirement Benefits including requiring that all amounts credited to Participant's Account hereunder be immediately distributed in the form of lump sum payments.

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SECTION 10.7. WITHDRAWAL BY EMPLOYER. Any Employer (other than the Company) which adopts this Plan may elect separately to withdraw from such Plan and such withdrawal shall constitute a termination of the Plan as to it; provided, however, that (a) such terminating Employer shall continue to be an Employer for the purposes hereof as to Participants or Beneficiaries to whom it owes obligations hereunder, and (b) such termination shall be subject to the limitations and other conditions described in Section 10.6, treating the Employer as if it were the Company.

Executed, this 29th day of December, 1998.

NACCO MATERIALS HANDLING
GROUP, INC.

By: /s/ Charles A. Bittenbender

Title: Assistant Secretary

HAMILTON BEACH/PROCTOR-SILEX, INC.
UNFUNDED BENEFIT PLAN

Hamilton Beach/Proctor-Silex, Inc. (the "Company") does hereby amend and completely restate the Hamilton Beach/Proctor-Silex, Inc. Unfunded Benefit Plan to read as follows, effective January 1, 1999.

ARTICLE I
PREFACE

SECTION 1.1. EFFECTIVE DATE. The original effective date of this Plan was March 10, 1993. The effective date of this amendment and restatement is January 1, 1999.

SECTION 1.2. PURPOSE OF THE PLAN. The purpose of this Plan is to provide for certain Employees (a) the benefits they would have received under the Cash Balance Plan but for (i) the dollar limitation on Compensation taken into account as a result of Section 401(a)(17) of the Code, and (ii) the limitations imposed under Section 415 of the Code, and/or (b) the benefits they would have received under the Savings Plan but for the limitations imposed under Section 402(g), 401(m), 401(a)(17), 401(k)(3) or 415 of the Code.

SECTION 1.3. GOVERNING LAW. This Plan shall be regulated, construed and administered under the laws of the State of Ohio, except when preempted by federal law.

SECTION 1.4. GENDER AND NUMBER. For purposes of interpreting the provisions of this Plan, the masculine gender shall be deemed to include the feminine, the feminine gender shall be deemed to include the masculine, and the singular shall include the plural unless otherwise clearly required by the context.

ARTICLE II
DEFINITIONS

Except as otherwise provided in this Plan, terms defined in the Qualified Plans as they may be amended from time to time shall have the same meanings when used herein, unless a different meaning is clearly required by the context of this Plan. In addition, the following words and phrases shall have the following respective meanings for purposes of this Plan.

SECTION 2.1. ACCOUNT shall mean the record maintained by the Company in accordance with Section 3.5 as the sum of the Participant's Excess Profit Sharing Sub-Account, Basic Excess 401(k) Sub-Account and Basic Excess Matching Sub-Account, Additional Excess 401(k) Sub-Account and Additional Excess

SECTION 2.2. ADJUSTED ROE.

(a) For purposes of this Section, the following terms shall have the following meanings:

(i) "NET INCOME (BEFORE EXTRAORDINARY ITEMS)" is defined as consolidated net income, as defined by general accepted accounting principals ("GAAP"), for the Company for the subject year before extraordinary items, but including any extraordinary items related to refinancings (net of tax);

(ii) "AMORTIZATION OF GOODWILL" is defined as the consolidated amortization expense related to the intangible asset goodwill for the Company for the subject year;

(iii) "WEIGHTED AVERAGE STOCKHOLDERS' EQUITY" is calculated by adding the consolidated stockholders' equity for the Company, as defined by GAAP, at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen;

(iv) "WEIGHTED AVERAGE ACCUMULATED AMORTIZATION OF GOODWILL" is calculated by adding consolidated accumulated amortization of goodwill, as defined by GAAP, at the beginning of the subject year and the end of each month of the subject year and dividing by thirteen.

(b) "Adjusted ROE" shall mean the average return on equity of the Company calculated for the applicable time period, based on A divided by B, where:

A = Net Income (before extraordinary items) + Amortization of Goodwill;
and

B = Weighted Average (Shareholders' Equity + Accumulated Amortization of Goodwill)

Adjusted ROE shall be determined at least annually by the Company.

SECTION 2.3. BENEFICIARY shall mean the person or persons designated by the Participant as his Beneficiary under this Plan, in accordance with the provisions of Article VII hereof.

SECTION 2.4. CASH BALANCE EMPLOYEE shall mean a participant in the Cash Balance Plan.

SECTION 2.5. CASH BALANCE PLAN shall mean Part II of the Combined Defined Benefit Plan for NACCO Industries, Inc. and Its Subsidiaries

(commonly known as the "Hamilton Beach/Proctor-Silex, Inc. Profit Sharing Retirement Plan") (or any successor thereto), as the same may be amended from time to time. Benefits

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under the Cash Balance Plan were permanently frozen effective for Plan Years beginning on or after January 1, 1997.

SECTION 2.6. COMPANY shall mean Hamilton Beach/ Proctor-Silex, Inc.

SECTION 2.7. COMPENSATION. For purposes of Sections 3.2 and 3.3 of the Plan, the term "Compensation" shall have the same meaning as under the Savings Plan, except that Compensation shall be deemed to include (a) the amount of compensation deferred by the Participant under this Plan and (b) amounts in excess of the limitation imposed by Code Section 401(a)(17).

SECTION 2.8. EXCESS RETIREMENT BENEFIT OR BENEFIT shall mean an Excess Pension Benefit, an Excess Profit Sharing Benefit, a Basic or Additional Excess 401(k) Benefit or a Basic or Additional Excess Matching Benefit (as described in Article III) which is payable to or with respect to a Participant under this Plan.

SECTION 2.9. FIXED INCOME FUND shall mean the Stable Asset Fund under the Savings Plan or any equivalent fixed income fund thereunder which is designated by the NACCO Retirement Funds Investment Committee as the successor to the Stable Asset Fund.

SECTION 2.10. 401(k) EMPLOYEE shall mean a participant in the Savings Plan who is eligible for Before-Tax and Matching Employer Contributions thereunder.

SECTION 2.11. INSOLVENT. For purposes of this Plan, the Company shall be considered Insolvent at such time as it (a) is unable to pay its debts as they mature, or (b) is subject to a pending voluntary or involuntary proceeding as a debtor under the United States Bankruptcy Code.

SECTION 2.12. PARTICIPANT. For purposes of Section 3.1 of the Plan, the term "Participant" shall mean a Cash Balance Employee whose benefit under the Cash Balance Plan is limited by the application of Section 401(a)(17) or 415 of the Code. For purposes of Section 3.2 of the Plan, the term "Participant" shall mean a Profit Sharing Employee whose Post-1996 Profit Sharing Contributions are limited by the application of Section 401(a)(17) or 415 of the Code and who is classified in job grades 17 and above. For purposes of Sections 3.3 and 3.4 of the Plan, the term "Participant" shall mean a 401(k) Employee (a) who is unable to make all of the Before-Tax Contributions that he

has elected to make to the Savings Plan, or who is unable to receive the maximum amount of Post-1994 Matching Employer Contributions under the Savings Plan, because of the limitations imposed under Section 402(g), 401(a)(17), 401(k)(3) or 401(m) of the Code and (b) who is classified in job grades 17 and above. The term "Participant" shall also include any other person who, as of December 31, 1998, was entitled to receive a Benefit under the Plan.

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SECTION 2.13. PLAN shall mean the Hamilton Beach/Proctor-Silex, Inc. Unfunded Benefit Plan as herein set forth or as duly amended.

SECTION 2.14. PLAN ADMINISTRATOR shall mean the Company.

SECTION 2.15. PLAN YEAR shall mean the calendar year.

SECTION 2.16. PROFIT SHARING EMPLOYEE shall mean a participant in the Savings Plan who is eligible for Post-1996 Profit Sharing Contributions.

SECTION 2.17. QUALIFIED PLAN shall mean (a) for Cash Balance Employees, the Cash Balance Plan, (b) for Profit Sharing Employees, the profit-sharing portion of the Savings Plan and (c) for 401(k) Employees, the Before-Tax Contributions and Matching Employer Contributions portion of the Savings Plan. References throughout this Plan to a "Qualified Plan" shall be deemed to refer to the underlying Qualified Plan to which a particular Benefit relates.

SECTION 2.18. SAVINGS PLAN shall mean the Hamilton Beach/Proctor-Silex, Inc. Employees' Retirement Savings Plan (401(k)), as the same may be amended from time to time, or any successor thereto.

SECTION 2.19. UNFORESEEABLE EMERGENCY shall mean an event which results (or will result) in severe financial hardship to the Participant as a consequence of an unexpected illness or accident or loss of the Participant's property due to casualty or other similar extraordinary or unforeseen circumstances out of the control of the Participant.

SECTION 2.20. VALUATION DATE shall mean the last business day of each Plan Year and any other date chosen by the Plan Administrator.

ARTICLE III
EXCESS RETIREMENT BENEFITS

SECTION 3.1. EXCESS PENSION BENEFITS. The Excess Pension Benefit payable to a Participant who is a Cash Balance Employee shall be a monthly benefit equal to the excess, if any, of (a) the amount of the monthly

benefit that would be payable to such Participant under the Cash Balance Plan (in the form actually paid) if such Plan did not contain the limitations imposed under Sections 401(a)(17) and 415 of the Code and, effective as of January 1, 1995, the definition of Compensation under such Plan included any amounts deferred under Section 3.3 of this Plan, over (b) the amount of the monthly benefit that is actually payable to the Participant under the Cash Balance Plan.

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SECTION 3.2. EXCESS PROFIT SHARING BENEFITS. At the time described in Section 3.5(a), the Company shall credit to a Sub-Account (the "Excess Profit Sharing Sub-Account") established for each Participant who is a Profit Sharing Employee, an amount equal to the excess, if any, of (a) the amount of the Company's Post-1996 Profit Sharing Contribution which would have been made to the profit sharing portion of the Savings Plan on behalf of the Participant if (i) such Plan did not contain the limitations imposed under Sections 401(a)(17) and 415 of the Code and (ii) the term "Compensation" (as defined in Section 2.7 hereof) were used for purposes of determining the amount of profit sharing contributions under the Savings Plan, over (b) the amount of the Company's Post-1996 Profit Sharing Contribution which is actually made to the Savings Plan on behalf of the Participant for such Plan Year (the "Excess Profit Sharing Benefits").

SECTION 3.3. BASIC AND ADDITIONAL EXCESS 401(k) BENEFITS.

(a) AMOUNT OF EXCESS 401(k) BENEFITS. Each 401(k) Employee who is a Participant, may, prior to the first day of any Plan Year, by completing a "401(k) Deferral Election Form" direct the Company to reduce his Compensation for such Plan Year and, subject to Subsection (d) below, subsequent Plan Years, by the difference between (i) a certain percentage, in 1% increments, with a maximum of 15%, of his Compensation for the Plan Year, and (ii) the maximum Before-Tax Contributions actually permitted to be contributed for him to the Savings Plan for such Plan Year by reason of the application of the limitations imposed under Sections 402(g), 401(a)(17), or 401(k)(3) of the Code (which amounts shall be referred to as the "Excess 401(k) Benefits").

(b) CLASSIFICATION OF EXCESS 401(k) BENEFITS. The Excess 401(k) Benefits for a particular Plan Year shall be calculated monthly and shall be further divided into the "Basic Excess 401(k) Benefits" and the "Additional Excess 401(k) Benefits" as follows:

(i) The Basic Excess 401(k) Benefits shall be determined by multiplying each Excess 401(k) Benefit by a fraction, the numerator of which is the lesser of the percentage of Compensation elected to be deferred in the 401(k) Deferral Election Form for such Plan Year or 7% and the denominator of which is the percentage

of Compensation elected to be deferred; and

- (ii) The Additional Excess 401(k) Benefits (if any) shall be determined by multiplying such Excess 401(k) Benefit by a fraction, the numerator of which is the difference between (1) the percentage of Compensation elected to be deferred in the 401(k) Deferral Election Form for such Plan Year and (2) 7%, and the denominator of which is the percentage of Compensation elected to be deferred.

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The Basic Excess 401(k) Benefits shall be credited to the Basic Excess 401(k) Sub-Account under this Plan and the Additional Excess 401(k) Benefits shall be credited to the Additional Excess 401(k) Sub-Account hereunder. The Basic and Additional Excess 401(k) Sub-Accounts shall be referred to collectively as the "Excess 401(k) Sub-Account."

(c) DEFERRAL PERIOD. The 401(k) Deferral Election Form shall also contain such Participant's irrevocable election regarding the time of the commencement of payment of all the Excess 401(k) Benefits to which such form relate. Payment elections made prior to the Effective Date shall continue to govern the timing of the payment of amounts credited to the Participant's Excess 401(k) Sub-Account as of the Effective Date. In the 401(k) Deferral Election Form, such Participant may elect to commence payment of his Excess 401(k) Sub-Account on (i) the date on which he ceases to be an Employee of a Controlled Group Member, (ii) January 1st of the year following the date on which he ceases to be an Employee of a Controlled Group Member, (iii) the date on which he attains an age specified in the Deferral Election Form, or (iv) the earlier or later of such dates.

(d) EFFECT AND DURATION OF DEFERRAL ELECTION. Any direction by a Participant to make deferrals of Excess 401(k) Benefits hereunder shall be effective with respect to Compensation otherwise payable to the Participant during the Plan Year for which the 401(k) Deferral Election Form is in effect, and the Participant shall not be eligible to receive such Excess 401(k) Benefits. Instead, such amounts shall be credited to the Participant's Basic and Additional Excess 401(k) Sub-Accounts (as applicable) as provided in Section 3.5. Any directions made in accordance with Subsection (a) above shall be irrevocable and shall remain in effect for subsequent Plan Years unless changed or terminated by the Participant for Plan Years commencing after such change or termination, on the appropriate form provided by the Plan Administrator, prior to the first day of such subsequent Plan Year.

(e) AUTOMATIC TERMINATION/SUSPENSION OF DEFERRAL ELECTION.

(i) A Participant's direction to make deferrals of Excess

401(k) Benefits shall automatically terminate on the earlier of the date on which (1) the Participant ceases employment with the Company, (2) the Company is deemed Insolvent, (3) the Participant is no longer eligible to make deferrals of Excess 401(k) Benefits hereunder, or (4) the Plan is terminated.

(ii) Any Participant whose eligibility to make Before-Tax Contributions to the Savings Plan has been suspended because he has taken a hardship withdrawal from the Savings Plan shall not be eligible to make deferrals of Excess 401(k) Benefits under this Plan for the period of his suspension from the Savings Plan.

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(iii) The Plan Administrator may, in its sole and absolute discretion, pursuant to nondiscriminatory rules adopted by the Plan Administrator, reduce and/or cease the deferral of Excess 401(k) Benefits being made by one or more Participants, to the extent deemed necessary or desirable in order to satisfy the requirements of any applicable law (including, without limitation, federal securities laws).

SECTION 3.4. EXCESS MATCHING BENEFITS.

(a) AMOUNT. A 401(k) Employee shall have credited to his Basic or Additional Excess Matching Sub-Account (as applicable) an amount equal to the Post-1994 Matching Employer Contributions attributable to the Basic or Additional Excess 401(k) Benefits that he is prevented from receiving under the Savings Plan because of the limitations imposed under Code Sections 402(g), 401(a)(17), 401(k)(3) and 401(m) (collectively, the "Excess Matching Benefits").

(b) TIME OF PAYMENT. The Excess Matching Benefits shall be paid (or commence to be paid) at the same time as the Excess 401(k) Benefits to which they relate (as specified in the 401(k) Deferral Election Form applicable to such Benefits).

SECTION 3.5. PARTICIPANT'S ACCOUNTS. The Company shall establish and maintain on its books an Account for each Participant which shall contain the following entries:

(a) Credits to an Excess Profit Sharing Sub-Account for the Excess Profit Sharing Benefits described in Section 3.2, which shall be credited to the Sub-Account at the time the Profit Sharing Contributions are otherwise credited to Participants' Accounts under the Savings Plan;

(b) Credits to a Basic Excess 401(k) Sub-Account for the Basic Excess 401(k) Benefits described in Section 3.3(b)(i) and credits to an Additional Excess 401(k) Sub-Account for the Additional Excess 401(k) Benefits described in Section 3.3(b)(ii), both of which shall be credited to the Sub-Account when a 401(k) Employee is prevented from making a Before-Tax

Contribution under the Savings Plan;

(c) Credits to a Basic or Additional Excess Matching Sub-Account (as applicable) for the Basic or Additional Excess Matching Benefits described in Section 3.4, which shall be credited to the Sub-Account when a 401(k) Employee is prevented from receiving Post-1994 Matching Employer Contributions under the Savings Plan;

(d) Credits to all such Sub-Accounts for the earnings described in Article IV, which shall continue until the vested portions of such Sub-Accounts have been distributed to the Participant or his Beneficiary; and

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(e) Debits for any distributions made from such Sub-Accounts and any amounts forfeited under Section 5.1(a). To the extent determined necessary by the Company, the Company may also establish a "notional account" in the name of each Cash Balance Employee to reflect the Excess Pension benefits payable to such Employees.

SECTION 3.6. EFFECT ON OTHER BENEFITS. Benefits payable to or with respect to a Participant under the Qualified Plans or any other Company-sponsored (qualified or nonqualified) plan, if any, are in addition to those provided under this Plan.

ARTICLE IV
EARNINGS

SECTION 4.1. EARNINGS ON BASIC 401(k) AND MATCHING AND PROFIT SHARING SUB-ACCOUNTS.

(a) Subject to Subsection (b) and Section 4.3, at the end of each calendar month during a Plan Year, the Excess Profit Sharing Sub-Account, Basic Excess 401(k) Sub-Account and Basic Excess Matching Sub-Account of each Participant shall be credited with an amount determined by multiplying such Participant's average Sub-Account balance during such month by the blended rate earned during such month by the Fixed Income Fund. Notwithstanding the foregoing, in the event that the Adjusted ROE determined for such Plan Year exceeds the rate credited to the Sub-Accounts under the preceding sentence, such Sub-Accounts shall retroactively be credited with the difference between (1) the amount determined under the preceding sentence, and (2) the amount determined by multiplying the Participant's average Sub-Account balance during each month of such Plan Year by the Adjusted ROE determined for such Plan Year, compounded monthly.

(b) The Adjusted ROE calculation described in Subsection (a)

shall be made during the month in which the Participant terminates employment and shall be based on the year-to-date Adjusted ROE for the month ending prior to the date the Participant terminated employment, as calculated by the Company. For any subsequent month, such Adjusted ROE calculation shall not apply. The Fixed Income Fund calculation described above for the month in which the Participant receives a distribution from his Sub-Account shall be based on the blended rate earned during the preceding month by the Fixed Income Fund.

SECTION 4.2. EARNINGS ON ADDITIONAL 401(k) AND MATCHING SUB-ACCOUNTS. Subject to Section 4.3, at the end of each calendar month during a Plan Year, the Additional Excess 401(k) Sub-Account and Additional Excess Matching Sub-Account of each Participant shall be credited with an amount determined by multiplying such Participant's average Sub-Account balance during such month by the blended rate earning during such month by the Fixed Income Fund. The earnings calculation for the month in which the participant receives a distribution from his Sub-

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Account shall be based on the blended rate earned during the preceding month by the Fixed Income Fund.

SECTION 4.3. CHANGES IN LIMITATIONS ON EARNINGS ASSUMPTIONS.

(a) The Nominating, Organization and Compensation Committee of the Board of Directors of the Company (the "Committee") may change (but not suspend) the earnings rate credited to Accounts hereunder at any time upon at least 30 days advance notice to Participants.

(b) Notwithstanding any provision of the Plan to the contrary, in no event will earnings on Accounts for a Plan Year be credited at a rate which exceeds 14%.

ARTICLE V

VESTING

SECTION 5.1. VESTING.

(a) A Participant shall not become vested in his Excess Pension Benefit or Excess Profit Sharing Benefit until he becomes vested in the corresponding benefit under the applicable underlying Qualified Plan and the Excess Pension Benefit and/or Excess Profit Sharing Benefit of a Participant who is partially or fully vested under the applicable underlying Qualified Plan shall at all times be vested hereunder to the extent he is so vested. The non-vested portion of any such Benefit shall be forfeited and/or reinstated under this Plan in accordance with the vesting, forfeiture and service rules contained in the applicable underlying Qualified Plan and any such forfeitures shall be subtracted from the applicable Sub-Account balance hereunder.

(b) A Participant shall always be 100% vested in the amounts credited to his Excess 401(k) Sub-Account and Excess Matching Sub-Account hereunder.

ARTICLE VI
DISTRIBUTION OF BENEFITS TO PARTICIPANTS

SECTION 6.1. TIME AND MANNER OF PAYMENT.

(a) EXCESS PENSION BENEFITS.

(i) TIMING. A Participant who is a Cash Balance Employee is required to elect the time and manner of payment of his benefits under the Cash Balance Plan before he will be eligible to receive payment of his Excess Pension Benefit hereunder. The vested Excess Pension Benefit payable to a Participant shall be paid at the same time or times and in the same manner as the benefits payable to the Participant under the Cash Balance Plan.

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(ii) FORM. Notwithstanding the foregoing, in the event that the monthly payments of the Excess Pension Benefits payable to a Participant hereunder following the Participant's termination of the employment with the Controlled Group amount to less than Fifty Dollars (\$50) per month, such Excess Pension Benefits shall be paid in the form of a single lump sum payment. Such lump sum amount shall be equal to the Actuarial Equivalent present value of such Excess Pension Benefits.

(b) EXCESS PROFIT SHARING BENEFITS. The Excess Profit Sharing Benefit payable to a Participant shall be paid in the form of a single lump sum payment at the time the corresponding Post-1996 Profit Sharing Contributions payable to the Participant under the Savings Plan commence to be paid.

(C) EXCESS 401(k) AND MATCHING BENEFITS.

(i) Timing. A Participant's Excess 401(k) Sub-Account and Excess Matching Sub-Account shall be paid (or commence to be paid) to the Participant 30 days after the date specified in the Participant's 401(k) Deferral Election Form.

(ii) FORM. The Excess 401(k) Sub-Account and Excess Matching Sub-Account shall each be distributed in the form of ten annual installments with each installment being based on the value of the applicable Sub-Account on the Valuation Date immediately preceding the date such installment is to be paid and being a fraction of such value in which the numerator is one and the denominator is the total number of remaining

installments to be paid. Notwithstanding the foregoing, the Participant may elect to receive the amounts credited to his Excess 401(k) Sub-Account and/or his Excess Matching Sub-Account in the form of a single lump sum payment or in annual installments for a period of less than 10 years by filing a notice in writing, signed by the Participant and filed with the Plan Administrator while the Participant is alive and at least one year prior to the time he had elected to commence receiving payment of such Sub-Account. Any such election of the form of payment may be changed at any time and from time to time, without the consent of any other person, by filing a later election in writing that is signed by a Participant and filed with the Plan Administrator while such Participant is alive and at least one year prior to the time he had elected to commence receiving payment of such Sub-Account.

(iii) UNFORESEEABLE EMERGENCY DISTRIBUTIONS.

Notwithstanding the foregoing, the Company may at any time, upon written request of the Participant cause to be paid to such Participant an amount equal to all or any part of the Participant's Excess 401(k) Sub-Account and/or Excess Matching Sub-Account if the Company determines, in its absolute discretion based on such reasonable evidence that it shall require, that such a payment or payments is necessary for the purpose of alleviating the consequences of an Unforeseeable Emergency occurring with respect to the Participant. Payments of amounts

because of an Unforeseeable Emergency shall be permitted only to the extent reasonably necessary to satisfy the emergency need.

SECTION 6.2. SMALL SUB-ACCOUNTS. Notwithstanding the foregoing, in the event that the vested portion of a Participant's Account does not exceed \$10,000 at the time of such Participant's termination of employment with the Controlled Group, such vested portion of his Account shall automatically be paid to him in a single lump sum payment as soon as practicable following his termination of employment.

SECTION 6.3. LIABILITY FOR PAYMENT/EXPENSES. The Company shall be liable for the payment of the Excess Retirement Benefits which are payable hereunder to the Participants. Expenses of administering the Plan shall be paid by the Company.

ARTICLE VII
BENEFICIARIES

SECTION 7.1. BENEFICIARY DESIGNATIONS. A designation of a Beneficiary hereunder may be made only by an instrument (in form acceptable to the Plan Administrator) signed by the Participant and filed with the Plan Administrator prior to the Participant's death. Separate Beneficiary designations may be made for each Benefit under the Plan. In the absence of such

a designation and at any other time when there is no existing Beneficiary designated hereunder, (a) the Beneficiary of a Participant for his Excess Pension Benefits shall be his beneficiary under the Cash Balance Plan and (b) the Beneficiary of a Participant for his Account shall be his Beneficiary under the Savings Plan. A person designated by a Participant as his Beneficiary who or which ceases to exist shall not be entitled to any part of any payment thereafter to be made to the Participant's Beneficiary unless the Participant's designation specifically provided to the contrary. If two or more persons designated as a Participant's Beneficiary are in existence with respect to a single Excess Retirement Benefit the amount of any payment to the Beneficiary under this Plan shall be divided equally among such persons unless the Participant's designation specifically provides for a different allocation.

SECTION 7.2. CHANGE IN BENEFICIARY. (a) Anything herein or in the Qualified Plans to the contrary notwithstanding, a Participant may, at any time and from time to time, change a Beneficiary designation hereunder without the consent of any existing Beneficiary or any other person. A change in Beneficiary hereunder may be made regardless of whether such a change is also made under the applicable underlying Qualified Plan. In other words, the Beneficiary hereunder need not be the same as under the applicable underlying Qualified Plan.

(b) Any change in Beneficiary shall be made by giving written notice thereof to the Plan Administrator and any change

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shall be effective only if received by the Plan Administrator prior to the death of the Participant.

SECTION 7.3. DISTRIBUTIONS TO BENEFICIARIES.

(a) AMOUNT OF BENEFITS.

(i) AMOUNT OF EXCESS PENSION BENEFIT. The Excess Pension Benefit payable to a Beneficiary under this Plan shall be a monthly benefit equal to the excess, if any, of (A) the amount of the monthly benefit that would be payable to the Beneficiary last effectively designated by the Participant under the Cash Balance Plan (in the form actually paid) if such Plan did not contain the limitations imposed under Sections 401(a)(17) or 415 of the Code and the definition of Compensation under such Plan included any amounts deferred under this Plan over (B) the amount of the monthly benefit that is actually paid to such Beneficiary under such Plan.

(ii) AMOUNT OF EXCESS PROFIT SHARING BENEFIT. The Excess Profit Sharing Benefit payable to a Participant's Beneficiary

under this Plan shall be equal to such Participant's vested Excess Profit Sharing Sub-Account balance on the date of the distribution of the Sub-Account to the Beneficiary.

(iii) AMOUNT OF EXCESS 401(k) AND EXCESS MATCHING BENEFITS. The Excess 401(k) and Basic Excess Matching Benefits payable to a Participant's Beneficiary under this Plan shall be equal to such Participant's Excess 401(k) and Excess Matching Sub-Account balances on the date of the distribution of the Sub-Accounts to the Beneficiary.

(b) TIME AND MANNER OF PAYMENT.

(i) EXCESS PENSION BENEFIT. The Excess Pension Benefit payable to a Beneficiary under this Plan shall be paid at the same time or times and in the same manner as the benefits payable to the Beneficiary last effectively designated by the Participant under the Cash Balance Plan; provided however, that the provisions of Subsection 6.1(a)(ii) shall apply to such Benefit, treating the Beneficiary hereunder as if he were the Participant.

(ii) EXCESS PROFIT SHARING BENEFIT/EXCESS 401(K) BENEFIT AND EXCESS MATCHING BENEFIT. The Excess Profit Sharing Benefit, Excess 401(k) Benefit and Basic Matching Benefit payable to a Beneficiary under this Plan shall be paid as soon as practicable following the death of the Participant in the form of a lump sum payment.

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(c) EFFECT OF DIFFERENT BENEFICIARIES UNDER THIS PLAN AND THE CASH BALANCE PLAN. In the event the Beneficiary designated hereunder for the Excess Pension Benefit is different than the Beneficiary under the Cash Balance Plan, (i) if the Beneficiary hereunder dies after the Participant but while the Beneficiary under the Cash Balance Plan is still living, any remaining payments hereunder shall be payable, as they come due, to the estate of the Beneficiary hereunder and (ii) if the Beneficiary hereunder predeceases the Beneficiary under the Cash Balance Plan and the Participant, the Beneficiary hereunder shall revert to the Beneficiary last effectively designated under the Cash Balance Plan unless and until the Participant again makes a change of Beneficiary pursuant to Section 7.2.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1. LIABILITY OF COMPANY. Nothing in this Plan shall constitute the creation of a trust or other fiduciary relationship between the

Company and any Participant, Beneficiary or any other person.

SECTION 8.2. LIMITATION ON RIGHTS OF PARTICIPANTS AND BENEFICIARIES - NO LIEN. The Plan is designed to be an unfunded, nonqualified plan. Nothing contained herein shall be deemed to create a trust or lien in favor of any Participant or Beneficiary on any assets of the Company. The Company shall have no obligation to purchase any assets that do not remain subject to the claims of the creditors of the Company for use in connection with the Plan. No Participant or Beneficiary or any other person shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Company prior to the time that such assets are paid to the Participant or Beneficiary as provided herein. Each Participant and Beneficiary shall have the status of a general unsecured creditor of the Company.

SECTION 8.3. NO GUARANTEE OF EMPLOYMENT. Nothing in this Plan shall be construed as guaranteeing future employment to Participants. A Participant continues to be an Employee of the Company solely at the will of the Company subject to discharge at any time, with or without cause.

SECTION 8.4. PAYMENT TO GUARDIAN. If a Benefit payable hereunder is payable to a minor, to a person declared incompetent or to a person incapable of handling the disposition of his property, the Plan Administrator may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Plan Administrator may require such proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution of the benefit. Such distribution shall completely discharge the Company from all liability with respect to such Benefit.

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SECTION 8.5. ASSIGNMENT. No right or interest under this Plan of any Participant or Beneficiary shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of the Participant or Beneficiary. Notwithstanding the foregoing, the Plan Administrator shall honor a judgment, order or decree from a state domestic relations court which requires the payment of part or all or a Participant's or Beneficiary's vested interest under this Plan to an "alternate payee" as defined in Code Section 414(p).

SECTION 8.6. SEVERABILITY. If any provision of this Plan or the application thereof to any circumstance(s) or person(s) is held to be invalid by a court of competent jurisdiction, the remainder of the Plan and the application of such provision to other circumstances or persons shall not be affected thereby.

ARTICLE IX
ADMINISTRATION OF PLAN

SECTION 9.1. ADMINISTRATION. (a) IN GENERAL. The Plan shall be administered by the Plan Administrator. The Plan Administrator shall have discretion to interpret where necessary all provisions of the Plan (including, without limitation, by supplying omissions from, correcting deficiencies in, or resolving inconsistencies or ambiguities in, the language of the Plan), to make factual findings with respect to any issue arising under the Plan, to determine the rights and status under the Plan of Participants, or other persons, to resolve questions (including factual questions) or disputes arising under the Plan and to make any determinations with respect to the benefits payable under the Plan and the persons entitled thereto as may be necessary for the purposes of the Plan. Without limiting the generality of the foregoing, the Plan Administrator is hereby granted the authority (i) to determine whether a particular Employee is a Participant, and (ii) to determine if a person is entitled to Excess Retirement Benefits hereunder and, if so, the amount and duration of such Benefits. The Plan Administrator's determination of the rights of any person hereunder shall be final and binding on all persons, subject only to the provisions of Sections 9.3 and 9.4 hereof.

(b) DELEGATION OF DUTIES. The Plan Administrator may delegate any of its administrative duties, including, without limitation, duties with respect to the processing, review, investigation, approval and payment of Excess Retirement Benefits, to a named administrator or administrators.

SECTION 9.2. REGULATIONS. The Plan Administrator shall promulgate any rules and regulations it deems necessary in order to carry out the purposes of the Plan or to interpret the provisions of the Plan; provided, however, that no rule,

regulation or interpretation shall be contrary to the provisions of the Plan. The rules, regulations and interpretations made by the Plan Administrator shall, subject only to the provisions of Sections 9.3 and 9.4 hereof, be final and binding on all persons.

SECTION 9.3. CLAIMS PROCEDURES. The Plan Administrator shall determine the rights of any person to any Excess Retirement Benefits hereunder. Any person who believes that he has not received the Excess Retirement Benefits to which he is entitled under the Plan may file a claim in writing with the Plan Administrator. The Plan Administrator shall, no later than 90 days after the receipt of a claim (plus an additional period of 90 days if required for processing, provided that notice of the extension of time is given to the claimant within the first 90 day period), either allow or deny the claim in writing. If a claimant does not receive written notice of the Plan Administrator's decision on his claim within the above-mentioned period, the

claim shall be deemed to have been denied in full.

A written denial of a claim by the Plan Administrator, wholly or partially, shall be written in a manner calculated to be understood by the claimant and shall include:

- (a) the specific reasons for the denial;
- (b) specific reference to pertinent Plan provisions on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claim review procedure.

A claimant whose claim is denied (or his duly authorized representative) may within 60 days after receipt of denial of a claim file with the Plan Administrator a written request for a review of such claim. If the claimant does not file a request for review of his claim within such 60-day period, the claimant shall be deemed to have acquiesced in the original decision of the Plan Administrator on his claim. If such an appeal is so filed within such 60 day period, the Company (or its delegate) shall conduct a full and fair review of such claim. During such review, the claimant shall be given the opportunity to review documents that are pertinent to his claim and to submit issues and comments in writing. For this purpose, the Company (or its delegate) shall have the same power to interpret the Plan and make findings of fact thereunder as is given to the Plan Administrator under Section 9.1(a) above.

The Company shall mail or deliver to the claimant a written decision on the matter based on the facts and the pertinent provisions of the Plan within 60 days after the receipt

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of the request for review (unless special circumstances require an extension of up to 60 additional days, in which case written notice of such extension shall be given to the claimant prior to the commencement of such extension). Such decision shall be written in a manner calculated to be understood by the claimant, shall state the specific reasons for the decision and the specific Plan provisions on which the decision was based and shall, to the extent permitted by law, be final and binding on all interested persons. If the decision on review is not furnished to the claimant within the above-mentioned time period, the claim shall be deemed to have been denied on review.

SECTION 9.4. REVOCABILITY OF PLAN ADMINISTRATOR/ COMPANY ACTION. Any action taken by the Plan Administrator or the Company with respect

to the rights or benefits under the Plan of any person shall be revocable by the Plan Administrator or the Company as to payments not yet made to such person, and acceptance of any Excess Retirement Benefits under the Plan constitutes acceptance of and agreement to the Plan Administrator's or the Company's making any appropriate adjustments in future payments to such person (or to recover from such person) any excess payment or underpayment previously made to him.

SECTION 9.5. AMENDMENT. The Committee may at any time amend any or all of the provisions of this Plan, except that (a) no such amendment may adversely affect any Participant's vested Excess Retirement Benefit as of the date of such amendment and (b) no such amendment may suspend the crediting of earnings on the balance of a Participant's Account, until the entire balance of such Account has been distributed, in either case, without the prior written consent of the affected Participant. Any amendment shall be in the form of a written instrument executed by an officer of the Company on the order of the Committee. Subject to the foregoing provisions of this Section, such amendment shall become effective as of the date specified in such instrument or, if no such date is specified, on the date of its execution.

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SECTION 9.6. TERMINATION.

(a) The Committee, in its sole discretion, may terminate this Plan at any time and for any reason whatsoever, except that, subject to Subsection (b) hereof, (i) no such termination may adversely affect any Participant's vested Excess Retirement Benefit as of the date of such termination and (ii) no such termination may suspend the crediting of earnings on the balance of a Participant's Account, until the entire balance of such Account has been distributed, in either case, without the prior written consent of the affected Participant. Any such termination shall be expressed in the form of a written instrument executed by an officer of the Company on the order of the Committee. Subject to the foregoing provisions of this Section, such termination shall become effective as of the date specified in such instrument or, if no such date is specified, on the date of its execution. Written notice of any termination shall be given to the Participants as soon as practicable after the instrument is executed.

(b) Notwithstanding anything in the Plan to the contrary, in the event of a termination of the Plan (or any portion thereof), the Company, in its sole and absolute discretion, shall have the right to change the time and form of distribution of Participants' Excess Retirement Benefits.

Executed, this 21st day of December, 1998, to be effective January 1, 1999.

By: /s/Charles A. Bittenbender

Title:Assistant Secretary

HAMILTON BEACH*PROCTOR-SILEX, INC.

Annual Incentive Compensation Plan - 1999
-----GENERAL

Hamilton Beach*Proctor-Silex, Inc. (the "Company") has established an Annual Incentive Compensation Plan (the "Plan") as part of a competitive compensation program for the Officers and key management employees of the Company and its Subsidiaries.

PLAN OBJECTIVE

The Company desires to attract and retain talented employees to enable the Company to meet its financial and business objectives. The objective of the Plan is to provide an opportunity to earn annual incentive compensation to those employees whose performance has a significant impact on the Company's short-term and long-term profitability.

ADMINISTRATION AND PARTICIPATION

The Plan is administered by the Nominating, Organization and Compensation Committee of the Board of Directors of the Company (the "Committee"). The Committee:

- a. May amend, modify, or discontinue the Plan.
- b. Will approve participation in the Plan. Generally, participants will include all employee in Hay Salary Job Grades 14 and above. Employees who voluntarily terminate their employment prior to year-end are not entitled to an award, and employees joining the Company after August of any year will not be entitled to an award. However, the Committee may select any employee who has contributed significantly to the Company's profitability to participate in the Plan and receive an annual incentive compensation award.
- c. Will determine the annual performance criteria which generates the incentive compensation pool.
- d. Will determine the total amount of both the target and actual

annual incentive compensation pool.

- e. Will approve individual incentive compensation awards to Officers and employees above Hay Salary Job Grade 17.
- f. May delegate to the Chief Executive Officer of the Company the power to approve incentive compensation awards to employees in and below Hay Salary Job Grade 17.
- g. May consider at the end of each year the award of a discretionary bonus amount to non-participants as an addition to the regular incentive compensation pool on a special one-time basis to motivate individuals not eligible to participate in the Plan.
- h. May approve a pro rata incentive compensation award for participants in the Plan whose employment is terminated (1) due to death, disability, retirement or facility closure, such award to be determined pursuant to the provisions of subparagraphs e. and f. above or (2) under other circumstances at the recommendation of the Chief Executive Officer of the Company.

DETERMINATION OF CORPORATE INCENTIVE COMPENSATION POOL

Each participant in the Plan will have an individual target incentive compensation percentage which is determined by the participant's Salary Job Grade. This percentage is multiplied by the midpoint of the participant's Salary Job Grade to determine his individual target incentive compensation award. The total of the target incentive compensation awards of all participants equals the target corporate incentive compensation pool (the "Target Pool"). The Target Pool is approved each year by the Committee.

The actual corporate incentive compensation pool (the "Actual Pool") is determined at the end of each year based on the Company's actual performance against specific criteria established in the beginning of the year by the Committee. The Target Pool is adjusted upwards or downwards by corporate performance adjustment factor to determine the Actual Pool. In no event will the Actual Pool exceed 150% of the Target Pool, except to the extent that the Committee elects to increase the Actual Pool by up to 10%, as described below.

It is the intent of the Plan that the Actual Pool, as determined above, will be the final total corporate incentive compensation pool. However, the Committee, in its sole discretion, may increase or decrease by up to 10% the Actual Pool or may approve an incentive compensation pool where there would normally be no pool

due to Company performance which is below the criteria established for the year.

The Actual and Target Pools exclude commission personnel as salespersons, regional general manager and manufacturing representatives.

DETERMINATION OF INDIVIDUAL INCENTIVE COMPENSATION AWARDS

Salary Job Grades and the corresponding target incentive percentage for each participant in the Plan will be established at the beginning of each year and approved by the Committee. Individual target incentive compensation will then be adjusted by the appropriate pool factor. Such adjusted individual incentive compensation will then be further modified based on a participant's performance as compared to his individual goals for the year. The total of all individual incentive compensation awards must not exceed the Actual Pool for the year.

PERFORMANCE TARGETS - See Plan Summary.

SIXTH AMENDMENT, APPOINTMENT AND ACCEPTANCE AGREEMENT

This SIXTH AMENDMENT, APPOINTMENT AND ACCEPTANCE AGREEMENT (this "Agreement") is dated as of December 8, 1998, among HAMILTON BEACH/ PROCTOR-SILEX, INC., a Delaware corporation (the "Company"), PROCTOR-SILEX CANADA, INC., a corporation organized under the laws of the Province of Ontario, Canada ("PSC") and PROCTOR-SILEX S.A. DE C.V., a corporation organized under the laws of Mexico ("PSM"); and together with the Company and PSC, collectively, the "Obligors"); THE CHASE MANHATTAN BANK (successor by merger to The Chase Manhattan Bank National Association) (the "Existing U.S. Agent"), KEYBANK NATIONAL ASSOCIATION (the "Successor U.S. Agent"), THE CHASE MANHATTAN BANK OF CANADA (the "Existing Canadian Agent"), THE BANK OF NOVA SCOTIA (the "Successor Canadian Agent"), and each of the Banks, as hereinafter defined, a party to the Credit Agreement, as hereinafter defined.

The Obligors, each of the financial institutions a party to the Credit Agreement (collectively, "Banks," and individually, "Bank"), the Existing U.S. Agent, and the Existing Canadian Agent are parties to that certain Second Amended and Restated Credit Agreement, dated as of October 11, 1990 and as amended and restated as of April 18, 1995 (as amended by Amendment No. 1 dated as of March 29, 1996, Amendment No. 2 dated as of October 4, 1996, Amendment No. 3 dated as of April 14, 1997, Amendment No. 4 dated as of April 22, 1998 and Amendment No. 5 dated as of June 10, 1998, and as the same may from time to time be further amended, restated or otherwise modified, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement.

The Existing U.S. Agent desires to resign as "U.S. Agent" under the Credit Agreement. Each of the Banks desire to appoint the Successor U.S. Agent as the successor "U.S. Agent" and the Successor U.S. Agent desires to accept such appointment.

The Existing Canadian Agent desires to resign as "Canadian Agent" under the Credit Agreement. Each of the Banks desire to appoint the Successor Canadian Agent as the successor "Canadian Agent" and the Successor Canadian Agent desires to accept such appointment.

In connection with the above, the Obligors, the Existing U.S. Agent, the Successor U.S. Agent, the Existing Canadian Agent, the Successor Canadian Agent and the Banks desire to amend the Credit Agreement to modify certain provisions thereof.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements herein contained and for other valuable considerations,

the Obligors, the Existing U.S. Agent, the Successor U.S. Agent, the Existing Canadian Agent, the Successor Canadian Agent and the Banks hereby agree as follows:

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1. APPOINTMENT AND ACCEPTANCE.

(a) Pursuant to Section 11.08 of the Credit Agreement, effective as of the U.S. Agent Appointment Effective Date (as hereinafter defined), each of the Banks hereby appoints the Successor U.S. Agent as "U.S. Agent" under the Credit Agreement, and on and after the U.S. Agent Appointment Effective Date, the Successor U.S. Agent shall be deemed to be "U.S. Agent" and an "Agent" for the purposes of the Credit Agreement and each of the Security Documents, each of the Majority Interest Documents, each of the Minority Interest Documents, each of the Holdings Documents and any other Document to which U.S. Agent is a party. Effective as of the U.S. Agent Appointment Effective Date, the Successor U.S. Agent hereby accepts the foregoing appointment as "U.S. Agent" and shall serve in such capacity in accordance with the terms and conditions of the Credit Agreement.

(b) Pursuant to Section 11.08 of the Credit Agreement, effective as of the Canadian Agent Appointment Effective Date (as hereinafter defined), each of the Banks hereby appoints the Successor Canadian Agent as "Canadian Agent" under the Credit Agreement, and on and after the Canadian Agent Appointment Effective Date, the Successor Canadian Agent shall be deemed to be "Canadian Agent" and an "Agent" for the purposes of the Credit Agreement and each of the Security Documents, each of the Majority Interest Documents, each of the Minority Interest Documents, each of the Holdings Documents and any other Document to which Canadian Agent is a party. Effective as of the Canadian Agent Appointment Effective Date, the Successor Canadian Agent hereby accepts the foregoing appointment as "Canadian Agent" and shall serve in such capacity in accordance with the terms and conditions of the Credit Agreement.

2. APPOINTMENT EFFECTIVE DATE.

(a) The U.S. Agent Appointment Effective Date (the "U.S. Agent Appointment Effective Date") shall be December 8, 1998 and the following conditions precedent shall be satisfied on or prior to such date:

(i) receipt by the Successor U.S. Agent, the Successor Canadian Agent, each Bank, the Issuing Bank and the Obligors of a Notice of Resignation, such notice to be in the form of ANNEX 1 hereto, properly executed by the Existing U.S. Agent;

(ii) receipt by the Successor U.S. Agent from the Existing U.S. Agent of the original (or if not available, a copy) of each Document (including, without limitation, each certificate representing Pledged Shares (as defined in any of the Pledge Agreements)); and

(iii) receipt by the Successor U.S. Agent of any other information or

documentation reasonably necessary or requested by it to complete the appointment contemplated by this Agreement.

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(b) The Canadian Agent Appointment Effective Date (the "Canadian Agent Appointment Effective Date") shall be December 8, 1998 and the following conditions precedent shall be satisfied on or prior to such date:

(i) receipt by the Successor Canadian Agent, the Successor U.S. Agent, each Bank, the Issuing Bank and the Obligors of a Notice of Resignation, such notice to be in the form of the ANNEX 2 hereto, properly executed by the Existing Canadian Agent;

(ii) receipt by the Successor Canadian Agent from the Existing Canadian Agent of the original (or if not available, a copy) of each Document; and

(iii) receipt by the Successor Canadian Agent of any other information or documentation reasonably necessary or requested by it to complete the appointment contemplated by this Agreement.

3. NOTICES.

(a) On and after the U.S. Agent Appointment Effective Date, all notices, requests, demands and other communications provided for under the Credit Agreement or any other Document to be made or given to the U.S. Agent shall be given or made to the Successor U.S. Agent, as U.S. Agent, at the address for notices specified on the signature pages to this Agreement. The Existing U.S. Agent agrees that in the event that the Existing U.S. Agent receives any notice, communication or other delivery on or after the U.S. Agent Appointment Effective Date that is intended for delivery to "U.S. Agent", the Existing U.S. Agent shall immediately deliver such notice, communication or delivery to the Successor U.S. Agent at the address for notices of the Successor U.S. Agent set forth on the signature pages to this Agreement. Anything in this Agreement, the Credit Agreement or any other Document to the contrary notwithstanding, the Successor U.S. Agent shall not be deemed to have received any notice, communication or other delivery until or unless such notice, communication or other delivery is given or delivered at the address for notices specified on the signature pages to this Agreement, in the manner specified in the Credit Agreement.

(b) On and after the Canadian Agent Appointment Effective Date, all notices, requests, demands and other communications provided for under the Credit Agreement or any other Document to be made or given to the Canadian Agent shall be given or made to the Successor Canadian Agent, as Canadian Agent, at the address for notices specified on the signature pages to this Agreement. The Existing Canadian Agent agrees that in the event that the Existing Canadian Agent receives any notice, communication or other delivery on or after the Canadian Agent Appointment Effective Date that is intended for

delivery to "Canadian Agent," the Existing Canadian Agent shall immediately deliver such notice, communication or delivery to the Successor Canadian Agent at the address for notices of the Successor Canadian Agent set forth on the signature pages to this Agreement. Anything in this Agreement, the Credit Agreement or any other Document to the contrary notwithstanding, the Successor Canadian Agent shall not be deemed to have received any notice, communication or other delivery until or unless such notice, communication or other delivery is given or delivered at the address for notices specified on the signature pages to this Agreement, in the manner specified in the Credit Agreement.

4. AMENDMENTS.

A. Section 1.01 of the Credit Agreement is hereby amended to delete the definitions of "Business Day", "Canadian Discount Rate", "Canadian Dollar Spot Rate", "Canadian Office", "Chase", "Chase Canada", "London Branch", "Principal Office", "Reference Banks" and "U.S. Dollar Spot Rate" in their entirety and to substitute in place thereof the following:

"BUSINESS DAY" shall mean any day on which commercial banks are not authorized or required to close in Cleveland, Ohio and, with respect to Canadian Dollar Loans, Toronto, Ontario, Canada and, with respect to the giving of notices or quotes in connection with a LIBOR Auction or to a borrowing of, a payment or prepayment of principal of or interest on, or a Conversion or Continuation of or into, or an Interest Period for, a Eurodollar Loan or a LIBOR Market Loan, or a notice by the Company with respect to any of the foregoing, which is also a day on which dealings in U.S. Dollar deposits are carried out in the London interbank eurodollar market and, with respect to determinations of the Canadian Dollar Spot Rate and the U.S. Dollar Spot Rate, which is also a day on which dealings in foreign currency are carried out in the London foreign exchange market.

"CANADIAN DISCOUNT RATE" shall mean, with respect to Canadian Discount Rate Loans, the discount rate (expressed as a percentage calculated on the basis of a year of 365 days) quoted by the Toronto office of the Canadian Reference Bank at 10:00 a.m. (Toronto time) on the Canadian Discount Borrowing Date as the discount rate the Canadian Reference Bank would, in the normal course of its business, purchase on such date Bankers Acceptances having a term comparable to the Interest Period for such Canadian Discount Rate Loan and having an aggregate face amount equal to CAN\$1,000,000.

"CANADIAN DOLLAR SPOT RATE" shall mean, on any day, the rate of exchange for the purchase by the U.S. Agent of Canadian Dollars with U.S. Dollars in the

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commercial bank foreign exchange market in London for delivery two Business Days after such day, quoted by the U.S. Agent at approximately 11:00 a.m. New York time on such day (or the next preceding Business Day, if such day is not a Business Day).

"CANADIAN OFFICE" shall mean the principal Toronto office of the Canadian Agent, as set forth on the signature page hereto or such other document delivered from time to time by the Canadian Agent to Obligors.

"CHASE" shall mean the U.S. Agent, including its successors in such capacity.

"CHASE CANADA" shall mean the Canadian Agent, including its successors in such capacity.

"LONDON BRANCH" - Intentionally Deleted

"PRINCIPAL OFFICE" shall mean the principal office of the U.S. Agent, as set forth on the signature page hereto or such other document delivered from time to time by the U.S. Agent to Obligors.

"REFERENCE BANKS" shall mean the U.S. Agent, the Canadian Agent, and The First National Bank of Chicago (or their Applicable Lending Offices, as the case may be).

"U.S. DOLLAR SPOT RATE" shall mean, on any day, the rate of exchange for the purchase by the U.S. Agent with a currency other than U.S. Dollars of U.S. Dollars in the commercial bank foreign exchange market in London for delivery two Business Days after such day, quoted by the U.S. Agent at approximately 11:00 a.m. New York time on such day (or the next preceding Business Day, if such day is not a Business Day).

B. Section 2.01 (II) of the Credit Agreement is hereby amended to delete subpart (c) thereof in its entirety and to insert in place thereof the following:

- (c) LETTER OF CREDIT PAYMENTS. Each Bank shall pay to the U.S. Agent for the account of the Issuing Bank at an account maintained by the U.S. Agent for such purpose at the Principal Office in U.S. Dollars and in immediately available funds, the amount of such Bank's Letter of Credit Percentage of any Reimbursement obligation upon notice by the Issuing Bank (through the U.S. Agent) to such Bank requesting such payment and specifying such amount. Each Bank's obligation to make such payments to the U.S. Agent for the account of the Issuing Bank under this Section 2.01 (II) (c),

and the U.S. Agent's right to receive the same for the account of the Issuing Bank, shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limiting the effect of the foregoing, the failure of any other Bank to make its payment under this Section 2.01 (II) (c). Each such payment to the U.S. Agent for the account of the Issuing Bank shall be made without any offset, abatement, withholding or reduction whatsoever.

C. Section 2.01 (III) of the Credit Agreement is hereby amended to delete subpart (f) thereof in its entirety and to insert in place thereof the following:

(f) Any Bank whose offer to make any Money Market Loan has been accepted in accordance with the terms and conditions of this Section 2.01(III) shall, not later than noon New York time on the date specified for the making of such Loan, make the amount of such Loan available to the U.S. Agent at an account maintained by the U.S. Agent for such purpose at the Principal Office in immediately available funds, for account of the Company. The amount so received by the U.S. Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company on such date by depositing the same, in immediately available funds, in an account of the Company as designated by the Company.

D. Section 2.02 of the Credit Agreement is hereby amended to delete subsections (a) and (b) thereof in their entirety and to insert in place thereof the following:

(a) BORROWINGS OF SERIES A R/C LOANS. The Company shall give the U.S. Agent (which shall promptly notify the Banks) notice of each borrowing of Series A R/C Loans hereunder as provided in Section 4.05 hereof. Not later than noon New York time on the date specified for each borrowing of Series A R/C Loans hereunder, each U.S. Dollar Bank shall make available to the U.S. Agent the amount of the Loan to be made by it on such date, at an account maintained by the U.S. Agent for such purpose at the Principal Office, in immediately available funds, for the account of the Company. The amount so received by the U.S. Agent shall, subject to the terms and conditions of this Agreement, be made available to the Company by depositing the same, in immediately available funds, in an account of the Company maintained with the U.S. Agent at the Principal Office designated by the Company (or in such other manner as may be specified by the Company and is reasonably acceptable to the U.S. Agent).

(b) BORROWINGS OF CANADIAN DOLLAR LOANS. PSC shall give the Canadian Agent (which shall promptly notify each U.S. Dollar Bank that has an Affiliate that is a Canadian Dollar Bank) notice of each borrowing of Series B R/C Loans hereunder as provided in Section 4.05 hereof. Not later than 11:00 a.m. Toronto time on the date specified for each borrowing of Series B R/C Loans hereunder, each such U.S. Dollar Bank shall make (unless its affiliated Canadian Dollar Bank shall have made) available to the Canadian Agent the amount of the Series B R/C Loan to be made by it on such date, at the office of Canadian Agent for credit to the account of PSC. The amount so received by the Canadian Agent shall, subject to the terms and conditions of this Agreement, be made available to PSC by depositing the same, in immediately available funds, in an account of PSC maintained with the Canadian Agent at the Canadian Office designated by PSC (or in such other manner as may be specified by PSC and is reasonably acceptable to the Canadian Agent).

E. Section 4.01 of the Credit Agreement is hereby amended to delete subsection (a) thereof in its entirety and to insert in place thereof the following:

(a) Except with respect to Canadian Dollar Loans, amounts payable to Canadian Banks pursuant to Section 5 hereof and to the extent otherwise expressly provided herein, all payments of principal, interest and other amounts to be made by any Obligor under this Agreement and the Notes (other than the Series B R/C Notes) (and all payments by any other Obligor in respect of such principal, interest or other amounts) shall be made in U.S. Dollars, in immediately available funds, to the U.S. Agent at an account maintained by the U.S. Agent for such purpose at the Principal Office, not later than noon New York time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). All payments of principal, interest and other amounts to be made by PSC under this Agreement (including, without limitation, amounts payable to Canadian Banks pursuant to Section 5 hereof and amounts payable under the Series B R/C Notes (and all payments by any other Obligor in respect of such principal, interest or other amounts)) shall, except as otherwise expressly provided herein, be made in Canadian Dollars, in immediately available funds, to Canadian Agent for credit to an account of the Canadian Agent maintained for such purpose not later than 11:00 a.m. Toronto time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).

F. The Credit Agreement is hereby amended to delete Section 12.03 in its entirety and to insert in place thereof the following:

12.03 EXPENSES; ETC. The Company agrees (a) to pay or reimburse each Agent on demand for the out-of-pocket costs and expenses of such Agent (including, without limitation, the reasonable fees and expenses of U.S. counsel to the Banks and Canadian counsel to the Banks) in connection with (A) the negotiation, preparation, execution and delivery of this Agreement, the Security Documents, Documents, the Majority Interest Documents, the Minority Interest Documents, the Letter of Credit Documents and the Notes related agreements, instruments or documents, the making of the Loans hereunder and the issuance of Letters of Credit hereunder and (B) any amendment, modification or waiver of any of the terms of this Agreement, any Security Document, any Holdings Document, any Majority Interest Document, any Minority Interest Document, any Letter of Credit Document, any of the Notes or such other agreements, instruments or documents and (b) to pay or reimburse each Agent and each Bank on demand for (i) all reasonable costs and expenses of such Agent and such Bank (including reasonable counsels' fees and expenses) in connection with the enforcement of this Agreement, any Security Document, any Holdings Document, any Majority Interest Document, any Minority Interest Document, any Letter of Credit Document or any of the Notes and (ii) all transfer, stamp, documentary, recording or other similar taxes, assessments, fees or charges levied by any governmental or revenue authority in respect of this Agreement, any Security Document, any Holdings Document, any Majority Interest Document, any Minority Interest Document, any Letter of Credit Document, any of the Notes or any other document referred to herein. The Company hereby indemnifies each Agent, the Issuing Bank and each Bank and their respective directors, officers, employees, agents and affiliates from, and agrees to hold each of them harmless against, any and all losses, claims, damages, liabilities (or actions or other proceedings commenced or threatened in respect thereof) and reasonable expenses that arise out of or in any way relate to or result from the making of Loans or issuance of Letters of Credit hereunder, or the other transactions contemplated hereby or thereby or by any other Document, including, without limitation, any investigation or litigation or other proceedings (whether or not such indemnified person is a party to any action or proceeding out of which any of the foregoing arise), other than any of the foregoing to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified. Neither Agent nor any Bank shall be responsible or liable to any Obligor or any other Person for any consequential damages which may be alleged as a result of this Agreement, any Security Document, any Holdings Document, any Majority Interest Document, any Minority Interest Document or any Letter of Credit Document.

G. The Credit Agreement is hereby amended to delete Section 12.11 in its

entirety and to insert in place thereof the following:

12.11 JURISDICTION AND SERVICE OF PROCESS. Any suit, action or proceeding against any Obligor with respect to this Agreement, any Loan, any Note, any Letter of Credit, any Letter of Credit Document or any Security Document or on any judgment entered by any court in respect of any thereof may be brought in any Ohio state or federal court sitting in Cleveland, Ohio, or in the courts sitting in Toronto, Ontario, Canada or in the courts sitting in the Federal District of Mexico, or in the courts sitting in any jurisdiction where property covered by any Mortgage may be situated, as the U.S. Agent may elect in its sole discretion and each Obligor hereby submits to the non-exclusive jurisdiction of such courts for the purpose of any such suit, action or proceeding (and waives for such purpose any other preferential jurisdiction by reason of its present or future domicile or otherwise). Each of PSC and PSM hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of Ohio may be made upon CT Corporation System (the "PROCESS AGENT"), presently located at 1300 East Ninth Street, Cleveland, Ohio 44114, and each of PSC and PSM hereby irrevocably appoints the Process Agent its true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to it shall not impair or affect the validity of such service or of any judgment based thereon. Each Obligor hereby further irrevocably consents to the service of process in any suit, action or proceeding in said courts by the mailing thereof by either Agent by registered or certified mail, postage prepaid, to such Obligor. Nothing herein shall in any way be deemed to limit the ability of either Agent to serve any such writs, process or summonses in any other manner permitted by applicable law or to obtain jurisdiction over any Obligor in such other jurisdictions, and in such manner, as may be permitted by applicable law. Each Obligor hereby irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any Ohio state or federal court sitting in Cleveland, Ohio, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

H. The Credit Agreement is hereby amended to delete Section 12.13 in its entirety and to insert in place thereof the following:

12.13 JUDGMENT CURRENCY. This is an international loan transaction in which (a) in the case of U.S. Dollar Loans and Letter of Credit Obligations, the specification of U.S. Dollars and payment at the Principal Office is of the essence, and, with respect to such U.S. Dollar Loans and Letter of Credit Obligations, U.S. Dollars shall be the currency of account in all events and

(b) in the case of Canadian Dollar Loans, the specification of Canadian Dollars and payment at the Canadian Office is of the essence, and with respect to such Canadian Dollar Loans, Canadian Dollars shall be the currency of account in all events. The payment obligations of the Obligors with respect to any Loans or Letter of Credit Obligations under this Agreement or amounts payable under the Security Documents and the Notes shall not be discharged by an amount paid in a currency other than U.S. Dollars, in the case of U.S. Dollar obligations, or Canadian Dollars, in the case of Canadian Dollar obligations (each such currency with respect to each such obligation, the "REQUIRED CURRENCY"), or at a place other than the Principal Office in the case of U.S. Dollar obligations or the Canadian Office in the case of Canadian Dollar obligations (each such place with respect to each obligation, the "REQUIRED PLACE"), whether pursuant to such judgment or otherwise to the extent that the amount so paid on conversion to the Required Currency and transfer to the Required Place under normal banking procedures does not yield the amount of the Required Currency in the Required Place due hereunder.

5. REPLACEMENT OF NOTES. The Credit Agreement is hereby amended by deleting Exhibit A-1, Exhibit A-2, Exhibit A-3 and Exhibit A-4 in their entirety and by substituting in place thereof Exhibit A-1, Exhibit A-2, Exhibit A-3 and Exhibit A-4 in the form of Exhibit A-1, Exhibit A-2, Exhibit A-3 and Exhibit A-4 attached hereto; provided, however, that the replacement of the foregoing Exhibits shall not affect in any way whatsoever the validity or enforceability of any Note issued and outstanding on or prior to the date of this Agreement.

6. FURTHER ASSURANCES. Each Obligor agrees that, after the date of this Agreement, each Obligor shall provide such other items and satisfy such other conditions as may be reasonably required by Successor U.S. Agent, Successor Canadian Agent or any of the Banks in connection with the appointment of Successor U.S. Agent and Successor Canadian Agent and the other modifications contemplated under this Agreement, including, but not limited to, executing such amendments to any of the Security Documents or other Documents as Agents may deem necessary, and executing such UCC financing statements (or other lien registration statements). Each Obligor shall pay all filing and recording fees and taxes in connection with any of the foregoing.

7. EXPENSES. Concurrently with the execution of this Agreement, Existing U.S. Agent shall pay all legal fees and expenses of the Successor U.S. Agent in connection with this Agreement, the appointment of the Successor U.S. Agent, the transfer to the Successor U.S. Agent of any interests in the collateral that secures the indebtedness incurred pursuant to the Credit Agreement, or otherwise in connection with the transactions contemplated in this Agreement, and Existing Canadian Agent shall pay all legal fees and expenses of the Successor Canadian Agent in connection with this Agreement, the appointment of the Successor Canadian Agent, the transfer to the Successor Canadian Agent of any interests in

the collateral that secures the indebtedness incurred pursuant to the Credit Agreement, or otherwise in connection with the transactions contemplated in this Agreement.

8. REPRESENTATIONS. Each Obligor hereby represents and warrants to Agents and the Banks that (a) it has the legal power and authority to execute and deliver this Agreement; (b) the officers executing this Agreement have been duly authorized to execute and deliver the same and bind such Obligor with respect to the provisions hereof; (c) the execution and delivery hereof by such Obligor and the performance and observance by such Obligor of the provisions hereof do not violate or conflict with the organizational agreements of such Obligor or any law applicable to such Obligor or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against such Obligor; (d) no Default or Event of Default exists under the Credit Agreement or any Document, nor will any occur immediately after the execution and delivery of this Agreement or by the performance or observance of any provision hereof; (e) no Obligor is aware of any claim or offset against, or defense or counterclaim to, any of such Obligor's obligations or liabilities under the Credit Agreement or any Document; and (f) each of this Agreement and the Credit Agreement, as amended hereby, constitutes a valid and binding obligation of each Obligor in every respect, enforceable in accordance with its terms.

9. REFERENCE. Each reference that is made in the Credit Agreement or any Document to the Credit Agreement shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all provisions of the Credit Agreement shall remain in full force and effect and be unaffected hereby. This Agreement is a Document, as defined in the Credit Agreement.

10. RELEASE. Each Obligor, by signing below, hereby waives and releases each Agent and each of the Banks and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of which any such Obligor is aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

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11. COUNTERPARTS. This Agreement may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which when so executed and delivered shall be deemed to be an original and all of which when taken together shall constitute but one and the same agreement.

12. INDEMNIFICATION.

(a) The Existing U.S. Agent hereby agrees to indemnify the Successor U.S. Agent (to the extent not reimbursed under Sections 11.05 or 12.03 of the Credit Agreement, but without limiting the obligations of the Banks or the Company under said sections 11.05 and 12.03, respectively), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against such Successor U.S. Agent in any way relating to or arising out of the Credit Agreement or any of the other Documents or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any of such other Documents that arises or relates to acting as U.S. Agent prior to the U.S. Agent Appointment Effective Date. The Successor U.S. Agent hereby agrees to indemnify the Existing U.S. Agent (to the extent not reimbursed under Sections 11.05 or 12.03 of the Credit Agreement, but without limiting the obligations of the Banks or the Company under said sections 11.05 and 12.03, respectively), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Existing U.S. Agent in any way relating to or arising out of the Credit Agreement or any of the other Documents or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any of such other Documents that arises or relates to acting as U.S. Agent on or after the U.S. Agent Appointment Effective Date.

(b) The Existing Canadian Agent hereby agrees to indemnify the Successor Canadian Agent (to the extent not reimbursed under Sections 11.05 or 12.03 of the Credit Agreement, but without limiting the obligations of the Banks or the Company under said sections 11.05 and 12.03, respectively), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against such Successor Canadian Agent in any way relating to or arising out of the Credit Agreement or any of the other Documents or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any of such other Documents that arises or relates to acting as Canadian Agent prior to the Canadian Agent Appointment Effective Date. The

Successor Canadian Agent hereby agrees to indemnify the Existing Canadian Agent (to the extent not reimbursed under Sections 11.05 or 12.03 of the Credit Agreement, but without limiting the obligations of the Banks or the Company under said sections 11.05 and 12.03, respectively), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Existing Canadian Agent in any way relating to or arising out of the Credit Agreement or any of

the other Documents or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any of such other Documents that arises or relates to acting as Canadian Agent on or after the Canadian Agent Appointment Effective Date.

13. ENTIRE AGREEMENT. This Agreement embody the entire agreement and understanding among the parties hereto and supersedes all prior agreements and understandings among the parties hereto relating to the subject matter hereof.

[Remainder of page intentionally left blank.]

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14. JURY TRIAL WAIVER. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OBLIGOR, EACH AGENT, THE ISSUING BANK AND EACH BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENT TO WHICH IT IS A PARTY OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the date first above written.

OBLIGORS:

HAMILTON BEACH/PROCTOR-SILEX, INC.

By: /s/ James H. Taylor

Title: Vice President

PROCTOR-SILEX CANADA INC.

By: /s/ James H. Taylor

Title: Treasurer

PROCTOR-SILEX S.A. de C.V.

By: /s/ James H. Taylor

Title: Sole Administrator

BANKS:

THE CHASE MANHATTAN BANK,
as a Bank and as the Existing U.S. Agent

By: /s/ Jon R. Hinard

Title: Vice President

THE CHASE MANHATTAN BANK OF CANADA,
as a Bank and as the Existing Canadian Agent

By: /s/ Christine Chan, Vice President

By: /s/ Ed Sustar, Vice President

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Address: Key Center
127 Public Square
Cleveland, Ohio 44114-1306
Attn: Large Corporate Lending
Phone: (216) 689-3549
Fax: (216) 689-4981

KEYBANK NATIONAL ASSOCIATION,
as a Bank and as the Successor
U.S. Agent

By: /s/ Marianne T. Meil

Title: Vice President

Address: 40 King Street
8th Floor
Toronto, Ontario M5H1H1
Phone: (416) 866-6828
Fax: (416) 866-7767

THE BANK OF NOVA SCOTIA,
as a Bank and as the Successor
Canadian Agent

By: /s/ Judy McKay

Title: Relationship Manager

FIRST CHICAGO NBD BANK

By: /s/ William J. McCaffrey

Title: Vice President

ISTITUTO BANCARIO SAN PAOLO DI
TORINO - ISTITUTO MOBILIARE
ITALIANO SPA

By: /s/ Luca Sacchi

Title: Vice President

and /s/ Carlo Persico

Title: DGM

CREDIT AGRICOLE INDOSUEZ

By: /s/ David Bouhl

Title: F.V.P.

and /s/ Dennis Toolan

Title: Senior Vice President

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CRESTAR BANK

By: /s/ Christopher B. Werner

Title: Vice President

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ANNEX 1

NOTICE OF RESIGNATION

The undersigned is the U. S. Agent under that certain Second Amended and Restated Credit Agreement, dated as of October 11, 1990 and as amended and restated as of April 18, 1995 (as amended by Amendment No. 1 dated as of March 29, 1996, Amendment No. 2 dated as of October 4, 1996, Amendment No. 3 dated as of April 14, 1997, Amendment No. 4 dated as of April 22, 1998, Amendment No. 5 dated as of June 10, 1998, and Amendment No. 6 dated as of December 8, 1998 (as the same may from time to time be further amended, restated or otherwise modified) among HAMILTON BEACH/PROCTOR-SILEX, INC., a Delaware corporation, PROCTOR-SILEX CANADA, INC., a corporation organized under the laws of the Province of Ontario, Canada and PROCTOR-SILEX S.A. DE C.V., a corporation organized under the laws of Mexico; THE CHASE MANHATTAN BANK (successor by merger to The Chase Manhattan Bank National Association) (the "U.S. Agent"), KEYBANK NATIONAL ASSOCIATION (the "Successor U.S. Agent"), THE CHASE MANHATTAN BANK OF CANADA, THE BANK OF NOVA SCOTIA, and each of the financial institutions a party thereto (the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement. In accordance with the terms and conditions of the Credit Agreement, the undersigned hereby resigns as the U.S. Agent under the Credit Agreement, hereby gives notice of such resignation as required by the Credit Agreement, and hereby agrees to be bound by the terms of the Credit Agreement applicable to Agents after resignation. The undersigned hereby agrees to execute and deliver all such documents and do all other things necessary or desirable to effect the appointment of the Successor U.S. Agent with all rights, title and interest in connection with the Credit Agreement as currently held by the undersigned as the U.S. Agent.

IN WITNESS WHEREOF, the undersigned has caused this Notice of Resignation to be duly executed on its behalf by its duly authorized officer as of December 8, 1998.

THE CHASE MANHATTAN BANK,
as the U.S. Agent

By: /s/ Jon R. Hinard

Title: Vice President

NOTICE OF RESIGNATION

The undersigned is the Canadian Agent under that certain Second Amended and Restated Credit Agreement, dated as of October 11, 1990 and as amended and restated as of April 18, 1995 (as amended by Amendment No. 1 dated as of March 29, 1996, Amendment No. 2 dated as of October 4, 1996, Amendment No. 3 dated as of April 14, 1997, Amendment No. 4 dated as of April 22, 1998, Amendment No. 5 dated as of June 10, 1998, and Amendment No. 6 dated as of December 8, 1998 (as the same may from time to time be further amended, restated or otherwise modified) among HAMILTON BEACH/PROCTOR-SILEX, INC., a Delaware corporation, PROCTOR-SILEX CANADA, INC., a corporation organized under the laws of the Province of Ontario, Canada and PROCTOR-SILEX S.A. DE C.V., a corporation organized under the laws of Mexico; THE CHASE MANHATTAN BANK (successor by merger to The Chase Manhattan Bank National Association), KEYBANK NATIONAL ASSOCIATION, THE CHASE MANHATTAN BANK OF CANADA (the "Canadian Agent"), THE BANK OF NOVA SCOTIA (the "Successor Canadian Agent"), and each of the financial institutions a party thereto (the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to them in the Credit Agreement. In accordance with the terms and conditions of the Credit Agreement, the undersigned hereby resigns as the Canadian Agent under the Credit Agreement, hereby gives notice of such resignation as required by the Credit Agreement, and hereby agrees to be bound by the terms of the Credit Agreement applicable to Agents after resignation. The undersigned hereby agrees to execute and deliver all such documents and do all other things necessary or desirable to effect the appointment of the Successor Canadian Agent with all rights, title and interest in connection with the Credit Agreement as currently held by the undersigned as the Canadian Agent.

IN WITNESS WHEREOF, the undersigned has caused this Notice of Resignation to be duly executed on its behalf by its duly authorized officer as of December 8, 1998.

THE CHASE MANHATTAN BANK OF CANADA,
as the Canadian Agent

By: /s/ Christine Chan

Title: Vice President

AMENDED AND RESTATED MONEY MARKET NOTE

As of April 18, 1995
New York, New York

FOR VALUE RECEIVED, HAMILTON BEACH/PROCTOR-SILEX, INC., a Delaware corporation (the "Company"), hereby promises to pay to _____ (the "Bank"), for the account of its Applicable Lending Office provided for by the Credit Agreement referred to below, at the principal office of KeyBank National Association at 127 Public Square, Cleveland, Ohio 44114-1306, the aggregate unpaid principal amount of the Money Market Loans made by the Bank to the Company under the Credit Agreement, in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided by the Credit Agreement, and to pay interest on the unpaid principal amount of each such Money Market Loan, at such office, in like money and funds, for the period commencing on the date of such Money Market Loan until such Money Market Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, type, interest rate and maturity date of each Money Market Loan made by the Bank to the Company and each payment made on account of the principal thereof, shall be recorded by the Bank on its books and, prior to any transfer of this Note, endorsed by the Bank on the schedule attached hereto or any continuation thereof, provided that any failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Company to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Money Market Loans made by the Bank.

This Note is one of the Money Market Notes referred to in the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, and as amended and restated as of April 18, 1995, as amended and as the same may from time to time be further amended, restated or otherwise modified (the "Credit Agreement"), among the Company, the other Obligors named therein, the banks and other financial institutions named therein (including the Bank), KeyBank National Association, as U.S. Agent, and The Bank of Nova Scotia, as Canadian Agent, evidences Money Market Loans made by the Bank thereunder. This Note amends and restates the Money Market Note issued pursuant to the Second Amended and Restated Credit Agreement and does not constitute

a novation of such Note or the Money Market Loans evidenced thereby. Terms used but not defined in this Note have the respective meanings assigned to them in

the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Money Market Loans upon the terms and conditions specified therein.

Except as permitted by Section 12.06 of the Credit Agreement, this Note may not be assigned by the Bank to any other Person.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY, EACH OBLIGOR, EACH AGENT AND BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT TO WHICH IT IS A PARTY OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

HAMILTON BEACH/PROCTOR-SILEX, INC.

By: _____

Title: _____

SCHEDULE OF LOANS

This Note evidences Loans made under the Credit Agreement to the Company, on the dates, in the principal amounts, of the Types, bearing interest at the rates and maturing on the dates set forth below, subject to the payments and prepayments of principal set forth below:

<TABLE>

<CAPTION>

Date of Loan	Principal Amount of Loan	Type of Loan	Interest Rate	Maturity Date of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
----	-----	----	----	----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

EXHIBIT A-2

FORM OF SERIES A R/C NOTE

AMENDED AND RESTATED SECURED PROMISSORY NOTE

U.S. \$ _____

As of October 11, 1990
New York, New York

FOR VALUE RECEIVED, HAMILTON BEACH/PROCTOR-SILEX, INC., a Delaware corporation (the "Company"), hereby promises to pay to _____ (the "Bank"), for the account of its Applicable Lending Office provided for by the Credit Agreement referred to below, at the principal office of KeyBank National Association at 127 Public Square, Cleveland, Ohio 44114-1306, the principal sum of _____ U.S. Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Series A R/C Loans made by the Bank to the Company under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, on the Revolving Credit Termination Date, and to pay interest on the unpaid principal amount of each such Series A R/C Loan, at such office, in like money and funds, for the period commencing on the date of such Series A R/C Loan until such Series A R/C Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The amount and type of, the rate of interest on, and the duration of each Interest Period for, each Series A R/C Loan made by the Bank to the Company under the Credit Agreement, the date such Series A R/C Loan is made or Converted from a Loan of another type, and the amount of each payment or prepayment made on account of the principal thereof, shall be recorded by the Bank on its books and, prior to any transfer of this Note, endorsed by the Bank on the schedule attached hereto or any continuation thereof, provided that any failure by such Bank to make any such endorsement (or any error in any such endorsement) shall not affect the obligations of the Company hereunder.

This Note is one of the Series A R/C Notes referred to in the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, and as amended and restated as of April 18, 1995, as amended and as the same may from time to time be further amended, restated or otherwise modified (the "Credit

Agreement"), among the Company, the other Obligors named therein, the banks and other financial institutions named therein (including the Bank), KeyBank National Association, as U.S. Agent, and The Bank of Nova Scotia, as Canadian Agent, evidences Series A R/C Loans made by the Bank thereunder and is entitled to the benefits of certain security as further described

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therein. This Note amends and restates the Series A R/C Note issued pursuant to the Second Amended and Restated Credit Agreement and does not constitute a novation of such Note or the Series A R/C Loans evidenced thereby. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Series A R/C Loans upon the terms and conditions specified therein.

The Company hereby waives presentment, demand, protest or other formalities of any kind with respect to this Note.

Except as permitted by Section 12.06 of the Credit Agreement, this Note may not be assigned by the Bank to any other Person.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY, EACH OBLIGOR, EACH AGENT AND BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT TO WHICH IT IS A PARTY OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

HAMILTON BEACH/PROCTOR-SILEX, INC.

By: _____

Title: _____

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SCHEDULE OF LOANS

<TABLE>

<CAPTION>

Date Loan Made or Converted -----	Principal Amount of Loan -----	Type of Loan -----	Interest Period -----	Amount Paid or Prepaid -----	Unpaid Principal Amount -----	Notation Made By -----
<S>	<C>	<C>	<C>	<C>	<C>	<C>

</TABLE>

EXHIBIT A-3

FORM OF SERIES B R/C NOTE

AMENDED AND RESTATED SECURED PROMISSORY NOTE

CAN \$ _____

As of October 11, 1990
New York, New York

FOR VALUE RECEIVED, PROCTOR-SILEX CANADA, INC., a corporation incorporated under the laws of the Province of Ontario, Canada ("PSC"), hereby promises to pay to _____ (the "Bank"), for the account of its Applicable Lending Office provided for by the Credit Agreement referred to below, at the principal office of The Bank of Nova Scotia, 44 King Street, Toronto, Ontario M5H1H1, the principal sum of _____ Canadian Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Series B R/C Loans made by the Bank to PSC under the Credit Agreement), in lawful money of Canada and in immediately available funds, on the Revolving Credit Termination Date, and to pay interest on the unpaid principal amount of each such Series B R/C Loan, at such office, in like money and funds, for the period commencing on the date of such Series B R/C Loan until such Series B R/C Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The amount of each Series B R/C Loan made by the Bank to PSC under the

Credit Agreement, the date such Series B R/C Loan is made and the amount of each payment or prepayment made on account of the principal thereof, shall be recorded by the Bank on its books and, prior to any transfer of this Note, endorsed by the Bank on the schedule attached hereto or any continuation thereof, provided that any failure by such Bank to make any such endorsement (or any error in any such endorsement) shall not affect the obligations of the Company hereunder.

This Note is one of the Series B R/C Notes referred to in the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, and as amended and restated as of April 18, 1995, as amended and as the same may from time to time be further amended, restated or otherwise modified (the "Credit Agreement"), among Hamilton Beach/Proctor-Silex, Inc., PSC, the other Obligors named therein, the banks and other financial institutions named therein (including the Bank), KeyBank National Association, as U.S. Agent, and The Bank of Nova Scotia, as Canadian Agent, evidences Series B R/C Loans made by the Bank thereunder and is entitled to the benefits of certain security as further described therein. This Note amends and restates the Series B R/C

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Note issued pursuant to the Second Amended and Restated Credit Agreement and does not constitute a novation of such Note or the Series B R/C Loans evidenced thereby. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Series B R/C Loans upon the terms and conditions specified therein.

PSC hereby waives presentment, demand, protest or other formalities of any kind with respect to this Note.

Except as permitted by Section 12.06 of the Credit Agreement, this Note may not be assigned by the Bank to any other Person.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, PSC, THE COMPANY, EACH OBLIGOR, EACH AGENT AND BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT TO WHICH IT IS A PARTY OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

PROCTOR-SILEX CANADA, INC.

By: _____

Title _____

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SCHEDULE OF LOANS

<TABLE>
<CAPTION>

Date Loan Made ----	Principal Amount of Loan -----	Amount Paid or Prepaid -----	Unpaid Principal Amount -----	Notation Made By -----
<S>	<C>	<C>	<C>	<C>

</TABLE>

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EXHIBIT A-4

FORM OF LETTER OF CREDIT NOTE

AMENDED AND RESTATED SECURED PROMISSORY NOTE

U.S. \$ _____

As of October 11, 1990
New York, New York

FOR VALUE RECEIVED, HAMILTON BEACH/PROCTOR-SILEX, INC., a Delaware corporation (the "Company"), hereby promises to pay to _____ (the "Bank"), for the account of its Applicable Lending Office provided for by the Credit Agreement referred to below, at the principal office of KeyBank National Association at 127 Public Square, Cleveland, Ohio 44114-1306 the

principal sum of _____ U.S. Dollars (or such lesser amount as shall equal the aggregate unpaid principal amount of the Reimbursement Obligations of the Company payable to the Bank under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, ON DEMAND, or, if no demand is made, on the Revolving Credit Termination Date, and to pay interest, ON DEMAND, or, if no demand is made, on the Revolving Credit Termination Date, on the unpaid amount of each such Reimbursement Obligation, at such office, in like money and funds, for the period from and including the date such Reimbursement Obligation arises to but not including the date such Reimbursement Obligation shall be paid in full, at the rates per annum provided in the Credit Agreement.

The amount of each Reimbursement Obligation of the Company payable to the Bank under the Credit Agreement, the date such Reimbursement Obligation arises, and the amount of each payment or prepayment made on account thereof, shall be recorded by the Bank on its books and, prior to any transfer of this Letter of Credit Note, endorsed by the Bank on the schedule attached hereto or any continuation thereof, provided that any failure by such Bank to make any such endorsement (or any error in such endorsement) shall not affect the obligations of the Company hereunder.

This Note is the Letter of Credit Note referred to in the Second Amended and Restated Credit Agreement, dated as of October 11, 1990, and as amended and restated as of April 18, 1995, as amended and as the same may from time to time be further amended, restated or otherwise modified (the "Credit Agreement"), among the Company, the other Obligors named therein, the banks and other financial institutions named therein (including the Bank), KeyBank National Association, as U.S. Agent, and The Bank of Nova Scotia, as Canadian Agent, evidences Reimbursement Obligations payable by the

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Company to the Bank thereunder and is entitled to the benefits of certain security as further described therein. This Note amends and restates the Letter of Credit Note issued pursuant to the Second Amended and Restated Credit Agreement and does not constitute a novation of such Note or the Letter of Credit Liabilities evidenced thereby. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Company hereby waives presentment, demand, protest or other formalities of any kind with respect to this Note.

Except as permitted by Section 12.06 of the Credit Agreement, this Note may not be assigned by the Bank to any other Person.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE COMPANY, EACH OBLIGOR, EACH AGENT AND BANK HEREBY IRREVOCABLY WAIVE ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT TO WHICH IT IS A PARTY OR ANY MATTER ARISING HEREUNDER OR THEREUNDER.

HAMILTON BEACH/PROCTOR-SILEX, INC.

By: _____

Title: _____

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SCHEDULE OF LETTER OF CREDIT ADVANCES

<TABLE>

<CAPTION>

Date of Reimbursement Obligation -----	Amount of Reimbursement Obligation -----	Amount Paid ----	Unpaid Principal Amount -----	Notation Made By -----
<S>	<C>	<C>	<C>	<C>

</TABLE>

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SELECTED FINANCIAL AND OPERATING DATA
NACCO INDUSTRIES, INC. AND SUBSIDIARIES

<TABLE>
<CAPTION>

	Year Ended December 31				
	1998	1997	1996	1995	1994
(In millions, except per share and employee data)					
<S>	<C>	<C>	<C>	<C>	<C>
Total revenues	\$ 2,536.2	\$ 2,246.9	\$ 2,273.2	\$ 2,204.5	\$ 1,864.9
Operating profit	\$ 198.1	\$ 132.0	\$ 131.2	\$ 148.7	\$ 129.6
Income before extraordinary items ...	\$ 102.3	\$ 61.8	\$ 50.6	\$ 65.5	\$ 45.3
Extraordinary items:					
Extraordinary gain, net-of-tax ..	-	-	-	32.3	-
Extraordinary charges, net-of-tax	-	-	-	(3.4)	(3.2)
Net income	\$ 102.3	\$ 61.8	\$ 50.6	\$ 94.4	\$ 42.1
Total assets	\$ 1,898.3	\$ 1,729.1	\$ 1,708.1	\$ 1,833.8	\$ 1,694.3
Long-term debt	\$ 256.4	\$ 230.2	\$ 333.3	\$ 320.2	\$ 286.7
Stockholders' equity	\$ 518.3	\$ 425.1	\$ 379.3	\$ 370.1	\$ 279.4
Basic earnings per share:					
Income before extraordinary items .	\$ 12.56	\$ 7.56	\$ 5.67	\$ 7.31	\$ 5.06
Extraordinary items:					
Extraordinary gain, net-of-tax ..	-	-	-	3.61	-
Extraordinary charges, net-of-tax	-	-	-	(0.38)	(0.36)
Net income	\$ 12.56	\$ 7.56	\$ 5.67	\$ 10.54	\$ 4.70
Diluted earnings per share:					
Income before extraordinary items .	\$ 12.53	\$ 7.55	\$ 5.67	\$ 7.30	\$ 5.05
Extraordinary items:					
Extraordinary gain, net-of-tax ..	-	-	-	3.60	-
Extraordinary charges, net-of-tax	-	-	-	(0.38)	(0.35)
Net income	\$ 12.53	\$ 7.55	\$ 5.67	\$ 10.52	\$ 4.70
Per share data:					
Cash dividends	\$ 0.810	\$ 0.773	\$ 0.743	\$ 0.710	\$ 0.675
Market value at December 31	\$ 92.00	\$ 107.19	\$ 53.50	\$ 55.50	\$ 48.38
Stockholders' equity	\$ 63.83	\$ 52.13	\$ 46.34	\$ 41.28	\$ 31.21
Average shares outstanding	8.147	8.171	8.920	8.963	8.948
Total employees	14,100	13,400	11,800	12,300	11,100

[GRAPHS]

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Financial Summary	22
The North American Coal Corporation	23
NACCO Materials Handling Group, Inc.	26
NACCO Housewares Group	30

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Income and
 Comprehensive Income 39
 Consolidated Balance Sheets 40
 Consolidated Statements of Cash Flows 41
 Consolidated Statements of
 Stockholders' Equity 42
 Notes to Consolidated Financial Statements 43

FINANCIAL SUMMARY

NACCO Industries, Inc. ("NACCO," the parent company) has four operating subsidiaries (collectively, the "Company") that function in three principal business segments: lignite mining, lift trucks and housewares. The North American Coal Corporation ("NACoal") mines and markets lignite primarily as fuel for power generation by electric utilities. NACCO Materials Handling Group, Inc. ("NMHG") designs, engineers, manufactures and markets a full line of lift trucks and replacement parts. NACCO Housewares Group ("Housewares") consists of Hamilton Beach*Proctor-Silex, Inc. ("HB-PS"), a leading manufacturer and marketer of small electric motor and heat-driven appliances as well as commercial products for restaurants, bars and hotels, and The Kitchen Collection, Inc. ("KCI"), a national specialty retailer of brand-name kitchenware, small electric appliances and related accessories.

Consolidated net income was \$102.3 million, or \$12.53 diluted earnings per share, in 1998; \$61.8 million, or \$7.55 diluted earnings per share, in 1997; and \$50.6 million, or \$5.67 diluted earnings per share, in 1996.

The following schedule identifies the components of the changes in consolidated revenues, operating profit and net income for 1998 compared with 1997:

<TABLE>
 <CAPTION>

	Revenues	Operating Profit	Net Income
	-----	-----	-----
<S>	<C>	<C>	<C>
1997.....	\$2,246.9	\$ 132.0	\$ 61.8
Increase (decrease) in 1998 from:			
NACoal	22.5	(1.9)	2.4
NMHG	225.0	61.7	44.2
Housewares	41.8	8.5	5.3
NACCO & Other	-	(2.2)	(1.2)
Difference between effective and statutory tax rates	-	-	(8.1)
Minority interest.....	-	-	(2.1)
	-----	-----	-----
1998	\$2,536.2	\$ 198.1	\$ 102.3
	=====	=====	=====

</TABLE>

SEGMENT INFORMATION

NACCO's subsidiaries function in three distinct business segments and, therefore, results of operations and financial condition are discussed at the segment level. Results by segment are also summarized in Note 19 to the Consolidated Financial Statements.

 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

THE NORTH AMERICAN
COAL CORPORATION

NACoal mines and markets lignite for use primarily as fuel for power generation by electric utilities. The lignite is surface mined in North Dakota, Texas and Louisiana. Total coal reserves approximate 2.0 billion tons, with 1.2 billion tons committed to electric utility customers pursuant to long-term contracts. NACoal operates five lignite mines, including three project mining subsidiaries ("Coteau," "Falkirk" and "Sabine"), a NACoal division ("San Miguel") and a joint venture ("Red River"). NACoal also provides dragline mining services ("Florida dragline operations") for a limerock quarry near Miami, Florida. The operating results for the Florida dragline operations, San Miguel and Red River are included in other mining operations.

During 1997, the Mississippi Lignite Mining Company was formed as a joint venture between NACoal and Phillips Coal Company. The new company, in which NACoal has a 25 percent interest, will develop the Red Hills lignite mine near Ackerman, Mississippi. Development of the mine site has begun and will continue through 1999, with initial production scheduled for the second half of 2000.

FINANCIAL REVIEW

NACoal's three project mining subsidiaries (Coteau, Falkirk and Sabine), which represent a significant portion of NACoal's operations, mine lignite for utility customers pursuant to long-term contracts at a price based on actual cost plus an agreed pretax profit per ton. Due to the cost-plus nature of these contracts, revenues and operating profits are affected by increases and decreases in operating costs, as well as by tons sold. Net income of these project mines, however, is not significantly affected by changes in such operating costs, which include costs of operations, interest expense and certain other items. Because of the nature of the contracts at these mines, operating results are best analyzed in terms of lignite tons sold, income before taxes and net income.

Lignite tons sold by NACoal's five operating lignite mines were as follows for the year ended December 31:

<TABLE>
<CAPTION>

	1998	1997	1996
	----	----	----
<S>	<C>	<C>	<C>
Coteau Properties....	16.4	15.9	15.6
Falkirk Mining.....	7.0	6.9	7.2
Sabine Mining.....	3.8	4.1	4.0
San Miguel.....	3.5	2.0	-
Red River Mining.....	1.0	1.0	.8
	----	----	----
Total lignite....	31.7	29.9	27.6
	=====	=====	=====

</TABLE>

The Florida dragline operations mined 8.3 million and 7.6 million cubic yards of limerock for the years ended December 31, 1998 and 1997, respectively.

Revenues, income before taxes, provision for taxes and net income were as follows for the year ended December 31:

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues			
Project mines.....	\$240.0	\$227.4	\$227.8
Other mining operations.....	39.1	29.7	17.8
	-----	-----	-----
	279.1	257.1	245.6
Royalties and other.....	6.3	5.8	3.5
	-----	-----	-----
	\$285.4	\$262.9	\$249.1
	=====	=====	=====
Income before taxes			
Project mines.....	\$ 25.2	\$ 24.7	\$ 25.7
Other mining operations.....	5.5	5.2	2.8

	-----	-----	-----
Total income from operating mines.....	30.7	29.9	28.5
Escrow payments.....	-	-	4.2
Royalty and other income, net.....	4.8	3.2	2.5
Other operating expenses.....	(8.1)	(6.0)	(6.1)
	-----	-----	-----
Provision for taxes....	27.4	27.1	29.1
	7.1	8.1	9.9
	-----	-----	-----
Net income.....	\$ 20.3	\$ 19.0	\$ 19.2
	=====	=====	=====

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

1998 COMPARED WITH 1997

The following schedule identifies the components of the changes in revenues, income before taxes and net income for 1998 compared with 1997:

<TABLE>
<CAPTION>

	Revenues	Income Before Taxes	Net Income
	-----	-----	-----
<S>	<C>	<C>	<C>
1997	\$262.9	\$ 27.1	\$ 19.0
Increase (decrease) in 1998 from:			
Project mines			
Tonnage volume .....	.8	.2	.1
Pass-through costs	11.9	-	-
Agreed profit per ton	(.1)	.3	.2
Other mining operations			
Tonnage volume	8.4	8.6	5.6
Average selling price	1.0	.9	.6
Operating costs	-	(9.4)	(6.1)
Other	-	.2	.1
	-----	-----	-----
Changes from operating mines	22.0	.8	.5
Royalties and other income, net .....	.5	1.6	1.0
Other operating expenses	-	(2.1)	(1.3)
Difference between effective and statutory tax rates	-	-	1.1
	-----	-----	-----
1998	\$285.4	\$ 27.4	\$ 20.3
	=====	=====	=====

</TABLE>

At the project mines, operating results improved due to increased tons sold, primarily at Coteau, partially offset by decreased tons sold at Sabine due to a customer's planned power plant outage. Results from other mining operations improved due to a full year of production at the San Miguel lignite mining operation, which began operations in July 1997. Increased income from royalties

was offset completely by increased costs of pursuing new international mining opportunities.

1997 COMPARED WITH 1996

The following schedule identifies the components of the changes in revenues, income before taxes and net income for 1997 compared with 1996:

<TABLE>
<CAPTION>

	Revenues	Income Before Taxes	Net Income
<S>	<C>	<C>	<C>
1996	\$249.1	\$ 29.1	\$ 19.2
Increase (decrease) in 1997 from:			
Project mines			
Tonnage volume	1.5	-	-
Pass-through costs	(.3)	-	-
Agreed profit per ton	(1.6)	(1.0)	(.7)
Other mining operations			
Tonnage volume	13.0	10.1	6.6
Average selling price	(1.1)	(1.1)	(.7)
Operating costs	-	(6.3)	(4.1)
Other	-	(.3)	(.2)
Changes from			
operating mines	11.5	1.4	.9
Escrow payments	-	(4.2)	(2.7)
Royalties and other income, net	2.3	.7	.5
Other operating expenses	-	.1	-
Difference between effective and statutory tax rates	-	-	1.1
1997	\$262.9	\$ 27.1	\$ 19.0

</TABLE>

Operating results from project mines declined from 1996 due to a decrease in the agreed profit per ton, which includes a decrease in project mine incentive payments received. Incentive payments are received from certain customers when actual results exceed benchmarks established in the long-term sales contract. Excluding this variance, operating results at the project mines were comparable, as increased tons sold by Coteau and Sabine were offset by decreased tons sold by Falkirk. As compared with 1996, tons sold by Coteau and Sabine increased due to customer requirements, while tons sold by Falkirk decreased due to adverse weather conditions during the first quarter of 1997 and a customer's power plant outage in the first half of 1997. Operating results from other mining operations improved due to increased tons sold by Red River and the addition of the San Miguel lignite mining operation, which completed its

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

first six months of operations in 1997. In 1996, NACoal received a non-recurring escrow payment, which negatively affects the year-to-year comparison.

OTHER INCOME, EXPENSE AND INCOME TAXES:

The components of other income (expense) and the effective tax rate are as follows for the year ended December 31:

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Interest expense			
Project mines	\$ (13.0)	\$ (12.7)	\$ (13.6)
Other mining operations	(.6)	(2.1)	(.2)
	-----	-----	-----
	\$ (13.6)	\$ (14.8)	\$ (13.8)
	=====	=====	=====
Other-net			
Project mines	\$.7	\$ (.4)	\$ (.1)
Other mining operations .....	.5	(1.6)	2.7
	-----	-----	-----
	\$ 1.2	\$ (2.0)	\$ 2.6
	=====	=====	=====
Effective tax rate ...	25.9%	29.9%	34.0%

In 1997, other-net from other mining operations includes the write-off of certain non-productive assets, while 1996 includes \$4.2 million from the receipt of the final escrow payment from the 1988 sale of a previously owned eastern underground mining property. The effective tax rate in 1998 declined due to additional percentage depletion eligible to reduce NACoal's effective tax. The reduction in the 1997 effective tax rate results from the resolution of certain tax issues provided for in previous years.

LIQUIDITY AND CAPITAL RESOURCES

NACoal has in place a \$50.0 million revolving credit facility. The expiration date of this facility, which is September 2002, may be extended annually, for one-year periods, upon the mutual consent of NACoal and the bank group. NACoal had \$47.3 million of its revolving credit facility available at December 31, 1998.

The financing of the project mining subsidiaries, which is either provided or guaranteed by the utility customers, includes long-term equipment leases, notes payable and advances from customers. The obligations of the project mining subsidiaries do not affect the short-term or long-term liquidity of NACoal and are without recourse to NACCO or NACoal. These arrangements allow the project mining subsidiaries to pay dividends to NACoal in amounts equal to their retained earnings. NACoal believes that funds available under its revolving credit agreement, operating cash flows and financing provided by the project mining subsidiaries' customers are sufficient to finance all of its operating needs and commitments arising during the foreseeable future.

NACoal anticipates spending approximately \$21.4 million for property, plant and equipment in 1999, of which \$19.2 million relates to the development, establishment and improvement of the project mining subsidiaries' mines, and is financed or guaranteed by the utility customers. The 1999 planned expenditures compare with capital expenditures of \$19.6 million incurred in 1998 and \$24.8 million incurred in 1997. Planned expenditures primarily include costs to build infrastructure and to replace aging assets. Also during 1998, NACoal invested \$10.5 million in a joint venture with Phillips Coal Company to develop the Red Hills lignite mine in Mississippi. During 1999, NACoal anticipates investing an additional \$15.4 million in this joint venture.

NACoal's capital structure, excluding the project mining subsidiaries, is presented below:

	December 31	
	-----	-----
	1998	1997
	-----	-----
<S>	<C>	<C>
Investment in project mining subsidiaries. . . .	\$ 3.6	\$ 4.3
Other net tangible assets.....	14.2	3.4

Net tangible assets . . .	----- 17.8	----- 7.7
Advances to (from) parent company	(2.5)	21.9
Debt related to parent advances....	-	(14.4)
Other debt...	(.2)	(.1)
Total debt.	----- (.2)	----- (14.5)
Stockholder's equity. . . .	----- \$15.1	----- \$15.1
Debt to total capitalization	===== 1%	===== 49%

</TABLE>

The increase in other net tangible assets is primarily due to capital investments in the Red Hills lignite mining operation, a joint venture with Phillips Coal Company scheduled to begin production in the second half of 2000. Advances to parent company and debt related to parent advances declined in 1998 as a result of repayments made by NACCO.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

NACCO MATERIALS
HANDLING GROUP, INC.

NMHG, 98 percent-owned by NACCO, designs, manufactures and markets forklift trucks and related service parts under the Hyster(R) and Yale(R) brand names.

FINANCIAL REVIEW

The results of operations for NMHG were as follows for the year ended December 31:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Revenues			
Americas	\$1,177.1	\$1,015.4	\$1,015.5
Europe, Africa and Middle East	478.6	398.9	451.8
Asia-Pacific	57.3	73.7	92.8
	----- \$1,713.0	----- \$1,488.0	----- \$1,560.1
	=====	=====	=====
Operating profit (loss)			
Americas	\$ 103.7	\$ 52.3	\$ 43.7
Europe, Africa and Middle East	32.4	22.6	32.5
Asia-Pacific	(3.9)	(4.4)	(3.7)
	----- \$ 132.2	----- \$ 70.5	----- \$ 72.5
	=====	=====	=====
Operating profit (loss) excluding goodwill amortization			
Americas	\$ 111.5	\$ 60.2	\$ 51.6
Europe, Africa and Middle East	36.0	26.2	35.9
Asia-Pacific	(3.6)	(4.2)	(3.5)
	----- \$ 143.9	----- \$ 82.2	----- \$ 84.0
	=====	=====	=====

Net income	\$ 75.1	\$ 38.7	\$ 26.4
	=====	=====	=====

</TABLE>

1998 COMPARED WITH 1997

The following schedule identifies the components of the changes in revenues, operating profit and net income for 1998 compared with 1997:

<TABLE>

<CAPTION>

	Revenues	Operating Profit	Net Income
	-----	-----	-----
<S>	<C>	<C>	<C>
1997	\$1,488.0	\$ 70.5	\$ 38.7
Increase (decrease) in 1998 from:			
Unit volume	195.6	32.2	20.9
Sales mix	(4.2)	17.7	11.5
Average sales price	(4.9)	(4.9)	(3.2)
Service parts	23.7	1.7	1.1
Foreign currency	(16.6)	(9.0)	(5.9)
Retail operations, net of intercompany	31.4	(2.1)	(1.4)
Manufacturing cost	-	29.7	19.4
Other operating expense	-	(3.6)	(2.3)
Other income and expense	-	-	5.1
Difference between effective and statutory tax rates	-	-	(8.8)
	-----	-----	-----
1998	\$1,713.0	\$ 132.2	\$ 75.1
	=====	=====	=====

</TABLE>

At NMHG, overall operating results during 1998 as compared with 1997 improved primarily due to increased unit volume and reduced manufacturing costs. Worldwide volume increased 16.3 percent to 77,709 units shipped during 1998 from 66,833 units shipped during 1997. Increased demand in the Americas and Europe, fueled by the strong economies in those regions, contributed to this volume growth. Unit shipments in Asia-Pacific, however, declined as a result of the continued weak economies in that region. Revenues were negatively affected by a reduction in higher-priced units shipped in Europe and Asia-Pacific. Operating profit and net income, however, were positively affected by increased volumes of higher-margin units shipped in the Americas and a shift to higher-margin European markets. In response to increased competition, pricing declined moderately, especially during the fourth quarter of 1998.

Increased volume and pricing of service parts, especially in the Americas, contributed an additional \$23.7 million to revenues. However, service parts

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

contributed only an additional \$1.7 million to operating profit, due to margin erosion in Europe from increased competition and a shift to lower-margin geographic markets. Foreign currency fluctuations negatively affected operating results due to the strengthening of the British pound sterling against other European currencies, which caused price and margin pressure on pound

sterling-based lift trucks. The decrease to operating profit caused by the stronger pound sterling was partially offset by the reduced cost of Japanese yen-based materials as a result of the weakening of the yen against the U.S. dollar and the pound sterling.

As a result of increased production and a slight reduction in the rate of incoming orders, the backlog declined to 19,500 units at December 31, 1998, compared with 22,100 units at December 31, 1997.

During 1998, NMHG began a strategy of acquiring Hyster and Yale retail dealerships on a permanent basis to strengthen its position in the lift truck business. Previously, NMHG had purchased dealerships on a temporary basis, primarily for the purpose of strengthening the financial position of those dealerships. This newly adopted strategy resulted in the acquisition and consolidation of several lift truck dealerships in the current year. Although these acquisitions were not material to the financial position or operating results of NMHG, they did result in a net increase in revenues of \$31.4 million and a reduction in net income of \$1.4 million, which also reflects the elimination of intercompany transactions. NMHG intends to expand further its retail operations over the next several years through acquisitions and growth of its existing dealerships.

Manufacturing costs decreased significantly in 1998 due to reduced materials pricing, savings from NMHG's ongoing process re-engineering programs ("VIP") and higher factory throughput resulting in increased overhead absorption.

Other operating expenses increased during 1998 due to increased incentive compensation and costs to support sales volume growth, partially offset by employee attrition resulting from NMHG's restructuring program, which began in 1997. For a discussion of other income and expense and the effect of taxes year over year, see Other Income, Expense and Income Taxes.

1997 COMPARED WITH 1996

During the fourth quarter of 1997, the Board of Directors approved a plan to restructure certain operating activities and to relocate certain employees at NMHG. In accordance with this plan, NMHG recognized special charges of \$16.3 million. The restructuring activities included the relocation and consolidation of certain engineering and marketing functions with the objective of improving customer service, raising productivity and thereby reducing costs. The Consolidated Statements of Income include a restructuring charge, which was recorded in 1997, of \$8.0 million (\$4.8 million after effective tax provision, or \$0.59 per share). This charge represents severance payments made in 1997 of \$1.1 million to approximately 50 employees and the recognition of a \$6.9 million accrual for additional severance payments and lease termination costs. In 1998, \$2.2 million of the severance accrual was reversed due to the higher-than-anticipated number of employees willing to relocate.

In addition, selling, general and administrative expenses in the 1997 Consolidated Statements of Income include a charge of \$8.3 million (\$5.0 million after effective tax provision, or \$0.61 per share) arising from commitments to provide relocation benefits to certain employees. In 1998, NMHG incurred an additional \$4.5 million related to increases in temporary labor, moving and training costs associated with the restructuring program.

The changes to NMHG's restructuring accrual as announced in 1997 are as follows:

<TABLE>
<CAPTION>

	Employee Severance -----	Other -----
<S>	<C>	<C>
Balance at December 31, 1997.....	\$ 5.9	\$ 1.0
Provision (reversal).....	(2.2)	.6
Payments.....	(3.3)	(1.6)
	-----	-----
BALANCE AT DECEMBER 31, 1998.....	\$.4	\$ -
</TABLE>	=====	=====

Also during 1997, NMHG recognized several tax adjustments that affect year-to-year comparability. In 1997, management identified certain future business opportunities and financing alternatives and concluded that the earnings of its foreign subsidiaries will remain invested offshore for the foreseeable future. This conclusion resulted in a credit to net income of \$15.3 million in 1997, representing the reversal of deferred taxes on unremitted

foreign earnings provided prior to 1997. In addition, NMHG recognized a valuation

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

allowance of \$5.9 million in 1997 against certain deferred tax assets. See Note 17 to the Consolidated Financial Statements for a further discussion of these items. The net effect of these tax adjustments of \$9.4 million (or \$1.15 per share) reduced NACCO's consolidated effective tax rate by 11 percent and reduced NMHG's effective tax rate by 18 percent in 1997.

The following schedule identifies the components of the changes in revenues, operating profit and net income for 1997 compared with 1996:

<TABLE>
<CAPTION>

	Revenues	Operating Profit	Net Income
	-----	-----	-----
<S>	<C>	<C>	<C>
1996	\$1,560.1	\$ 72.5	\$ 26.4
Increase (decrease) in 1997 from:			
Unit volume	(71.2)	(16.0)	(10.4)
Sales mix	8.3	11.9	7.7
Average sales price	1.5	1.5	1.0
Service parts	14.5	5.5	3.6
Foreign currency	(25.2)	(3.6)	(2.4)
Manufacturing cost	-	18.4	11.9
Other operating expense	-	(3.4)	(2.2)
Other income and expense	-	-	5.6
Difference between effective and statutory tax rates	-	-	(1.3)
	-----	-----	-----
	\$1,488.0	\$ 86.8	\$ 39.9
Restructuring charge	-	(8.0)	(5.2)
Employee relocation charge	-	(8.3)	(5.4)
Tax adjustments	-	-	9.4
	-----	-----	-----
1997	\$1,488.0	\$ 70.5	\$ 38.7
	=====	=====	=====

</TABLE>

While revenues in 1997 decreased 4.6 percent, net income increased 46.6 percent. Revenues declined primarily due to a decrease in worldwide unit volume to 66,833 units in 1997 from 69,389 units in 1996. Unit volume dropped significantly during the first quarter of 1997 due to decreased demand and production rates. However, demand, production rates and, thus, shipments increased steadily during the last three quarters of 1997 to a level comparable with the same period of 1996. In addition to decreased unit volume, NMHG's revenue decline was also caused by: (i) a slight decline in the European market size, (ii) adverse currency impacts on pricing, (iii) a decrease in the Asia-Pacific market size and (iv) a decline in Asia-Pacific's market share due to intense competition.

Although revenues declined in 1997, worldwide backlog increased to 22,100 units at December 31, 1997, from 11,700 units at December 31, 1996.

The strengthening of the British pound sterling during 1997 had an adverse impact on NMHG's revenues, operating profit and net income. This impact on operating profit and net income was partially offset, however, by significant savings from material purchases denominated in Japanese yen, which weakened against the U.S. dollar.

Excluding the effects of the restructuring charge, the employee relocation provision and the tax adjustments discussed previously, operating profit and net income increased compared with 1996. This increase primarily resulted from improved manufacturing efficiencies, savings from process re-engineering, gains from strategic supplier alliances, favorable sales mix and increased parts sales. In addition, net income increased due to lower interest expense as a result of reduced borrowings, reflecting strong operating cash flows and the impact of the sale of certain accounts receivable.

OTHER INCOME, EXPENSE AND INCOME TAXES:

The components of other income (expense) and the effective tax rate are as follows for the year ended December 31:

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Interest expense	\$ (14.0)	\$ (14.5)	\$ (25.0)
Other-net	2.2	(3.7)	(1.5)
	-----	-----	-----
	\$ (11.8)	\$ (18.2)	\$ (26.5)
	=====	=====	=====
Effective tax rate	38.4%	26.0%	42.5%

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

The decline in interest expense in 1998 and 1997, compared with 1996, resulted from both a decrease in the effective interest rate and reduced average borrowings. The reduction in the average borrowings was facilitated by improved cash flow from operations and proceeds from the sale of certain accounts receivable.

In 1998, other-net includes non-recurring income of \$4.6 million for settlements from legal proceedings. Other-net also includes equity in the earnings of unconsolidated affiliates, including Sumitomo-NACCO Materials Handling Group ("S-N"), a 50 percent-owned joint venture, and gains and losses on the sale of assets, including receivables. In 1998, other-net included income of \$0.5 million from S-N, compared with income of \$0.4 million in 1997 and \$1.5 million in 1996. Discounts on the sale of domestic and international receivables were \$3.2 million in 1998, \$4.3 million in 1997 and \$1.8 million in 1996, reflecting the 1997 addition of the domestic sale of receivables.

As noted previously, the net effect of an adjustment to reverse the reserve for taxes on unremitted foreign earnings and the recognition of a valuation allowance against certain deferred tax assets resulted in an 18 percent reduction in the effective tax rate in 1997. The effective tax rates for 1998 and 1996 exclude these one-time items. The 1998 effective tax rate reflects the absence of a provision for certain deferred taxes on unremitted foreign earnings in accordance with the Company's policy established in 1997. In addition, the effective tax rate in 1998 was reduced by a shift in income to jurisdictions with lower tax rates and the effect of a fixed amount of nondeductible goodwill amortization on an increased level of pre-tax income.

LIQUIDITY AND CAPITAL RESOURCES

NMHG has a \$350.0 million revolving credit facility that expires in June 2002, but may be extended annually, for one-year periods, upon the mutual

consent of NMHG and the bank group. In addition, the NMHG facility has performance-based pricing, which sets interest rates based upon the achievement of certain financial performance targets. At December 31, 1998, NMHG had available \$157.3 million of its \$350.0 million revolving credit facility. NMHG also has separate credit facilities totaling \$50.1 million, of which \$38.6 million was available at December 31, 1998, and maintains additional uncommitted lines of credit, of which \$35.4 million was available at December 31, 1998. NMHG believes that funds available under its credit facilities and operating cash flows are sufficient to finance all of its operating needs and commitments arising during the foreseeable future.

NMHG anticipates spending approximately \$56.5 million for property, plant and equipment in 1999, compared with capital expenditures of \$63.9 million in 1998 and \$25.3 million in 1997. Planned expenditures in 1999 include investments in existing retail operations, manufacturing facilities, worldwide information systems and tooling for new products. The increase in the capital expenditures in 1998 over 1997 resulted from significant capital projects undertaken, including: the centralization of NMHG's marketing and engineering organizations in connection with its restructuring plan and investments in manufacturing facilities, including new plants constructed in Mexico and China, worldwide information systems and tooling for new products. In 1999, NMHG anticipates continuing investments in business acquisitions in amounts that may exceed the 1998 acquisition investment of \$16.6 million. The principal sources of financing for these capital expenditures and acquisitions are internally generated funds and bank borrowings.

In 1997, NMHG entered into an agreement with a financial institution to sell an undivided percentage ownership interest in certain eligible domestic accounts receivable, on a revolving basis, up to a maximum of \$60.0 million. The expiration date of this agreement, which was extended to August 1999 during 1998, may be extended for one-year periods through April 2001, upon the mutual consent of both parties. As of December 31, 1998, \$37.7 million of NMHG's trade receivables were sold in accordance with this agreement, and are reflected in the Consolidated Balance Sheets as a reduction of accounts receivable, net. The proceeds from the initial sale of receivables in 1997 were used to reduce the level of borrowings under NMHG's revolving credit facility. In connection with this transaction, NMHG's \$350.0 million revolving credit facility was amended in 1997 to provide that the total credit available at any point in time will be reduced by the amount of domestic receivables sold at such time.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

At December 31, 1998, 1997 and 1996, accounts receivable as presented in the Consolidated Balance Sheets did not include \$67.2 million, \$33.5 million and \$56.3 million, respectively, of trade accounts receivable that had been sold pursuant to the agreement discussed above and pre-existing agreements to sell trade accounts receivable in Europe and Asia-Pacific.

NMHG's capital structure is presented below:

<TABLE>
<CAPTION>

	December 31	
	1998	1997
	-----	-----
<S>	<C>	<C>
Total net tangible assets	\$ 300.0	\$ 188.3
Advances to parent		
company	18.0	-
Goodwill at cost	454.0	447.8
	-----	-----
Net assets before		
goodwill amortization	772.0	636.1
Accumulated goodwill		
amortization	(105.9)	(94.4)
Total debt	(200.2)	(156.8)

Minority interest	(3.9)	-
	-----	-----
Stockholders' equity	\$ 462.0	\$ 384.9
	=====	=====
Debt to total capitalization	30%	29%

The increase in net tangible assets of \$111.7 million is partially due to business acquisitions, which increased net tangible assets by approximately \$50.0 million. Excluding the effect of these acquisitions, net tangible assets increased \$61.7 million primarily due to a \$9.9 million increase in accounts receivable; a \$20.6 million increase in inventory; and a \$33.1 million increase in property, plant and equipment, net. The increase in accounts receivable reflects the growth in sales volume. Increased inventories reflect a build-up of inventory necessary to support increased sales volume in 1998.

In 1998, NMHG entered into a joint venture to manufacture forklift trucks in China. NMHG holds a direct 55.0 percent interest in this venture and, thus, NMHG's 1998 balance sheet reflects the consolidation of this joint venture. The \$3.9 million minority interest liability reflects the portion of the venture's equity owned by the minority partners.

Increased debt reflects financing needed to fund an \$18.0 million advance to NACCO and capital leases assumed upon the acquisition of various retail dealerships.

NACCO
HOUSEWARES GROUP

In the second quarter of 1998, the Company began reporting the results of HB-PS and KCI on a combined basis as NACCO Housewares Group. This reporting change was made in accordance with Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," to reflect the change in management's perspective of the relationship between these two subsidiaries. Management concluded that a closer working relationship between these two subsidiaries, which operate in the same segment, housewares, may prove synergistic for the Company.

See page 22 for a description of HB-PS, wholly owned by NACCO, and KCI, wholly owned by NACCO. Because the housewares business is seasonal, a majority of revenues and operating profit 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

The results of operations for NACCO Housewares Group were as follows for the year ended December 31:

<TABLE>			
<CAPTION>			
	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues	\$ 537.6	\$ 495.8	\$ 463.7
Operating profit	\$ 34.6	\$ 26.1	\$ 27.4
Operating profit excluding goodwill amortization	\$ 37.6	\$ 30.2	\$ 31.3
Net income	\$ 15.2	\$ 10.5	\$ 12.2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

1998 COMPARED WITH 1997

The following schedule identifies the components of the changes in revenues, operating profit and net income for 1998 compared with 1997:

<TABLE>

<CAPTION>

	Revenues	Operating Profit	Net Income
	-----	-----	-----
<S>	<C>	<C>	<C>
1997	\$495.8	\$ 26.1	\$ 10.5
Increase (decrease) in 1998 from:			
Unit volume and sales mix	42.9	14.6	9.5
Average sales price	(3.7)	(3.7)	(2.4)
Retail sales	2.6	.5	.2
Manufacturing cost	-	.5	.3
Other operating expense	-	(3.4)	(2.2)
Other income and expense	-	-	(.2)
Difference between effective and statutory tax rates	-	-	(.5)
	-----	-----	-----
1998	\$537.6	\$ 34.6	\$ 15.2
	=====	=====	=====

</TABLE>

Operating results at Housewares improved primarily due to improved operating results at HB-PS. Unit volume at HB-PS increased 9.6 percent to 36.6 million units sold in 1998 from 33.4 million units sold in 1997. Increased demand from key mass merchants, specifically for indoor grills, blenders, toasters and irons, significantly contributed to unit volume growth. Net income improved due to a shift in sales mix to higher-margin products, partially offset by continued price decreases due to competition from Chinese imports. The strengthening of the U.S. dollar against the Canadian dollar resulted in a decrease to operating profit of approximately \$2.5 million, primarily due to translating Canadian dollar revenues to a stronger U.S. dollar. This decrease to operating profit was partially mitigated by price increases introduced in the Canadian market that increased revenue and operating profit by approximately \$0.3 million.

Manufacturing costs declined due to increased production at more cost-efficient Mexican plants and reduced materials costs. These reduced manufacturing expenses were partially offset by cost increases related to transferring activities to manufacturing facilities in Mexico, including a \$3.2 million pre-tax restructuring charge recognized in 1998. Operating costs increased to support sales growth. In addition, operating costs in 1998 include increased legal fees, advertising costs and provisions for potential bad debts. Revenues and net income from KCI improved slightly due to the addition of three new stores during the year.

1997 COMPARED WITH 1996

The following schedule identifies the components of the changes in revenues, operating profit and net income for 1997 compared with 1996:

<TABLE>

<CAPTION>

	Revenues	Operating Profit	Net Income
	-----	-----	-----
<S>	<C>	<C>	<C>
1996	\$463.7	\$ 27.4	\$ 12.2
Increase (decrease) in 1997 from:			
Unit volume and sales mix	40.7	13.1	8.5
Average sales price	(12.7)	(12.7)	(8.3)
Retail sales	4.1	(.3)	(.2)
Manufacturing cost	-	.4	.3
Other operating expense	-	(1.8)	(1.1)
Other income and expense	-	-	(.2)
Difference between			

effective and	-	-	(.7)
statutory tax rates	-----	-----	-----
1997	\$495.8	\$ 26.1	\$ 10.5
	=====	=====	=====

</TABLE>

Housewares' operating results were driven primarily by operating results at HB-PS. Revenues from HB-PS in 1997 grew due to increased unit volume, partially offset by a decline in the average sales price per unit. Increased volume to 33.4 million units in 1997 from 29.6 million units in 1996 resulted from increased sales of toasters, blenders, hand mixers and irons, partially offset by decreased sales of toaster ovens, roasters and can openers. These volume increases were largely driven by increased sales to key mass merchants, resulting in improved market share. The increase in operating profit and net income resulting from this volume growth was almost entirely offset by price decreases, which were necessary to compete with Chinese imports.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

Net income declined due to increased employee costs at both HB-PS and KCI, start-up costs of HB-PS' Saltillo facility, expenses to reduce HB-PS' manufacturing activities in the United States and increased interest expense due to higher average debt levels.

OTHER INCOME, EXPENSE AND INCOME TAXES: The components of other income (expense) and the effective tax rate are as follows for the year ended December 31:

<TABLE>

<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Interest expense	\$ (7.0)	\$ (7.3)	\$ (7.1)
Other-net	(.7)	(.2)	(.3)
	-----	-----	-----
	\$ (7.7)	\$ (7.5)	\$ (7.4)
	=====	=====	=====

Effective tax rate

	43.2%	43.7%	39.1%
--	-------	-------	-------

</TABLE>

The effective tax rate in 1996 was reduced by the utilization of foreign tax credits. In addition, the effective tax rate for 1996 was also reduced by favorable income tax adjustments relating to the resolution of tax issues from prior years.

LIQUIDITY AND CAPITAL RESOURCES

HB-PS' credit agreement provides for a revolving credit facility ("HB-PS Facility") that: (i) permits advances up to \$160.0 million, (ii) is secured by substantially all of HB-PS' assets, (iii) provides lower interest rates if HB-PS achieves certain interest coverage ratios and (iv) allows for interest rates quoted under a competitive bid option. The HB-PS Facility expires in May 2003. At December 31, 1998, HB-PS had \$63.6 million available under this facility. In addition, HB-PS has separate uncommitted facilities that permitted \$27.5 million of additional borrowings at December 31, 1998.

In 1998, the HB-PS Facility was amended to allow advances of up to \$10.0 million from HB-PS to KCI. Subsequent to this amendment, KCI's cash requirements are financed through advances from HB-PS. Accordingly, in 1998, KCI terminated its external revolving credit facility. Housewares believes that funds available under its credit facilities and operating cash flows are sufficient to finance all of its operating needs and commitments arising during the foreseeable future.

Housewares anticipates spending approximately \$24.2 million for property, plant and equipment in 1999, compared with capital expenditures of \$16.8 million in 1998 and \$18.3 million in 1997. Planned expenditures for 1999 include tooling for new products and machinery and equipment, which will be used primarily to reduce manufacturing costs and increase efficiency. These expenditures are funded primarily from internally generated funds and bank borrowings.

Housewares' capital structure is presented below:

<TABLE>
<CAPTION>

	December 31	
	1998	1997
<S>	<C>	<C>
Total net tangible assets	\$153.3	\$127.8
Goodwill at cost	123.5	123.5
Net assets before goodwill amortization	276.8	251.3
Accumulated goodwill amortization	(30.6)	(27.6)
Total debt	(96.0)	(85.8)
Stockholder's equity	\$150.2	\$137.9
Debt to total capitalization	39%	38%

</TABLE>

Total net tangible assets increased \$25.5 million primarily due to a \$14.2 million increase in inventory; a \$2.6 million increase in net property, plant and equipment; and a \$6.2 million decrease in accounts payable. Increased inventories reflect a build-up of inventory necessary to support increased sales volume and potential growth opportunities. Accounts payable decreased primarily due to the timing of payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

NACCO AND OTHER
FINANCIAL REVIEW

NACCO and Other includes the parent company operations and Bellaire Corporation ("Bellaire"), a non-operating subsidiary of NACCO. Although Bellaire's operations are immaterial, it has significant long-term liabilities related to closed mines, primarily from former eastern U.S. underground coal-mining activities. Cash payments related to Bellaire's obligations, net of internally generated cash, are funded by NACCO and historically have not been material.

The results of operations at NACCO and Other were as follows for the year ended December 31:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Revenues	\$.2	\$.2	\$.3
Operating loss	\$(10.7)	\$(8.5)	\$(9.0)
Other income (expense), net	\$ (.2)	\$ (.4)	.2
Net loss	\$(8.3)	\$(6.4)	\$(7.2)

</TABLE>

Although NACCO's subsidiaries have entered into substantial borrowing agreements, NACCO has not guaranteed the long-term debt or any borrowings of its subsidiaries.

During 1997, NMHG achieved a specified covenant release as provided in its borrowing agreement. Therefore, dividends or advances from NMHG to its stockholders are not restricted. There are no restrictions on the transfer of assets from NACoal to NACCO. The borrowing agreement at NACCO Housewares Group allows for the payment of dividends to NACCO under certain circumstances. Dividends, advances and management fees from its subsidiaries are the primary sources of cash for NACCO.

The Company believes that funds available under credit facilities, anticipated funds generated from operations and the utility customers' funding of the project mining subsidiaries are sufficient to finance all of its operating needs and commitments arising during the foreseeable future.

NACCO's consolidated capital structure is presented below:

	December 31	
	1998	1997
<S>	<C>	<C>
Total net tangible assets	\$ 473.2	\$ 328.4
Goodwill at cost	577.5	571.3
Net assets before goodwill amortization	1,050.7	899.7
Accumulated goodwill amortization	(136.5)	(122.0)
Total debt, excluding current and long-term portion of obligations of project mining subsidiaries	(296.4)	(257.0)
Closed mine obligations (Bellaire), including UMWA, net-of-tax	(76.6)	(79.0)
Minority interest	(22.9)	(16.6)
Stockholders' equity	\$ 518.3	\$ 425.1
Debt to total capitalization	35%	37%

RECENTLY ISSUED ACCOUNTING STANDARDS

The Company has not yet adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities;" Statement of Position ("SOP") No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use;" or SOP No. 98-5, "Reporting on the Costs of Start-Up Activities." A discussion of these new standards is included in Note 2 to the Consolidated Financial Statements.

EFFECTS OF FOREIGN CURRENCY AND INFLATION

NMHG and HB-PS operate internationally and enter into transactions denominated in foreign currencies. As a result, the Company is subject to the variability that arises from exchange rate movements. The effects of foreign currency on operating results at NMHG and HB-PS are discussed above. The Company's use of foreign currency derivative contracts is discussed under the heading, "Quantitative and Qualitative Disclosures about Market Risk."

The Company believes that inflation has not materially affected its results of operations in 1998, and does not expect inflation to be a significant item in 1999.

ENVIRONMENTAL MATTERS

The Company's manufacturing operations, like those of other companies engaged in similar businesses, involve the use, disposal and cleanup of substances regulated under environmental protection laws. The Company's NACoal subsidiary is affected by the regulations of agencies under which it operates, particularly the Federal Office of Surface Mining, the United States Environmental Protection Agency and associated state regulatory authorities. In addition, NACoal closely monitors proposed legislation concerning the Clean Air Act Amendments of 1990, reauthorization of the Resource Conservation and Recovery Act, the Clean Water Act, the Endangered Species Act and other regulatory actions.

Compliance with these increasingly stringent standards could result in higher expenditures for both capital improvements and operating costs. The Company's policies stress environmental responsibility and compliance with these regulations. Based on current information, management does not expect compliance with these regulations to have a material adverse effect on the Company's financial condition or results of operations.

YEAR 2000

Year 2000 ("Y2K") issues exist because many information technology ("IT") and non-information technology ("non-IT") systems were designed to recognize years by reference to only the last two digits of the year. As a result, these systems assume the relevant year begins with "19." These systems could fail or produce erroneous information if they are not modified to recognize dates beginning with "20."

STATE OF READINESS: NACCO and each of its subsidiaries have developed a formal compliance plan to address the Y2K issue. The audit committee of the Board of Directors is periodically updated on each company's progress in addressing the Y2K issue. The companies' compliance plans encompass the evaluation of IT and non-IT systems, as well as an assessment of third parties' readiness and the extent to which third-party representations can be relied upon. Furthermore, the execution of the Company's compliance plans has been prioritized in terms of significance to the Company's ability to generate revenues, income and cash flows. The following discussion addresses IT and non-IT systems that may have a material effect on the Company's ability to generate revenues, income and cash flows. The compliance plans are categorized into one of four phases: (i) awareness, (ii) assessment, (iii) renovation and (iv) validation and implementation (testing).

IT SYSTEMS: The Company has completed its assessment of all of its IT systems and the renovation of substantially all of its IT systems. NMHG and NACoal plan to complete renovation and testing of all IT systems by June 1999; Housewares plans to complete renovation and testing of all IT systems by April 1999.

NON-IT SYSTEMS: The Company's Y2K compliance plan also addresses non-IT systems with date-sensitive operating controls such as computer-controlled manufacturing and mining equipment; heating, ventilating and cooling systems; fire alarms, phone, voice mail, security and other similar systems. At NMHG, the assessment, renovation and testing of non-IT systems is targeted to be completed by July 1999. As of March 1998, all of Housewares' computer-controlled manufacturing equipment was validated to be Y2K ready. As of January 1999, the remainder of Housewares' non-IT systems was validated to be Y2K ready. At NACoal, assessment and testing of critical computer-controlled equipment and other non-IT systems are scheduled to be completed by June 1999.

THIRD PARTIES: The Company has contacted substantially all of its third-party, critical-component suppliers. NMHG supplier surveys indicated that approximately 70 percent of NMHG's critical suppliers were Y2K ready as of December 1998, with the remainder targeting compliance by the end of 1999. NMHG will begin testing its critical-component suppliers' order entry and acknowledgment systems in the first quarter of 1999. At Housewares, supplier surveys indicated that approximately 85 percent of Housewares' critical suppliers are currently Y2K ready or have a plan in place to be ready by the end of 1999. The remainder of Housewares' critical suppliers have not yet responded to the survey. The Company continues to pursue responses from those suppliers. Housewares plans to perform tests of Y2K readiness of critical suppliers in July 1999. NACoal has surveyed its critical vendors, but only

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

50 percent have responded. NACoal plans to pursue responses and create contingency plans to mitigate any problems with critical vendors. Of those who have responded, approximately 80 percent have indicated that they have a plan to be Y2K ready by the end of 1999.

The Company has contacted its critical utility providers, financial institutions and customers to assess their Y2K readiness. The majority of these third-party partners have indicated that they are ready or have a plan in place to be Y2K ready by December 31, 1999. The Company continues to monitor their progress and remains in contact with critical partners, such as NACoal's power plant customers. The Company will develop contingency plans as it becomes aware of the potential for critical third-party partners' non-compliance.

COSTS TO ADDRESS Y2K ISSUES: The Company received and implemented computer software upgrades, under normal maintenance agreements with third-party vendors, that enabled substantially all of the Company's IT systems to be Y2K ready. As such, costs to address the Y2K issue have not been, and are not expected to be, material to the Company. Internal and external costs incurred to date have been approximately \$4.3 million. The Company estimates an additional \$1.8 million will be expended during 1999 relating to this issue. These costs have been and are expected to be funded by cash flows from operations.

CONTINGENCY PLANS: While some contingency plans have been formalized, other contingency plans continue to be formulated. Such contingency plans, both those formalized and those under discussion, include, if necessary, building a safety stock of critical components prior to January 1, 2000; requiring certain suppliers to maintain a safety stock; or locating alternate suppliers that are Y2K ready. The Company plans to replace, to the extent possible, those vendors who have not responded to surveys or have indicated "no plan in place" by September 1999. The Company plans to develop a risk assessment guide that will enable the Company to identify customers who may have cash flow troubles due to non-compliance. The Company may need to reduce the extension of credit, selling terms or amount of shipments to those customers.

The Company's Y2K efforts are ongoing, and its overall plan, as well as the consideration of contingency plans, will continue to evolve as new information becomes available. While the Company anticipates continuity of its business activities, that continuity will be dependent upon its ability, and the ability of third parties on which the Company relies, directly and indirectly, to be Y2K ready.

RISKS OF THE COMPANY'S Y2K ISSUES: Although the Company believes it has a compliance plan that will mitigate the risk that the Y2K issue will have a material adverse effect on the Company, the ultimate impact of this issue on the Company is uncertain. Suppliers' failure to deliver critical components, third parties' failure to supply power and/or telecommunication systems to manufacturing plants or mines, or the Company's failure to complete, in a timely manner, the updating of computer-controlled manufacturing equipment could result in delayed delivery of products to customers, which could have a material adverse effect on earnings and cash flow. In addition, customers' non-compliance could result in the loss of customers or a customer's inability to purchase or pay for products, which could have a material adverse effect on earnings and cash flow.

The Company has not yet finished its assessment, renovation and testing of all areas of Y2K readiness. Therefore, there can be no assurance that the Y2K issue will not have a material adverse effect on the Company's financial position, results of operations or cash flows. See "Outlook" for additional risks and uncertainties associated with Y2K compliance.

EURO CONVERSION

On January 1, 1999, 11 of the 15 countries that are members of the European Union introduced a new currency unit called the "Euro," which will ultimately replace the national currencies of these 11 countries. The conversion rates

between the Euro and the participating nations' currencies were fixed irrevocably as of January 1, 1999, with the participating national currencies being removed from circulation between January 1, 2002 and June 30, 2002, and replaced by Euro notes and coinage. During the "transition period" from January 1, 1999 through December 31, 2001,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

public and private entities as well as individuals may pay for goods and services using either checks, drafts or wire transfers denominated in Euro or the participating country's national currency.

Under the regulations governing the transition to a single currency, there is a "no compulsion, no prohibition" rule, which states that no one is obligated to use the Euro until the notes and coinage have been introduced on January 1, 2002. In keeping with this rule, as of January 1, 1999, the Company is now also able to (i) receive Euro-denominated payments, (ii) invoice in Euro as requested by vendors and suppliers and (iii) perform appropriate conversion and rounding calculations. Full conversion of all affected country operations to the Euro is expected to be completed by the time national currencies are removed from circulation. The cost of software and business process conversion required to achieve such abilities is not expected to be material.

The Company does not anticipate that the introduction and use of the Euro will materially affect the Company's foreign exchange and hedging activities or the Company's use of derivative instruments, or will have a material adverse effect on operating results or cash flows. However, the ultimate effect of the Euro on competition due to price transparency and foreign currency risk cannot yet be determined and may have an adverse effect, possibly material, on the Company's operations, financial position or cash flows. Conversely, introduction of the Euro may also have positive effects, such as lower foreign currency risk and reduced prices of raw materials resulting from increased competition among suppliers. The Company continues to monitor and assess the potential risks imposed by the Euro.

OUTLOOK

NACOAL: NACOAL's customers have forecasted that their 1999 demand will remain consistent with 1998 levels, except at the Sabine mining operation in Texas, where a customer's unplanned power plant outage during 1999 is temporarily interrupting lignite deliveries to the plant. As a result, NACOAL anticipates that its total volume of lignite deliveries in the first quarter of 1999 will be lower compared with 1998's first quarter. NACOAL anticipates decreased royalty income in 1999 due to reduced third-party mining activity of its Eastern underground coal reserves. NACOAL expects to continue incurring expenses in 1999 for the development of international mining opportunities and the Mississippi-based Red Hills mine, in which it owns a 25 percent interest, and which is scheduled to begin production in the second half of 2000. NACOAL also expects to recognize a net after-tax reduction to net income of approximately one million dollars in the first quarter of 1999 for the cumulative effect of an accounting change related to the recognition of mine start-up costs.

NMHG: NMHG anticipates a moderate reduction in lift truck industry factory bookings for the North American and European markets in 1999 compared with 1998. Industry demand in the Asia-Pacific market, which represents less than 5 percent of sales, is expected to be flat or increase slightly. As a result of these softer markets, NMHG anticipates some price pressure. However, NMHG expects that its cost reduction initiatives, including Value Improvement, Demand Flow Technology, infrastructure reorganization and its new Saltillo, Mexico manufacturing plant, will have a positive effect on net income in 1999. NMHG also expects that its strategy of strengthening its distribution system will involve the permanent acquisition of additional retail dealerships worldwide.

HOUSEWARES: HB-PS is expected to continue increasing production capacity in 1999 at its new Saltillo manufacturing facility by transferring additional toaster and motor assembly operations. Increased manufacturing efficiencies are expected to continue at the Saltillo facility in 1999. Housewares also expects

to introduce additional Hamilton Beach((R)) product line extensions and to place increased emphasis on international sales. Continued competition from Chinese imports is also anticipated. KCI plans to continue testing conventional retail formats in medium-sized markets.

The statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere throughout this Annual Report that are not historical facts are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

forward-looking statements are made subject to certain risks and uncertainties that could cause actual results to differ materially from those presented in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Such risks and uncertainties with respect to each subsidiary's operations include without limitation:

NACOAL: (1) weather conditions and other events that would change the level of customers' fuel requirements, (2) weather or equipment problems that could affect lignite deliveries to customers, (3) costs to pursue international opportunities and (4) delays in the start-up of the Red Hills lignite mine.

NMHG: (1) changes in demand for lift trucks and related service parts on a worldwide basis, (2) changes in sales prices, (3) delays in delivery or increased costs of raw materials or sourced products and labor, (4) delays in manufacturing and delivery schedules, (5) exchange rate fluctuations, changes in foreign import tariffs and monetary policies, and other changes in the regulatory climate in the foreign countries in which NMHG operates and/or sells products, (6) product liability or other litigation, warranty claims or other returns of products, (7) ability to acquire dealerships acceptable to NMHG, (8) costs related to the integration of acquisitions and (9) increased competition, foreign currency risk and/or operating costs resulting from the introduction of the Euro.

HOUSEWARES:(1) delays or increased costs in the start-up of operations in Saltillo and/or in the execution of the restructuring program, (2) bankruptcy of or loss of major retail customers, (3) changes in the sales price, product mix or levels of consumer purchases of kitchenware and small electric appliances, (4) exchange rate fluctuations, changes in the foreign import tariffs and monetary policies, and other changes in the regulatory climate in the foreign countries in which Housewares buys, operates and/or sells products, (5) product liability or other litigation, warranty claims or other returns of products, (6) increased competition from Chinese imports and (7) weather conditions that would affect the number of customers visiting KCI stores.

Y2K COMPLIANCE:(1) delays in the completion of the Company's Y2K compliance plan within the expected time frames disclosed above, (2) inability of the Company's suppliers or vendors (including utility providers and financial institutions) to be Y2K ready when necessary, (3) inability of NACoal's customers to be Y2K ready when necessary, (4) increased costs to address Y2K issues, (5) the Company's inability to replace vendors that are not, or that cannot give assurances that they will be, Y2K ready and (6) the Company's inability to formulate in a timely manner any required contingency plan that will solve or mitigate problems arising from any of the foregoing.

QUANTITATIVE AND QUALITATIVE DISCLOSURES
ABOUT MARKET RISK

INTEREST RATE RISK

The Company's subsidiaries, NMHG, HB-PS and NACoal, have entered into certain financing arrangements that require interest payments based on floating interest rates. As such, the Company's financial results are subject to changes in the market rate of interest. To reduce the exposure to changes in the market rate of interest, the Company has entered into interest rate swap agreements for a portion of its floating rate financing arrangements. The Company does not enter into interest rate swap agreements for trading purposes. Terms of the interest rate swap agreements require the subsidiaries to receive a variable interest rate and pay a fixed interest rate. See also Note 2 and Note 13 to the Consolidated Financial Statements.

For purposes of specific risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in interest rates. Assuming a hypothetical 10 percent decrease in the interest rates as of December 31, 1998, the fair market value of interest rate-sensitive financial instruments, which primarily represents interest rate swap agreements, would decline by \$1.9 million as compared with their fair market value at December 31, 1998.

 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

FOREIGN CURRENCY RISK

NMHG and HB-PS operate internationally and enter into transactions denominated in foreign currencies. As such, their financial results are subject to the variability that arises from exchange rate movements. NMHG and HB-PS use forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies and not for trading purposes. These contracts mature within one year and require the companies to buy or sell Japanese yen, Australian dollars, Canadian dollars or various European currencies for the functional currency in which the applicable subsidiary operates at rates agreed to at the inception of the contracts. See also Note 2 and Note 13 to the Consolidated Financial Statements.

For purposes of specific risk analysis, the Company uses sensitivity analysis to measure the potential loss in fair value of financial instruments sensitive to changes in foreign currency exchange rates. Assuming a hypothetical 10 percent strengthening of the U.S. dollar as compared with other foreign currencies at December 31, 1998, the fair market value of foreign currency-sensitive financial instruments, which primarily represents forward foreign currency exchange contracts, would decline by \$3.8 million as compared with their fair market value at December 31, 1998. It is important to note that the loss in fair market value indicated in this sensitivity analysis would be somewhat offset by changes in the fair market value of the underlying receivables, payables and net investments in foreign subsidiaries.

MARKET FOR NACCO INDUSTRIES, INC. COMMON STOCK AND RELATED SECURITY HOLDERS' MATTERS

NACCO Industries, Inc. 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. The high and low market prices for the Class A common stock and dividends per share for both classes of stock for each quarter during the past two years are presented in the table below:

<TABLE>
 <CAPTION>

1998		
Sales Price		Cash Dividend
High	Low	
<C>	<C>	<C>

<S>

FIRST QUARTER	\$ 137.81	\$ 93.13	19.50 (CENT)
SECOND QUARTER	\$ 177.00	\$ 121.00	20.50 (CENT)
THIRD QUARTER	\$ 157.50	\$ 95.19	20.50 (CENT)
FOURTH QUARTER	\$ 112.81	\$ 76.25	20.50 (CENT)

<TABLE>
<CAPTION>

	1997		
	Sales Price		Cash Dividend
	High	Low	
<S>	<C>	<C>	<C>
First quarter	\$ 55.38	\$ 49.13	18.75 (cent)
Second quarter	\$ 56.69	\$ 44.38	19.50 (cent)
Third quarter	\$ 119.50	\$ 55.75	19.50 (cent)
Fourth quarter	\$ 127.00	\$ 96.28	19.50 (cent)

At December 31, 1998, there were approximately 500 Class A common stockholders of record and 300 Class B common stockholders of record.

[NACCO QUARTERLY AVERAGE CLOSING PRICE GRAPH]

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CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
NACCO Industries, Inc. and Subsidiaries

<TABLE>
<CAPTION>

	Year Ended December 31		
	1998	1997	1996
	(In millions, except per share data)		
<S>	<C>	<C>	<C>
Revenues	\$ 2,536.2	\$ 2,246.9	\$ 2,273.2
Cost of sales	2,020.7	1,825.9	1,874.1
GROSS PROFIT	515.5	421.0	399.1
Selling, general and administrative expenses	301.1	265.2	252.5
Amortization of goodwill	14.7	15.8	15.4
Restructuring charge	1.6	8.0	-
OPERATING PROFIT	198.1	132.0	131.2
Other income (expense)			
Interest expense	(34.6)	(36.6)	(45.9)
Other - net	2.5	(6.3)	1.0
	(32.1)	(42.9)	(44.9)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	166.0	89.1	86.3
Provision for income taxes	60.7	26.4	34.3
INCOME BEFORE MINORITY INTEREST	105.3	62.7	52.0
Minority interest	(3.0)	(.9)	(1.4)
NET INCOME	\$ 102.3	\$ 61.8	\$ 50.6

Other comprehensive income			
Foreign currency translation adjustment	\$ 3.6	\$ (8.5)	\$ 2.8
Minimum pension liability adjustment, net of (\$1.4) tax in 1998; \$0.4 tax in 1997; \$1.1 tax in 1996	(2.4)	.6	1.8
	-----	-----	-----
	1.2	(7.9)	4.6
	-----	-----	-----
COMPREHENSIVE INCOME	\$ 103.5	\$ 53.9	\$ 55.2
	=====	=====	=====
BASIC EARNINGS PER SHARE	\$ 12.56	\$ 7.56	\$ 5.67
	=====	=====	=====
DILUTED EARNINGS PER SHARE	\$ 12.53	\$ 7.55	\$ 5.67
	=====	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS
NACCO Industries, Inc. And Subsidiaries

<TABLE>
<CAPTION>

	December 31	
	1998	1997
	-----	-----
	(In millions)	
	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 34.7	\$ 24.1
Accounts receivable, net of allowance of \$15.6 and \$14.1	275.1	240.8
Inventories	356.2	302.9
Prepaid expenses and other	37.2	31.8
	-----	-----
	703.2	599.6
PROPERTY, PLANT AND EQUIPMENT, NET	593.4	541.7
DEFERRED CHARGES		
Goodwill, net	441.0	449.3
Deferred costs and other	70.3	63.5
Deferred income taxes	31.9	24.1
	-----	-----
	543.2	536.9
OTHER ASSETS	58.5	50.9
	-----	-----
TOTAL ASSETS	\$1,898.3	\$1,729.1
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 252.9	\$ 244.7
Revolving credit agreements	31.2	23.5
Current maturities of long-term debt	28.4	18.9
Income taxes	10.9	12.8
Accrued payroll	44.7	36.4
Accrued warranty obligations	36.3	27.9
Other current liabilities	144.2	142.3
	-----	-----
	548.6	506.5
LONG-TERM DEBT - not guaranteed by the parent company	256.4	230.2
OBLIGATIONS OF PROJECT MINING SUBSIDIARIES - not guaranteed by the parent company or its NACoal subsidiary ...	313.2	328.0
SELF-INSURANCE RESERVES AND OTHER	238.9	222.7

MINORITY INTEREST	22.9	16.6
STOCKHOLDERS' EQUITY		
Common stock:		
Class A, par value \$1 per share, 6,468,620 shares outstanding (1997 - 6,477,414 shares outstanding)	6.5	6.5
Class B, par value \$1 per share, convertible into Class A on a one-for-one basis, 1,651,615 shares outstanding (1997 - 1,676,146 shares outstanding)	1.6	1.7
Capital in excess of par value .....	.2	.1
Retained earnings	504.9	412.9
Accumulated other comprehensive income:		
Foreign currency translation adjustment	8.9	5.3
Minimum pension liability adjustment	(3.8)	(1.4)
	-----	-----
	518.3	425.1
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,898.3	\$1,729.1
	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
NACCO Industries, Inc. and Subsidiaries

<TABLE>
<CAPTION>

	Year Ended December 31		
	1998	1997	1996
	-----	-----	-----
	(In millions)		
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income	\$102.3	\$ 61.8	\$ 50.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	89.0	88.6	85.3
Deferred income taxes	(13.2)	(24.3)	(3.2)
Minority interest expense	3.0	.9	1.4
Other non-cash items	5.6	(.1)	(3.7)
Working capital changes:			
Accounts receivable	(11.5)	(35.1)	90.0
Inventories	(32.7)	(1.3)	87.3
Other current assets .....	.3	(3.1)	(.6)
Accounts payable and other liabilities	1.5	122.6	(64.3)
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	144.3	210.0	242.8
	-----	-----	-----
INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(100.3)	(68.4)	(79.4)
Proceeds from the sale of other assets	4.8	3.4	1.1
Acquisitions of businesses	(16.6)	(14.0)	(45.1)
Investments in unconsolidated affiliates	(10.5)	-	-
Other-net .....	.8	1.0	.6
	-----	-----	-----
NET CASH USED FOR INVESTING ACTIVITIES	(121.8)	(78.0)	(122.8)
	-----	-----	-----
FINANCING ACTIVITIES			
Additions to long-term debt and revolving credit agreements	12.1	-	-
Reductions of long-term debt and revolving credit agreements	-	(123.9)	(41.5)
Additions to obligations of project mining subsidiaries	59.8	58.1	68.8
Reductions of obligations of project mining subsidiaries	(74.5)	(79.1)	(74.5)
Financing of other short-term obligations	(3.9)	(.5)	(10.6)

Stock repurchases	(4.7)	(2.8)	(40.4)
Cash dividends paid	(6.6)	(6.3)	(6.7)
Capital grants	1.2	.7	4.2
Other-net	4.5	-	(4.2)
	-----	-----	-----
NET CASH USED FOR FINANCING ACTIVITIES	(12.1)	(153.8)	(104.9)
	-----	-----	-----
Effect of exchange rate changes on cash .....	.2	(1.9)	1.8
	-----	-----	-----
CASH AND CASH EQUIVALENTS			
Increase (decrease) for the year	10.6	(23.7)	16.9
Balance at the beginning of the year	24.1	47.8	30.9
	-----	-----	-----
BALANCE AT THE END OF THE YEAR	\$ 34.7	\$ 24.1	\$ 47.8
	=====	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NACCO Industries, Inc. and Subsidiaries

<TABLE>
<CAPTION>

	Year Ended December 31		
	1998	1997	1996
	-----	-----	-----
	(In millions)		
<S>	<C>	<C>	<C>
CLASS A COMMON STOCK			
Beginning balance	\$ 6.5	\$ 6.5	\$ 7.3
Purchase of treasury shares	(.1)	(.1)	(.8)
Other .....	.1	.1	-
	-----	-----	-----
	6.5	6.5	6.5
	-----	-----	-----
CLASS B COMMON STOCK	1.6	1.7	1.7
	-----	-----	-----
CAPITAL IN EXCESS OF PAR VALUE			
Beginning balance .....	.1	.1	3.6
Shares issued under stock option and compensation plans	1.0	1.0	1.1
Purchase of treasury shares	(.9)	(1.0)	(4.6)
	-----	-----	-----
	.2	.1	.1
	-----	-----	-----
RETAINED EARNINGS			
Beginning balance	412.9	359.2	350.3
Net income	102.3	61.8	50.6
Purchase of treasury shares	(3.7)	(1.8)	(35.0)
Cash dividends on Class A and Class B common stock:			
1998 \$.810 per share	(6.6)	-	-
1997 \$.773 per share	-	(6.3)	-
1996 \$.743 per share	-	-	(6.7)
	-----	-----	-----
	504.9	412.9	359.2
	-----	-----	-----
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Beginning balance	3.9	11.8	7.2
Foreign currency translation adjustment	3.6	(8.5)	2.8
Minimum pension liability adjustment	(2.4)	.6	1.8
	-----	-----	-----
	5.1	3.9	11.8
	-----	-----	-----

TOTAL STOCKHOLDERS' EQUITY	\$518.3	\$425.1	\$379.3
	=====	=====	=====

</TABLE>

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND NATURE OF OPERATIONS

The Consolidated Financial Statements include the accounts of NACCO Industries, Inc. ("NACCO," the parent company) and its majority-owned subsidiaries (NACCO Industries, Inc. and Subsidiaries - the "Company"). Intercompany accounts and transactions are eliminated. The Company has four operating subsidiaries that function in three principal business segments: lift trucks, housewares and lignite mining. NACCO Materials Handling Group, Inc. ("NMHG") designs, engineers and manufactures a full line of lift trucks and replacement parts marketed worldwide under the Hyster((R)) and Yale((R)) brand names. The sale of replacement parts represents approximately 17 percent, 18 percent and 16 percent of the total NMHG revenues as reported for 1998, 1997 and 1996, respectively. NACCO Housewares Group ("Housewares") consists of Hamilton Beacho Proctor-Silex, Inc. ("HB-PS"), a leading manufacturer and marketer of small electric motor and heat-driven appliances as well as commercial products for restaurants, bars and hotels, and The Kitchen Collection, Inc. ("KCI"), a national specialty retailer of brand-name kitchenware, small electric appliances and related accessories. The North American Coal Corporation ("NACoal") mines and markets lignite primarily as fuel for power generation by electric utilities.

NOTE 2 - ACCOUNTING POLICIES

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include cash in banks and highly liquid investments with original maturities of three months or less. INVENTORIES: Inventories are stated at the lower of cost or market. Cost is determined under the last-in, first-out (LIFO) method for manufacturing inventories in the United States and for certain retail inventories. The first-in, first-out (FIFO) method is used with respect to all other inventories.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are recorded at cost. Depreciation, depletion and amortization are provided in amounts sufficient to amortize the cost of the assets, including assets recorded under capital leases, over their estimated useful lives using the straight-line method. The units-of-production method is used to amortize certain coal-related assets based on estimated recoverable tonnages.

GOODWILL: Goodwill represents the excess purchase price paid over the fair value of the net assets acquired. The amortization of goodwill is provided on a straight-line basis over a 40-year period. Accumulated amortization of goodwill was \$136.5 million and \$122.0 million at December 31, 1998 and 1997, respectively. Management regularly evaluates its accounting for goodwill, considering such factors as historical and future profitability, and believes that the asset is realizable and the amortization period remains appropriate.

SELF-INSURANCE RESERVES: The Company is generally self-insured for product liability, environmental liability, medical and workers' compensation claims, certain closed mine liabilities and obligations to the United Mine Workers of America Combined Benefit Fund ("UMWA") arising as a result of the Coal Industry Retiree Health Benefit Act of 1992 ("Coal Act"). For product liability, catastrophic coverage is retained for potentially significant individual claims. An estimated provision for claims under the self-insurance programs is recorded and revised annually based on industry trends, historical experience and

management judgment. Changes in assumptions for such matters as legal actions, medical costs and actual experience could cause estimates to change in the near term.

REVENUE RECOGNITION: Revenues are recognized when customer orders are completed and shipped. Accruals for the cost of product warranties are maintained for anticipated future claims.

ADVERTISING COSTS: Advertising costs are expensed as incurred and amounted to \$41.5 million, \$36.8 million and \$33.6 million in 1998, 1997 and 1996, respectively.

PRODUCT DEVELOPMENT COSTS: Expenses associated with the development of new products and changes to existing products are charged to expense as incurred. These costs amounted to \$44.1 million, \$27.9 million and \$27.0 million in 1998, 1997 and 1996, respectively.

FOREIGN CURRENCY: Assets and liabilities of foreign operations are translated into U.S. dollars at the fiscal year-end exchange rate. The related translation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

adjustments are recorded as a separate component of stockholders' equity. Revenues and expenses are translated using the monthly average exchange rates prevailing during the year.

FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS: Financial instruments held by the Company include cash and cash equivalents, accounts receivable, accounts payable, revolving credit agreements, long-term debt, interest rate swap agreements and forward foreign currency exchange contracts. The Company does not hold or issue financial instruments or derivative financial instruments for trading purposes.

The Company uses forward foreign currency exchange contracts to partially reduce risks related to transactions denominated in foreign currencies. These contracts hedge primarily firm commitments and, to a lesser degree, forecasted transactions relating to cash flows associated with sales and purchases denominated in currencies other than the subsidiaries' functional currency. Generally, gains and losses from changes in the market value of these contracts are recognized in cost of sales and offset the foreign exchange gains and losses on the underlying transactions.

The Company uses interest rate swap agreements to partially reduce risks related to floating rate financing agreements that are subject to changes in the market rate of interest. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. The Company's interest rate swap agreements and its variable rate financings are predominately based upon the three-month LIBOR (London Interbank Offered Rate).

Amounts to be paid or received under the interest rate swap agreements are accrued as interest rates change and are recognized over the life of the swap agreement as an adjustment to interest expense. The related amounts payable to, or receivable from, the counterparties are included in other current liabilities. Changes in the market value of the interest rate swap agreements are not recognized in net income. However, in the event of extinguishment of the underlying debt, changes in the market value of interest rate swap agreements that could not be designated as hedges of other assets, liabilities or anticipated transactions would be recognized in net income over the remaining life of the contract or upon termination of the contract.

ACCOUNTING STANDARDS NOT YET ADOPTED: In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires companies to recognize all derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. This Statement is effective for fiscal years beginning after

June 15, 1999. The Company will adopt this Statement on January 1, 2000, and is in the process of determining the effect that adoption will have on its financial statements.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which is effective for the Company as of January 1, 1999. This SOP requires capitalization of certain development costs of software to be used internally.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," which is effective for the Company as of January 1, 1999. This SOP requires start-up and organization costs to be expensed as incurred and also requires previously deferred start-up costs to be recognized as a cumulative effect adjustment in the statement of income upon adoption.

These SOPs, which the Company plans to adopt as of January 1, 1999, are not expected to have a material effect on the Company's financial statements.

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

NOTE 3 - COMPREHENSIVE INCOME

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires disclosure of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as changes in stockholders' equity from non-owner sources and, for the Company, includes net income, changes in the foreign currency translation adjustment and changes in

Notes to Consolidated Financial Statements

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

the minimum pension liability adjustment. The adoption of this Statement had no impact on the Company's net income or stockholders' equity. Prior-year financial statements have been reclassified to conform to the requirements of this Statement.

NOTE 4 - SPECIAL CHARGES

RESTRUCTURING CHARGE: In the fourth quarter of 1997, the Board of Directors approved a plan to restructure certain activities at NMHG and, in accordance with the FASB Emerging Issues Task Force's Issue No. 94-3, "Accounting for Restructuring Charges," the Company recognized a restructuring charge of \$8.0 million (\$4.8 million after effective tax provision) in 1997. The objectives of this plan included improving customer service, increasing productivity and reducing costs. To facilitate these objectives, the Company consolidated certain engineering, marketing and administrative functions within the NMHG organization.

As of December 31, 1998, NMHG's restructuring plan is substantially complete and resulted in the construction of two new engineering and marketing facilities on Company-owned property, the addition of one new leased administrative building and the closure of one owned and four leased facilities. In addition, the plan resulted in the termination of approximately 220 engineering, marketing and administrative employees, which resulted in a net reduction of approximately 120 employee positions after considering staffing requirements at remaining facilities. The 1997 charge to earnings of \$8.0 million represented severance payments made in 1997 of \$1.1 million to approximately 50 employees and the recognition of a \$6.9 million accrual for additional severance payments and lease termination costs. In 1998, \$2.2 million of the severance accrual was reversed due to the higher-than-anticipated number of employees willing to relocate.

In 1998, HB-PS recorded a pre-tax charge of \$3.2 million to recognize severance payments to be made to approximately 450 manufacturing employees in connection with transitioning activities to HB-PS' Saltillo, Mexico, facility. No significant payments were made in 1998.

The changes to NMHG's restructuring accrual as announced in 1997 and to HB-PS' restructuring accrual as announced in 1998 are as follows:

	HB-PS		NMHG	
	Employee Severance	Employee Severance	Other	Total
Balance at				
December 31, 1997 ...	\$ -	\$5.9	\$1.0	\$6.9
Provision (reversal)	3.2	(2.2)	.6	1.6
Payments	-	(3.3)	(1.6)	(4.9)
BALANCE AT				
DECEMBER 31, 1998 ...	\$3.2	\$.4	\$ -	\$3.6

SPECIAL CHARGE: In addition to the restructuring charge and in connection with NMHG's restructuring plan, the Company recognized a charge to earnings of \$8.3 million (\$5.0 million after effective tax provision) in 1997 relating to commitments to provide relocation benefits to certain employees. In 1998, NMHG incurred an additional \$4.5 million related to increases in temporary labor, moving and training costs associated with the restructuring program. These costs are classified as selling, general and administrative expenses in the accompanying Consolidated Statements of Income.

NOTE 5 - ACCOUNTS RECEIVABLE SECURITIZATION

In 1997, NMHG entered into a one-year agreement to sell all of its domestic accounts receivable, on a revolving basis, to Lift Truck Funding Company, LLC ("LTF"), a wholly owned subsidiary of NMHG. LTF was formed prior to the execution of this agreement for the purpose of buying and selling accounts receivable, and is designed to be bankruptcy remote. Also in 1997, NMHG and LTF entered into a one-year agreement with a financial institution whereby LTF can sell, on a revolving basis, an undivided percentage ownership interest in certain eligible accounts receivable, as defined, up to a maximum of \$60.0 million. During 1998, both of these one-year agreements were extended an additional year to expire in 1999.

This two-step transaction is accounted for as a sale of receivables. Accordingly, the Company's Consolidated Balance Sheets reflect the portion of receivables transferred to the financial institution as a reduction of accounts receivable, net. The discount and any other transaction gains and losses are included in other-net in the Consolidated Statements of Income. NMHG continues to service the receivables and maintains an

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

allowance for doubtful accounts based upon the expected collectibility of all NMHG accounts receivable, including the portion of receivables sold by LTF.

In accordance with this agreement, gross proceeds of \$317.1 million and \$264.0 million were received during 1998 and 1997, respectively, and the balance of accounts receivable sold at December 31, 1998, and 1997 was \$37.7 million and \$18.6 million, respectively. The \$33.0 million proceeds from the initial sale of receivables in 1997 were used to retire debt outstanding under NMHG's revolving credit agreement. The net effect of the sale of receivables during 1998 and 1997 was not material to the operating results of the Company.

NOTE 6-INVENTORIES

Inventories are summarized as follows:

	December 31	
	1998	1997

<S>	<C>	<C>
Manufacturing inventories:		
Finished goods and service parts -		
NMHG	\$ 125.3	\$ 86.9
Housewares	41.5	31.8
	-----	-----
	166.8	118.7
	-----	-----
Raw materials and work in process -		
NMHG	136.6	135.6
Housewares	17.5	15.1
	-----	-----
	154.1	150.7
	-----	-----
LIFO reserve -		
NMHG	(12.6)	(13.4)
Housewares	1.8	1.1
	-----	-----
	(10.8)	(12.3)
	-----	-----
Total manufacturing inventories		
	310.1	257.1
Coal - NACoal	9.5	10.7
Mining supplies - NACoal	19.4	19.2
Retail inventories -		
Housewares	17.2	15.9
	-----	-----
	\$ 356.2	\$ 302.9
	=====	=====

</TABLE>

The cost of manufacturing inventories has been determined by the LIFO method for 72 percent and 66 percent of such inventories at December 31, 1998 and 1997, respectively.

NOTE 7-PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following:

<TABLE>

<CAPTION>

	December 31	
	1998	1997
	-----	-----
<S>	<C>	<C>
Coal lands and real estate:		
NMHG	\$ 10.0	\$ 9.7
Housewares	2.5	2.4
NACoal	15.4	15.5
Project mining subsidiaries		
(Note 10)	81.7	80.2
NACCO and Other .....	.1	.2
	-----	-----
	109.7	108.0
	-----	-----
Plant and equipment:		
NMHG	381.2	298.6
Housewares	157.8	145.7
NACoal	30.3	27.8
Project mining subsidiaries		
(Note 10)	456.4	448.0
NACCO and Other	4.6	4.8
	-----	-----
	1,030.3	924.9
	-----	-----
Property, plant and equipment at cost		
	1,140.0	1,032.9
Less allowances for depreciation, depletion and amortization		
	546.6	491.2
	-----	-----
	\$ 593.4	\$ 541.7
	=====	=====

</TABLE>

Total depreciation, depletion and amortization expense on property, plant and equipment was \$74.0 million, \$70.9 million and \$67.7 million during 1998, 1997 and 1996, respectively.

Proven and probable coal reserves approximated 2.0 billion tons at December 31, 1998, and 1997.

NOTE 8-REVOLVING CREDIT AGREEMENTS

Financing arrangements are obtained and maintained at the subsidiary level. NACCO has not guaranteed the long-term debt or any borrowings of its subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

The following table summarizes the Company's available and outstanding borrowings. A summary of the agreements at each subsidiary follows this table.

<TABLE>

<CAPTION>

	December 31	
	1998	1997
	-----	-----
<S>	<C>	<C>
Available borrowings, net of limitations:		
NMHG	\$ 411.4	\$ 416.2
Housewares	186.6	192.8
NACoal	47.5	50.0
	-----	-----
	\$ 645.5	\$ 659.0
	=====	=====
Current portion of borrowings outstanding:		
NMHG	\$ 5.5	\$ 2.2
Housewares	25.5	7.3
NACoal .....	.2	14.0
	-----	-----
	\$ 31.2	\$ 23.5
	=====	=====
Unused availability:		
NMHG	\$ 231.3	\$ 264.0
Housewares	91.1	112.5
NACoal	47.3	36.0
	-----	-----
	\$ 369.7	\$ 412.5
	=====	=====
Weighted average stated interest rate:		
NMHG	5.7%	6.2%
Housewares	5.7%	6.4%
NACoal	6.1%	6.4%
Weighted average effective interest rate (including interest swap agreements):		
NMHG	6.8%	7.1%
Housewares	6.1%	6.3%
NACoal	N/A	N/A

</TABLE>

NMHG: NMHG's credit agreement provides for an unsecured revolving credit facility ("NMHG Facility") that permits advances up to \$350.0 million. However, this availability is reduced by the portion of domestic receivables sold. (See Note 5 for a discussion of the sale of domestic accounts receivable.) The June 2002 expiration date of the NMHG Facility may be extended annually, for one additional year upon the mutual consent of NMHG and the bank group. NMHG does

not anticipate repayment of the outstanding balance in the subsequent fiscal year. As such, the outstanding balance of this credit facility has been classified as long-term debt.

In addition, the NMHG Facility has performance-based pricing, which sets interest rates based upon the achievement of certain financial performance targets. The NMHG Facility currently provides for, at NMHG's option, Euro-Dollar Loans that bear interest at LIBOR plus 0.2 percent and Money Market Loans that bear interest at Auction Rates (as defined in the agreement) and requires a 0.1 percent fee on the available borrowings. NMHG also has separate facilities totaling \$50.1 million and \$38.6 million at December 31, 1998, and 1997, respectively. Outstanding letters of credit reduce amounts available under these facilities. At December 31, 1998, and 1997, availability, net of limitations, under these facilities was \$38.6 million and \$27.6 million, respectively. NMHG also maintains various uncommitted lines of credit, which permitted funding up to \$55.0 million at December 31, 1998 and 1997. Under these facilities, borrowings of \$19.6 million were outstanding at December 31, 1998, and no borrowings were outstanding at December 31, 1997.

HOUSEWARES: HB-PS' credit agreement provides for a revolving credit facility ("HB-PS Facility") that permits advances up to \$160.0 million and is secured by substantially all of the assets of HB-PS. A portion of the outstanding balance is classified as long-term debt because it is not expected to be repaid during the subsequent fiscal year. The HB-PS Facility, which expires in May 2003, provides reduced interest rates if HB-PS achieves a certain interest coverage ratio and allows interest rates quoted under a competitive bid option. The HB-PS Facility currently provides for interest at LIBOR plus 0.3 percent and requires a 0.2 percent facility fee on the available borrowings. In 1998, the HB-PS Facility was amended to allow advances of up to \$10.0 million from HB-PS to KCI. As a result of this amendment, KCI's cash requirements are financed through advances from HB-PS. Accordingly, in 1998 KCI terminated its external revolving credit facility.

HB-PS also has separate uncommitted facilities, which may provide funding up to \$30.0 million. Outstanding letters of credit reduce amounts available under these facilities. At December 31, 1998, and 1997, availability, net of limitations, under these facilities was \$27.5 million and \$24.7 million, respectively.

NACOAL: NACoal has in place a revolving credit facility ("NACoal Facility") that permits advances up to \$50.0 million and requires a 0.2 percent commitment and facility fee. The September 2002 expiration date of the NACoal Facility may be extended annually, for one additional year upon the mutual consent of NACoal and the bank group. Borrowings bear interest at LIBOR plus 0.4 percent and availability is limited by the amount of borrowings from NACCO.

 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

NOTE 9-LONG-TERM DEBT

Subsidiary long-term debt, less current maturities, is as follows:

<TABLE>

<CAPTION>

	December 31	
	1998	1997
	-----	-----
<S>	<C>	<C>
NMHG:		
Long-term portion of		
revolving credit agreements	\$ 174.6	\$ 150.0
Capital lease obligations and		
and other	11.4	1.8
	-----	-----
	186.0	151.8
Housewares:		
Long-term portion of		
revolving credit agreement	70.0	73.0
Term note with a stated		
interest rate of 6.8% and an		
effective interest rate of		
7.8% at December 31, 1997,		
repaid in 1998	-	5.0
Capital lease obligations and		
and other .....	.4	.4

-----	-----
70.4	78.4
-----	-----
\$ 256.4	\$ 230.2
=====	=====

</TABLE>

As noted above, the NMHG credit agreement expires in 2002, if renewal options are not exercised, and the Housewares facility expires in 2003. Interest paid on revolving credit agreements and long-term debt was \$21.5 million, \$24.9 million and \$32.1 million during 1998, 1997 and 1996, respectively.

The credit agreements for NMHG, HB-PS and NACoal contain certain covenants and restrictions. These covenants require, among other things, some or all of the following: maintenance of certain minimum amounts of net worth and certain specified ratios of working capital, debt to capitalization, interest coverage and fixed charge coverage. These ratios are calculated at the subsidiary level. Restrictions may also include limits on capital expenditures and dividends. At December 31, 1998, the subsidiaries were in compliance with the covenants in their credit agreements.

NOTE 10 - OBLIGATIONS OF PROJECT MINING
SUBSIDIARIES

Three of NACoal's subsidiaries (the "project mining subsidiaries") operate lignite mines under long-term contracts with various utility customers to sell lignite at a price based on actual cost plus an agreed pre-tax profit per ton. The utility customers have arranged and guaranteed the financing for the development and operation of these subsidiary mines. The obligations of these project mining subsidiaries included in the Company's Consolidated Balance Sheets do not affect the short- or long-term liquidity of the Company and are without recourse to NACCO and its NACoal subsidiary.

Obligations of project mining subsidiaries, less current maturities, consist of the following at December 31:

<TABLE>

<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Capitalized lease obligations	\$ 120.2	\$ 128.9
Advances from customers	158.5	175.4
Promissory notes with interest rates ranging from 5.5% to 8.7% in 1998 and 6.1% to 8.7% in 1997	34.5	23.7
	-----	-----
	\$ 313.2	\$ 328.0
	=====	=====

</TABLE>

Advances from customers are used to develop, operate and provide for the ongoing working capital needs of certain project mining subsidiaries. The customers have established a repayment schedule for only a portion, or \$107.2 million, of the total advances. In addition, a portion of these advances is non-interest-bearing. The annual maturities of customer advances and promissory notes are as follows: \$16.0 million in 1999, \$16.0 million in 2000, \$15.5 million in 2001, \$15.0 million in 2002, \$71.9 million in 2003 and \$13.5 million thereafter.

Interest paid was \$13.0 million, \$12.8 million and \$13.6 million during 1998, 1997 and 1996, respectively. The cost of coal, which is passed through to the utility customers, includes interest expense.

The project mining subsidiaries' capital lease obligations for mining equipment have the following future minimum lease payments at December 31, 1998:

<TABLE>

	<C>
<S>	
1999	\$ 23.2
2000	22.1
2001	21.7
2002	20.1
2003	18.2
Subsequent to 2003	88.1

Total minimum lease payments	193.4
Amounts representing interest	(59.8)

Present value of net minimum lease payments	133.6
Current maturities	(13.4)

</TABLE>

 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

Interest expense and amortization in excess of annual lease payments are deferred and recognized in years when annual lease payments exceed interest expense and amortization.

Project mining assets recorded under capital leases are included in property, plant and equipment, and consist of the following at December 31:

<TABLE>
 <CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Plant and equipment	\$ 202.1	\$ 198.4
Less accumulated amortization	106.4	94.6
	-----	-----
	\$ 95.7	\$ 103.8
	=====	=====

</TABLE>

During 1998, 1997 and 1996, the project mining subsidiaries incurred capital lease obligations of \$4.9 million, \$6.4 million and \$1.8 million, respectively, in connection with lease agreements to acquire plant and equipment.

The above obligations are secured by substantially all of the owned assets of the respective project mining subsidiary and the assignment of all rights under its coal sales agreement.

NOTE 11-LEASE COMMITMENTS

The Company leases certain office, manufacturing and warehouse facilities, retail stores, and machinery and equipment under non-cancellable operating leases that expire at various dates through 2009. Future minimum operating lease payments, excluding project mining subsidiaries, at December 31, 1998, are:

<TABLE>
 <S>

	<C>
1999	\$ 32.4
2000	29.3
2001	26.0
2002	23.1
2003	19.6
Subsequent to 2003	31.6

Total minimum lease payments	\$162.0
	=====

</TABLE>

Rental expense for all operating leases, excluding project mining subsidiaries, amounted to \$29.4 million, \$25.6 million and \$23.6 million during 1998, 1997 and 1996, respectively.

NOTE 12-SELF-INSURANCE RESERVES AND OTHER

Self-insurance Reserves and Other consisted of the following at December 31:

<TABLE>
 <CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
Present value of UMWA obligation	\$ 29.0	\$ 30.8
Reserve for future interest on UMWA obligation	57.1	59.2
	-----	-----

Total undiscounted UMWA obligation	86.1	90.0
Present value of other closed mine obligations	17.3	19.5
Other self-insurance reserves	135.5	113.2
	-----	-----
	\$ 238.9	\$ 222.7
	=====	=====

</TABLE>

The UMWA obligation and the other closed mine obligations relate to The Bellaire Corporation's ("Bellaire," a wholly owned non-operating subsidiary of NACCO) former Eastern U.S. underground mining operations and the Indian Head Mine, which ceased operations in 1992. The obligation to UMWA resulted from the Coal Act, which requires Bellaire to incur additional costs for retiree medical expenses of certain United Mine Worker retirees. Annual cash payments of up to \$3.0 million after tax are expected relating to this obligation and could continue for as long as 40 to 50 years. The Company has recorded this obligation on an undiscounted basis. The reserve for future interest represents the portion of this reserve comprising interest costs. The other closed mine obligations include reserves for land reclamation and site treatment at certain closed Eastern underground and Western surface mines, as well as reserves for worker compensation and black lung benefit costs.

Other self-insurance reserves include product liability reserves, employee retirement obligations and other miscellaneous reserves.

NOTE 13-FINANCIAL INSTRUMENTS AND
DERIVATIVE FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term maturities of these instruments. The fair values of revolving credit agreements and long-term debt were determined using current rates offered for similar obligations and approximated carrying values at December 31, 1998 and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

1997. Financial instruments that potentially subject the Company to concentration of credit risk consist principally of accounts receivable and derivatives. Concentration of credit risk on accounts receivable is mitigated by the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any one institution.

DERIVATIVE FINANCIAL INSTRUMENTS

FOREIGN CURRENCY DERIVATIVES: NMHG and HB-PS had forward foreign currency exchange contracts outstanding in the amounts of \$72.4 million and \$1.9 million, respectively, at December 31, 1998, primarily denominated in Japanese yen, French francs, Spanish pesetas and Canadian dollars. At December 31, 1997, NMHG and HB-PS had forward foreign currency exchange contracts outstanding in the amounts of \$75.1 million and \$1.2 million, respectively, primarily denominated in Japanese yen, British pounds sterling, French francs and Canadian dollars. The amount of deferred loss at December 31, 1998 and 1997 was not material. The fair market value of these contracts was estimated based on quoted market sources and approximated a net receivable of \$4.7 million and a net payable of \$2.5 million at December 31, 1998 and 1997, respectively.

INTEREST RATE DERIVATIVES: The following table summarizes the notional amounts, related rates (including applicable margins) and remaining terms on interest rate swap agreements active at December 31:

<TABLE>
<CAPTION>

Notional Amount		Average Fixed Rate		Remaining Term at
1998	1997	1998	1997	Dec. 31, 1998
----	----	----	----	-----

<S>	<C>	<C>	<C>	<C>	<C>
NMHG	\$160.0	\$160.0	7.1%	7.1%	Various, extending to July 2002
Housewares	80.0	80.0	6.2%	6.2%	Various, extending to January 2000
NACoal	38.1	11.8	6.2%	6.9%	Various, extending to June 2008

</TABLE>

At the inception of the interest rate swap agreements held by NMHG, terms vary from one-year to seven-year periods. At December 31, 1998, NMHG holds certain contracts that begin in 1999 and extend to January 2004. These contracts increase the notional amount outstanding to \$190.0 million in 1999. Terms of Housewares' interest rate swap agreements vary from one-year to three-year periods. At NACoal, the interest rate swap agreements hedge promissory notes held by the project mining subsidiaries (see Note 10). Maturities of the NACoal interest rate swap agreements correspond with the maturities of the hedged obligation. The related obligation is included in obligations of project mining subsidiaries in the Consolidated Balance Sheets. The net interest expense paid or received is included in the cost of coal and passed through to the utility customers.

The fair market value of all interest rate swap agreements, which was obtained from broker quotes, was a net payable of \$7.5 million and \$6.4 million at December 31, 1998 and 1997, respectively.

NOTE 14-CONTINGENCIES

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

NMHG is subject to recourse or repurchase obligations under various financing arrangements for certain independently owned retail dealerships. Also, certain dealer loans are guaranteed by NMHG. When NMHG is the guarantor of the principal amount financed, a security interest is usually maintained in certain assets of parties for whom NMHG is guaranteeing debt. Total amounts subject to recourse or repurchase obligations at December 31, 1998 and 1997 were \$196.0 million and \$156.9 million, respectively. Losses anticipated under the terms of the recourse or repurchase obligations are not significant and have been reserved for in the accompanying Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

NOTE 15 - COMMON STOCK

The Class A common stock has one vote per share and the Class B common stock has 10 votes per share. The total number of authorized shares of Class A common stock and Class B common stock at December 31, 1998 was 25,000,000 shares and 6,756,176 shares, respectively. Treasury shares of Class A common stock totaling 1,663,607 and 1,630,282 at December 31, 1998 and 1997, respectively, have been deducted from shares issued.

STOCK REPURCHASE PROGRAM: In 1996, the Board of Directors authorized the repurchase of up to 1.5 million shares of the Company's Class A common stock. Pursuant to this authorization, the Company commenced an issuer tender offer in 1996 and repurchased 800,000 shares at \$50.00 per share. The \$40.4 million cost of this transaction, including fees and expenses, was financed using cash on hand and amounts available under revolving credit facilities. In addition to the offer, the Company was authorized to make open market share repurchases up to 700,000 shares of Class A common stock through December 31, 1998. In 1998 and 1997, the Company repurchased 46,500 and 53,000 shares of Class A common stock, respectively, pursuant to this open market share repurchase program.

STOCK OPTIONS: The 1975 and 1981 stock option plans, as amended, provide for

the granting to officers and other key employees of options to purchase Class A and Class B common stock of the Company at a price not less than the market value of such stock at the date of grant. Options become exercisable over a four-year period and expire 10 years from the date of the grant. At December 31, 1998, 1997 and 1996, all stock options outstanding were exercisable.

At December 31, 1998, 1997 and 1996, there were 80,701 shares of Class A common stock and 80,100 shares of Class B common stock available for grant. In 1998 and 1997, no options were granted; however, options for 1,800 and 4,000 shares of Class A common stock, respectively, were exercised. No options were granted or exercised during 1996. At December 31, 1998, 1997 and 1996, there were options outstanding relating to 0, 1,800 and 5,800, respectively, shares of Class A common stock with an option price of \$32.00 that were granted on January 12, 1989, and 25,000 shares of Class A common stock at an option price of \$35.56 granted on March 1, 1989. The Company does not presently intend to issue additional stock options.

The Company applies AICPA Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock options. Since there have been no options granted subsequent to 1995, no additional pro forma disclosures are required as provided in SFAS No. 123, "Accounting for Stock-Based Compensation."

NOTE 16-EARNINGS PER SHARE

For purposes of calculating the basic and diluted earnings per share, no adjustments have been made to the reported amounts of net income. The share amounts used for the year ended December 31 are as follows:

	1998	1997	1996
	----	----	----
<S>	<C>	<C>	<C>
Basic common shares (weighted average)	8.147	8.171	8.920
Dilutive stock options .....	.019	.014	.011
	----	----	----
Diluted common shares	8.166	8.185	8.931
	=====	=====	=====

NOTE 17-INCOME TAXES

The components of income before income taxes and provision for income taxes for the year ended December 31 are as follows:

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
INCOME BEFORE INCOME TAXES			
Domestic	\$ 137.9	\$ 74.6	\$ 73.0
Foreign	28.1	14.5	13.3
	-----	-----	-----
	\$ 166.0	\$ 89.1	\$ 86.3
	=====	=====	=====
PROVISION FOR INCOME TAXES			
Current tax expense:			
Federal	\$ 53.1	\$ 38.5	\$ 29.0
State	9.7	7.4	6.2
Foreign	9.2	3.9	5.6
	-----	-----	-----
Total current	72.0	49.8	40.8
	-----	-----	-----
Deferred tax expense (benefit):			
Federal	(10.0)	(24.3)	(.3)
State	(1.3)	(2.6)	(.9)
Foreign	(.8)	(2.4)	(5.3)
	-----	-----	-----
Total deferred	(12.1)	(29.3)	(6.5)
Increase in valuation allowance .....	.8	5.9	-
	-----	-----	-----
	\$ 60.7	\$ 26.4	\$ 34.3
	=====	=====	=====

 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

Domestic income before income taxes has been reduced by substantially all interest expense and the amortization of goodwill.

The Company made income tax payments of \$74.6 million, \$46.4 million and \$40.2 million during 1998, 1997 and 1996, respectively. During the same period, income tax refunds totaled \$0.8 million, \$2.1 million and \$3.3 million, respectively.

A reconciliation of federal statutory and effective income tax for the year ended December 31 follows:

<TABLE>

<CAPTION>

	1998 -----	1997 -----	1996 -----
<S>	<C>	<C>	<C>
Income before taxes	\$ 166.0 =====	\$ 89.1 =====	\$ 86.3 =====
Statutory taxes at 35.0%	\$ 58.1	\$ 31.2	\$ 30.2
State income taxes	5.7	3.4	3.3
Amortization of goodwill	4.9	4.9	5.1
Valuation allowance .....	.8	5.9	-
Unremitted foreign earnings	-	(15.3)	-
Percentage depletion	(3.7)	(1.6)	(1.6)
Tax audit settlements	-	-	(1.2)
Export benefits	(1.4)	(.8)	(1.8)
Foreign statutory rate differences	(1.2)	(2.2)	(.5)
Earnings reported net of taxes	(1.2)	(.4)	(.4)
Other-net	(1.3)	1.3	1.2
	-----	-----	-----
Provision for income taxes	\$ 60.7 =====	\$ 26.4 =====	\$ 34.3 =====
Effective rate	36.6% =====	29.6% =====	39.7% =====

</TABLE>

The Company does not provide for deferred taxes on certain unremitted foreign earnings. In 1997, management determined, and continues to conclude in 1998, that the earnings of NMHG's foreign subsidiaries have been and will be indefinitely reinvested in the Company's foreign operations and, therefore, a reserve for unremitted foreign earnings is no longer required. Certain 1997 events, including the release of certain covenant restrictions on the NMHG Facility, an improvement in NMHG's domestic cash flow and the identification of specific capital investment projects to be undertaken by the foreign operations, allowed management to make these determinations. As a result, an income tax benefit of \$15.3 million was recognized in 1997 relating to the reversal of previously provided deferred taxes on NMHG's unremitted foreign earnings. As of December 31, 1998, the unremitted earnings of the Company's foreign subsidiaries are \$163.4 million. It is impracticable to determine the amount of unrecognized deferred taxes with respect to these earnings; however, foreign tax credits would be available to reduce U.S. income taxes in the event of a distribution.

A detailed summary of the total deferred tax assets and liabilities in the Company's Consolidated Balance Sheets at December 31 resulting from differences in the book and tax basis of assets and liabilities follows:

<TABLE>

<CAPTION>

	1998 -----	1997 -----
<S>	<C>	<C>
DEFERRED TAX ASSETS		

Accrued expenses and reserves	\$ 66.9	\$ 61.1
Reserve for UMWA	31.7	33.9
Employee benefits	25.1	18.0
Net operating loss carryforwards	7.0	7.9
Total deferred tax assets	130.7	120.9
Less: Valuation allowance	(6.7)	(5.9)
	-----	-----
	124.0	115.0
	-----	-----
DEFERRED TAX LIABILITIES		
Depreciation and depletion	46.3	46.6
Inventories	16.3	18.5
Other	12.3	13.5
	-----	-----
Total deferred tax liabilities	74.9	78.6
	-----	-----
Net deferred tax asset	\$ 49.1	\$ 36.4
	=====	=====

</TABLE>

The Company periodically reviews the need for a valuation allowance against certain deferred tax assets and recognizes these assets to the extent that realization is more likely than not. Based on a review of earnings history and trends, forecasted earnings and expiration of carryforwards, the Company provided a valuation allowance of \$5.9 million in 1997, primarily against foreign net operating loss carryforwards for which utilization is uncertain. In 1998, this valuation allowance was increased to \$6.7 million. At December 31, 1998, the Company had \$2.0 million of net operating loss carryforwards that expire, if unused, in years 1999 through 2003, and \$5.0 million that are not subject to expiration.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

The tax returns of the Company and certain of its subsidiaries are being examined by various taxing authorities. The Company has not been informed of any material assessment resulting from these examinations and will vigorously contest any material assessment. Management believes that any potential adjustment would not materially affect the Company's financial condition or results of operations.

NOTE 18-RETIREMENT BENEFIT PLANS

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

As of December 31, 1996, pension benefits were frozen for employees covered under NMHG's and HB-PS' United States plans, except for those NMHG employees participating in collective bargaining agreements. As a result, a curtailment gain of \$1.3 million and a special termination charge of \$1.6 million were recognized in 1996. In addition, the net periodic pension expense in 1998 and 1997 was, and the periodic pension expense in future periods will be, significantly reduced. As a result of these changes, in the United States only NACoal employees and certain NMHG employees covered under collective bargaining agreements will earn retirement benefits under defined benefit pension plans. Other employees of the Company, including NMHG and HB-PS employees whose pension benefits were frozen as of December 31, 1996, will receive retirement benefits under defined contribution retirement plans, as described below.

Set forth here is a detail of the net periodic pension expense and the assumptions used in accounting for the United States and the United Kingdom defined benefit plans for the years ended December 31. Assumptions used in accounting for the United Kingdom plans changed significantly in 1998 as compared with 1997 and 1996, primarily due to changes in the economic climate in the United Kingdom.

<TABLE>

<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
UNITED STATES PLANS			
Service cost	\$ 5.5	\$ 3.5	\$ 5.4
Interest cost	9.7	9.3	9.2
Expected return on plan assets	(10.7)	(9.1)	(8.2)
Amortization of transition asset	(.4)	(.4)	(.4)
Amortization of prior service cost .....	.4	.3	.4
Recognized actuarial (gain) loss	(.2)	-	.2
Net termination charge	-	-	.3
	-----	-----	-----
Net periodic pension expense	\$ 4.3	\$ 3.6	\$ 6.9
	=====	=====	=====

Assumptions:

Weighted average discount rates	7.0%	7.5%	8.0%
Rate of increase in compensation levels	4.0%	4.5%	5.0%
Expected long-term rate of return on assets	9.0%	9.0%	9.0%

UNITED KINGDOM PLAN

Service cost	\$ 2.2	\$ 2.1	\$ 1.7
Interest cost	2.8	2.7	2.3
Expected return on plan assets	(4.5)	(3.8)	(3.2)
Amortization of transition asset	(.1)	(.1)	-
Amortization of prior service cost .....	.1	.1	.1
Recognized actuarial gain	(1.1)	(.8)	(.6)
	-----	-----	-----
Net periodic pension (income) expense	\$ (.6)	\$.2	\$.3
	=====	=====	=====

Assumptions:

Weighted average discount rates	5.8%	8.0%	8.5%
Rate of increase in compensation levels	3.5%	5.0%	5.5%
Expected long-term rate of return on assets	7.5%	9.0%	9.5%

</TABLE>

The following sets forth the changes in the benefit obligation and the plan assets during the year and reconciles the funded status of the defined benefit plans with the amounts recognized in the Consolidated Balance Sheets at December 31:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

<TABLE>
<CAPTION>

1998		1997	
United States Plans	United Kingdom Plans	United States Plans	United Kingdom Plans
-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	\$ 127.3	\$ 35.3	\$ 115.1	\$ 33.9
Service cost	5.5	2.2	3.5	2.1
Interest cost	9.7	2.8	9.3	2.7
Actuarial gain (loss)	12.0	17.6	4.8	(1.2)
Benefits paid	(8.0)	(1.4)	(5.4)	(1.7)
Plan amendments	1.5	-	-	-
Foreign currency exchange rate changes	-	.2	-	(.5)
	-----	-----	-----	-----
Benefit obligation at end of year	\$ 148.0	\$ 56.7	\$ 127.3	\$ 35.3
	-----	-----	-----	-----
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	\$ 138.4	\$ 49.5	\$ 107.8	\$ 41.8
Actual return on plan assets	4.7	(.1)	28.7	7.4
Employer contributions	7	1.5	7.3	1.8
Employee contributions	-	.8	-	.8
Benefits paid	(8.0)	(1.4)	(5.4)	(1.7)
Foreign currency exchange rate changes	(.1)	.2	-	(.6)
	-----	-----	-----	-----
Fair value of plan assets at end of year	\$ 135.7	\$ 50.5	\$ 138.4	\$ 49.5
	-----	-----	-----	-----
NET AMOUNT RECOGNIZED				
Plan assets in excess of (less than) obligation	\$ (12.3)	\$ (6.2)	\$ 11.1	\$ 14.2
Unrecognized prior service cost	3.4	1.1	2.4	1.2
Unrecognized actuarial (gain) loss	(9.1)	16.0	(28.0)	(7.1)
Unrecognized net transition asset	(1.0)	(.5)	(1.4)	(.5)
Contributions in fourth quarter .....	.3	.4	.5	.4
	-----	-----	-----	-----
Net amount recognized	\$ (18.7)	\$ 10.8	\$ (15.4)	\$ 8.2
	=====	=====	=====	=====
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS CONSIST OF:				
Prepaid benefit cost	\$ -	\$ 10.8	\$.8	\$ 8.2
Accrued benefit liability	(28.0)	-	(20.3)	-
Intangible asset	2.9	-	1.8	-
Accumulated other comprehensive income	6.4	-	2.3	-
	-----	-----	-----	-----
Net amount recognized	\$ (18.7)	\$ 10.8	\$ (15.4)	\$ 8.2
	=====	=====	=====	=====

</TABLE>

DEFINED CONTRIBUTION PLANS: NACCO and its subsidiaries have defined contribution (401(k)) plans for substantially all employees. For NACCO and those subsidiaries, the company matches employee contributions based on plan provisions. In addition, NACCO and certain other subsidiaries have defined contribution retirement plans whereby the company's contribution to participants is determined annually based on a formula that includes the effect of actual compared to targeted operating results and the age and compensation of the participants. Total costs, including Company contributions, for these plans were \$17.8 million, \$15.2 million and \$8.9 million in 1998, 1997 and 1996, respectively.

NOTE 19-BUSINESS SEGMENTS

In 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement requires companies to identify segments consistent with the manner in which management makes decisions about allocating resources to segments and measuring their performance. It also requires disclosures about products and services, geographic areas and major customers. See Note 1 for a discussion of the Company's operating segments and product lines. NACCO's non-operating segment, NACCO and Other, includes the accounts of the parent company and Bellaire.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

The accounting policies of the segments are the same as those described in Note 2-Accounting Policies. No intersegment sales transactions occur. Other intersegment transactions are recognized based on similar third-party

transactions; that is, at current market prices.

The following disclosures have been made in accordance with this new Statement. Certain information provided for the years ended December 31, 1997 and 1996 has been restated to conform to the new requirements.

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES FROM EXTERNAL CUSTOMERS			
NMHG	\$ 1,713.0	\$ 1,488.0	\$ 1,560.1
Housewares	537.6	495.8	463.7
NACoal	285.4	262.9	249.1
NACCO and Other .....	.2	.2	.3
	-----	-----	-----
	\$ 2,536.2	\$ 2,246.9	\$ 2,273.2
	=====	=====	=====
GROSS PROFIT			
NMHG	\$ 345.7	\$ 264.1	\$ 247.2
Housewares	115.6	102.8	100.5
NACoal	54.4	54.2	51.4
NACCO and Other	(.2)	(.1)	-
	-----	-----	-----
	\$ 515.5	\$ 421.0	\$ 399.1
	=====	=====	=====
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
NMHG	\$ 203.4	\$ 173.9	\$ 163.1
Housewares	74.8	72.6	69.2
NACoal	12.4	10.3	11.2
NACCO and Other	10.5	8.4	9.0
	-----	-----	-----
	\$ 301.1	\$ 265.2	\$ 252.5
	=====	=====	=====
AMORTIZATION OF GOODWILL			
NMHG	\$ 11.7	\$ 11.7	\$ 11.5
Housewares	3.0	4.1	3.9
	-----	-----	-----
	\$ 14.7	\$ 15.8	\$ 15.4
	=====	=====	=====
OPERATING PROFIT (LOSS)			
NMHG	\$ 132.2	\$ 70.5	\$ 72.5
Housewares	34.6	26.1	27.4
NACoal	42.0	43.9	40.3
NACCO and Other	(10.7)	(8.5)	(9.0)
	-----	-----	-----
	\$ 198.1	\$ 132.0	\$ 131.2
	=====	=====	=====
OPERATING PROFIT (LOSS) EXCLUDING GOODWILL AMORTIZATION			
NMHG	\$ 143.9	\$ 82.2	\$ 84.0
Housewares	37.6	30.2	31.3
NACoal	42.0	43.9	40.3
NACCO and Other	(10.7)	(8.5)	(9.0)
	-----	-----	-----
	\$ 212.8	\$ 147.8	\$ 146.6
	=====	=====	=====
INTEREST EXPENSE			
NMHG	\$ (14.0)	\$ (14.5)	\$ (25.0)
Housewares	(7.0)	(7.3)	(7.1)
NACoal	(.6)	(2.1)	(.2)
NACCO and Other	(1.0)	(2.3)	(.5)
Eliminations	1.0	2.3	.5
	-----	-----	-----
	(21.6)	(23.9)	(32.3)
Project mining subsidiaries	(13.0)	(12.7)	(13.6)
	-----	-----	-----
	\$ (34.6)	\$ (36.6)	\$ (45.9)
	=====	=====	=====
INTEREST INCOME			
NMHG	\$ 2.2	\$ 2.2	\$.5
Housewares	-	.1	-
NACoal	1.2	3.1	1.5
Eliminations	(1.1)	(2.3)	(.5)
	-----	-----	-----
	\$ 2.3	\$ 3.1	\$ 1.5
	=====	=====	=====

</TABLE>

 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

<TABLE>

<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
OTHER-NET, INCOME (EXPENSE)			
NMHG	\$ -	\$ (5.9)	\$ (2.0)
Housewares	(.7)	(.3)	(.3)
NACoal	-	(5.1)	1.1
NACCO and Other .....	.9	1.9	.7
	-----	-----	-----
	\$.2	\$ (9.4)	\$ (.5)
	=====	=====	=====
PROVISION FOR INCOME TAXES			
NMHG	\$ 46.3	\$ 13.6	\$ 19.6
Housewares	11.6	8.1	7.8
NACoal	7.1	8.1	9.9
NACCO and Other	(4.3)	(3.4)	(3.0)
	-----	-----	-----
	\$ 60.7	\$ 26.4	\$ 34.3
	=====	=====	=====
NET INCOME (LOSS)			
NMHG	\$ 75.1	\$ 38.7	\$ 26.4
Housewares	15.2	10.5	12.2
NACoal	20.3	19.0	19.2
NACCO and Other	(8.3)	(6.4)	(7.2)
	-----	-----	-----
	\$ 102.3	\$ 61.8	\$ 50.6
	=====	=====	=====
TOTAL ASSETS			
NMHG	\$ 1,100.4	\$ 942.4	\$ 950.9
Housewares	334.0	315.7	299.4
NACoal	43.1	51.5	66.5
NACCO and Other	53.6	59.4	56.7
	-----	-----	-----
	1,531.1	1,369.0	1,373.5
Project mining subsidiaries	418.6	423.4	433.6
	-----	-----	-----
	1,949.7	1,792.4	1,807.1
Consolidating eliminations	(51.4)	(63.3)	(99.0)
	-----	-----	-----
	\$ 1,898.3	\$ 1,729.1	\$ 1,708.1
	=====	=====	=====
DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSE			
NMHG	\$ 37.9	\$ 35.0	\$ 33.8
Housewares	16.7	21.0	20.1
NACoal	3.3	2.4	2.1
NACCO and Other .....	.4	.4	.2
	-----	-----	-----
	58.3	58.8	56.2
Project mining subsidiaries	30.7	29.8	29.1
	-----	-----	-----
	\$ 89.0	\$ 88.6	\$ 85.3
	=====	=====	=====
CAPITAL EXPENDITURES			
NMHG	\$ 63.9	\$ 25.3	\$ 42.3
Housewares	16.8	18.3	16.2
NACoal	3.8	9.1	2.8
NACCO and Other	-	-	1.4
	-----	-----	-----
	84.5	52.7	62.7
Project mining subsidiaries	15.8	15.7	16.7
	-----	-----	-----
	\$ 100.3	\$ 68.4	\$ 79.4
	=====	=====	=====

</TABLE>

 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

DATA BY GEOGRAPHIC AREA

No single country outside of the United States comprised 10 percent or more of the Company's revenue from external customers. The Other category below includes Canada, Mexico, South America and Asia-Pacific.

<TABLE>

<CAPTION>

	United States -----	Europe, Africa and Middle East -----	Other -----	Consolidated -----
<S>	<C>	<C>	<C>	<C>
----- 1998 -----				
Revenues from unaffiliated customers, based on the customer's location	\$ 1,938.4 =====	\$ 478.8 =====	\$119.0 =====	\$ 2,536.2 =====
Long-lived assets	\$ 917.5 =====	\$ 192.8 =====	\$ 52.8 =====	\$ 1,163.1 =====
----- 1997 -----				
Revenues from unaffiliated customers, based on the customer's location	\$ 1,709.1 =====	\$ 402.2 =====	\$135.6 =====	\$ 2,246.9 =====
Long-lived assets	\$ 896.5 =====	\$ 168.9 =====	\$ 39.9 =====	\$ 1,105.3 =====
----- 1996 -----				
Revenues from unaffiliated customers, based on the customer's location	\$ 1,667.3 =====	\$ 457.5 =====	\$148.4 =====	\$ 2,273.2 =====
Long-lived assets	\$ 915.6 =====	\$ 162.5 =====	\$ 30.3 =====	\$ 1,108.4 =====

</TABLE>

NOTE 20-QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

A summary of the unaudited quarterly results of operations for the year ended December 31 is as follows:

<TABLE>

<CAPTION>

	----- 1998 -----			
	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
<S>	<C>	<C>	<C>	<C>
REVENUES				
NMHG	\$ 431.9	\$ 437.2	\$ 374.6	\$ 469.3
Housewares	99.0	112.9	136.8	188.9
NACoal	68.4	64.0	72.3	80.7
NACCO and Other	-	.1	-	.1
	\$ 599.3 -----	\$ 614.2 -----	\$ 583.7 -----	\$ 739.0 -----
GROSS PROFIT	\$ 119.0 -----	\$ 120.2 -----	\$ 118.2 -----	\$ 158.1 -----
OPERATING PROFIT				
NMHG	\$ 41.3	\$ 38.7	\$ 23.6	\$ 28.6
Housewares	(.7)	2.4	11.6	21.3

NACoal	10.9	8.6	10.7	11.8
NACCO and Other	(2.4)	(2.7)	(2.6)	(3.0)
	-----	-----	-----	-----
	\$ 49.1	\$ 47.0	\$ 43.3	\$ 58.7
	-----	-----	-----	-----
NET INCOME	\$ 24.1	\$ 26.3	\$ 20.4	\$ 31.5
	=====	=====	=====	=====
BASIC EARNINGS PER SHARE .	\$ 2.95	\$ 3.22	\$ 2.50	\$ 3.88
	=====	=====	=====	=====
DILUTED EARNINGS PER SHARE	\$ 2.95	\$ 3.21	\$ 2.50	\$ 3.87
	=====	=====	=====	=====

</TABLE>

57

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NACCO Industries, Inc. and Subsidiaries (Tabular Amounts in Millions, Except Per Share, Unit and Percentage Data)

<TABLE>

<CAPTION>

	1997			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
REVENUES				
NMHG	\$ 332.3	\$ 377.4	\$ 352.3	\$ 426.0
Housewares	88.9	101.3	134.8	170.8
NACoal	58.4	62.4	70.2	71.9
NACCO and Other .....	.1	-	.1	-
	-----	-----	-----	-----
	\$ 479.7	\$ 541.1	\$ 557.4	\$ 668.7
	-----	-----	-----	-----
GROSS PROFIT	\$ 82.1	\$ 100.4	\$ 105.8	\$ 132.7
	-----	-----	-----	-----
OPERATING PROFIT				
NMHG	\$ 12.2	\$ 24.7	\$ 17.6	\$ 16.0
Housewares	(3.1)	1.7	8.8	18.7
NACoal	9.0	9.4	13.2	12.3
NACCO and Other	(2.1)	(2.0)	(2.1)	(2.3)
	-----	-----	-----	-----
	\$ 16.0	\$ 33.8	\$ 37.5	\$ 44.7
	-----	-----	-----	-----
NET INCOME	\$ 2.8	\$ 14.9	\$ 14.5	\$ 29.6
	=====	=====	=====	=====
BASIC EARNINGS PER SHARE .	\$.35	\$ 1.82	\$ 1.78	\$ 3.63
	=====	=====	=====	=====
DILUTED EARNINGS PER SHARE	\$.35	\$ 1.82	\$ 1.78	\$ 3.62
	=====	=====	=====	=====

</TABLE>

NOTE 21-PARENT COMPANY CONDENSED BALANCE SHEETS

The condensed balance sheets of NACCO, the parent company, at December 31 are as follows:

<TABLE>

<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets	\$.6	\$ -
Current intercompany accounts receivable, net	5.5	12.4
Other assets .....	.2	.5
Investment in subsidiaries		
NMHG	451.0	375.8
Housewares	150.1	137.9
NACoal	15.1	15.1

Bellaire .....	.7	.8
	-----	-----
	616.9	529.6
Property, plant and equipment, net	1.6	1.9
Deferred income taxes	21.8	21.2
	-----	-----
Total Assets	\$ 646.6	\$ 565.6
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$ 10.0	\$ 15.2
Reserve for future interest on UMWA obligation	57.1	59.2
Note payable to Bellaire	38.4	39.3
Notes payable to other subsidiaries	18.0	22.6
Deferred income taxes and other	4.8	4.2
Stockholders' equity	518.3	425.1
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 646.6	\$ 565.6
	=====	=====

</TABLE>

The credit agreements at NMHG and Housewares allow the transfer of assets to NACCO under certain circumstances. The amount of NACCO's investment in NMHG and Housewares that was restricted at December 31, 1998 totals approximately \$467.7 million. There are no restrictions on the transfer of assets from NACCoal. Dividends and advances from subsidiaries are the primary sources of cash for NACCO.

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NACCO INDUSTRIES, INC. REPORT OF MANAGEMENT

To the Stockholders of NACCO Industries, Inc.:

The management of NACCO Industries, Inc. is responsible for the preparation, content and integrity of the financial statements and related information contained within this report. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles and include amounts that are based on informed judgments and estimates.

The Company's code of conduct, communicated throughout the organization, requires adherence to high ethical standards in the conduct of the Company's business.

NACCO Industries, Inc. and each of its subsidiaries maintain a system of internal controls designed to provide reasonable assurance as to the protection of assets and the integrity of the financial statements. These systems are augmented by the selection of qualified financial management personnel. In addition, an internal audit function periodically assesses the internal controls.

Arthur Andersen LLP, independent certified public accountants, audits NACCO Industries, Inc. and its subsidiaries' financial statements. Its audits are conducted in accordance with generally accepted auditing standards and provide an objective and independent assessment that helps ensure fair presentation of the Company's operating results and financial position. The independent accountants have access to all financial records and related data of the Company, as well as to the minutes of stockholders' and directors' meetings.

The Audit Committee of the Board of Directors, composed of independent directors, meets regularly with the independent auditors and internal auditors to review the scope of their audit reports and to discuss any action to be taken. The independent auditors and the internal auditors have free and direct access to the Audit Committee. The Audit Committee also reviews the financial reporting process and accounting policies of NACCO Industries, Inc. and each of its subsidiaries.

/s/ Alfred M. Rankin, Jr.
Chairman, President and Chief Executive Officer

/s/ Kenneth C. Schilling
Vice President and Controller

To the Stockholders of NACCO Industries, Inc.:

We have audited the accompanying Consolidated Balance Sheets of NACCO Industries, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the related Consolidated Statements of Income and Comprehensive Income, Stockholders' Equity and Cash Flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NACCO Industries, Inc. and Subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Cleveland, Ohio,
February 9, 1999

SUBSIDIARIES OF NACCO INDUSTRIES, INC.

As of the date of the Annual Report on Form 10-K to which this is an Exhibit, the subsidiaries of NACCO Industries, Inc. were as follows:

Name -----	Incorporation -----
Bellaire Corporation	Ohio
The Coteau Properties Company	Ohio
The Falkirk Mining Company	Ohio
Hamilton Beach/Proctor-Silex, Inc.	Delaware
Hamilton Beach/Proctor-Silex de Mexico, S.A. de C.V.	Mexico
Housewares Holding Company	Delaware
HB/PS El Paso, Inc.	Delaware
HBPS Foreign Sales Corp.	Virgin Islands
HB-PS Holding Company, Inc.	Delaware
Hyster-Yale Materials Handling, Inc.	Delaware (1)
The Kitchen Collection, Inc.	Delaware
NACCO Materials Handling Group, Inc.	Delaware
NACCO Materials Handling Group, Ltd.	England
NACCO Materials Handling Group, Pty., Ltd.	Australia
NACCO Materials Handling, B.V.	Netherlands
NACCO Materials Handling, S.r.l.	Italy
NACCO Materials Handling Limited	England
NMH Holding, B.V.	Netherlands
NMHG Distribution Co.	Delaware
NMHG Mexico S.A. de C.V.	Mexico
NMHH Co.	Delaware
The North American Coal Corporation	Delaware
North American Coal Royalty Company	Delaware
Powhatan Corporation	Delaware
Proctor-Silex Canada, Inc.	Ontario (Canada)
Proctor-Silex, S.A. de C.V.	Mexico
The Sabine Mining Company	Nevada

The Company has omitted the names of its subsidiaries which, considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" within the meaning of Rule 1-02 contained in Regulation S-X.

1. NACCO Industries, Inc. owns 98% of the voting securities of Hyster-Yale Materials Handling Group, Inc.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K into the Company's previously filed Registration Statement (No.33-3422) on Form S-4 and Registration Statement (No. 33-52660) on Form S-8.

ARTHUR ANDERSEN LLP

Cleveland, Ohio
March 26, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Owsley Brown II

Owsley Brown II

Date: February 10, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Robert M. Gates

Robert M. Gates

Date: February 9, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Leon J. Hendrix, Jr.

Leon J. Hendrix, Jr.

Date: February 10, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Dennis W. LaBarre

Dennis W. LaBarre

Date: February 10, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Richard de J. Osborne

Richard de J. Osborne

Date: February 10, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Ian M. Ross

Ian M. Ross

Date: February 9, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ John C. Sawhill

John C. Sawhill

Date: February 10, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Britton T. Taplin

Britton T. Taplin

Date: February 9, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ David F. Taplin

David F. Taplin

Date: February 10, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of NACCO Industries, Inc. hereby constitutes and appoints Charles A. Bittenbender, Kenneth C. Schilling and Constantine E. Tsipis, and each of them, as the true and lawful attorney or attorneys-in-fact, with full power of substitution and revocation, for the undersigned and in the name, place and stead of the undersigned, to sign on behalf of the undersigned as Director of NACCO Industries, Inc., a Delaware corporation, an Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934 on Form 10-K for the fiscal year ended December 31, 1998, and to sign any and all amendments to such Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to said attorney or attorneys-in-fact, and each of them, full power and authority to do so and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorney or attorneys-in-fact or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ John F. Turben

John F. Turben

Date: February 10, 1999

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NACCO MATERIALS HANDLING GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1998 AND 1997
TOGETHER WITH AUDITORS' REPORT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
NACCO Materials Handling Group, Inc.:

We have audited the accompanying consolidated balance sheets of NACCO Materials Handling Group, Inc. (a Delaware corporation and an indirect majority-owned subsidiary of NACCO Industries, Inc., a Delaware corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NACCO Materials Handling Group, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Portland, Oregon,
January 29, 1999

NACCO MATERIALS HANDLING GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 1998 AND 1997

(in thousands of dollars except share amounts)

<TABLE>

<CAPTION>

ASSETS	1998 -----	1997 -----
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 22,248	\$ 17,125
Accounts receivable, net of allowance for doubtful accounts		

of \$5,836 in 1998 and \$5,460 in 1997	174,414	143,587
Note receivable from parent	18,000	-
Inventories	249,246	209,165
Prepaid expenses and other	4,505	3,788
Deferred income taxes	16,964	15,346
	-----	-----
	485,377	389,011
OTHER ASSETS	17,952	22,092
PROPERTY, PLANT AND EQUIPMENT, net	227,831	166,383
DEFERRED CHARGES:		
Goodwill, net	348,052	353,254
Deferred income taxes	6,887	-
Other	14,274	11,674
	-----	-----
	369,213	364,928
	-----	-----
Total assets	\$1,100,373	\$942,414
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 203,986	\$191,003
Revolving credit agreements and other short term borrowings	5,431	2,196
Current maturities of long-term debt	8,687	2,756
Accrued warranty obligation	36,139	27,740
Accrued compensation	41,441	33,486
Accrued income taxes	1,204	5,400
Other current liabilities	62,690	71,931
	-----	-----
	359,578	334,512
	-----	-----
LONG-TERM DEBT, net	186,030	151,790
SELF-INSURANCE RESERVES AND OTHER	83,073	66,301
DEFERRED INCOME TAXES	5,750	4,870
MINORITY INTEREST	3,935	-
STOCKHOLDERS' EQUITY:		
Common stock, par value \$1 per share; 10,000 shares authorized; 5,599 shares outstanding	6	6
Capital in excess of par value	198,205	198,205
Retained earnings	256,796	181,720
Accumulated other comprehensive income (loss)-		
Foreign currency translation adjustment	10,771	6,600
Pension liability adjustment	(3,771)	(1,590)
	-----	-----
	462,007	384,941
	-----	-----
Total liabilities and stockholders' equity	\$1,100,373	\$942,414
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated balance sheets.

NACCO MATERIALS HANDLING GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
(in thousands of dollars)

<TABLE>
<CAPTION>

1998	1997
-----	-----

<S>	<C>	<C>
NET SALES	\$1,712,980	\$1,488,032
COST OF SALES	1,367,327	1,223,861
Gross profit	345,653	264,171
OPERATING EXPENSES:		
Selling, general and administrative expenses	203,338	173,977
Amortization of goodwill	11,674	11,683
Restructuring charge	(1,628)	7,973
	213,384	193,633
Operating profit	132,269	70,538
OTHER INCOME (EXPENSE):		
Interest income	1,920	2,239
Interest expense	(14,046)	(14,545)
Other, net	302	(5,910)
	(11,824)	(18,216)
Income before minority interest and income taxes	120,445	52,322
MINORITY INTEREST IN LOSS OF SUBSIDIARY	939	-
PROVISION FOR INCOME TAXES	46,308	13,632
Net income	75,076	38,690
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustment, net of tax	4,171	(8,406)
Minimum pension liability adjustment, net of \$(1,455) tax benefit in 1998; \$153 tax provision in 1997	(2,181)	197
	1,990	(8,209)
Comprehensive income	\$ 77,066	\$ 30,481

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

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NACCO MATERIALS HANDLING GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

(in thousands of dollars)

<TABLE>		
<CAPTION>		
	1998	1997
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	\$ 75,076	\$ 38,690
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	37,932	35,025
Deferred income taxes	(8,177)	(23,756)
Minority interest	(939)	-
Long term compensation	6,799	3,611
Other	3,959	1,175
Changes in working capital:		
Accounts receivable	(6,920)	(23,192)
Inventories	(19,512)	1,530
Prepaid expenses and other	89	666
Accounts payable and other liabilities	(3,683)	88,904
Accrued income taxes	(3,650)	4,781
Net cash provided by operating activities	80,974	127,434

INVESTING ACTIVITIES:		
Short-term loan to Parent	(18,000)	-
Expenditures for property, plant and equipment	(63,884)	(25,557)
Acquisitions of businesses, net of cash	(16,558)	(11,290)
Proceeds from the Sale of assets	3,359	-
Other, net	28	(25)
	-----	-----
Net cash used for investing activities	(95,055)	(36,872)
	-----	-----
FINANCING ACTIVITIES:		
Additions to long-term debt	25,528	112
Reduction of long-term debt	(3,549)	(96,588)
Revolving credit agreements, net	(6,193)	(3,910)
Short-term obligations, net	459	-
Dividends paid	-	(15,300)
Financing of other short-term obligations	(3,924)	(521)
Capital grants	1,241	741
Minority interest investment	4,874	-
Other, net	137	811
	-----	-----
Net cash provided by (used for) financing activities	18,573	(114,655)
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH	631	(1,571)
	-----	-----
CASH AND CASH EQUIVALENTS		
Increase (decrease) for the year	5,123	(25,664)
Balance, beginning of the year	17,125	42,789
	-----	-----
BALANCE, end of the year	\$ 22,248	\$ 17,125
	=====	=====

</TABLE>

The accompanying notes are an integral part of these consolidated statements.

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NACCO MATERIALS HANDLING GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

(in thousands of dollars)

<TABLE>		
<CAPTION>		
	1998	1997
	-----	-----
<S>	<C>	<C>
COMMON STOCK	\$ 6	\$ 6
	-----	-----
CAPITAL IN EXCESS OF PAR VALUE	198,205	198,205
	-----	-----
RETAINED EARNINGS:		
Beginning balance	181,720	158,330
Net income	75,076	38,690
Dividends paid	-	(15,300)
	-----	-----
	256,796	181,720
	-----	-----
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Beginning balance	5,010	13,219
Foreign currency translation adjustment	4,171	(8,406)
Pension liability adjustment	(2,181)	197
	-----	-----
	7,000	5,010
	-----	-----
Total stockholders' equity	\$462,007	\$384,941
	=====	=====

The accompanying notes are an integral part of these consolidated statements.

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NACCO MATERIALS HANDLING GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1997

1. ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying consolidated financial statements of NACCO Materials Handling Group, Inc. and subsidiaries include the accounts of NACCO Materials Handling Group, Inc. and subsidiaries and its parent Hyster-Yale Materials Handling, Inc., a holding company (collectively, the Company, a Delaware Corporation). Hyster-Yale Materials Handling, Inc. is a 98% owned subsidiary of NACCO Industries, Inc. (NACCO), a Delaware corporation. NACCO Materials Handling Group, Inc. and subsidiaries is the primary operating business.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Hyster-Yale Materials Handling, Inc. and NACCO Materials Handling Group, Inc. and its majority-owned domestic and international manufacturing and retail subsidiaries except for Hyster Brasil, Ltd., a Brazilian subsidiary manufacturer and retailer. Income from this Brazilian subsidiary is recognized when cash is received in the form of a dividend. Investments in Sumitomo Yale Company, Ltd. (S-Y), a 50% owned joint venture, and NMHG Financial Services, Inc., a 20% owned joint venture, are accounted for by the equity method. All significant intercompany accounts and transactions among the consolidated companies are eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks and highly liquid investments with maturities of three months or less from the date of acquisition.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost has been determined under the last-in, first-out (LIFO) method for domestic wholesale and all retail inventories and under the first-in, first-out (FIFO) method with respect to all other inventories. Costs for inventory valuation include labor, material and manufacturing overhead.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation, including amortization of equipment acquired under capital leases, is computed using the straight-line method over the estimated useful service lives for purposes of financial reporting. For tax purposes, an accelerated method is generally used. Maintenance and repairs are expensed as incurred.

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SELF-INSURANCE

The Company is generally self-insured for product liability, medical and worker's compensation claims. For product liability, catastrophic coverage is retained for potentially significant individual claims. Estimated provisions for claims under self-insurance programs, including an amount for incurred but not reported, are recorded and revised annually based upon historical experience and

management judgement. Changes in assumptions for matters such as legal actions, medical costs and actual experience could cause estimates to change in the near term.

GOODWILL

Goodwill, the excess of the purchase price paid over the fair value of the net assets acquired, relates primarily to the 1989 acquisition of Hyster Company and to the 1996 through 1998 acquisitions of Italian operations and retail dealerships. Goodwill is amortized on a straight-line basis over 40 years. Accumulated amortization was \$106.1 million and \$94.4 million at December 31, 1998 and 1997, respectively. Management regularly evaluates its accounting for goodwill considering such factors as historical and future profitability and believes that the asset is realizable and the amortization period is appropriate.

REVENUE RECOGNITION

Revenues are recognized when customer orders are completed and shipped. Anticipated cost of future warranty repairs are accrued as product is shipped.

PRODUCT DEVELOPMENT COSTS

Expenditures associated with the development of new products and improvements to existing products are expensed as incurred. These costs amounted to \$38.6 million and \$32.5 million in 1998 and 1997, respectively.

ADVERTISING COSTS

Advertising costs are expensed as incurred and amounted to \$8.8 million and \$8.0 million in 1998 and 1997, respectively.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign operations are translated into U.S. dollars at the fiscal year-end exchange rate. The related translation adjustments are recorded as a separate component of stockholders' equity. Revenues and expenses are translated using average exchange rates prevailing during the year.

FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS

Financial instruments held by the Company include cash and cash equivalents, accounts receivable, accounts payable, revolving credit agreements, long-term debt, interest rate swap agreements and foreign currency forward contracts. The fair values of these financial instruments have been determined using quoted market sources and management estimates. The Company does not hold or issue financial instruments or derivative financial instruments for trading purposes.

The Company operates internationally and enters into transactions denominated in foreign currencies. As a result, the Company is subject to the transaction exposures that arise from exchange rate movements between the dates foreign currency transactions are recorded and the dates they are consummated. The Company uses foreign currency forward contracts to partially reduce risks related to transactions denominated in foreign currencies.

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Generally, gains and losses from changes in the market value of these contracts are recognized in cost of sales and offset the foreign exchange gains and losses on the underlying transaction. Gains and losses on contracts designated as hedges of firm commitments denominated in foreign currencies are included in the measurement of the related transaction.

In addition, the Company has entered into interest rate swap agreements for portions of its floating rate revolving credit agreement and its domestic asset securitization program. These interest rate swap agreements allow the Company to enter into long-term financing arrangements that have performance-based floating rates of interest, and then exchange them for fixed rates of interest. Variable rates for both the floating rate financing and the interest rate swap agreements are predominantly linked to three-month LIBOR (London Interbank Offered Rate). This common index promotes effectiveness of the interest rate swap agreements as a hedging instrument.

Amounts to be paid or received under the interest rate swap agreements are accrued as interest rates change and are recognized over the life of the swap agreements as an adjustment to Interest expense or Other, net expense. Changes in the market value of the interest rate swap agreements are not recognized in net income.

RECLASSIFICATIONS

Certain amounts in the prior period consolidated financial statements have been

reclassified to conform to the current period's presentation.

2. ACCOUNTING STANDARDS NOT YET ADOPTED:

In June 1998, the Financial Accounting Standards Board Issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires companies to recognize all derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. This statement is effective for fiscal years beginning after June 15, 1999. The Company will adopt this statement on January 1, 2000 and is in the process of determining the effect the adoption will have on its financial statements.

In March 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which is effective for the Company as of January 1, 1999. This SOP requires capitalization on a prospective basis of certain development costs of software to be used internally.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities," which is effective for the Company as of January 1, 1999. This SOP requires start-up and organization costs to be expensed as incurred and also requires previously deferred start-up costs to be recognized as a cumulative effect adjustment in the statement of income upon adoption.

These SOPs, which the Company plans to adopt as of January 1, 1999, are not expected to have material effect on the Company's financial position or results of operations.

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3. NATURE OF OPERATIONS:

The Company designs, manufactures and markets material handling machinery and equipment. Its product offerings cover all categories of forklift trucks, with electric rider and internal combustion engine (ICE) forklift trucks being the major product lines. The Company also derives significant revenue from the sale of service parts for its own and competitors' forklift trucks.

The Company has manufacturing operations in the United States, Europe, China and Mexico. Products are differentiated between the Hyster(R) and Yale(R) brands and each brand is distributed worldwide through Company-owned and independent dealer networks. Both brands are also sold directly to certain national accounts customers.

In 1998, the Company launched an initiative to enter into the retail distribution of its forklift products. As a result of this plan, the Company acquired nine retail dealerships from its existing dealer network in 1998, adding to the one dealership acquired in 1997.

The Company's market position is strongest in North America. It also has significant presence in Europe although its competitive position varies from country to country. The Company's market share in Asia-Pacific is relatively low.

The forklift truck industry is highly competitive and the Company has established alliances with a limited number of suppliers to secure sources of competitively priced materials and components. If the supply of key components or materials were disrupted, or if major price increases were imposed that could not be passed on to end customers, there could be an adverse impact on the Company's operating results.

4. RESTRUCTURING AND OTHER CHARGES:

In the fourth quarter of 1997, the Company approved and began implementation of a restructuring plan, involving primarily the consolidation of marketing services and the relocation of engineering operations close to manufacturing plants. As such, the Company recognized an accrual for severance payments to be made to certain Company employees and for other expenditures related to the restructuring. The accrual is included in other current liabilities and the change to the accrual for the years ended December 31, 1998 and 1997 is as follows:

<TABLE>
<CAPTION>

Employee

	Severance -----	Other -----
	(in thousands)	
<S>	<C>	<C>
Accrual	\$ 6,987	\$ 985
Payments	(1,085)	-
	-----	-----
Balance at December 31, 1997	5,902	985
Increase (decrease) in accrual	(2,207)	579
Translation	(10)	(2)
Payments	(3,327)	(1,562)
	-----	-----
Balance at December 31, 1998	\$ 358	\$ -
	=====	=====

</TABLE>

Also in 1997, a charge of \$8.3 million was recorded as selling, general and administrative expenses during the fourth quarter arising from commitments made prior to year end to provide relocation benefits to certain employees resulting from the reorganization. \$4.5 million was incurred in 1998 and recorded in general and administrative expenses due to additional employees who were relocated in 1998.

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Severance payments were made to approximately 350 Company employees during the years ended December 31, 1998 and 1997. All restructuring programs are essentially complete as of December 31, 1998.

5. SUPPLEMENTAL CASH FLOW INFORMATION:

Supplemental cash flow information is as follows:

<TABLE>
<CAPTION>

	Year Ended December 31, -----	
	1998	1997
	-----	-----
	(in thousands)	
<S>	<C>	<C>
Interest paid	\$13,786	\$15,345
Income taxes paid	59,163	36,312
Income tax refunds received	2,011	2,300

</TABLE>

6. ACCOUNTS RECEIVABLE:

In 1997 the Company entered into an agreement to sell all of its domestic accounts receivable, on a revolving basis, to Lift Truck Funding Company, LLC ("LTF"), a wholly owned subsidiary of the Company. LTF was formed prior to the execution of this agreement for the purpose of buying and selling accounts receivable and is designated to be bankruptcy remote.

Also in 1997, the Company and LTF entered into an agreement with a financial institution whereby LTF can sell, on a revolving basis, an undivided percentage ownership interest in certain eligible accounts receivable, as defined, up to a maximum of \$60.0 million. This two-step transaction is accounted for as a sale of receivables in accordance with the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". Accordingly, the Company's consolidated balance sheets reflect the portion of receivables transferred to the financial institution as a reduction in accounts receivable, net.

In addition to the domestic program discussed above, the Company also has agreements with financial institutions outside of the United States which allow for the sale, without recourse, of undivided interests in revolving pools of its foreign trade accounts receivable. The maximum allowable amount of foreign trade receivables to be sold was \$72.8 million and \$72.9 million at December 31, 1998 and 1997, respectively.

The Company continues to service the receivables and maintains an allowance for doubtful accounts based upon the expected collectibility of all the Company's accounts receivable, including the portion of receivables sold. The servicing liability incurred in connection with these transactions is not material.

Gross proceeds of \$763.7 million and \$543.5 million were received during 1998

and 1997, respectively and the balance of accounts receivable sold at December 31, 1998 and 1997 was \$67.2 million and \$33.5 million, respectively, under all agreements. In the Consolidated Statements of Income the discount and any other transaction gains and losses are included in other, net. The net effect of the sale of receivables during 1998 and 1997 was not material to the operating results of the Company.

7. INVENTORIES:

Inventories are summarized as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
	(in thousands)	
<S>	<C>	<C>
Finished goods and service parts	\$125,274	\$ 86,947
Raw materials and work in process	136,596	135,613
LIFO reserve	(12,624)	(13,395)
	-----	-----
	\$249,246	\$209,165
	=====	=====

</TABLE>

The cost of inventories has been determined by the last-in first-out (LIFO) method for 68% and 61% of such inventories as of December 31, 1998 and 1997, respectively.

8. INVESTMENTS:

The Company owns a 50% interest in Sumitomo Yale, Ltd. (S-Y). The joint venture operates manufacturing facilities in Japan and the Philippines from which the Company purchases certain components, internal combustion engines and electric forklift trucks. Following is S-Y's unaudited condensed financial information on a separate company basis, before elimination of intercompany profits:

<TABLE>
<CAPTION>

	November 30,	
	1998	1997
	(in thousands)	
	(unaudited)	
<S>	<C>	<C>
Assets-		
Current assets	\$ 93,308	\$ 94,643
Other assets	97,216	59,118
	-----	-----
	\$190,524	\$153,761
	=====	=====
Liabilities and stockholders' equity-		
Notes payable	\$ 29,417	\$ 43,871
Other current liabilities	80,846	63,986
	-----	-----
Total current liabilities	110,263	107,857
Long-term debt	64,402	32,738
Other liabilities	484	538
Stockholders' equity	15,375	12,628
	-----	-----
	\$190,524	\$153,761
	=====	=====

</TABLE>

<TABLE>
<CAPTION>

CONDENSED STATEMENTS OF INCOME	Twelve Months Ended November 30,	
	1998	1997
	(in thousands) (unaudited)	
<S>	<C>	<C>
Net sales	\$147,506	\$176,719
Gross profit	15,802	46,887
Net income	2,220	5,270

9. ACQUISITIONS:

In 1997, the Company entered into a joint venture, Shanghai-Hyster Forklift Ltd. (Shanghai-Hyster) with S-Y and another unrelated party. The Company has a 55% direct ownership interest in Shanghai-Hyster, while S-Y has a 30% interest. Shanghai-Hyster began start up operations in 1998 to manufacture forklifts and is expected to become fully operational in 1999. The consolidated results of and the related minority interest in Shanghai-Hyster are included in the accompanying financial statements.

In 1998, the Company announced and began implementation of a strategy to expand into the retail forklift distribution business. During 1998, the Company acquired 100% ownership in either the stock or assets of nine Hyster and Yale retail dealerships in Europe, Australia, and the United States, in addition to one dealership acquired in 1997. These acquisitions were accounted for as purchases. Goodwill is recorded for any excess purchase price paid over the estimated fair value of the net assets acquired and is amortized on a straight-line basis over 40 years. Net amounts expended for this series of acquisitions was \$16.6 million and \$11.3 million in 1998 and 1997, respectively. An additional \$3.5 million was expended to retire lines of credit of the acquired entities and is reflected as a reduction in revolving credit agreements in the consolidated statement of cash flows. These acquired entities have been consolidated in the Financial Statements since the date of acquisition.

10. RELATED PARTY TRANSACTIONS:

The Company's purchases of product from S-Y in 1998 and 1997 were \$96.3 million and \$72.7 million, respectively. Trade terms on certain payables to S-Y range from 90 to 210 days and the Company pays interest at market rates on all amounts owing after 90 days. Payables to S-Y with terms greater than 90 days are shown as financing of other short-term obligations in the Consolidated Statements of Cash Flows. The Company's accounts receivable and accounts payable balances with S-Y are as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
	(in thousands)	
<S>	<C>	<C>
Accounts receivable	\$ 359	\$ 288
Accounts payable	42,452	31,668

At December 31, 1998, the Company has outstanding loans to NACCO in the amount of \$18.0 million. These loans bear interest at an arms-length rate and are due upon demand. Total interest paid to the Company during 1998 was \$0.5 million.

11. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment includes the following:

<TABLE>
<CAPTION>

December 31,	
1998	1997

	(in thousands)	
<S>	<C>	<C>
Land	\$ 9,964	\$ 9,665
Buildings	88,082	72,181
Machinery, tools and equipment	293,042	226,447
	391,088	308,293
Less- Accumulated depreciation	(163,257)	(141,910)
	\$ 227,831	\$ 166,383
	=====	=====

</TABLE>

Depreciation expense on property, plant and equipment was \$26.0 million and \$23.0 million during 1998 and 1997, respectively.

12. OTHER CURRENT LIABILITIES:

The components of other current liabilities are summarized as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
	-----	-----
	(in thousands)	
<S>	<C>	<C>
Miscellaneous tax accruals	\$ 4,966	\$ 4,147
Interest accrual	1,662	1,385
Restructuring accrual	358	6,887
Self insurance accrual	8,000	8,000
Sales discounts accrual	14,182	9,593
Other	33,522	41,919
	\$62,690	\$71,931
	=====	=====

</TABLE>

13. REVOLVING CREDIT AGREEMENTS AND LONG-TERM DEBT:

The Company has entered into a long-term revolving credit agreement (the Credit Agreement) with a group of banks which provides the Company with an unsecured \$350 million revolving line of credit. Borrowing capacity under this Credit Agreement is reduced by the amount of trade accounts receivable sold under the Company's domestic accounts receivable sales agreement (Note 6). The Credit Agreement expires in the year 2002 and has annual extension options. It is the Company's intention to either exercise the annual extension options or replace outstanding borrowings with similar financing vehicles at term. As such, borrowings under the Credit Agreement of \$155 million and \$150 million at December 31, 1998 and 1997, respectively, have been classified as long-term debt. The Company had \$157.3 million and \$181.4 million available under the Credit Agreement as of December 31, 1998 and 1997, respectively.

A facility fee, which is based upon the total \$350 million commitment of the Credit Agreement, is currently .10% per annum. The Credit Agreement bears interest under a variety of borrowing options with premiums on each option subject to reductions based on favorable performance. The weighted average interest rate, including interest rate swaps, at December 31, 1998 and 1997 was 6.78% and 7.03%, respectively.

The Credit Agreement contains covenants related to minimum net worth, debt to capitalization and debt of subsidiaries. As of December 31, 1998 and 1997, the Company was in compliance with all the covenants in the Credit Agreement.

In addition to the Credit Agreement discussed above, the Company has arrangements with lenders that allow for borrowings up to \$55.0 million on an uncommitted basis at current market rates. There were \$19.6 million and no borrowings outstanding under these arrangements at December 31, 1998 and 1997, respectively, and these borrowings are classified as long-term debt. The

weighted average interest rate on these borrowings at December 31, 1998, including interest rate swaps, was 6.78%.

As further discussed in Note 14 to the consolidated financial statements, the Company has entered into unsecured interest rate swap agreements. The interest rate swap agreements mature at varying lengths from twelve months to seven years and effectively change the majority of the Company's floating interest rate exposure on the Credit Agreement to fixed rates. The Company evaluates its exposure to floating rate debt on an ongoing basis.

Long-term debt, exclusive of current maturities, consists of the following:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
	(in thousands)	
<S>	<C>	<C>
Revolving credit agreements	\$174,606	\$150,000
Capital leases and other	11,424	1,790
Total long-term debt	\$186,030	\$151,790

</TABLE>

To the extent allowed under the restrictive covenants of the Credit Agreement, foreign subsidiaries had credit lines at December 31, 1998 and 1997 with an unused amount of \$38.7 million and \$27.6 million, respectively. Borrowings under these credit lines are classified as short-term and amounted to \$0 and \$2.2 million at December 31, 1998 and 1997, respectively. These credit lines are denominated in various currencies and the weighted average interest rate at December 31, 1998 and 1997 on outstanding balances was 8.6% and 8.9% at December 31, 1998 and 1997, respectively.

14. FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS:

INTEREST RATE DERIVATIVES

The Company enters into interest rate swap agreements with major commercial banks for which the risk of credit loss from nonperformance by the banks is considered minimal. As of December 31, 1998 and 1997, the Company had \$160 million notional principal amount of interest rate swaps with an average effective rate of 7.11% for each year. The carrying amount of the interest rate swaps is \$0 and the fair value was \$7.0 million and \$6.1 million as of December 31, 1998 and 1997, respectively, representing the amount the Company would have to pay to terminate the contracts.

FOREIGN CURRENCY DERIVATIVES

The Company enters into foreign exchange forward contracts with major financial institutions for which the risk of credit loss from nonperformance by these institutions is considered minimal. These contracts hedge primarily firm commitments and, to a lesser degree, anticipated transactions relating to cash flows associated with sales and purchases denominated in foreign currencies. The Company enters into foreign exchange contracts in a variety of foreign currencies with maturities not exceeding one year.

At December 31, 1998 and 1997, the Company had \$72.4 million and \$71.3 million contract value of foreign exchange forward contracts, respectively. The fair market value of these forward contracts is a gain (loss) of \$4.8 million and (\$2.4) million, and their net deferred hedging loss is \$0.3 million and \$0.1 million at December 31, 1998 and 1997, respectively. The eventual gains or losses arising from such contracts, depending on market rates, will be recognized in future earnings concurrent with the underlying hedged revenues or costs.

15. INCOME TAXES:

The Company is included in the consolidated federal income tax return of NACCO. The Company and NACCO are parties to an income tax sharing agreement providing for the allocation of federal income tax liabilities. Under this arrangement, the Company will pay to NACCO an amount equal to the income taxes that would be payable by the Company if it were a corporation filing a separate return.

Therefore, the currently payable federal portion of the provision for income taxes is payable to NACCO. The Company files separate state income tax returns.

The components of income before income taxes and provision for income taxes for the years ended December 31 are as follows:

	1998	1997
	-----	-----
	(in thousands)	
<S>	<C>	<C>
Income before income taxes-		
Domestic	\$ 95,814	\$ 40,476
Foreign	24,631	11,846
	-----	-----
	\$120,445	\$ 52,322
	=====	=====
PROVISION FOR INCOME TAXES		
Current tax expense-		
Federal	\$ 38,836	\$ 28,839
State	6,846	5,047
Foreign	7,498	3,127
	-----	-----
Total current	53,180	37,013
Deferred tax expense (benefit)-		
Federal	(5,966)	(24,345)
State	(813)	(2,209)
Foreign	(846)	(2,753)
	-----	-----
Total deferred	(7,625)	(29,307)
Increase in valuation allowance	753	5,926
	-----	-----
	\$ 46,308	\$ 13,632
	=====	=====

</TABLE>

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A reconciliation of federal statutory and effective income tax for the years ended December 31 follows:

	1998	1997
	-----	-----
	(in thousands)	
<S>	<C>	<C>
Income before taxes	\$120,445	\$ 52,322
	=====	=====
Statutory taxes at 35%	\$ 42,155	\$18,313
Foreign rate differences	(1,774)	(2,055)
Unremitted foreign earnings	-	(15,382)
Valuation allowance	753	5,926
Amortization of goodwill	3,807	3,777
State income taxes	4,111	2,015
Export benefits	(1,330)	(683)
Other nondeductible items	263	477
Earnings reported net of taxes	(422)	(405)
Other, net	(1,255)	1,649
	-----	-----
	\$ 46,308	\$ 13,632
	=====	=====
Effective rate	38.4%	26.0%
	=====	=====

</TABLE>

A detailed summary of the total deferred tax assets and liabilities in the Company's consolidated balance sheets at December 31 resulting from differences in the book and tax basis of assets and liabilities follows:

<TABLE>
<CAPTION>

	1998 -----	1997 -----
	(in thousands)	
<S>	<C>	<C>
DEFERRED TAX ASSETS		
Accrued expenses and reserves	\$34,789	\$31,356
Product liability	22,565	20,510
Net operating loss carryforwards	5,787	6,041
Other	3,734	3,055
	-----	-----
Total deferred tax assets	66,875	60,962
Less: Valuation Allowance	(6,679)	(5,926)
	-----	-----
	\$60,196	\$55,036
	=====	=====
DEFERRED TAX LIABILITIES		
Depreciation and depletion	\$20,120	\$20,134
Inventories	11,047	13,292
Pension	2,328	4,024
Other	8,600	7,110
	-----	-----
Total deferred tax liabilities	\$42,095	\$44,560
	=====	=====
Net deferred tax assets	\$18,101	\$10,476
	=====	=====

</TABLE>

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In the fourth quarter of 1997, management determined that the earnings of the Company's foreign subsidiaries have been and will be indefinitely reinvested in the Company's foreign operations and, therefore, concluded that the tax accrual for unremitted foreign earnings was no longer required. Certain 1997 events, including the release of certain covenant restrictions on the Company's debt facility, an improvement in the Company's domestic cash flow and the identification of specific capital investment projects to be undertaken by the foreign operations allowed management to make this determination. As a result, an income tax benefit of \$17.4 million was recognized in 1997 of which \$2.1 million represents the reversal of deferred taxes provided in the first three quarters of 1997 and \$15.3 million relating to the reversal of previously provided deferred taxes on the Company's unremitted foreign earnings.

The unremitted earnings of foreign subsidiaries are \$148 million and \$123 million as of December 31, 1998 and 1997, respectively. Since these earnings have been or are expected to be indefinitely reinvested in foreign operations, no provision has been made for U.S. income taxes. It is impracticable to determine the amount of unrecognized deferred taxes with respect to these earnings; however, foreign tax credits would be available to reduce U.S. income taxes in the event of a distribution.

The Company periodically reviews the need for a valuation allowance against certain deferred tax assets and recognizes these assets to the extent that realization of these assets is more likely than not. Based on a review of earnings history and trends, forecasted earnings and expiration of carryforwards, the Company in 1997 provided a valuation allowance against certain foreign net operating loss carryforwards and deferred tax assets for which utilization is uncertain. No significant changes to this valuation allowance were necessary in 1998. The valuation allowance is \$6.7 million and \$5.9 million at December 31, 1998 and 1997, respectively. At December 31, 1998, the Company has \$0.9 million of foreign net operating loss carryforwards which will expire, if unused, in years 1999 through 2002, and \$4.9 million which are not subject to expiration.

The Company and certain of its subsidiaries are currently under examination by various taxing authorities. The Company has not been informed of any material assessment resulting from these examinations. Management believes that any potential adjustment would not materially affect future earnings.

16. PENSION AND OTHER POSTRETIREMENT BENEFITS:

The Company maintains a variety of pension plans covering a majority of its employees. A portion of the employees are participants in the defined benefit plans discussed below. Most of the remaining employees participate in the profit sharing portion of the Company's defined contribution plan also described below. In addition, all eligible employees are included in the 401(k) portion of the defined contribution plan. Total expense for those defined contribution plans was \$10.7 million and \$8.9 million for the years 1998 and 1997, respectively.

The Company participates in the combined defined benefit plan of NACCO for certain employee groups. The Company also maintains a defined benefit plan for those employees that are covered under collective bargaining agreements. Each defined benefit plan has a formula that is used to determine benefits upon retirement. Most formulas take into account age, compensation, and success of the Company in meeting certain goals, although certain hourly employees' formulas are based primarily on years of service. The Company's current funding policy is to contribute annually the minimum contribution calculated by the independent actuaries. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

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The Company also maintains health care and life insurance plans (other benefit plans) which provide benefits to eligible retired employees. The Company funds these benefits on a "pay as you go" basis, with the retirees paying a portion of the costs.

The assumed health care cost trend rate for measuring the postretirement benefit cost was 7.0% in 1998 and 7.5% in 1997, gradually reducing to 5.25% in years 2003 and after. The weighted average discount rate used to determine the benefit obligation was 7.0% in 1998 and 7.5% in 1997. If the assumed health care trend rate were increased or decreased by one percentage point, the effect would be to increase (decrease) the Accumulated Postretirement Benefit Obligation by \$0.2 million and \$(0.2) million, respectively.

The components of periodic pension cost and actuarial assumptions for the Company's principal defined benefit plans and other benefit plans for the years ended December 31, 1998 and 1997 are as follows:

<TABLE>

<CAPTION>

	Pension Benefits		Other Benefits	
	1998	1997	1998	1997
	(in thousands)		(in thousands)	
<S>	<C>	<C>	<C>	<C>
UNITED STATES PLANS:				
Service cost-benefits earned during the year	\$ 609	\$ 1,225	\$ 207	\$ 177
Interest accrued on projected benefit obligation	3,473	3,392	590	792
Expected return on plan assets, net of plan expense	(4,194)	(3,395)	167	117
Net amortization and deferral	446	341	--	--
Net periodic pension cost	\$ 334	\$ 1,563	\$ 964	\$ 1,086
Assumed discount rate	7.0%	7.5%	7.0%	7.5%
Rate of compensation increase (where applicable)	4.0%	4.5%	4.0%	4.5%
Expected long-term rate of return on plan assets	9.0%	9.0%	--	--
UNITED KINGDOM PLANS:				
Service cost-benefits earned during the year	\$ 2,153	\$ 2,125		
Interest accrued on projected benefit obligation	2,766	2,736		
Expected return on plan assets, net of plan expense	(4,479)	(3,879)		
Net amortization and deferral	(1,077)	(773)		
Net periodic pension cost	\$ (637)	\$ 209		
Assumed discount rate	5.8%	8.0%		
Rate of compensation increase (where applicable)	3.5%	5.0%		
Expected long-term rate of return on plan assets	7.5%	9.0%		

</TABLE>

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The following schedule reconciles changes in the benefit obligations and the plan assets during the year and reconciles the funded status of the Company's principal defined benefit plans and other benefit plans with amounts reported in the Consolidated Balance Sheets at December 31, 1998 and 1997:

<TABLE>
<CAPTION>

	1998		1997		1998	1997
	United States Plans	United Kingdom Plans	United States Plans	United Kingdom Plan	Other Benefits	Other Benefits
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(in thousands)						
CHANGE IN BENEFIT OBLIGATION:						
Benefit obligation at beginning of year	\$45,148	\$35,275	\$42,032	\$33,885	\$10,723	\$ 10,222
Service cost	609	2,153	1,225	2,125	207	177
Interest cost	3,473	2,766	3,392	2,736	590	792
Amendments	1,529	-	-	-	-	-
Actuarial (gain) loss	8,124	17,574	730	(1,182)	(1,461)	562
Benefits paid	(3,772)	(1,411)	(2,231)	(1,710)	(1,015)	(1,030)
Foreign currency exchange rate changes	-	339	-	(579)	-	-
Benefit obligation at end of year	\$55,111	\$56,696	\$45,148	\$35,275	\$ 9,044	\$ 10,723
CHANGE IN PLAN ASSETS:						
Fair value of plan assets at beginning of year	\$51,628	\$49,500	\$39,358	\$41,816		
Actual return on plan assets	2,821	(101)	9,956	7,409		
Employer contribution	600	1,494	4,545	1,815		
Plan participants' contributions	-	755	-	808		
Benefits paid	(3,772)	(1,411)	(2,231)	(1,710)		
Foreign currency exchange rate changes	-	302	-	(638)		
Fair value of plan assets at end of year	\$51,277	\$50,539	\$51,628	\$49,500		
FUNDED STATUS:						
Plan assets excess of (less than) PBO	\$ (3,834)	\$ (6,157)	\$ 6,480	\$14,225	\$ (9,044)	\$ (10,723)
Amounts not recognized in balance sheet-						
Unrecognized net transition obligation (asset)	-	(438)	-	(486)	-	-
Unrecognized actuarial (gain) net loss	6,054	15,961	(3,940)	(7,082)	1,403	3,032
Unrecognized prior service cost	2,871	1,079	1,745	1,180	-	-
Contributions in fourth quarter	300	361	540	403	-	-
Pension asset (liability) recognized on balance sheet at December 31	\$ 5,391	\$10,806	\$ 4,825	\$ 8,240	\$ (7,641)	\$ (7,691)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS CONSIST OF:						
Prepaid benefit cost	\$ 5,391	\$10,806	\$ 4,825	\$ 8,240	\$ -	\$ -
Accrued benefit liability	(8,825)	-	(4,062)	-	(7,641)	(7,691)
Intangible asset	2,871	-	1,745	-	-	-
Accumulated other comprehensive income	5,954	-	2,317	-	-	-
NET AMOUNT RECOGNIZED	\$ 5,391	\$ 10,806	\$ 4,825	\$ 8,240	\$ (7,641)	\$ (7,691)

</TABLE>

The Company maintains a defined contribution retirement plan for U.S. employees which includes a profit sharing portion and a 401(k) portion. Contributions to the profit sharing plan are based on a formula which takes into account age, compensation, and success of the Company in meeting certain goals. Contributions vest over a five-year period. Under the 401(k) portion, eligible employees may contribute up to 17% of their compensation and the Company matches an amount equal to 66-2/3% of the participants' initial 3% before tax contribution. Participants are at all times fully vested in their contributions and those made by the Company.

17. LONG-TERM INCENTIVE COMPENSATION PLAN:

The Company has a Long-Term Incentive Compensation Plan for officers and key management employees of the Company and its subsidiaries. Awards under this plan represent book value appreciation units and entitle the recipient, subject to vesting and other restrictions, to receive cash equal to the difference between the base period price for the units and the book value price as of the quarter date coincident to or immediately preceding the date of disbursement. Awards vest and are payable ten years from the date of grant or earlier under certain conditions. As of December 31, 1998, 1.8 million units have been awarded to key employees and officers. The amount charged to expense was \$7.3 million and \$3.4 million in 1998 and 1997, respectively. The total amount accrued at December 31, 1998 and 1997 for these awards was \$15.9 million and \$10.2 million, respectively, and was recorded as a long-term liability.

18. LEASES:

The Company leases certain office, manufacturing, warehouse distribution facilities, and machinery and equipment under noncancelable leases which expire at various dates through 2007. Future minimum annual lease payments under these lease obligations as of December 31, 1998 are as follows:

<TABLE>
<CAPTION>

	Capital Leases ----- (in thousands)	Operating Leases ----- (in thousands)
<S>	<C>	<C>
1999	\$ 8,687	\$14,864
2000	6,398	13,133
2001	4,701	11,972
2002	2,729	10,590
2003	1,341	9,004
Subsequent to 2003	262	5,075
	-----	-----
Total Future Minimum Lease Payments	\$24,118	\$64,638
		=====
Less amount representing interest	4,007	

Present value of net minimum lease payments	20,111	
Less current maturities	8,687	

	\$11,424	
	=====	

</TABLE>

Capital leases are for manufacturing equipment and rental fleets. Amounts included in property, plant and equipment are as follows:

<TABLE>
<CAPTION>

	Capital Leases ----- (in thousands)	Operating Leases ----- (in thousands)
<S>	<C>	<C>
Plant & equipment	\$31,950	\$16,566
Less accumulated amortization	12,001	9,672
	-----	-----
Net leased PP&E	\$19,949	\$ 6,894
	=====	=====

</TABLE>

Aggregate rental expense for operating leases included in the consolidated statements of income is \$9.3 million and \$8.8 million in 1998 and 1997, respectively.

19. CONTINGENCIES:

The Company is subject to recourse or repurchase obligations under various financing arrangements for certain independently owned retail dealerships. Also, the Company guarantees certain dealer loans. Total amounts subject to recourse, guarantee or repurchase obligation at December 31, 1998 and 1997 were \$196.0 million and \$156.9 million, respectively. When the Company is the guarantor of the principal amount financed, a security interest is usually maintained in

assets of the parties for whom the Company is guaranteeing debt. Losses anticipated under the terms of the recourse or repurchase obligations have been provided for and are not significant.

The Company is the defendant in various product liability and other legal proceedings incidental to its business. The majority of this litigation involves product liability claims. The Company has recorded a reserve for potential product liability losses at December 31, 1998 and 1997 of \$58.0 million and \$52.7 million, respectively, of which \$8.0 million is estimated to be payable in 1999. While the resolution of litigation cannot be predicted with certainty, management believes that the reserves are adequate and no material adverse effect upon the financial position or results of operations of the Company will result from such legal actions.

In 1998, the Company settled two long-outstanding claims against former Yale dealers of approximately \$4.7 million. This was recognized as income in 1998 and reflected as other, net in the consolidated statements of income and comprehensive income.

20. SUBSEQUENT EVENT:

The Company completed the acquisition of a domestic retail dealership subsequent to December 31, 1998 for approximately \$24.8 million. The acquisition will be accounted for as a purchase.

Audited Consolidated Financial Statements

THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

As of December 31, 1998 and 1997

Report of Independent Public Accountants.....1
 Consolidated Balance Sheets.....2
 Consolidated Statements of Income.....4
 Consolidated Statements of Stockholder's Equity.....5
 Consolidated Statements of Cash Flows.....6
 Notes to Consolidated Financial Statements.....7

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
The North American Coal Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of The North American Coal Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North American Coal Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Dallas, Texas,

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 1998 and 1997

(Amounts in thousands, except share data)

<TABLE>

<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 8,124	\$ 4,849
Note receivable from Parent Company	-	21,938
Accounts receivable	24,095	22,236
Inventories	28,941	29,938
Other current assets	2,042	1,613
	-----	-----
	63,202	80,574
PROPERTY, PLANT & EQUIPMENT at cost:		
Coal lands and real estate	97,066	95,707
Plant and equipment	478,895	464,390
Construction in progress	7,754	11,413
	-----	-----
	583,715	571,510
Less allowance for depreciation, depletion and amortization	(280,655)	(256,546)
	-----	-----
	303,060	314,964
DEFERRED CHARGES:		
Advance royalties	5,072	5,298
Deferred lease costs	37,779	37,343
Other	12,949	7,047
	-----	-----
	55,800	49,688
OTHER ASSETS:		
Notes receivable	1,360	2,002
Costs recoverable under sales contracts	3,115	4,006
Other investments and receivables	35,121	23,601
	-----	-----
	39,596	29,609
	-----	-----
	\$ 461,658	\$ 474,835
	=====	=====

</TABLE>

<S>	<C>	<C>
TONS OF COAL SOLD	31,721	29,909
	=====	=====
INCOME:		
Net sales	\$ 278,581	\$ 256,423
Royalties, rental and other operating income	6,762	6,470
Interest, gain on sale of assets and miscellaneous income	1,235	378
	-----	-----
	286,578	263,271
	-----	-----
COSTS AND EXPENSES:		
Cost of sales	197,338	176,816
Depreciation, depletion and amortization	34,012	32,185
Selling, general and administrative expenses	12,107	10,001
Interest expense of subsidiaries	13,567	14,785
	-----	-----
	257,024	233,787
	-----	-----
Income before income taxes and minority interest	29,554	29,484
INCOME TAXES:		
Current	9,305	7,657
Deferred	(2,241)	457
	-----	-----
	7,064	8,114
MINORITY INTEREST	2,167	2,358
	-----	-----
Net income	\$ 20,323	\$ 19,012
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

For the Years Ended December 31, 1998 and 1997

(Amounts in thousands)

<TABLE>

<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
COMMON STOCK	\$ 1	\$ 1
	-----	-----
CAPITAL IN EXCESS OF PAR VALUE	15,124	15,124
	-----	-----
RETAINED EARNINGS		
Beginning balance	--	--
Net Income	20,323	19,012
Dividends	(20,323)	(19,012)
	-----	-----

Total Stockholder's Equity	\$ 15,125	\$ 15,125
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 1998 and 1997
(Amounts in thousands)

<TABLE>

<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	\$ 20,323	\$ 19,012
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	34,012	32,185
Loss (gain) on sale of assets	(97)	2,408
Costs recovered under sales contract	891	889
Deferred lease costs	(436)	(827)
Deferred income taxes	(2,241)	(457)
Pensions and non-current accruals	5,010	(939)
Other non-current assets	(6,223)	(1,824)
	-----	-----
	51,239	50,447
Working capital changes:		
(Increase) decrease in accounts receivable and other current assets	(1,707)	6,719
(Increase) decrease in inventories	997	(2,733)
Increase (decrease) in accounts payable and other current liabilities	4,803	3,141
	-----	-----
	4,093	7,127
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	55,332	57,574
INVESTING ACTIVITIES:		
Expenditures for property, plant and equipment	(19,560)	(24,808)
Proceeds from sales of assets	1,284	1,389
Investment in unconsolidated affiliate	(10,451)	(1,822)
Repayment of notes from Parent Company, net	24,459	20,014
Decrease in notes receivable	642	596
Decrease in advance royalty	226	28
Other, net	559	2,139
	-----	-----
NET CASH USED FOR INVESTING ACTIVITIES	(2,841)	(2,464)
FINANCING ACTIVITIES:		
Repayment of revolving credit agreements, net	(14,122)	(15,000)
Repayment of advances from customers, net	(16,850)	(8,869)
Additions to long-term obligations	59,836	58,494
Repayment of long-term obligations	(57,757)	(70,184)
Dividends paid	(20,323)	(19,012)
	-----	-----
NET CASH USED FOR FINANCING ACTIVITIES	(49,216)	(54,571)
	-----	-----
INCREASE IN CASH AND CASH EQUIVALENTS	3,275	539
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,849	4,310

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 8,124
=====

\$ 4,849
=====

</TABLE>

The accompanying notes are an integral part of these statements.

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands)

December 31, 1998 and 1997

NOTE A--ORGANIZATION AND PRINCIPLES OF CONSOLIDATION

The North American Coal Corporation ("Company") is a wholly owned subsidiary of NACCO Industries, Inc. ("Parent Company"). The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, The Coteau Properties Company ("Coteau"), The Falkirk Mining Company ("Falkirk"), The Sabine Mining Company ("Sabine"), and North American Coal Royalty Company, its division San Miguel Lignite Mine, ("San Miguel"), and its joint venture Red River Mining Company, ("Red River Mining"). Intercompany accounts have been eliminated. The Company is principally engaged in lignite mining through the operation of surface mines in North Dakota, Texas and Louisiana. The Company also operates a dragline at a limestone quarry in Florida.

Three of the Company's consolidated coal mining subsidiaries were organized to assume sales agreements with public utilities. All of the coal of these subsidiaries is sold to these public utilities pursuant to long-term contracts with terms up to 23 years and with extensions at the public utilities' option. The sales prices provided by such contracts are based on cost, plus a profit per ton. Since each mining subsidiary has a contract to provide coal to its customer, a significant portion of their revenue is derived from a single source. The financial position of the mining subsidiary and the Company could be materially impacted if the relationship with any of the customers was terminated or altered.

On April 1, 1998, the Company entered into a joint venture agreement to mine lignite in Mississippi. Operations are scheduled to begin in the fourth quarter of 2000.

On January 22, 1997, the Company signed a contract to mine lignite at a specified fixed price per ton over the next ten years for San Miguel Electric Cooperative. Operations began on July 1, 1997 as scheduled.

NOTE B--ACCOUNTING POLICIES

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include cash in banks and highly liquid investments with initial maturities of three months or less.

INVENTORIES: Supply inventories are stated at average cost. Coal inventories are stated at the lower of cost or market.

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December 31, 1998 and 1997

NOTE B--ACCOUNTING POLICIES -continued

COSTS RECOVERABLE UNDER SALES CONTRACTS: The coal sales agreements ("Agreements") of three subsidiaries provide for selling prices which allow a profit during the defined development period of the mines. Production costs incurred during the development period in excess of the established selling price, as set forth in the Agreements, were deferred and are being recovered as a cost of coal tonnage sold after the development period. Recoveries of these costs amounted to approximately \$891,000 in 1998 and 1997, and are included in net sales in the accompanying consolidated statements of income.

DEPRECIATION, DEPLETION AND AMORTIZATION: Depreciation, depletion and amortization are provided in amounts sufficient to amortize the cost of related assets (including assets recorded under capitalized lease obligations) over their estimated range of useful lives and are calculated by either the straight-line method or the units-of-production method based on estimated recoverable tonnage.

RECLAMATION COSTS: Under certain federal and state regulations, the Company's subsidiaries are required to reclaim land disturbed as a result of mining. Reclamation of disturbed land is a continuous process throughout the term of the Agreements. Current reclamation costs are being recovered as a cost of coal tonnage sold. Costs to complete reclamation after mining has been completed are reimbursed under the Agreements.

FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS: The fair values of financial instruments have been determined through information obtained from quoted market sources and management estimates. The Company does not hold or issue financial instruments or derivative financial instruments for trading purposes. For a portion of the Company's variable-rate revolving credit agreement, the Company has interest rate swap agreements with a remaining terms of five and ten years. The terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate, thereby reducing the Company's exposure to changes in the market rate of interest. The differential between the floating interest rate and the fixed interest rate which is to be paid or received is recognized in interest expense as the floating interest rate changes over the life of the agreement.

PRIOR YEAR FINANCIAL STATEMENTS: Certain reclassifications have been made to the 1997 consolidated financial statements to conform to the 1998 presentation.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

<TABLE>

<CAPTION>

	December 31,	
	1998	1997
	-----	-----
<S>	<C>	<C>
Accounts receivable	\$21,506	\$18,147
Accounts receivable from affiliated companies	2,513	3,815
Refundable income taxes	76	274
	-----	-----
	\$24,095	\$22,236
	=====	=====

</TABLE>

December 31, 1998 and 1997

NOTE D--INVENTORIES

Inventories are summarized as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
Coal	\$ 9,546	\$ 10,724
Supplies	19,395	19,214
	\$ 28,941	\$ 29,938

</TABLE>

NOTE E--ADVANCES FROM CUSTOMERS

Advances from customers represent amounts advanced to Coteau and Falkirk from public utilities to provide working capital and develop and operate the mines. These advances are secured by all owned assets and assignment of all rights under the Agreements of Coteau and Falkirk. These advances are without recourse to the Company and the Parent Company and the majority of the advances are non interest-bearing. No repayment schedule has been established for the Falkirk advances due to the funding agreement with its customers.

Estimated maturities for Coteau for the next five years, including current maturities, which are included in accrued liabilities in the accompanying balance sheets, are as follows:

<TABLE>

<S>	<C>	<C>
1999		\$ 9,826
2000		9,826
2001		9,826
2002		9,826
2003		6,085
Thereafter		61,778
		\$ 107,167

</TABLE>

NOTE F--NOTES PAYABLE

Notes payable, less current maturities, are summarized in the following table. Neither the Company nor the Parent Company have guaranteed these borrowings. The promissory note for Sabine represents borrowings which the public utility arranged for Sabine.

December 31, 1998 and 1997

<TABLE>
<CAPTION>

December 31,

	1998	1997
	-----	-----
	<C>	<C>
<S> THE SABINE MINING COMPANY		
Secured note payable due February 20, 2003, with semi-annual payments and an interest rate of LIBOR plus .25% on the unpaid balance (interest rate of 5.50% and 6.13% at December 31, 1998 and 1997, respectively). Under the terms of such agreement, substantially all assets are pledged and all rights under the Agreement are assigned.	\$ 7,500	\$ 9,643
Promissory note payable to a bank under a revolving agreement providing for borrowings up to \$20 million in 1998 and 1997, respectively. Interest is based on the bank's daily cost of funds plus .25% (5.88% and 7% interest rate as of December 31, 1998 and 1997, respectively). Under the terms of such agreement, substantially all assets are pledged and all rights under the Agreement are assigned.	-	11,463
Secured note payable due June 1, 2001, with semi-annual payments and a fixed interest rate of 8.65% per annum on the unpaid balance. Under the terms of such agreement, substantially all assets are pledged and all rights under the Agreement are assigned.	1,500	2,500
Secured note payable due June 30, 2008, with semi-annual payments and an interest rate of LIBOR plus .25% on the unpaid balance (interest rate of 5.56% at December 31, 1998). Under the terms of such agreement, substantially all assets are pledged and all rights under the Agreement are assigned.	25,500	-
OTHER	-	58
	\$ 34,500	\$ 23,664
	=====	=====

</TABLE>

Note payable maturities for the next five years, including current maturities, are as follows:

<TABLE>		
<S>	<C>	<C>
1999		\$ 6,201
2000		6,143
2001		5,643
2002		5,143
2003		4,071
Thereafter		13,500

		\$ 40,701
		=====

</TABLE>

THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

December 31, 1998 and 1997

NOTE F--NOTES PAYABLE--continued

The Company enters into interest rate swap agreements which allow the Company to enter into long-term credit arrangements that have performance based, floating

rates of interest and then swap them for fixed rates as opposed to entering into higher cost fixed-rate credit arrangements. These agreements are with major commercial banks; therefore, the risk of credit loss from nonperformance by the banks is minimal. The Company evaluates its exposure to floating rate debt on an ongoing basis. The following table summarizes the notional amount and related average rate on the interest rate swap agreements outstanding at December 31:

<TABLE>
<CAPTION>

	Notional Amount	Variable Rate Received	Fixed Rate Paid
<S>	<C>	<C>	<C>
1997	\$11,786	6.13%	6.85%
1998	\$38,143	5.34%	6.18%

Commitment fees paid to banks were approximately \$22,000 and \$17,000 in 1998 and 1997, respectively, and are included in interest expense in the accompanying consolidated statements of income.

NOTE G--REVOLVING CREDIT AGREEMENT

Terms of the Company's revolving credit agreement are summarized as follows:

Amount of revolving credit agreement	\$50,000,000
Amount available at December 31, 1998	\$47,239,000
Stated interest rate	LIBOR + .4375%
Commitment and facility fee	.20% per annum
Expiration date (with annual renewal option)	September 27, 2002

At December 31, 1998 and 1997, the interest rate was 6.13% and 6.44%, respectively.

The Company's revolving credit agreement includes certain financial covenants. The Company was in compliance with such covenants at December 31, 1998. The note payable with the Parent Company reduces the availability of the borrowings of the credit agreement.

NOTE H--POSTRETIREMENT PLANS

The Company and its affiliates, representing the mining operations of the Parent Company, sponsor defined benefit pension plans which cover substantially all salaried employees of the Company and its subsidiaries. Benefits under the plans are based on years of service and average compensation during certain periods. The Company's funding policy is to contribute within the range allowed by the applicable regulations. Plan assets are primarily publicly listed stocks and U.S. bonds.

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

December 31, 1998 and 1997

NOTE H--POSTRETIREMENT PLANS--continued

The following is a detail of net periodic pension expense for all mining operations of the Parent Company:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
Service cost	\$ 4,791	\$ 2,163

Interest cost on projected benefit obligation	3,365	3,033
Expected return on plan assets	(3,437)	(2,789)
Prior service cost amortization	56	56
Actuarial gain recognized	(266)	(46)
Transition amount amortization	(151)	(150)
	-----	-----
Net periodic pension expense	\$ 4,358	\$ 2,267
	=====	=====

</TABLE>

The following sets forth the change in the benefit obligation and the change in the plan assets:

<TABLE>

<CAPTION>

	December 31,	
	1998	1997
	-----	-----
<S>	<C>	<C>
Benefit obligation at beginning of year	\$ 42,557	\$ 35,957
Service cost	4,791	2,163
Interest cost	3,365	3,033
Actuarial gain	1,352	1,835
Benefits paid	(516)	(431)
	-----	-----
Benefit obligation at end of year	\$ 51,549	\$ 42,557
Fair value of plan assets at beginning of year	\$ 45,208	\$ 33,153
Actual return on plan assets	(120)	9,850
Employer contribution	24	2,637
Benefits paid	(516)	(431)
	-----	-----
Fair value of plan assets at end of year	\$ 44,596	\$ 45,209
Funded status	(6,953)	2,652
Unrecognized net transition obligation	(438)	(588)
Unrecognized net actuarial gain	(14,422)	(19,600)
Unrecognized prior service cost	498	555
	-----	-----
Accrued benefit cost	\$ (21,315)	\$ (16,981)
	=====	=====

</TABLE>

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

December 31, 1998 and 1997

<TABLE>

<CAPTION>

Assumptions used in accounting for the defined benefit plans:

	December 31,	
	1998	1997
	<C>	<C>
<S>		
Weighted average discount rates	7.0%	7.50%
Rate of increase in compensation levels	4.0%	4.50%
Expected long-term rate of return on assets	9.0%	9.00%

</TABLE>

The Company and its subsidiaries participate in a defined contribution plan sponsored by the Company which covers substantially all salaried employees. The plan provides for employee contributions to be matched, by the respective company, up to a limit of 5% of the employee's salary. The Company recognized an expense and a cash contribution of \$3,027,000 and \$2,901,000 in 1998 and 1997, respectively, relating to the plan.

NOTE I--OTHER POSTRETIREMENT BENEFITS

The expected cost of retirement benefits other than pensions is charged to expense during the years that the employees render service. Under the provisions of the Agreements of three subsidiaries, costs will be recovered as a cost of coal tonnage sold. Because the obligation for retirement benefits other than pension is not material to the Company's results of operations and financial condition, the detailed disclosures have not been presented.

Coteau and Sabine established Voluntary Employees' Beneficiary Association (VEBA) trusts in 1993 to provide for such future retirement benefits. Coteau and Sabine made cash contributions to the VEBA trusts of approximately \$299,000 and \$479,000 in 1998 and 1997, respectively. Contributions made to an IRS approved VEBA trust are irrevocable and must be used for employee benefits.

NOTE J--COMMITMENTS

Certain mining equipment leased by Coteau, Falkirk, and Sabine is capitalized for financial statement purposes. Under the provisions of the Agreements, the customer is required to pay, as part of the cost of coal purchased, an amount equal to the annual lease payments. Interest expense and amortization in excess of annual lease payments are deferred and are recognized in years when annual lease payments exceed interest expense and amortization.

Interest paid on notes and capitalized lease obligations amounted to approximately \$13,606,000 and \$14,904,000 in 1998 and 1997, respectively.

Assets recorded under capitalized lease obligations are included with property, plant and equipment and consist of the following:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
Plant and equipment	\$ 202,135	\$ 198,354
Accumulated amortization	(106,373)	(94,588)
	\$ 95,762	\$ 103,766

=====

</TABLE>

Capitalized lease obligations are renewable for additional periods at terms based upon fair market value of the leased items at the renewal dates.

NOTE J--COMMITMENTS--continued

During 1998 and 1997, subsidiaries of the Company incurred capitalized lease obligations of approximately \$4,917,000 and \$6,337,000, respectively, in connection with lease agreements to acquire plant and equipment.

Future minimum lease payments as of December 31, 1998, for all capitalized lease obligations are as follows:

<TABLE>
<S>

1999	<C>	23,153
2000	\$	22,131
2001		21,702
2002		20,069
2003		18,183
Thereafter		88,125

Total minimum lease payments	193,363
Amounts representing interest	(59,825)
Present value of net minimum lease payments	133,538
Current maturities	(13,398)
	\$ 120,140

</TABLE>

The Company leases certain office space and equipment under noncancelable operating leases expiring at various dates through 2007. The Parent Company is not obligated under operating lease agreements of the Company. Minimum lease payments as of December 31, 1998, are as follows:

1999	\$	5,128
2000		4,931
2001		4,896
2002		5,074
2003		5,316
Thereafter		14,513
	\$	39,858

</TABLE>

Rental expenses for all operating leases amounted to approximately \$5,725,000 and \$4,430,000 during 1998 and 1997, respectively.

The Company and its subsidiaries anticipate spending approximately \$36,828,000 for capital investments in 1999, of which \$19,181,000 is being financed under the agreements with public utilities secured by the subsidiaries, with the remainder being financed through the existing line of credit.

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

December 31, 1998 and 1997

NOTE K--INCOME TAXES

The Company and its subsidiaries are included in the consolidated federal income tax return filed by the Parent Company. The Company and each of its subsidiaries entered into a tax-sharing agreement with the Parent Company under which federal income taxes are computed by the Company and each of its subsidiaries on a separate return basis. The current portion of such tax is paid to the Parent Company. During 1998 and 1997, the federal and state income taxes paid by the Company were approximately \$6,833,000 and \$8,064,000, respectively.

The Company's effective tax rate differs from the federal statutory rate primarily due to state income taxes and percentage depletion.

Provision (benefit) for income taxes consists of the following:

	Year Ended December 31,	
	1998	1997
Federal	\$ 8,168	\$ 6,656
State	1,137	1,001

Total current tax expense	\$ 9,305	\$ 7,657
	=====	=====
Federal	\$ (2,131)	\$ 424
State	(110)	33
	-----	-----
Total deferred tax expense	\$ (2,241)	\$ 457
	=====	=====

</TABLE>

A summary of components of the net deferred tax assets (liabilities) included in the accompanying consolidated balance sheets resulting from differences in the book and tax bases of assets and liabilities are as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
	-----	-----
<S>	<C>	<C>
Deferred tax assets:		
Accrued expenses and reserves	\$ 854	\$ 614
Pensions	8,032	6,402
Deferred compensation	2,198	1,826
Other - net	1,243	470
	-----	-----
Total deferred tax assets	\$ 12,327	\$ 9,312
	-----	-----
Deferred tax liabilities:		
Depreciation, depletion and amortization	\$ (27,105)	\$ (25,657)
Installment sales	(138)	(1,174)
Partnership investment	(1,670)	(1,727)
	-----	-----
Total deferred tax liabilities	(28,913)	(28,558)
	-----	-----
Net deferred tax liability	\$ (16,586)	\$ (19,246)
	=====	=====

</TABLE>

The current portion of deferred income taxes shown above, a net deferred tax asset, is included in other current assets in the accompanying consolidated balance sheets.

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THE NORTH AMERICAN COAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

December 31, 1998 and 1997

NOTE L--FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts for cash and cash equivalents and borrowings under the revolving credit agreement approximate fair value. The fair value of notes receivable and payable is estimated based on the discounted value of the future cash flows using borrowing rates currently available to the Company for bank loans with similar terms and maturities. The fair value of the interest rate swap agreement is based on third party quotes. The fair value compared to the carrying value is summarized as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
	-----	-----
<S>	<C>	<C>
Fair Value:		
Notes receivable	\$ 3,053	\$ 3,668
Notes payable	\$ (40,979)	\$ (27,608)

Interest rate swap agreements	\$	(232)	\$	(183)
Carrying Value:				
Notes receivable	\$	2,002	\$	2,621
Notes payable	\$	(40,941)	\$	(27,514)
Interest rate swap agreements	\$	-	\$	-

</TABLE>

NOTE M--TRANSACTIONS WITH AFFILIATED COMPANIES

Costs and expenses include net receipts from, or payments to, the Parent Company and other subsidiaries of the Parent Company. These net receipts (payments) approximated (\$292,000) and \$907,000 in 1998 and 1997, respectively, for intercompany interest, administrative and other services.

The note payable to the Parent Company is a demand note with interest of 4.97% as of December 31, 1998.

The note receivable from the Parent Company is a demand note, with interest of 5.72% as of December 31, 1997.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
NACCO HOUSEWARES GROUP

<TABLE>
<CAPTION>

	(UNAUDITED)		
	Year Ended December 31		
	1998	1997	1996
	(In millions)		
<S>	<C>	<C>	<C>
Revenues	\$ 537.6	\$ 495.8	\$ 463.7
Cost of sales	422.0	393.0	363.2
GROSS PROFIT	115.6	102.8	100.5
Selling, general and administrative expenses	74.8	72.6	69.2
Amortization of goodwill	3.0	4.1	3.9
Restructuring charge	3.2	---	---
OPERATING PROFIT	34.6	26.1	27.4
Other income (expense)			
Interest expense	(7.0)	(7.3)	(7.1)
Other - net	(.8)	(.2)	(.3)
	(7.8)	(7.5)	(7.4)
INCOME BEFORE INCOME TAXES	26.8	18.6	20.0
Provision for income taxes	11.6	8.1	7.8
NET INCOME	\$ 15.2	\$ 10.5	\$ 12.2
Other Comprehensive Income			
Foreign currency translation adjustment	(.4)	(.3)	---
Minimum pension liability adjustment, net of (\$0.2) tax in 1998; \$0.2 tax in 1997; \$1.3 tax in 1996	(.3)	.4	2.1
COMPREHENSIVE INCOME	\$ 14.5	\$ 10.6	\$ 14.3

</TABLE>

CONSOLIDATED BALANCE SHEETS
NACCO HOUSEWARES GROUP

<TABLE>
<CAPTION>

	(UNAUDITED)	
	December 31	
	1998	1997
<S>	<C>	<C>
	(In millions)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4.4	\$ 2.1
Accounts receivable, net of allowances of \$9.8 and \$8.7	78.6	77.3
Inventories	78.0	63.8
Prepaid expenses and other	13.6	12.8
	174.6	156.0

PROPERTY, PLANT AND EQUIPMENT, NET	60.8	58.2
DEFERRED CHARGES		
Goodwill, net	93.2	96.3
Deferred income taxes	5.4	5.1
	-----	-----
	98.6	101.4
OTHER ASSETS	.1	.1
	-----	-----
TOTAL ASSETS	\$ 334.1	\$ 315.7
	=====	=====

</TABLE>

3

CONSOLIDATED BALANCE SHEETS
NACCO HOUSEWARES GROUP

<TABLE>
<CAPTION>

	(UNAUDITED) December 31	
	1998	1997

	-----	-----
	(In millions)	
	<C>	<C>
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 34.6	\$ 40.8
Intercompany accounts payable	4.7	7.1
Revolving credit agreements	25.5	7.3
Current maturities of long-term debt	.1	.1
Accrued Income taxes	1.4	.6
Accrued payroll	13.4	11.9
Other current liabilities	26.3	21.6
	-----	-----
	106.0	89.4
LONG-TERM DEBT - not guaranteed by the parent company	70.3	78.4
SELF-INSURANCE RESERVES AND OTHER	7.7	10.0
STOCKHOLDER'S EQUITY		
Common stock (100 shares issued and outstanding at \$1 par value)	---	---
Capital in excess of par value	160.6	160.6
Retained deficit	(7.8)	(20.7)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	(2.4)	(2.0)
Minimum pension liability adjustment	(.3)	---
	-----	-----
	150.1	137.9
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 334.1	\$ 315.7
	=====	=====

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS
NACCO HOUSEWARES GROUP

<TABLE>
<CAPTION>

(UNAUDITED)			
Year Ended December 31			
	1998	1997	1996
<S>	<C>	(In millions) <C>	<C>
OPERATING ACTIVITIES			
Net income	\$ 15.2	\$ 10.5	\$ 12.2
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	16.7	21.0	20.1
Deferred income taxes	(1.8)	(1.0)	(3.2)
Other non-cash items	(.8)	(.6)	(3.6)
Working capital changes:			
Accounts receivable	(1.2)	(17.2)	5.2
Inventories	(14.2)	(.1)	9.3
Other current assets	.2	(3.8)	(.5)
Intercompany accounts payable	(3.9)	.5	4.6
Accounts payable and other liabilities	.5	20.9	10.0
NET CASH PROVIDED BY OPERATING ACTIVITIES	10.7	30.2	54.1
INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(16.8)	(18.3)	(16.2)
Proceeds from the sale of other assets	.2	---	.5
Acquisitions of businesses	---	---	(33.6)
NET CASH USED FOR INVESTING ACTIVITIES	(16.6)	(18.3)	(49.3)
FINANCING ACTIVITIES			
Additions to (reductions of) long-term debt and revolving credit agreements	10.1	(8.8)	6.9
Cash dividends paid	(2.3)	(3.8)	(10.0)
Other-net	.8	2.6	(1.6)
NET CASH USED FOR FINANCING ACTIVITIES	8.6	(10.0)	(4.7)
Effect of exchange rate changes on cash	(.4)	(.3)	---
CASH AND CASH EQUIVALENTS			
Increase (decrease) for the year	2.3	1.6	.1
Balance at the beginning of the year	2.1	.5	.4
BALANCE AT THE END OF THE YEAR	\$ 4.4	\$ 2.1	\$.5

</TABLE>

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
NACCO HOUSEWARES GROUP

<TABLE>
<CAPTION>

(UNAUDITED)			
Year Ended December 31			
	1998	1997	1996
<S>	<C>	(In millions) <C>	<C>
COMMON STOCK			

Beginning balance	\$ ---	\$ ---	\$ ---
	---	---	---
CAPITAL IN EXCESS OF PAR VALUE			
Beginning balance	160.6	160.6	154.3
Dividend paid for acquisition of shares	---	---	6.3
	160.6	160.6	160.6
RETAINED EARNINGS			
Beginning balance	(20.7)	(27.4)	4.0
Dividend paid for acquisition of shares	---	---	(33.6)
Dividends	(2.3)	(3.8)	(10.0)
Net income	15.2	10.5	12.2
	(7.8)	(20.7)	(27.4)
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Beginning balance	(2.0)	(2.1)	(4.2)
Foreign currency translation adjustment	(.4)	(.3)	---
Minimum pension liability adjustment	(.3)	.4	2.1
	(2.7)	(2.0)	(2.1)
TOTAL STOCKHOLDER'S EQUITY	\$ 150.1	\$ 137.9	\$ 131.1

</TABLE>