

NACCO INDUSTRIES INC

Form DEF 14A

March 24, 2005

**SCHEDULE 14A**  
**(RULE 14a-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**  
**EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

NACCO INDUSTRIES, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

5875 LANDERBROOK DRIVE  
CLEVELAND, OHIO 44124-4017  
**NOTICE OF ANNUAL MEETING**

The Annual Meeting of stockholders of NACCO Industries, Inc. (the Company ) will be held on Wednesday, May 11, 2005 at 9:00 A.M., at 5875 Landerbrook Drive, Cleveland, Ohio, for the following purposes:

- (1) To elect twelve directors for the ensuing year.
- (2) To confirm the appointment of the independent registered public accounting firm of the Company for the current fiscal year.
- (3) To transact such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 14, 2005 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof.

Charles A. Bittenbender  
*Secretary*

March 24, 2005

**The Company's Annual Report for the year ended December 31, 2004 is being mailed to stockholders concurrently herewith. The Annual Report contains financial and other information about the Company, but is not incorporated into the Proxy Statement and is not deemed to be a part of the proxy soliciting material.**

**Please promptly fill out, sign, date and mail the enclosed form of proxy if you do not expect to be present at the Annual Meeting. *If you hold shares of both Class A Common Stock and Class B Common Stock, you now only have to complete the single enclosed form of proxy.* A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.**

---

5875 LANDERBROOK DRIVE  
CLEVELAND, OHIO 44124-4017  
**PROXY STATEMENT March 24, 2005**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of NACCO Industries, Inc., a Delaware corporation (the Company), of proxies to be used at the annual meeting of stockholders of the Company to be held on May 11, 2005 (the Annual Meeting). This Proxy Statement and the related form of proxy are being mailed to stockholders commencing on or about March 24, 2005.

If the enclosed form of proxy is executed, dated and returned, the shares represented by the proxy will be voted as directed on all matters properly coming before the Annual Meeting for a vote. Proxies that are properly signed without any indication of voting instructions will be voted for the election of each director nominee, for the confirmation of the appointment of the independent registered public accounting firm, and as recommended by the Board of Directors with regard to any other matters or, if no recommendation is given, in their own discretion. The proxies may be revoked at any time prior to their exercise by giving notice to the Company in writing or by executing and delivering a later dated proxy. Attendance at the Annual Meeting will not automatically revoke a proxy, but a stockholder attending the Annual Meeting may request a ballot and vote in person, thereby revoking a previously granted proxy.

Stockholders of record at the close of business on March 14, 2005 will be entitled to notice of, and to vote at, the Annual Meeting. On that date, the Company had outstanding and entitled to vote 6,608,277 shares of Class A Common Stock, par value \$1.00 per share (Class A Common), and 1,615,065 shares of Class B Common Stock, par value \$1.00 per share (Class B Common). Each share of Class A Common is entitled to one vote for a nominee for each of the twelve directorships to be filled and one vote on each other matter properly brought before the Annual Meeting. Each share of Class B Common is entitled to ten votes for each such nominee and ten votes on each other matter properly brought before the Annual Meeting.

At the Annual Meeting, in accordance with Delaware law and the Company's By-Laws, the inspectors of election appointed by the Board of Directors for the Annual Meeting will determine the presence of a quorum and will tabulate the results of stockholder voting. As provided by Delaware law and the Company's By-Laws, the holders of a majority of the Company's stock, issued and outstanding, and entitled to vote at the Annual Meeting and present in person or by proxy at the Annual Meeting, will constitute a quorum for the meeting. The inspectors of election intend to treat properly executed proxies marked abstain as present for purposes of determining whether a quorum has been achieved at the Annual Meeting. The inspectors will also treat proxies held in street name by brokers that are voted on at least one, but not voted on all, of the proposals to come before the Annual Meeting (broker non-votes) as present for purposes of determining whether a quorum has been achieved at the Annual Meeting.

Class A Common and Class B Common will vote as a single class on all matters anticipated to be brought before the Annual Meeting. In accordance with Delaware law, the twelve director nominees receiving the greatest number of votes will be elected directors. In accordance with Delaware law and the Company's By-Laws, the holders of a majority of the voting power of the Company's stock which is present in person or by proxy, and which is actually voted, will decide any other proposal which is brought before the Annual Meeting. As a result, abstentions in respect of any proposal and broker non-votes will not be counted for purposes of determining whether a proposal has received the requisite approval by the Company's stockholders.

In accordance with Delaware law and the Company's By-Laws, the Company may, by a vote of the stockholders, in person or by proxy, adjourn the Annual Meeting to a later date or dates, without changing the record date. If the Company were to determine that an adjournment were desirable, the appointed proxies would use the discretionary authority granted pursuant to the proxy cards to vote in favor of such an adjournment.

**BUSINESS TO BE TRANSACTED****1. Election of Directors**

It is intended that shares represented by proxies in the enclosed form will be voted for the election of the nominees named in the following table to serve as directors for a term of one year and until their successors are elected, unless contrary instructions are received. All of the nominees listed below presently serve as directors of the Company and, except for Dr. Wong, were elected at the Company's 2004 annual meeting of stockholders. In accordance with the Company's By-Laws, Dr. Wong was elected to the Board of Directors in February 2005. If an unexpected occurrence should make it necessary, in the judgment of the proxy holders, to substitute some other person for any of the nominees, shares represented by proxies will be voted for such other person as the proxy holders may select.

<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Business Experience During Last Five Years and Other Directorships in Public Companies</b>	<b>Director Since</b>
Owsley Brown II	62	Chairman and Chief Executive Officer of Brown-Forman Corporation (a diversified producer and marketer of consumer products). Also director of Brown-Forman Corporation.	1993
Robert M. Gates	61	President, Texas A&M University since 2002. Since prior to 2000, consultant, author and lecturer. From prior to 2000 to 2001, Dean, George Bush School of Government and Public Service, Texas A&M University. Former Director of Central Intelligence for the United States. Former Assistant to the President of the United States and Deputy for National Security Affairs, National Security Council. Also director of Parker Drilling Company and Brinker International, Inc. and trustee of Fidelity Funds.	1993
Leon J. Hendrix, Jr.	63	Chairman of Remington Arms Company, Inc. (a manufacturer and marketer of sporting arms and ammunition). From prior to 2000 to 2000, Principal, Clayton, Dubilier & Rice, Inc. (private investment firm). Also director of Cambrex Corp., Keithley Instruments, Inc. and Remington Arms Company, Inc.	1995
Dennis W. LaBarre	62	Partner in the law firm of Jones Day.	1982
Richard de J. Osborne	71	Retired Chairman and Chief Executive Officer of ASARCO Incorporated (a leading producer of non-ferrous metals). From 2002 to 2003, Chairman (Non-executive) of Schering-Plough Corporation (a research-based pharmaceuticals company). Also Chairman (Non-executive) and director of Datawatch Corp. and director of Schering-Plough Corporation.	1998
Alfred M. Rankin, Jr.	63	Chairman, President and Chief Executive Officer of the Company. Also director of Goodrich Corporation and The Vanguard Group.	1972
Ian M. Ross	77	President Emeritus of AT&T Bell Laboratories (the research and development subsidiary of AT&T).	1995
Michael E. Shannon	68	President, MESHannon & Associates, Inc. (a private firm specializing in corporate finance and investments) since 2000. Retired Chairman, Chief Financial and Administrative Officer, Ecolab, Inc. (a specialty chemicals company). Also director of The Clorox Company, Apogee Enterprises, Inc. and CenterPoint Energy, Inc.	2002
Britton T. Taplin	48		1992

Edgar Filing: NACCO INDUSTRIES INC - Form DEF 14A

David F. Taplin	55	Principal, Western Skies Group, Inc. (a developer of medical office and healthcare-related facilities). Self-employed (tree farming).	1997
-----------------	----	--	------

Name	Age	Principal Occupation and Business Experience During Last Five Years and Other Directorships in Public Companies	Director Since
John F. Turben	69	Chairman of Kirtland Capital Corporation and Senior Managing Partner of Kirtland Capital Partners (private investment partnership). Also director of PVC Container Corporation and Instron Corporation.	1997
Eugene Wong	70	Emeritus Professor of the University of California at Berkeley. From 2002 to 2003, President and Chief Executive Officer of Versata, Inc. (a software company serving the distributed enterprise applications market). From prior to 2000 to 2002, Assistant Director of the National Science Foundation. Also director of Versata, Inc.	2005

### Beneficial Ownership of Class A Common and Class B Common

Set forth in the following tables is the indicated information as of March 1, 2005 (except as otherwise indicated) with respect to (1) each person who is known to the Company to be the beneficial owner of more than five percent of the Class A Common, (2) each person who is known to the Company to be the beneficial owner of more than five percent of the Class B Common and (3) the beneficial ownership of Class A Common and Class B Common by the directors, the Company's Chief Executive Officer and the four other most highly compensated executive officers of the Company and its subsidiaries during 2004 (the "Named Executive Officers") and all executive officers and directors as a group. Beneficial ownership of Class A Common and Class B Common has been determined for this purpose in accordance with Rules 13d-3 and 13d-5 of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "Exchange Act"), which provide, among other things, that (a) a person is deemed to be the beneficial owner of Class A Common or Class B Common if such person, directly or indirectly, has or shares voting power or investment power with respect to such stock or has the right to acquire such ownership within 60 days, and (b) when two or more persons agree to act together for the purpose of holding, voting or disposing of Class A Common or Class B Common, as the case may be, the group formed thereby is deemed to be a person which has acquired beneficial ownership of all Class A Common or Class B Common, as the case may be, beneficially owned by each member of the group. Accordingly, the amounts shown in the tables do not purport to represent beneficial ownership for any purpose other than compliance with SEC reporting requirements. Further, beneficial ownership as determined in this manner does not necessarily bear on the economic incidence of ownership of Class A Common or Class B Common.

Holders of shares of Class A Common and Class B Common are entitled to different voting rights with respect to each class of stock. Each share of Class A Common is entitled to one vote per share. Each share of Class B Common is entitled to ten votes per share. Holders of Class A Common and holders of Class B Common vote together on matters submitted to a vote of the Company's stockholders.

**AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP  
CLASS A COMMON STOCK**

Name	Title of Class	Sole Voting and Investment Power	Shared Voting or Investment Power	Aggregate Amount	Percent of Class (1)
Franklin Mutual Advisers, LLC (2) 51 John F. Kennedy Parkway Short Hills, NJ 07078	Class A	480,600(2)		480,600(2)	7.27%
Thomas E. Taplin 950 South Cherry St. #506 Denver, CO 80246	Class A	414,000		414,000	6.27%
Rankin Associates II, L.P., <i>et al.</i> (3) Suite 300 5875 Landerbrook Drive Cleveland, OH 44124-4017	Class A	(3)	(3)	338,295(3)	5.12%
Dimensional Fund Advisors Inc. (4) 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	Class A	334,338(4)		334,338(4)	5.06%
Owsley Brown II (5)	Class A	3,970	1,000(6)	4,970(6)	
Robert M. Gates (5)	Class A	3,089		3,089	
Leon J. Hendrix, Jr. (5)	Class A	8,492		8,492	0.13%
Dennis W. LaBarre (5)	Class A	3,903		3,903	
Richard de J. Osborne (5)	Class A	1,914	200	2,114	
Alfred M. Rankin, Jr.	Class A	123,119	655,093(7)	778,212(7)	11.78%
Ian M. Ross (5)	Class A	3,028		3,028	
Michael E. Shannon (5)	Class A	1,719		1,719	
Britton T. Taplin (5)	Class A	30,190	1,305	31,495	0.48%
David F. Taplin (5)	Class A	25,008	150	25,158	0.38%
John F. Turben (5)	Class A	6,979		6,979	0.11%
Eugene Wong (5)(8)	Class A				
Reginald R. Eklund	Class A		1,000	1,000	
Michael J. Morecroft	Class A				
Clifford R. Miercort	Class A				
Michael Brogan	Class A				
All executive officers and directors as a group (43 persons)	Class A	242,981	658,748(9)	901,729(9)	13.65%

(1) Less than 0.10%, except as otherwise indicated.

(2)



A Schedule 13G filed with the SEC with respect to Class A Common on February 14, 2005 reported that Franklin Mutual Advisers, LLC ( FMA ) may be deemed to beneficially own the shares of Class A Common reported herein as a result of being an investment adviser. The securities reported are held under advisory contracts that grant to FMA all investment and voting power over the securities reported. FMA disclaims any economic interest or beneficial ownership in the securities reported.

- (3) A Schedule 13D, which was filed with the SEC with respect to Class A Common and most recently amended on February 15, 2005, reported that Rankin Associates II, L.P. ( Associates ), the individuals and entities holding limited partnership interests in Associates and Rankin Management, Inc. ( RMI ), the general partner of Associates, may be deemed to be a group as defined under the Exchange Act and therefore may be deemed as a group to beneficially own 338,295 shares of Class A Common held by Associates. Although Associates holds the 338,295 shares of Class A Common, it does not have any

power to vote or dispose of such shares of Class A Common. RMI has the sole power to vote such shares and shares the power to dispose of such shares with the other individuals and entities holding limited partnership interests in Associates. RMI exercises such powers by action of its board of directors, which acts by majority vote and consists of Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin, the individual trusts of whom are the shareholders of RMI. Under the terms of the Limited Partnership Agreement of Associates, Associates may not dispose of Class A Common without the consent of RMI and the approval of the holders of more than 75% of all of the partnership interests of Associates.

- (4) A Schedule 13G/A filed with the SEC with respect to Class A Common on February 9, 2005 reported that Dimensional Fund Advisors Inc. ( Dimensional ) beneficially owns the shares of Class A Common reported herein as a result of being an investment advisor registered under Section 203 of the Investment Advisers Act that furnishes investment advice to four investment companies registered under the Investment Company Act and serving as an investment manager to certain other commingled group trusts and separate accounts (collectively, the Dimensional Funds ) which own the shares of Class A Common. In its role as investment advisor or manager, Dimensional possesses voting and/or investment power over the shares of Class A Common owned by the Dimensional Funds. However, all shares of Class A Common reported herein are owned by the Dimensional Funds. Dimensional disclaims beneficial ownership of all such shares.
- (5) Pursuant to the Company's Non-Employee Directors' Equity Compensation Plan (the Non-Employee Directors Plan ), each non-employee director has the right to acquire additional shares of Class A Common within 60 days after March 1, 2005. The actual number of additional shares will be determined on April 1, 2005 by taking the amount of such director's quarterly retainer required to be paid in shares of Class A Common plus any voluntary portion of such director's quarterly retainer, if so elected, divided by the average of the closing price per share of Class A Common on the Friday (or if Friday is not a trading day, the last trading day before such Friday) for each week of the calendar quarter ending on March 31, 2005.
- (6) Owsley Brown II is deemed to share with his spouse voting and investment power over 1,000 shares of Class A Common held by Mr. Brown's spouse; however, Mr. Brown disclaims beneficial ownership of such shares.
- (7) Alfred M. Rankin, Jr. may be deemed to be a member of the group described in note (3) above as a result of holding through his trust, of which he is trustee, partnership interests in Associates and therefore may be deemed to beneficially own, and share the power to dispose of, 338,295 shares of Class A Common held by Associates. In addition, Mr. Rankin, may be deemed to be a member of a group, as defined under the Exchange Act, as a result of holding through his trust, of which he is trustee, partnership interests in Rankin Associates IV, L.P. ( Rankin IV ). As a result, the group consisting of Mr. Rankin, the other general and limited partners of Rankin IV and Rankin IV may be deemed to beneficially own, and share the power to vote and dispose of, 115,272 shares of Class A Common held by Rankin IV. Mr. Rankin disclaims beneficial ownership of 614,065 shares of Class A Common held by (a) members of Mr. Rankin's family, (b) charitable trusts, (c) trusts for the benefit of members of Mr. Rankin's family and (d) Associates and Rankin IV to the extent in excess of his pecuniary interest in each such entity.
- (8) The Company's Board of Directors elected Dr. Eugene Wong as a director on February 9, 2005.
- (9) The aggregate amount of Class A Common beneficially owned by all executive officers and directors and the aggregate amount of Class A Common beneficially owned by all executive officers and directors as a group for which they have shared voting or investment power include the shares of Class A Common of which Mr. Brown has disclaimed beneficial ownership in note (6) above and Mr. Rankin has disclaimed beneficial ownership in note (7) above. As described in note (5) above, the aggregate amount of Class A Common beneficially owned by all executive officers and directors as a group as set forth in the table above does not include shares that the

non-employee directors have the right to acquire within 60 days after March 1, 2005 pursuant to the Non-Employee Directors Plan.

## CLASS B COMMON STOCK

Name	Title of Class	Sole Voting and Investment Power	Shared Voting or Investment Power	Aggregate Amount	Percent of Class (1)
Clara Taplin Rankin, <i>et al.</i> (2) c/o National City Bank Corporate Trust Operations P.O. Box 92301, Dept. 5352 Cleveland, OH 44193-0900	Class B	(2)	(2)	1,542,757(2)	95.50%
Clara Taplin Rankin 3151 Chagrin River Road Chagrin Falls, OH 44022	Class B		764,099(3)	764,099(3)	47.30%
Rankin Associates I, L.P., <i>et al.</i> (4) Suite 300 5875 Landerbrook Drive Cleveland, OH 44124-4017	Class B	(4)	(4)	472,371(4)	29.24%
Thomas E. Taplin 950 South Cherry St. #506 Denver, CO 80246	Class B	310,000(5)		310,000(5)	19.19%
National City Corp. 1900 East Ninth Street Cleveland, OH 44114	Class B		291,728(6)	291,728(6)	18.06%
Rankin Associates IV, L.P., <i>et al.</i> (7) Suite 300 5875 Landerbrook Drive Cleveland, OH 44124-4017	Class B	(7)	(7)	284,728(7)	17.63%
Owsley Brown II	Class B				
Robert M. Gates	Class B				
Leon J. Hendrix, Jr.	Class B				
Dennis W. LaBarre	Class B	100		100	
Richard de J. Osborne	Class B				
Alfred M. Rankin, Jr.	Class B	46,052(8)	764,099(8)	810,151(8)	50.15%
Ian M. Ross	Class B				
Michael E. Shannon	Class B				
Britton T. Taplin	Class B				
David F. Taplin	Class B	15,883(9)		15,883(9)	0.98%
John F. Turben	Class B				
Eugene Wong (10)	Class B				
Reginald R. Eklund	Class B				
Michael J. Morecroft	Class B				
Clifford R. Miercort	Class B		1,000	1,000	
Michael Brogan	Class B				

Edgar Filing: NACCO INDUSTRIES INC - Form DEF 14A

All executive officers and directors as a group (43 persons)	Class B	63,910(11)	765,099(11)	829,009(11)	51.32%
--	---------	------------	-------------	-------------	--------

(1) Less than 0.10%, except as otherwise indicated.

(2) A Schedule 13D, which was filed with the SEC with respect to Class B Common and most recently amended on February 15, 2005 (the Stockholders 13D ) reported that, except for NACCO and National City Bank, as depository, the signatories to the stockholders agreement, dated as of

7

---

March 15, 1990 (the stockholders agreement), together in certain cases with trusts and custodianships (collectively, the Signatories), may be deemed to be a group as defined under the Exchange Act (the Stockholder Group) and therefore may be deemed as a group to beneficially own all of the Class B Common subject to the stockholders agreement, which is an aggregate of 1,542,757 shares. The stockholders agreement requires that each Signatory, prior to any conversion of such Signatory's shares of Class B Common into Class A Common or prior to any sale or transfer of Class B Common to any permitted transferee (under the terms of the Class B Common) who has not become a Signatory, offer such shares to all of the other Signatories on a pro-rata basis. A Signatory may sell or transfer all shares not purchased under the right of first refusal as long as they first are converted into Class A Common prior to their sale or transfer. The shares of Class B Common subject to the stockholders agreement constituted 95.50% of the Class B Common outstanding on March 1, 2005, or 67.78% of the combined voting power of all Class A Common and Class B Common outstanding on such date. Certain Signatories own Class A Common, which is not subject to the stockholders agreement. Under the stockholders agreement, the Company may, but is not obligated to, buy any of the shares of Class B Common not purchased by the Signatories following the trigger of the right of first refusal. The stockholders agreement does not restrict in any respect how a Signatory may vote such Signatory's shares of Class B Common.

- (3) A Schedule 13D, which was filed with the SEC with respect to Class B Common and most recently amended on February 15, 2005 (the Class B 13D) reported that Clara Taplin Rankin may be deemed to be a member of the group described in note (4) below as a result of a trust for her benefit holding limited partnership interests in Rankin Associates I, L.P. (Rankin I) and therefore may be deemed to beneficially own, and share the power to dispose of, 472,371 shares of Class B Common held by Rankin I. A Schedule 13D, which was filed with the SEC with respect to Class B Common on March 8, 2005 (the Rankin IV 13D), reported that Clara Taplin Rankin may be deemed to be a member of the group described in note (7) below as a result of a trust for her benefit holding limited partnership interests in Rankin IV and therefore may be deemed to beneficially own, and share the power to dispose of, 284,728 shares of Class B Common held by Rankin IV. In addition, Clara Taplin Rankin shares voting and investment power over 7,000 shares of Class B Common held in a trust for her benefit. The Stockholders 13D reported that the Class B Common beneficially owned by Clara Taplin Rankin is subject to the stockholders agreement.
- (4) The Class B 13D reported that Rankin I and the trusts holding limited partnership interests in Rankin I may be deemed to be a group as defined under the Exchange Act and therefore may be deemed as a group to beneficially own 472,371 shares of Class B Common held by Rankin I. Although Rankin I holds the 472,371 shares of Class B Common, it does not have any power to vote or dispose of such shares of Class B Common. Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin, as trustees and primary beneficiaries of trusts acting as general partners of Rankin I, share the power to vote such shares of Class B Common. Voting actions are determined by the general partners owning at least a majority of the general partnership interests of Rankin I. Each of the trusts holding general and limited partnership interests in Rankin I share with each other the power to dispose of such shares. Under the terms of the Second Amended and Restated Limited Partnership Agreement of Rankin I, Rankin I may not dispose of Class B Common or convert Class B Common into Class A Common without the consent of the general partners owning more than 75% of the general partnership interests of Rankin I and the consent of the holders of more than 75% of all of the partnership interests of Rankin I. The Stockholders 13D reported that the Class B Common beneficially owned by Rankin I and each of the trusts holding limited partnership interests in Rankin I is also subject to the stockholders agreement.
- (5) Thomas E. Taplin shares voting and investment power over 310,000 shares of Class B Common held in a trust for his benefit. The Stockholders 13D reported that the Class B Common beneficially owned by Thomas E. Taplin is subject to the stockholders agreement.

- (6) A Schedule 13G, filed with the SEC with respect to Class B Common on February 14, 2005, reported that National City Corp. beneficially owns the shares of Class B Common reported herein as a bank as

defined by Section 3(a)(6) of the Exchange Act. The securities reported are held in trust accounts for the economic benefit of the beneficiaries of those accounts.

- (7) The Rankin IV 13D reported that the trusts holding limited partnership interests in Rankin IV may be deemed to be a group as defined under the Exchange Act and therefore may be deemed as a group to beneficially own 284,728 shares of Class B Common held by Rankin IV. Although Rankin IV holds the 284,728 shares of Class B Common, it does not have any power to vote or dispose of such shares of Class B Common. Alfred M. Rankin, Jr., Thomas T. Rankin, Claiborne R. Rankin and Roger F. Rankin, as trustees and primary beneficiaries of trusts acting as general partners of Rankin IV, share the power to vote such shares of Class B Common. Voting actions are determined by the general partners owning at least a majority of the general partnership interests of Rankin IV. Each of the trusts holding general and limited partnership interests in Rankin IV share with each other the power to dispose of such shares. Under the terms of the Amended and Restated Limited Partnership Agreement of Rankin IV, Rankin IV may not dispose of Class B Common or convert Class B Common into Class A Common without the consent of the general partners owning more than 75% of the general partnership interests of Rankin IV and the consent of the holders of more than 75% of all of the partnership interests of Rankin IV. The Class B Common beneficially owned by Rankin IV and each of the trusts holding limited partnership interests in Rankin IV is also subject to the stockholders agreement.
- (8) Alfred M. Rankin, Jr. may be deemed to be a member of the group described in note (4) above as a result of holding through his trust, of which he is trustee, partnership interests in Rankin I and therefore may be deemed to beneficially own, and share the power to vote and dispose of, 472,371 shares of Class B Common held by Rankin I. In addition, Mr. Rankin may be deemed to be a member of the group described in note (7) above as a result of holding through his trust, of which he is trustee, partnership interests in Rankin IV and therefore may be deemed to beneficially own, and share the power to vote and dispose of, 284,728 shares of Class B Common held by Rankin IV. Mr. Rankin disclaims beneficial ownership of 630,474 shares of Class B Common held by (a) a trust for the benefit of a member of Mr. Rankin's family and (b) Rankin I and Rankin IV to the extent in excess of his pecuniary interest in each such entity. The Stockholders 13D reported that the Class B Common beneficially owned by Alfred M. Rankin, Jr. is subject to the stockholders agreement.
- (9) The Stockholders 13D reported that the Class B Common beneficially owned by David F. Taplin is subject to the stockholders agreement.
- (10) The Company's Board of Directors elected Dr. Eugene Wong as a director on February 9, 2005.
- (11) The aggregate amount of Class B Common beneficially owned by all executive officers and directors as a group and the aggregate amount of Class B Common beneficially owned by all executive officers and directors as a group for which they have shared voting or investment power include the shares of Class B Common of which Mr. Rankin has disclaimed beneficial ownership in note (8) above.

Thomas E. Taplin is Clara Taplin Rankin's brother. Britton T. Taplin is the son of Thomas E. Taplin, and David F. Taplin is the nephew of Thomas E. Taplin and Clara Taplin Rankin. Clara Taplin Rankin is the mother of Alfred M. Rankin, Jr. J.C. Butler, Jr., an executive officer of the Company, is the son-in-law of Alfred M. Rankin, Jr. The combined beneficial ownership of such persons shown in the foregoing tables equals 1,261,244 shares, or 19.09%, of the Class A Common and 1,136,034 shares, or 70.32%, of the Class B Common outstanding on March 1, 2005. The combined beneficial ownership of all directors of the Company, together with Clara Taplin Rankin, Thomas E. Taplin and all of the executive officers of the Company whose beneficial ownership of Class A Common and Class B Common must be disclosed in the foregoing tables in accordance with Rule 13d-3 under the Exchange Act, equals 1,315,729 shares, or 19.91%, of the Class A Common and 1,139,009 shares, or 70.51%, of the Class B Common outstanding on March 1, 2005. Such shares of Class A Common and Class B Common together represent 55.82% of the combined voting power of all Class A Common and Class B Common outstanding on such date.



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

## **Directors Meetings and Committees**

The Board of Directors has an Audit Review Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. During 2004, the members of the Audit Review Committee were Robert M. Gates (Chairman), Leon J. Hendrix, Jr., David H. Hoag (through August 6, 2004), Richard de J. Osborne, Michael E. Shannon and Britton T. Taplin (through May 12, 2004); the members of the Compensation Committee were Robert M. Gates, David H. Hoag (through August 6, 2004), Richard de J. Osborne (Chairman, beginning May 12, 2004), Ian M. Ross (Chairman, through May 12, 2004) and John F. Turben; and the members of the Nominating and Corporate Governance Committee were Robert M. Gates, Dennis W. LaBarre, Richard de J. Osborne, Michael E. Shannon (Chairman), David F. Taplin and John F. Turben. The other standing committees of the Board of Directors are the Executive Committee, which during 2004 was comprised of Robert M. Gates, Dennis W. LaBarre, Richard de J. Osborne (beginning May 12, 2004), Alfred M. Rankin, Jr. (Chairman), Ian M. Ross (through May 12, 2004), Michael E. Shannon (beginning May 12, 2004) and John F. Turben, and the Finance Committee, which during 2004 was comprised of Leon J. Hendrix, Jr., Dennis W. LaBarre, Alfred M. Rankin, Jr., Michael E. Shannon, Britton T. Taplin, David F. Taplin (through May 12, 2004) and John F. Turben (Chairman).

The Audit Review Committee held eight meetings in 2004. The Audit Review Committee has the responsibilities set forth in its charter with respect to: the quality and integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the Company's guidelines and policies to monitor and control its major financial risk exposures; the qualifications, independence and selection of the independent registered public accounting firm; the performance of the Company's internal audit function and independent registered public accounting firm; assisting the Board of Directors and the Company in interpreting and applying the Company's Corporate Compliance Program and other issues related to Company and employee ethics; and preparing the annual Report of the Audit Review Committee to be included in the Company's proxy statement. The Board of Directors has determined that Michael E. Shannon, a member of the Audit Review Committee, qualifies as an audit committee financial expert as defined in Section 401(h) of Regulation S-K under the Exchange Act. Mr. Shannon is independent, as defined in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act. The Board of Directors believes that, in keeping with the high standards of the Company, all members of the Audit Review Committee should have a high level of financial knowledge. Accordingly, the Board of Directors has reviewed the membership of the Audit Review Committee and determined that each member of the Committee is independent as defined in Section 303A.02 of the New York Stock Exchange's listing standards, is financially literate as defined in Section 303A.07(a) of the New York Stock Exchange's listing standards, has accounting or related financial management expertise as defined in Section 303A.07(a) of the New York Stock Exchange's listing standards, and may qualify as an audit committee financial expert. No members of the Audit Review Committee serve on more than three public company audit committees.

The Compensation Committee held four meetings in 2004. The Compensation Committee reviews executive compensation; fixes compensation of the executive officers and incentive compensation; recommends the adoption of and administers or monitors the administration of all benefit plans; has the authority to grant stock options; and prepares the annual Report of the Compensation Committee on Executive Compensation. Each member of the Compensation Committee is independent, as independence is defined in the listing standards of the New York Stock Exchange.

The Nominating and Corporate Governance Committee held one meeting in 2004. The Nominating and Corporate Governance Committee reviews and recommends to the Board of Directors criteria for membership to the Board of Directors, reviews and recommends to the Board of Directors the optimum number and qualifications of directors believed to be desirable, has established and monitors a system to receive suggestions for nominees to directorships of the Company, and identifies and recommends to the Board of Directors specific candidates for membership on the Board of Directors. The Nominating and Corporate Governance Committee will consider director candidates recommended by the Company's stockholders. See Procedures for Submission and Consideration of Director Candidates. In addition to the foregoing responsibilities, the Nominating and Corporate Governance Committee is responsible for reviewing the Company's Corporate Governance Guidelines and recommending changes to the Corporate Governance



Guidelines, as appropriate, overseeing evaluations of the Board's effectiveness and annually reporting to the Board of Directors the Nominating and Corporate Governance Committee's assessment of the Board's performance. Each member of the Nominating and Corporate Governance Committee is independent, as independence is defined in the listing standards of the New York Stock Exchange. However, the Nominating and Corporate Governance Committee may, from time to time, consult with certain members of the Taplin and Rankin families, including Alfred M. Rankin, Jr., regarding the composition of the Board of Directors.

The Finance Committee held four meetings in 2004. The Finance Committee reviews the financing and risk management strategies of the Company and its principal subsidiaries and makes recommendations to the Board of Directors on all matters concerning finance.

The Executive Committee held two meetings in 2004. The Executive Committee may exercise all of the powers of the Board of Directors over the management and control of the business of the Company during the intervals between meetings of the Board of Directors.

The Board of Directors held six meetings in 2004. In 2004, all of the incumbent directors attended at least 75 percent of the total meetings held by the Board of Directors and by the committees on which they served during their tenure.

The Board of Directors has determined that, based primarily on the ownership of Class A Common and Class B Common by the members of the Taplin and Rankin families and their voting history, the Company has the characteristics of a controlled company, as that term is defined in Section 303A of the listing standards of the New York Stock Exchange. Accordingly, the Board of Directors has determined that the Company should be characterized as a controlled company. However, the Board of Directors has elected not to make use at the present time of any of the exceptions to the requirements of the listing standards of the New York Stock Exchange that are available to controlled companies. Accordingly, at least a majority of the members of the Board of Directors is independent, as independence is defined in the listing standards of the New York Stock Exchange. In making a determination as to the independence of its directors, the Company considered the Independence Standards for Directors set forth in Appendix A attached hereto and broadly considered the materiality of each director's relationship with the Company. Based upon the foregoing criteria, the Board of Directors has determined that the following directors are independent: Owsley Brown II, Robert M. Gates, Leon J. Hendrix, Jr., Dennis W. LaBarre, Richard de J. Osborne, Ian M. Ross, Michael E. Shannon, Britton T. Taplin, David F. Taplin, John F. Turben and Eugene Wong.

In accordance with the rules of the New York Stock Exchange, the non-management directors of the Company are scheduled to meet in executive session, without management, in February of each year. The first such meeting occurred in February of 2005. The Chairman of the Compensation Committee shall preside at such meetings. Additional meetings of the non-management directors may be scheduled from time to time when the non-management directors believe such meetings are desirable. The determination of the director who should preside at such additional meetings will be made based upon the principal subject matter to be discussed at the meeting.

The Company holds a regularly scheduled meeting of its Board of Directors in conjunction with its Annual Meeting of Stockholders. Directors are expected to attend the Annual Meeting absent an appropriate excuse. All of the incumbent members of the Board of Directors attended the Company's 2004 Annual Meeting of Stockholders.

The Company has adopted a code of ethics applicable to all Company personnel, including the principal executive officer, principal financial officer, principal accounting officer or controller, or other persons performing similar functions. Waivers of the Company's code of ethics, entitled Code of Corporate Conduct, for directors or executive officers of the Company, if any, will be disclosed on the Company's website. The Company has also adopted Corporate Governance Guidelines, which provide a framework for the conduct of the Board of Director's business. The Code of Corporate Conduct, the Corporate Governance Guidelines, as well as each of the charters of the Audit Review Committee, Compensation Committee and Nominating and Corporate Governance Committee, are posted on the Company's website at <http://www.nacco.com> under the heading Corporate Governance. The Company will provide a copy of any

of these documents, without charge, to any stockholder upon request. The information contained on the Company's website is not incorporated by reference into this Proxy Statement, and you should not consider information contained on the Company's website as part of this Proxy Statement.

#### **Certain Business Relationships**

Dennis W. LaBarre, a director of the Company and its principal subsidiaries, is a partner in the law firm of Jones Day. Such firm provided legal services on behalf of the Company and its principal subsidiaries during 2004 on a variety of matters, and it is anticipated that such firm will provide such services in 2005.

#### **Report of the Audit Review Committee**

The Board of Directors of the Company adopted a written Audit Review Committee Charter in 2000. An amended and restated Audit Review Committee Charter was adopted in 2004. All members of the Audit Review Committee are independent as defined in

Section 303.01(B)(2)(a) and (3) of the New York Stock Exchange's listing standards as currently in effect.

The Audit Review Committee has reviewed and discussed with the Company's management and Ernst & Young LLP, the Company's independent registered public accounting firm for 2004, the audited financial statements of the Company contained in the Company's Annual Report to Stockholders for the year ended December 31, 2004. The Audit Review Committee has also discussed with the Company's independent registered public accounting firm the matters required to be discussed pursuant to SAS No. 61 (Codification of Statements on Auditing Standards, Communication with Audit Committees) and Rule 2-07 of Regulation S-X (Communication with Audit Committees).

The Audit Review Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1 (titled, "Independence Discussions with Audit Committees"), and has discussed with Ernst & Young LLP its independence.

Based on the review and discussions referred to above, the Audit Review Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, filed with the SEC.

ROBERT M. GATES, CHAIRMAN  
LEON J. HENDRIX, JR.

RICHARD DE J. OSBORNE  
MICHAEL E. SHANNON

#### **Compensation of Directors**

During 2004, each director who was not an officer of the Company or its subsidiaries received a retainer of \$40,000 for the calendar year for service on the Board of Directors and on subsidiary boards of directors. In addition, each such director received \$1,000 for attending each meeting of the Board of Directors and each meeting of a committee thereof, as well as for each meeting of a subsidiary board of directors or committee thereof on which such director served. Such fees for attendance at board meetings could not exceed \$2,000 per day. In addition, the chairman of each committee of the Board of Directors and the subsidiary boards of directors received \$4,000 for the year for service as committee chairman.

Under the Non-Employee Directors' Plan, each director who was not an officer of the Company or its subsidiaries received 50% of his annual retainer (\$20,000) in shares of Class A Common. These shares cannot be assigned, pledged, hypothecated or otherwise transferred by the director, voluntarily or involuntarily, other than (a) by will or the laws of descent and distribution, (b) pursuant to a qualifying domestic relations order or (c) to a trust for the benefit of the director, or his spouse, children or grandchildren. The foregoing restrictions on transfer lapse upon the earliest to occur of (i) the date which is ten years after the last day of the calendar quarter for which such shares were earned, (ii) the date of the death or permanent disability of the director, (iii) five years (or earlier with the approval of the Board of Directors) from the date of the retirement of the director from the Board of Directors of the Company and (iv) the date that a director is both retired from the Board of Directors of the Company and has reached 70 years of age. In addition, each director has the right under the Non-Employee Directors' Plan to receive shares of Class A Common in lieu of cash



for up to 100% of the balance of his annual retainer, meeting attendance fees and any committee chairman's fee. These voluntary shares are not subject to the foregoing restrictions.

### Compensation of Executive Officers

The following table sets forth the annual, long-term and all other compensation for services in all capacities to the Company and its subsidiaries of the Named Executive Officers of the Company and its principal subsidiaries, NACCO Materials Handling Group, Inc. ( NMHG ), Hamilton Beach/ Proctor-Silex, Inc. ( Hamilton Beach/ Proctor-Silex ) and The North American Coal Corporation ( North American Coal ).

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation Payouts	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	LTIP Payouts (\$)	
Alfred M. Rankin, Jr. Chairman, President and Chief Executive Officer of the Company	2004	\$972,100(1)	\$574,903(2)	\$878,856(3)	\$522,728(4)(5)
	2003	\$942,100(1)	\$507,738(2)	\$337,652(3)	\$512,162(4)(5)
	2002	\$904,900(1)	\$785,172(2)	(3)	\$394,687(4)(5)
Reginald R. Eklund President and Chief Executive Officer of NMHG	2004	\$566,636(1)	\$433,422(6)	(7)	\$157,143(8)
	2003	\$549,268(1)	\$464,490(6)	(7)	\$137,716(8)
	2002	\$523,084(1)	\$364,023(6)	(7)	\$85,297(8)
Michael J. Morecroft President and Chief Executive Officer of Hamilton Beach/ Proctor-Silex	2004	\$443,590(1)	\$336,030(9)	(10)	\$136,426(11)
	2003	\$409,580(1)	\$149,551(9)	(10)	\$112,322(11)
	2002	\$379,574(1)	\$195,100(9)	\$440,296(10)	\$70,827(11)
Clifford R. Miercort President and Chief Executive Officer of North American Coal	2004	\$431,800(1)	\$206,744(12)	(13)	\$64,745(14)
	2003	\$428,305(1)	\$163,929(12)	(13)	\$58,757(14)
	2002	\$416,620(1)	\$188,200(12)	(13)	\$36,288(14)
Michael Brogan(15) Senior Vice President, International Operations and Development of NMHG	2004	\$320,600(1)	\$157,376(16)	(17)	\$42,484(18)
	2003	\$253,137(1)	\$75,878(16)	(17)	\$36,166(18)
	2002	\$237,872(1)	\$78,591(16)	(17)	\$16,544(18)

- (1) Under current disclosure requirements of the SEC, certain of the amounts listed are being reported as Salary, although the Company considers them as payments of cash in lieu of perquisites. The Company does not provide its executives with the perquisites commonly provided to executives in other companies, such as cars, country club memberships and personal tax services. In order to attract and retain qualified executives to the Company, the Compensation Committees determine a target level of perquisites for each executive officer position based on the recommendations of the Company's independent outside compensation consultant. Such

target amounts are converted into fixed dollar amounts and paid in cash, an approach which satisfies the objective of providing competitive total compensation to its executives while recognizing that many perquisites are largely just another form of compensation, albeit separate and distinct from salary and incentive compensation. The cash in lieu of perquisites amounts set forth below reflect the fixed dollar amount paid in cash to the Named Executive Officers in lieu of certain perquisites. For Mr. Rankin, the amounts listed for 2004, 2003 and 2002 include payments of cash in lieu of perquisites of \$91,200, \$87,200 and \$87,400, respectively. For Mr. Eklund, the amounts listed for 2004, 2003 and 2002 include payments of cash in lieu of perquisites of \$59,736, \$57,168 and \$56,784, respectively. For Dr. Morecroft, the amounts listed for 2004, 2003 and 2002 include payments of cash in lieu of perquisites of \$44,590, \$42,680 and \$42,170, respectively. For Mr. Miercort, the amounts listed for 2004, 2003 and 2002 include payments of cash in lieu of perquisites



of \$34,870, \$33,380 and \$32,900, respectively. For Mr. Brogan, the amounts listed for 2004, 2003 and 2002 include payments of cash in lieu of perquisites of \$33,019, \$18,392 and \$18,072, respectively.

- (2) For Mr. Rankin, these amounts were paid in cash pursuant to the NACCO Industries, Inc. Annual Incentive Compensation Plan (the Short-Term Plan ) and the NACCO Industries, Inc. Supplemental Annual Incentive Compensation Plan (the Supplemental Short-Term Plan ). For 2002, the amount also included a special cash bonus of \$150,000.
- (3) For Mr. Rankin, the amounts listed for 2004 and 2003 were distributed in the form of 6,407 and 3,526 shares of Class A Common, respectively, and cash payments in the amount of \$301,393 and \$118,236, respectively. The foregoing cash payments are intended to be the approximate amounts required to be withheld by the Company and paid to applicable federal, state and local income taxing authorities based upon statutorily determined withholding rates. The amounts listed were distributed under the NACCO Industries, Inc. Executive Long-Term Incentive Compensation Plan (the NACCO Long-Term Plan ). There was no payout for 2002 for Mr. Rankin under the NACCO Long-Term Plan.
- (4) For Mr. Rankin, the amounts listed for 2004, 2003 and 2002 include \$5,125, \$5,000 and \$5,000, respectively, consisting of matching contributions by the Company under the NACCO Materials Handling Group, Inc. Profit Sharing Plan (the NMHG Profit Sharing Plan ); \$96,747, \$86,213 and \$67,131, respectively, consisting of amounts credited and interest under the NACCO Industries, Inc. Unfunded Benefit Plan; and \$11,484, \$11,384 and \$10,997, respectively, consisting of life insurance premiums paid by the Company for the benefit of Mr. Rankin.
- (5) For Mr. Rankin, the amounts listed for 2004, 2003 and 2002 include \$409,372, \$409,565 and \$311,559, respectively, consisting of amounts credited and interest under The Retirement Benefit Plan for Alfred M. Rankin, Jr. The Company has no defined benefit retirement plan for Mr. Rankin.
- (6) For Mr. Eklund, the amounts were paid in cash pursuant to the NACCO Materials Handling Group, Inc. Annual Incentive Compensation Plan (the NMHG Short-Term Plan ).
- (7) For Mr. Eklund, there was no payout for 2004, 2003 or 2002 under the NACCO Materials Handling Group, Inc. Senior Executive Long-Term Incentive Compensation Plan (the NMHG Executive Long-Term Plan ).
- (8) For Mr. Eklund, the amounts listed for 2004, 2003 and 2002 include \$23,535, \$24,340 and \$14,180, respectively, consisting of contributions by NMHG under the NMHG Profit Sharing Plan; \$131,651, \$111,483 and \$69,334, respectively, consisting of amounts credited and interest under the NACCO Materials Handling Group, Inc. Unfunded Benefit Plan (the NMHG Unfunded Benefit Plan ); and \$1,957, \$1,893 and \$1,783, respectively, consisting of life insurance premiums paid by NMHG for the benefit of Mr. Eklund.
- (9) For Dr. Morecroft, these amounts were paid in cash pursuant to the Hamilton Beach/ Proctor-Silex, Inc. Annual Incentive Compensation Plan.
- (10) For Dr. Morecroft, there was no payout for 2004 and 2003 under the Hamilton Beach/ Proctor-Silex, Inc. Senior Executive Long-Term Incentive Compensation Plan (the HB/PS Executive Long-Term Plan ). The amount listed for 2002 represents the appreciation on the book value units awarded to Dr. Morecroft in 2001, 1994, 1993 and 1992 under the Hamilton Beach/ Proctor-Silex, Inc. Long-Term Incentive Compensation Plan, which was terminated in 2002. Such amount was paid in cash.
- (11) For Dr. Morecroft, the amounts listed for 2004, 2003 and 2002 include \$28,488, \$28,000 and \$26,791, respectively, consisting of contributions by Hamilton Beach/ Proctor-Silex under the Hamilton Beach/

Proctor-Silex Employees Retirement Savings Plan; \$104,334, \$81,171 and \$41,755, respectively, consisting of amounts credited and interest under the Hamilton Beach/ Proctor-Silex, Inc. Unfunded Benefit Plan (the HB/PS Unfunded Plan ); and \$3,604, \$3,151 and \$2,281, respectively, consisting of life insurance premiums and/or flex credits paid by Hamilton Beach/ Proctor-Silex for the benefit of or to Dr. Morecroft.

- (12) For Mr. Miercort, these amounts were paid in cash pursuant to The North American Coal Corporation Annual Incentive Compensation Plan.

- (13) For Mr. Miercort, there was no payout for 2004, 2003 or 2002 under The North American Coal Value Appreciation Plan for the Years 2000 to 2009 (the North American Coal Long-Term Plan ).
- (14) For Mr. Miercort, the amounts listed for 2004, 2003 and 2002 include \$10,250, \$10,000 and \$10,000, respectively, consisting of matching contributions by North American Coal under The North American Coal Retirement Savings Plan; \$45,498, \$39,776 and \$17,544, respectively, consisting of amounts credited and interest under The North American Coal Deferred Compensation Plan for Management Employees; and \$8,997, \$8,981 and \$8,744, respectively, consisting of life insurance premiums paid by North American Coal for the benefit of Mr. Miercort.
- (15) Prior to April 1, 2004, Mr. Brogan was Senior Vice President, Product Development and Procurement of NMHG. Effective April 1, 2004, Mr. Brogan became Senior Vice President, International Operations and Development of NMHG.
- (16) For Mr. Brogan, these amounts were paid in cash pursuant to the NMHG Short-Term Plan.
- (17) For Mr. Brogan, there was no payout for 2004, 2003 or 2002 under the NACCO Materials Handling Group, Inc. Long-Term Incentive Compensation Plan (the NMHG Long-Term Plan ).
- (18) For Mr. Brogan, the amounts listed for 2004, 2003 and 2002 include \$18,776, \$19,430 and \$10,083, respectively, consisting of contributions by NMHG under the NMHG Profit Sharing Plan; \$22,690, \$15,945 and \$5,734, respectively, consisting of amounts credited and interest under the NMHG Unfunded Benefit Plan; and \$1,018, \$791 and \$727, respectively, consisting of life insurance premiums paid by NMHG for the benefit of Mr. Brogan.

#### Stock Option Grants

The Company did not grant any stock options under the Company's 1975 Stock Option Plan or 1981 Stock Option Plan during the fiscal year ended December 31, 2004 to any person, including the Named Executive Officers. The Company has not granted stock options since 1989 in the belief that the likely value realized is unclear both in amount and in its relationship to performance. At December 31, 2004, there were no outstanding options to purchase shares of the Company's Class A Common or Class B Common.

#### Long-Term Incentive Plans

The following table sets forth information concerning awards to the Named Executive Officers during fiscal year 2004, and estimated payouts in the future, under long-term incentive plans of the Company and its principal subsidiaries.

#### Long-Term Incentive Plans Awards in Last Fiscal Year

Name	Number of Shares, Units or Other Rights (\$ or #)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold (\$ or #)	Target (\$ or #)	Maximum (\$ or #)
Alfred M. Rankin, Jr. (1)	\$ 1,215,520	2 years	\$ 0	\$ 1,215,520	\$ 1,887,095
	\$ 1,215,520	5 years	\$ 0	\$ 0	\$ 697,405
Reginald R. Eklund (2)	\$ 522,690	7 years	\$ 0	\$ 953,484	(2)
Michael J. Morecroft (3)	\$ 401,310	7 years	\$ 0	\$ 732,065	(3)
Clifford R. Miercort (4)	\$ 226,655	6 years	\$ 0	\$ 226,655	(4)
Michael Brogan (2)	\$ 95,480	6 years	\$ 0	\$ 168,284	(2)

- (1) Under the NACCO Long-Term Plan, participants, including Mr. Rankin, are eligible for awards paid partly in shares of Class A Common and partly in cash for performance against a target which is based upon the Company's consolidated return on total capital employed over multiple-year periods. Effective January 1, 2004, participants were granted dollar-denominated target awards. Final awards, if any, will be received in 2006 (base period awards) based upon the Company's consolidated return on total capital employed performance for the period from January 1, 2004 through December 31, 2005 against the target

established by the Compensation Committee. Participants are also eligible to receive a supplemental payout on such awards in 2009 ( consistent performance awards ) based upon the Company s consolidated return on total capital employed performance for the 5-year period from January 1, 2004 through December 31, 2008 against the same pre-established target. No consistent performance award is payable if the Company s consolidated return on total capital employed performance for the relevant period is at or below target. The total amount of the base period award and the consistent performance award paid to a participant in any calendar year cannot exceed 200% of the base period target award. Approximately 65% of all payouts are distributed in shares of Class A Common, with the number of shares based upon the average closing price of Class A Common on the New York Stock Exchange at the end of each week during 2005 (in the case of base period awards) and 2008 (in the case of consistent performance awards).

The shares of Class A Common issued as a portion of these awards under the NACCO Long-Term Plan are fully vested but may not be transferred until the earliest of (a) December 31, 2015, (b) the participant s death or disability or (c) five years after the participant s retirement. At any time after three years after the end of the performance period, for awards granted prior to January 1, 2005, a participant may also request that the Compensation Committee authorize the lapse of restrictions on up to 20% of the shares issued under the NACCO Long-Term Plan for the purchase of a principal residence or payments of certain medical or educational expenses. Because the total value of a final award is currently taxable as income to the participant, the balance of the final award is paid in cash in an amount which is intended to be the approximate amount required to be withheld by the Company and paid to applicable federal, state and local income taxing authorities based upon statutorily determined withholding rates.

- (2) Effective as of January 1, 2001, Mr. Eklund became a participant in the NMHG Executive Long-Term Plan and Mr. Brogan became a participant in the NMHG Long-Term Plan. Under NMHG s long-term plans, participants, including Messrs. Eklund and Brogan, are eligible for awards for performance against a target which is based upon NMHG s return on total capital employed over a two-year period for participants in the NMHG Executive Long-Term Plan and a one-year period for participants in the NMHG Long-Term plan. Effective January 1, 2004, participants were granted dollar-denominated target awards. Awards, if any, for the two-year performance period under the NMHG Executive Long-Term Plan will be made in 2006 based upon NMHG s return on total capital employed for the period from January 1, 2004 through December 31, 2005 against the target established by the NMHG Compensation Committee. Awards, if any, for the one-year performance period under the NMHG Long-Term Plan will be made in 2005 based upon NMHG s return on total capital employed for the period from January 1, 2004 through December 31, 2004 against the target established by the NMHG Compensation Committee. The total award for any award period cannot exceed 150% of the target award. Under NMHG s long-term plans, awards to participants are made in the form of book value units which are subject to a payment restriction of five years from the date of award. Such payment restriction shall automatically lapse upon the participant s death, permanent disability or retirement, or to the extent not prohibited by the American Jobs Creation Act ( AJCA ), in the event of any other termination of employment with the approval of the NMHG Compensation Committee. Upon the lapse of the payment restriction, the participant is entitled to receive a payment in cash equal to (a) the book value of the units as of the end of the calendar quarter coincident with or immediately preceding the date the payment restriction lapses or (b) for participants who terminated employment for reasons other than death, disability or retirement, the book value of the units as of the end of the calendar quarter coincident with or immediately preceding termination. Payments to key employees (as defined in the AJCA), such as Messrs. Eklund and Brogan, may be delayed until six months after termination in some circumstances. A participant may elect to defer the payout of an award with a grant date prior to January 1, 2005 under the long-term plans for a period not to exceed ten years from the grant date of the award, provided such election is made at least one year prior to the fifth anniversary of the grant date of the award. If the award is deferred for the entire ten years, the participant may thereafter elect to further defer receipt of the award, in which case the deferred amount will be paid under the NMHG Unfunded Benefit Plan. The deferral options under the long-term plans for awards with grant dates on or after January 1, 2005 have not been decided and



will be adopted in accordance with the requirements of the AJCA. There is no minimum or maximum value for final award payouts under the long-term plans.

- (3) Effective as of January 1, 2003, Dr. Morecroft became a participant in the HB/PS Executive Long-Term Plan. Under the HB/ PS Executive Long-Term Plan, participants, including Dr. Morecroft, are eligible for awards for performance against a target which is based upon Hamilton Beach/ Proctor-Silex's return on total capital employed over two-year periods. Effective January 1, 2004, participants were granted dollar-denominated target awards. Awards, if any, for the two-year performance period will be made in 2006 based upon Hamilton Beach/ Proctor-Silex's return on total capital employed for the period from January 1, 2004 through December 31, 2005 against the target established by the Hamilton Beach/ Proctor-Silex Compensation Committee. The total award for any period cannot exceed 150% of the target award. Under the HB/PS Executive Long-Term Plan, awards to participants are made in the form of book value units which are subject to a payment restriction of five years from the date of award. Such payment restriction shall automatically lapse upon the participant's death, permanent disability or retirement, or, to the extent not prohibited by the AJCA, in the event of any other termination of employment with the approval of the Hamilton Beach/ Proctor-Silex Compensation Committee. Upon the lapse of the payment restriction, the participant is entitled to receive a payment in cash equal to (a) the book value of the units as of the end of the calendar quarter coincident with or immediately preceding the date the payment restriction lapses or (b) for participants who terminated employment for reasons other than death, disability or retirement, the book value of the units as of the end of the calendar quarter coincident with or immediately preceding termination. Payments to key employees (as defined in the AJCA), such as Dr. Morecroft, may be delayed until six months after termination in some circumstances. A participant may elect to defer the payout of the award with a grant date prior to January 1, 2005 under the plan for a period not to exceed ten years from the grant date of the award, provided such election is made at least one year prior to the fifth anniversary of the grant date of the award. If the award is deferred for the entire ten years, the participant may thereafter elect to further defer receipt of the award, in which case the deferred amount will be paid under the HB/PS Unfunded Plan. The deferral options under the plan for awards with grant dates on or after January 1, 2005 have not been decided and will be adopted in accordance with the requirements of the AJCA. There is no minimum or maximum value for final award payouts under the plan.
- (4) Effective as of January 1, 2000, Mr. Miercort was awarded the right to participate in The North American Coal Long-Term Plan at a rate equal to a specified percentage of his salary range midpoint, as determined by the North American Coal Compensation Committee. When the North American Coal Long-Term Plan was adopted, the North American Coal Compensation Committee set net income appreciation goals that are based upon achieving underlying year-by-year targets for each year during the ten-year term of the Plan. These goals are adjusted each year for inflation and to take into account any new projects initiated in the interim. Once a plan year is completed, the actual net income during that plan year is measured against the adjusted net income goal for that plan year to determine the annual net income appreciation of current and new projects (the Annual Factor). Similarly, actual cumulative net income for the term of the Plan to date is measured against the cumulative adjusted net income goals to date to determine the cumulative net income appreciation of current and new projects (the Cumulative Factor) against the ten-year target.
- When the North American Coal Long-Term Plan was adopted, the North American Coal Compensation Committee also set a goal for the cumulative net income appreciation due to new projects over the term of the Plan. At the end of each plan year, the present value of expected cumulative net income appreciation of all new projects initiated during that year is measured against the cumulative new project goal to determine the net income appreciation due to the acquisition of new projects (the New Project Factor). In addition, if it is determined in any plan year (an Adjustment Year) that a new project has provided significantly less net income appreciation than originally expected, then the amount of any prior award previously attributed to that project as the result of a prior year's New Project Factor will reduce the New Project Factor in the Adjustment Year (the New Project Adjustment). If the New Project Adjustment is large enough, it is possible for participants to receive

negative awards in a given year.



At the start of each year during the ten-year term of the North American Coal Long-Term Plan, a target award is set for each participant as a percentage of salary midpoint. The amount shown for Mr. Miercort represents the target award which is based upon his salary range midpoint for 2004. Following the end of the year, this target amount is adjusted by the Annual Factor, the Cumulative Factor and the New Project Factor. In addition, the New Project Adjustment is made, if applicable. Target amounts as so adjusted are credited or debited to an account for the benefit of the participant, which earns interest based upon the average monthly rate of ten-year U.S. Treasury Bonds. There are no threshold or maximum values for an award. All amounts in these accounts vest at the rate of 20% each year, and became fully vested on December 31, 2004. Vested amounts are payable in cash on the earlier of December 31, 2009, or the participant's death, disability, retirement or, to the extent not prohibited by the AJCA, other reasons within the discretion of the North American Coal Compensation Committee. Earlier payments of vested amounts may be permitted within the discretion of the North American Coal Compensation Committee in the event of a financial hardship or unforeseen financial emergency. Additional plan amendments and deferral options may be added at a later date in order to comply with the AJCA.

#### **Report of the Compensation Committee on Executive Compensation**

The Compensation Committee of the Company's Board of Directors and the Compensation Committees of the Company's subsidiary boards of directors (collectively, the Compensation Committee) have furnished the following report on executive compensation. The members of the Compensation Committee for 2004 were Robert M. Gates, David H. Hoag (through August 6, 2004), Richard de J. Osborne (Chairman, beginning May 12, 2004), Ian M. Ross (Chairman, through May 12, 2004) and John F. Turben. The members of the Compensation Committees of the Company's principal subsidiaries, NMHG, Hamilton Beach/ Proctor-Silex and North American Coal, consist of these individuals, as well as Dennis W. LaBarre and Alfred M. Rankin, Jr. Messrs. LaBarre and Rankin are not members of the Compensation Committee of the Company, and their participation in this report is limited to the portions of the report relating to the Company's subsidiaries.

#### ***Compensation Policy***

The guiding principle of the executive compensation program of the Company and its subsidiaries has been the maintenance of a strong link between an executive officer's compensation and individual performance and the performance of the Company or the subsidiary for which the executive officer has responsibility. Comprehensively defined target total compensation is established for each executive officer position following rigorous evaluation standards to ensure internal equity. Such total compensation is targeted explicitly in dollar terms as the sum of base salary plus perquisites, short-term incentives and long-term incentives. While the Company offers opportunities for its executive officers to earn truly superior compensation for outstanding results, this link includes significantly reduced compensation for weak results.

In accordance with the foregoing philosophy, the Compensation Committee approves a mix of base salaries and incentive plans for each executive officer such that base salary levels are at levels appropriate to allow incentive plans to serve as significant motivating factors. Base salary and incentive compensation levels for each officer are determined by the Compensation Committee, which considers recommendations made by the Company's independent outside compensation consultant. The consultant bases its recommendations upon an analysis of similar positions at a broad range of domestic industries, as well as an understanding of the Company's philosophy, as summarized above. Incentive-based compensation plans are designed to provide significant rewards for achieving or surpassing annual operating and financial performance objectives, as well as to align the compensation interests of executive officers with the long-term interests of stockholders by basing a substantial portion of the incentive compensation package upon return on total capital employed performance and book value appreciation rather than on cyclical movements in stock price. Finally, in addition to providing other limited perquisites, target levels of perquisites for executive officers are converted into fixed dollar amounts and paid in cash, an approach which recognizes that perquisites are largely just another form of compensation, albeit separate and distinct from salary and incentive compensation.

In sum, the executive compensation program at the Company and its subsidiaries is designed to reward executive officers with competitive total compensation for achievement of specific corporate and individual goals, while at the same time making them long-term stakeholders in the Company. In years when the Company has lower financial results, payouts under the incentive components of the Company's compensation plans will be lower. In years when the Company has better financial results, payouts under the incentive components of the Company's compensation plans will be greater. The Company believes that over time the program will encourage executive officers to earn incentive pay significantly greater than 100% of target by delivering outstanding managerial performance.

Under Section 162(m) of the Internal Revenue Code of 1986, as amended, a public company is generally denied deductions for compensation paid to the chief executive officer and the other four most highly compensated executive officers to the extent that the compensation for any of such individuals exceeds one million dollars for the taxable year. An exception to this general rule exists for payments that are made for attainment of one or more performance goals meeting certain criteria. In response to this law and the regulations promulgated thereunder, the stockholders of the Company have approved the Supplemental Short-Term Plan and the NACCO Long-Term Plan. Both plans were designed so that, together with steps taken by the Compensation Committee in the administration of the plans, payouts on awards made under the plans should not count towards the one million dollar cap, which the law imposes for purposes of federal income tax deductibility. While the Compensation Committee intends to preserve the deductibility of compensation payable to the Company's executive officers, deductibility will be only one among a number of factors considered in determining appropriate levels or modes of compensation. The Company intends to maintain the flexibility to compensate executive officers based upon an overall determination of what it believes is in the best interests of the Company and its stockholders.

#### ***Executive Compensation and Company Performance***

The three main elements of the Company's executive compensation program—base salary, short-term incentive compensation and long-term incentive compensation—are carefully reviewed by the Compensation Committee in relation to the performance of the Company and its subsidiaries.

*Base Salary.* To assist the Compensation Committee in fixing base salary levels which are at adequately competitive levels, an independent outside consultant analyzes a survey of a broad group of domestic industrial organizations from all segments of industry ranging in size from under \$150 million to over \$5 billion in annual revenues. Organizations participate in the survey based upon their voluntary submission of data to the independent consultant, as well as their ability to pass the consultant's quality assurance controls. For 2004, participants included 200 parent organizations and 279 independent operating units. Comparing positions of similar scope and complexity, the consultant derives a median salary level for each executive officer position at the Company and its principal subsidiaries and provides that information to the Compensation Committee. All information provided to the Compensation Committee is on an industry-wide basis as opposed to a comparison with individual companies that may compete with the Company and its principal subsidiaries. The Compensation Committee uses the median, or salary midpoint (Salary Midpoint), for purposes of determining the salary range for each executive officer. The Compensation Committee then sets the base salary for each executive officer, which is within the salary range and is dependent upon additional factors such as the executive officer's performance.

Because the Compensation Committee uses Salary Midpoints based on studies of domestic industrial organizations from all segments of industry, the Company does not believe that there is a meaningful relationship between executive salary levels of each subsidiary determined by the Compensation Committee and the executive salary levels of the companies that make up the Russell 2000 Producer Durables Index. That index, which is used by the Company as the published industry index for comparison to the Company's stock price performance, was chosen because NMHG, which manufactures forklifts, is the Company's largest subsidiary in terms of asset value and revenues.

*Short-Term Incentive Compensation.* At the beginning of 2004, the Compensation Committee adopted target performance levels for return on total capital employed for the Company (upon which awards under the

Company's Supplemental Short-Term Plan and a portion of the Company's Short-Term Plan are based) and its subsidiaries, and various performance criteria for the Company's subsidiaries such as net income, economic value income, market share, revenue, sales development and support costs (depending on the business unit) (upon which awards under a portion of the Company's Short-Term Plan and the annual incentive compensation plans of the Company's subsidiaries are based) for that year. The short-term incentive plans for the Company and its subsidiaries essentially follow the same basic pattern for award determination. Performance targets are established within the Compensation Committee's discretion, and are generally based upon management's recommendations as to the performance objectives of the particular business for the year. Target awards for executive officers are established at specified percentages of each individual's Salary Midpoint.

Final awards for each individual under the short-term incentive plans of the Company and its subsidiaries are based on the individual's target award, adjusted for performance by the business unit against the established targets, and for all such plans except the Supplemental Short-Term Plan, for performance by the individual against individual goals. The Compensation Committee, in its discretion, may also increase or decrease awards under all such plans (except for the Supplemental Short-Term Plan pursuant to which awards for the Named Executive Officers may be decreased, but not increased), and may approve the payment of awards where business unit performance would otherwise not meet the minimum criteria set for payment of awards. Generally short-term incentive payments will not exceed 150% of the target amount.

The short-term annual incentive plans of the Company and its subsidiaries provide target compensation of 5% to 75% of Salary Midpoint, depending on the executive officer's position. Although it varies by business unit, target awards generally are tied to the annual operating and financial targets for the particular business unit, and in most cases, to longer-term objectives such as long-term return on total capital employed performance targets for the business unit.

*Long-Term Incentive Compensation.* For 2004, the long-term incentive compensation plans for the Company and its subsidiaries, established at target performance levels by the Compensation Committee, were designed to provide the equivalent of 5% to 145% of Salary Midpoint (unless the amount is currently taxable, in which case the targets are increased as necessary to permit plan participants to satisfy their tax withholding obligations).

The long-term incentive compensation plan for the parent holding company used the Company's consolidated return on total capital employed as a measure of incentive compensation. The consolidated return on total capital employed target is established by the Compensation Committee, and is set at a level believed to provide an appropriate measure of stockholder protection. In general, each year participants are granted dollar-denominated target base period awards based on performance periods of two years and target consistent performance awards based on performance periods of five years. Target awards are set based on a percentage of each executive officer's Salary Midpoint, and are adjusted as of the end of the base period based upon the Company's consolidated return on total capital employed. Consistent performance awards are intended to supplement the base period awards granted to participants. No consistent performance award is payable if the Company's consolidated return on total capital employed performance for the relevant period is at or below target. The long-term incentive compensation plan for the parent company gives the Compensation Committee the authority to increase or decrease awards (except for awards for the Named Executive Officers, which may be decreased, but not increased), and adjust the incentive compensation measures (except for the incentive compensation measures applicable to awards for the Named Executive Officers).

Approximately 65% of all of the foregoing awards are distributed in shares of Class A Common, the transfer of which is restricted for ten years, with the number of shares awarded being based on the average closing price of Class A Common on the New York Stock Exchange at the end of each week during the last year of the appropriate performance period. An average price mechanism, rather than year-end price or price on the date of payment, is used in determining the number of shares to be awarded because the Compensation Committee believes that valuation at a single point in time in a year is likely to lead to inappropriate results. The balance of the award is paid in cash and is intended to be the approximate amount required to be withheld by the Company and paid to applicable federal, state and local income taxing authorities based upon



statutorily determined withholding rates. The Compensation Committee has the power to adjust the percentage of awards that are paid in stock.

The Compensation Committee believes that these incentive compensation plan awards promote a long-term focus on the profitability of the Company because, although a recipient may receive a payout after the end of the base period and each consistent performance period, the recipient is effectively required to invest the noncash portion of the payout in the Company for up to ten years. This is because the shares distributed may not be transferred for ten years following the last day of the base period. During the restriction period, the ultimate value of a payout is subject to change based upon the value of the Class A Common. The value is enhanced as the value of the Class A Common appreciates (or is decreased as the value of the Class A Common depreciates), and thus such awards provide the recipient with an incentive over the ten-year period to increase the value of the Company, to be reflected in the increased value of the Class A Common.

The subsidiaries' long-term incentive compensation plans are linked to future performance of the particular business unit. Similar to the parent holding company's long-term incentive plan, each subsidiary plan establishes target awards based on an executive officer's Salary Midpoint. NMHG's long-term plans for 2004 use NMHG's return on total capital employed as a measure of incentive compensation. The return on total capital employed targets are established by the NMHG Compensation Committee and the target awards are adjusted as of the end of the base period based upon NMHG's return on total capital employed performance. The NMHG long-term plans give the NMHG Compensation Committee the authority to increase or decrease awards and adjust the incentive compensation measures. Participants are then awarded book value units which have a five-year payment restriction from the date of the award. The actual amount paid after the payment restriction lapses depends on the increase in the book value of NMHG over the time period. Participants in the plan may elect to have awards with a grant date prior to January 1, 2005 deferred under the plan for up to ten years from the date of the award, and if the award has been deferred through the full ten-year period, the participant may further elect to have the award deferred and paid under the NMHG Unfunded Benefit Plan. Similarly, Hamilton Beach/ Proctor-Silex's long-term plans for 2004 use Hamilton Beach/ Proctor-Silex's return on total capital employed as a measure of incentive compensation. The return on total capital employed targets are established by the Hamilton Beach/ Proctor-Silex Compensation Committee and the target awards are adjusted as of the end of the base period based upon Hamilton Beach/ Proctor-Silex's return on total capital employed performance. The Hamilton Beach/ Proctor-Silex long-term plans give the Hamilton Beach/ Proctor-Silex Compensation Committee the authority to increase or decrease awards and adjust the incentive compensation measures. Participants are then awarded book value units which have a five-year payment restriction from the date of the award. The actual amount paid after the payment restriction lapses depends on the increase in the book value of Hamilton Beach/ Proctor-Silex over the time period. Participants in the plan may elect to have awards with a grant date prior to January 1, 2005 deferred under the plan for up to ten years from the date of the award, and if the award has been deferred through the full ten-year period, the participant may further elect to have the award deferred and paid under the HB/ PS Unfunded Plan. The North American Coal long-term incentive compensation plan for 2004 provides for awards of the right to participate in the plan at a rate equal to a specified percentage of the individual's Salary Midpoint. The target amount allocated to a participant is adjusted at the end of each year for the actual net income during that plan year to determine the annual net income appreciation of current and new mining projects against previously set annual targets. Similarly, the target amount is adjusted at the end of each year for the actual cumulative net income for the term of the plan to date to determine the cumulative net income appreciation of current and new projects against previously set targets. At the end of each plan year, the target amount is also adjusted for the present value of expected cumulative net income appreciation of all new projects initiated during that year to determine the net income appreciation due to the acquisition of new projects against previously set targets. Finally, if it is determined in any plan year that a new project has provided significantly less net income appreciation than originally expected, then the amount of any prior award previously attributed to that project will reduce the new project adjustment in that year. If the new project adjustment is large enough, it is possible for participants to receive negative awards in a given year. Amounts credited under the 2000 to 2009 North American Coal Long-Term Plan, which became effective on January 1, 2000, vest at the rate of 20% for each year following the effective date of the initial award, are fully



vested on December 31, 2004, and are paid in cash during the first calendar quarter of 2010. The long-term incentive plans may need to be amended (by December 31, 2005) in order to comply with the AJCA.

The long-term incentive plans at the Company and its subsidiaries generally require long-term commitment on the part of the Company's executive officers, and cash withdrawals or stock sales are generally not permitted for a number of years. Rather, the awarded amount is effectively invested in the enterprise for an extended period to strengthen the tie between stockholders' and executive officers' long-term interests. The ultimate compensation purpose of such long-term incentive plans is to enable executive officers to accumulate capital through future managerial performance, which contributes to the future success of the Company's businesses.

***Compensation of the Chief Executive Officer***

The compensation awarded to the Company's chief executive officer reflects the basic philosophy generally discussed above that compensation for all employees should be based on Company and individual performance.

The Compensation Committee considered that each of the Company's business units performed well in 2004 despite significant increases in materials costs, continued adverse currency exchange rates, slower than expected recoveries in various markets in which the Company's products are sold and weaker than expected retail sales in the Housewares sector. The Compensation Committee also considered that the Company made substantial additional progress on the restructuring, profit improvement, cost reduction and growth programs underway at the Hamilton Beach/ Proctor-Silex, NACCO Materials Handling Group, North American Coal and Kitchen Collection businesses. These programs, which were initiated in 2002 or earlier years, were designed in part to put these businesses in the best possible position to compete in uneven market conditions and to address other challenges such as those presented in 2004, and also to prepare these businesses for enhanced profitability in the future as market conditions improve. Overall, the Compensation Committee believes that Mr. Rankin continues to provide strong leadership as chief executive officer of the Company.

After careful consideration of the overall results of the Company and its subsidiaries, the on-going impact of the Company's restructuring plans and continued progress towards strategic goals in 2004, the Compensation Committee increased Mr. Rankin's base salary by three percent for 2004. The Compensation Committee established Mr. Rankin's short-term incentive compensation target for 2004 at 75% of his Salary Midpoint. The actual performance of the Company in 2004 in terms of consolidated return on total capital employed was below the targeted level of performance, and the actual performance of certain subsidiaries in terms of net income, economic value income and other strategic operating factors was above targeted levels of performance. The aggregate 2004 annual incentive compensation performance against target for Mr. Rankin was 100.9%, consisting of annual incentive awards of 113.9% under the Company's Short-Term Plan and 81.6% under the Company's Supplemental Short-Term Plan.

Long-term incentive compensation payouts for 2004 are based on the Company's 2003 and 2004 financial results. The long-term award targeted for Mr. Rankin for 2004 by the Compensation Committee was 160.0% of his Salary Midpoint (adjusted from 145.0% to take into consideration the fact that the award is currently taxable to Mr. Rankin). The award to Mr. Rankin under the NACCO Long-Term Plan for the two-year period from January 1, 2003 through December 31, 2004, which was paid in early 2005, was 73.0% of his targeted amount.

The NACCO Long-Term Plan also provides for payment of consistent performance awards when the Company's consolidated adjusted return on equity over five-year periods exceeds a pre-established target. The consolidated adjusted return on equity calculated pursuant to the 2000 NACCO Long-Term Plan for the five-year period ending December 31, 2004 was below the target established in 2000. Accordingly, no plan participants, including Mr. Rankin, received consistent performance awards.

ROBERT M. GATES  
RICHARD DE J. OSBORNE, CHAIRMAN  
IAN M. ROSS

JOHN F. TURBEN  
DENNIS W. LABARRE\*  
ALFRED M. RANKIN, JR.\*

\* Messrs. LaBarre and Rankin are members of the compensation committees of the Company's principal subsidiaries only.

**Compensation Committee Interlocks and Insider Participation**

Alfred M. Rankin, Jr., a director of the Company and its principal subsidiaries and a member of the compensation committees of the principal subsidiaries of the Company (but not of the Company), is chairman, president and chief executive officer of the Company.



**Stock Price Performance Presentation**

The following graphs compare the Company's total annual stock price performance on Class A Common against the total stock price performance of the Russell 2000 Index and, in the case of Graph 1, the Russell 2000 Producer Durables Index for the periods indicated. The graphs present the year-end value of a \$100 investment, at the base point, for each index assuming the reinvestment of dividends.

In accordance with the regulations promulgated by the SEC, Graph 1 compares the stock price performance based upon the difference between the stock price at the beginning of each fiscal year and the stock price at the end of the fiscal year for the five-year period commencing January 1, 2000 (base point December 31, 1999) and ending December 31, 2004.

2000-2004 Stock Price Performance  
Graph 1

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
NACCO	\$ 100.00	\$ 80.30	\$ 105.89	\$ 83.14	\$ 173.38	\$ 208.10
Russell 2000	\$ 100.00	\$ 97.09	\$ 99.64	\$ 79.25	\$ 116.71	\$ 138.21
Russell 2000 Producer Durables Index	\$ 100.00	\$ 102.14	\$ 107.83	\$ 80.37	\$ 128.91	\$ 150.48

Assumes \$100 invested at December 31, 1999 with dividends reinvested

The Company believes that the measurement set forth in Graph 1, which is based upon the stock price at a single point in time in each year, does not adequately reflect the Company's stock price performance over the period because of the numerous periodic fluctuations throughout the year in both the price of the Company's stock and the level of the Russell 2000 Index. The Company, therefore, has provided Graph 2, which compares the returns for the Company and the Russell 2000 Index based upon the average of the daily closing stock price (portrayed by the data presented in bold type) compared with the corresponding information from Graph 1, which is based upon the change in the stock price for each fiscal year for the same period as in Graph 1.

## 2000-2004 Stock Price Performance

## Graph 2

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
NACCO	\$100.00	\$ 80.30	\$105.89	\$ 83.14	\$173.38	\$208.10
Russell 2000	\$100.00	\$ 97.09	\$ 99.64	\$ 79.25	\$116.71	\$138.21
NACCO (12-Month Moving Average)	\$100.00	\$ 77.29	\$117.24	\$101.54	\$120.44	\$175.85
Russell 2000 (12-Month Moving Average)	\$100.00	\$101.62	\$ 94.95	\$ 89.40	\$ 94.14	\$122.16

Assumes \$100 invested at December 31, 1999 with dividends reinvested  
12-month moving average data is based upon the daily closing price

The Company believes that although sustained operating and financial performance will ultimately be reflected in stock price, the five-year period portrayed in the foregoing graphs is too brief a period over which to measure the results of significant strategic activities, and that corporate financial and strategic performance will be reflected in stock price only when measured over the long term. Accordingly, the long-term incentive compensation plans of the Company and its subsidiaries are linked to values reflecting long-term operating and financial achievement, not short-term stock price fluctuations, as further described in the Report of the Compensation Committee on Executive Compensation Executive Compensation and Company Performance Long-Term Incentive Compensation on pages 20 through 22. The Company, therefore, has included Graph 3, which compares the 10-year returns for the Company and the Russell 2000 Index based on the average stock price for the year computed using the same method as in Graph 2 for the 10-year period commencing January 1, 1995 (base point December 31, 1994) and ending December 31, 2004.

1995-2004 Stock Price Performance  
Graph 3

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
NACCO (12-Month Moving Average)	\$100.00	\$117.87	\$112.02	\$156.75	\$253.94	\$158.06	\$ 94.08	\$142.71	\$123.60	\$146.61	\$214.06
Russell 2000 (12-Month Moving Average)	\$100.00	\$113.74	\$137.57	\$164.78	\$178.14	\$184.11	\$220.04	\$205.59	\$193.59	\$203.85	\$264.53

Assumes \$100 invested at December 31, 1994 with dividends reinvested  
12-month moving average data is based upon the daily closing price

The following table contains the annual returns expressed in percentages for the indices set forth in the preceding graphs.

**Annual Returns of Indices Included on Stock Price Performance Graphs**

Year	Year-End Closing Price			Average of Daily Closing Price			
	NACCO	Russell 2000	Russell 2000 Producer Durables	NACCO	Russell 2000	NACCO	Russell 2000
1994						0.00%	0.00%
1995						17.87%	13.74%
1996						-4.96%	20.95%
1997						39.93%	19.78%
1998						62.00%	8.11%
1999	0.00%	0.00%	0.00%	0.00%	0.00%	-37.76%	3.35%
2000	-19.70%	-2.91%	2.14%	-22.71%	1.62%	-40.48%	19.52%
2001	31.87%	2.63%	5.58%	51.69%	-6.56%	51.70%	-6.57%
2002	-21.48%	-20.46%	-25.47%	-13.39%	-5.84%	-13.39%	-5.84%
2003	108.54%	47.27%	60.39%	18.62%	5.30%	18.62%	5.30%
2004	20.02%	18.42%	16.74%	46.00%	29.77%	46.00%	29.76%

**Pension Plans**

***North American Coal Pension Plans***

The following table sets forth the estimated maximum annual benefits under the North American Coal defined benefit pension plans (both qualified and non-qualified) which would be payable on a straight life annuity basis, in various compensation classifications upon retirement at age 65, after selected periods of service:

Final Average Annual Pay Age 65	Years of Service at Retirement (Age 65)				
	15 Years	20 Years	25 Years	30 Years	35 Years
\$ 125,000	\$ 26,529	\$ 35,372	\$ 44,215	\$ 53,057	\$ 56,182
150,000	32,529	43,372	54,215	65,057	68,807
175,000	38,529	51,372	64,215	77,057	81,432
200,000	44,529	59,372	74,215	89,057	94,057
225,000	50,529	67,372	84,215	101,057	106,682
250,000	56,529	75,372	94,215	113,057	119,307
300,000	68,529	91,372	114,215	137,057	144,557
350,000	80,529	107,372	134,215	161,057	169,807
400,000	92,529	123,372	154,215	185,057	195,057
450,000	104,529	139,372	174,215	209,057	220,307
500,000	116,529	155,372	194,215	233,057	245,557
550,000	128,529	171,372	214,215	257,057	270,807
600,000	140,529	187,372	234,215	281,057	296,057
650,000	152,529	203,372	254,215	305,057	321,307
700,000	164,529	219,372	274,215	329,057	346,557

Edgar Filing: NACCO INDUSTRIES INC - Form DEF 14A

750,000	176,529	235,372	294,215	353,057	371,807
800,000	188,529	251,372	314,215	377,057	397,057

For computing pension benefits under the North American Coal plans, Final Average Annual Pay is based on the average annual earnings for the highest five consecutive years during the last ten years prior to retirement. Earnings include those amounts shown in the Salary and Bonus columns of the Summary Compensation Table on page 13, which are paid to the executive officers, other than amounts which represent severance payments, relocation allowances and other similar fringe benefits. The 2004 earnings of Mr. Miercort that would be taken into account under the plans is \$524,600.

As of December 31, 2004, the number of years of service under the North American Coal plans for Mr. Miercort is 29 years. The benefits under the North American Coal plans for Mr. Miercort are not subject to a Social Security offset.

Effective December 31, 2004, benefit accruals under the North American Coal plans were generally frozen for most participants (other than certain non-executive employees of the mining subsidiaries). Therefore, any compensation or service earned after December 31, 2004 will not be taken into account for purposes of computing pension benefits under the North American Coal plans. Benefits that were accrued under the North American Coal plans as of December 31, 2004 will be subject to a cost of living increase, based on the rate of inflation contained in the Consumer Price Index for All Urban Consumers as in effect on the last business day of the prior year (but not less than 2%). The COLA increase will apply from January 1, 2005 until the participants terminate employment.

#### ***Hamilton Beach/ Proctor-Silex Pension Plans***

For 1996, Dr. Morecroft was covered by the defined benefit cash balance plans (both qualified and non-qualified) of Hamilton Beach/ Proctor-Silex. Hamilton Beach/ Proctor-Silex credited an amount to a notional account for each covered employee under the plans based on a formula which took into account the employee's age, compensation and Hamilton Beach/ Proctor-Silex's profits. Effective as of December 31, 1996, the defined benefit cash balance plans (both qualified and non-qualified) of Hamilton Beach/ Proctor-Silex were permanently frozen for all participants.

The frozen notional account balances are credited with interest equal to 1% above the one-year Treasury Bill rate (with a minimum of 5% and a maximum of 12%) until benefit commencement. The notional account balances are paid in the form of a lump sum or are converted to an annuity to provide monthly benefit payments. The estimated annual pension benefit for Dr. Morecroft under the cash balance plans, based on compensation, service and interest credits through December 31, 2004, which would be payable on a straight life annuity basis at age 65, is \$10,938.

#### ***NMHG Pension Plans***

NMHG does not generally provide defined benefit pension benefits for its executives in the United States. However, for periods prior to October 1, 2002, Mr. Brogan was a participant in the NMHG UK Retirement Plan (the UK Plan). The following table sets forth the estimated maximum annual benefits under the UK Plan (in U.S. dollars) which would be payable on a straight life annuity basis, in various compensation classifications upon retirement at age 65, after selected periods of service. Although, the benefit formula is

calculated in British pounds, all amounts shown in this section are stated in U.S. dollars at a conversion rate of 1.92 U.S. dollars = 1 British pound (the noon buying rate on December 31, 2004).

Final Average Compensation Age 65	Years of Service at Retirement (Age 65)				
	15 Years	20 Years	25 Years	30 Years	35 Years
\$ 200,000	\$ 64,100	\$ 85,500	\$ 106,800	\$ 128,200	\$ 149,600
300,000	97,400	129,900	162,400	194,900	227,400
400,000	130,800	174,400	218,000	261,500	305,100
500,000	164,100	218,800	273,500	328,200	382,900
600,000	197,400	263,200	329,100	394,900	460,700
700,000	230,800	307,700	384,600	461,500	538,500
800,000	264,100	352,100	440,200	528,200	616,200
900,000	297,400	396,600	495,700	594,900	694,000
1,000,000	330,800	441,000	551,300	661,500	771,800

For computing pension benefits under the UK Plan, Final Average Compensation is based on the highest annual average of Compensation in any period of three consecutive years in the 10 years immediately preceding retirement. For purposes of the UK Pension Plan, Compensation is generally a participant's annual pay excluding bonuses, commissions, overtime payments and shift allowances less a UK based national insurance contributions deduction. Pursuant to UK Inland Revenue rules, pension benefits are generally subject to a statutory limitation of two thirds of total compensation. Final Average Compensation for Mr. Brogan that would be taken into account under the UK Plan as of September 30, 2002 is \$241,747. As of September 30, 2002, the number of years of service taken into account under the UK Plan for Mr. Brogan is 15.1 years. The estimated annual benefit for Mr. Brogan under the UK Plan, calculated as of April 6, 2004, which would be payable on a straight life annuity basis at age 65 is \$72,411.

For periods on and after October 1, 2002, Mr. Brogan is a participant in the NMHG Excess Pension Plan for UK Transferees (the Excess Plan). Mr. Brogan's pension benefit under the Excess Plan is equal to the benefit that would have been payable under the UK Plan had Mr. Brogan continued to participate in such Plan until his termination of employment, reduced by the actual UK Pension Plan benefit and the actuarial equivalent of certain of the U.S. retirement benefits provided under the NMHG Profit Sharing Plan and the NMHG Unfunded Benefit Plan. The estimated annual pension benefit for Mr. Brogan under the Excess Plan, calculated as of April 6, 2004, which would be payable on a straight life annuity basis at age 60 is \$58,617. The Excess Plan was temporarily frozen effective December 31, 2004.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of such securities with the SEC and the New York Stock Exchange. Officers, directors and greater than ten percent beneficial owners are required by applicable regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based upon its review of the copies of Section 16(a) forms received by it, and upon written representations from reporting persons concerning the necessity of filing a Form 5 Annual Statement of Changes in Beneficial Ownership, the Company believes that, during 2004, all filing requirements applicable for reporting persons were met, except as follows:

Matthew M. Rankin filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Elizabeth B. Rankin filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Susan S. Sichel filed two reports on Form 4 which identified two transactions that should have been reported earlier on a Form 4 and a report on Form 5 which identified a transaction that should have been reported earlier on a Form 4; Thomas E. Taplin filed a report on Form 4





which identified a transaction that should have been reported earlier on a Form 4; Beatrice B. Taplin filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Jennifer S. Dickerman filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Margaret E. Taplin filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Jennifer T. Jerome filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Martha S. Kelly filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Caroline T. Ruschell filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Britton T. Taplin filed a report on Form 5 which identified a transaction that should have been reported earlier on a Form 4; and David F. Taplin filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4 and a report on Form 5 which identified four transactions that should have been reported earlier on a Form 4. In addition, a report deadline was missed which resulted in a late filing with respect to NACCO executive officers that received shares of Class A Common under the NACCO Long-Term Plan, as follows: Alfred M. Rankin, Jr. filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Charles A. Bittenbender filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Kenneth C. Schilling filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; J.C. Butler, Jr. filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; Lauren E. Miller filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4; and Constantine E. Tsipis filed a report on Form 4 which identified a transaction that should have been reported earlier on a Form 4.

## **2. Confirmation of Appointment of Independent Registered Public Accounting Firm**

Ernst & Young LLP has been selected by the Audit Review Committee as the principal independent registered public accounting firm of the Company and its subsidiaries for the current fiscal year. The Board of Directors of the Company recommends a vote for confirmation of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company and its subsidiaries to audit the books and accounts for the Company and its subsidiaries for the current fiscal year. It is expected that representatives of Ernst & Young LLP will attend the Annual Meeting, with the opportunity to make a statement if they so desire, and, if a representative is in attendance, the representative will be available to answer appropriate questions.

### ***Audit Fees***

**2004** Ernst & Young LLP billed or will bill the Company \$4.5 million, in the aggregate, for professional services rendered by Ernst & Young LLP for the audit of the Company's annual financial statements and management's assessment of internal controls for the fiscal year ended December 31, 2004 and the reviews of the interim financial statements included in the Company's Forms 10-Q filed during the fiscal year ended December 31, 2004, as well as for services provided in connection with statutory audits and regulatory filings with the SEC.

**2003** Ernst & Young LLP billed the Company \$2.5 million, in the aggregate, for professional services rendered by Ernst & Young LLP for the audit of the Company's annual financial statements for the fiscal year ended December 31, 2003 and the reviews of the interim financial statements included in the Company's Forms 10-Q filed during the fiscal year ended December 31, 2003, as well as for services provided in connection with statutory audits and regulatory filings with the SEC.

### ***Audit-Related Fees***

**2004** Ernst & Young LLP billed or will bill the Company \$0.2 million, in the aggregate, for assurance and related services rendered by Ernst & Young LLP in 2004, primarily related to the audits of employee benefit plans, review of financial statements of certain of the Company's subsidiaries and accounting advisory services.

**2003** Ernst & Young LLP billed the Company \$0.2 million, in the aggregate, for assurance and related services rendered by Ernst & Young LLP in 2003, primarily related to the audits of employee benefit plans, review of financial statements of certain of the Company's subsidiaries and accounting advisory services.

***Tax Fees***

**2004** Ernst & Young LLP did not provide services and has not billed and will not bill the Company fees for professional tax services rendered by Ernst & Young LLP in 2004.

**2003** Ernst & Young LLP billed the Company less than \$0.1 million, in the aggregate, for professional tax services rendered by Ernst & Young LLP in 2003, primarily for tax return compliance and tax advice services.

***All Other Fees***

**2004** Ernst & Young LLP did not provide services and has not billed and will not bill the Company fees for services provided by Ernst & Young LLP, other than the services reported under Audit Fees, Audit-Related Fees and Tax Fees, during the fiscal year ended December 31, 2004.

**2003** Ernst & Young LLP has not billed the Company fees for services provided by Ernst & Young LLP, other than the services reported under Audit Fees, Audit-Related Fees and Tax Fees, during the fiscal year ended December 31, 2003.

Except as set forth above and approved by the Audit Review Committee pursuant to the Company's pre-approval policies and procedures, no assurance or related services, tax compliance, tax advice or tax planning services were performed by the principal independent registered public accounting firm for the Company during the last two fiscal years.

***Pre-Approval Policies and Procedures***

Under the Company's pre-approval policies and procedures, only audit and audit-related services and limited tax services will be performed by the Company's principal independent registered public accounting firm. In addition, all audit, audit-related, tax and other accounting services to be performed for the Company must be pre-approved by the Company's Audit Review Committee. In furtherance of this policy, for 2004 the Audit Review Committee authorized the Company to engage Ernst & Young LLP for specific audit, audit-related and tax services up to specified fee levels. The Committee has delegated to the Chairman of the Audit Review Committee and one other Committee member the authority to approve services other than audit, review or attest services, which approvals are reported to the Audit Review Committee at its next meeting. The Company provides the Chairman of the Committee with written confirmation of each individual service engagement, and provides a summary of authorities and commitments at each general meeting of the Committee.

The Audit Review Committee has considered whether the provision of the non-audit services to the Company by Ernst & Young LLP is compatible with maintaining their independence. In addition, as a result of the recommendation of the Audit Review Committee, the Company has adopted policies limiting the services provided by the Company's independent registered public accounting firm that are not audit or audit-related services.

**PROCEDURES FOR SUBMISSION AND CONSIDERATION OF DIRECTOR CANDIDATES**

The Nominating and Corporate Governance Committee will consider stockholder recommendations for nominees for election to the Company's Board of Directors if such recommendations are in writing and set forth the information listed below. Such recommendations must be submitted to NACCO Industries, Inc., 5875 Landerbrook Drive, Cleveland, Ohio 44124-4017, Attention: Secretary, and must be received at the Company's executive offices on or before December 31 of each year in anticipation of the following year's

Annual Meeting of Stockholders. All stockholder recommendations for director nominees must set forth the following information:

1. The name and address of the stockholder recommending the candidate for consideration as such information appears on the records of the Company, the telephone number where such stockholder can be reached during normal business hours, the number of shares of Class A Common and Class B Common owned by such stockholder and the length of time such shares have been owned by the stockholder; if such person is not a stockholder of record or if such shares are owned by an entity, reasonable evidence of such person's beneficial ownership of such shares or such person's authority to act on behalf of such entity;
2. Complete information as to the identity and qualifications of the proposed nominee, including the full legal name, age, business and residence addresses and telephone numbers and other contact information, and the principal occupation and employment of the candidate recommended for consideration, including his or her occupation for at least the past five years, with a reasonably detailed description of the background, education, professional affiliations and business and other relevant experience (including directorships, employments and civic activities) and qualifications of the candidate;
3. The reasons why, in the opinion of the recommending stockholder, the proposed nominee is qualified and suited to be a director of the Company;
4. The disclosure of any relationship of the candidate being recommended with the Company or any of its subsidiaries or affiliates, whether direct or indirect;
5. A description of all relationships, arrangements and understandings between the proposing stockholder and the candidate and any other person(s) (naming such person(s)) pursuant to which the candidate is being proposed or would serve as a director, if elected; and
6. A written acknowledgement by the candidate being recommended that he or she has consented to being considered as a candidate, has consented to the Company's undertaking of an investigation into that individual's background, education, experience and other qualifications in the event that the Nominating and Corporate Governance Committee desires to do so, has consented to be named in the Company's proxy statement and has consented to serve as a director of the Company, if elected.

There are no specific qualifications or specific qualities or skills that are necessary for directors of the Company to possess. In evaluating director nominees, the Nominating and Corporate Governance Committee will consider such factors as it deems appropriate, and other factors identified from time to time by the Board of Directors. The Nominating and Corporate Governance Committee will consider the entirety of each proposed director nominee's credentials. As a general matter, the Committee will consider factors such as judgment, skill, integrity, independence, possible conflicts of interest, experience with businesses and other organizations of comparable size or character, the interplay of the candidate's experience and approach to addressing business issues with the experience and approach of incumbent members of the Board of Directors and other new director candidates. The Nominating and Corporate Governance Committee's goal in selecting directors for nomination to the Board of Directors is generally to seek a well-balanced membership that combines a variety of experience, skill and intellect in order to enable the Company to pursue its strategic objectives.

The Nominating and Corporate Governance Committee will consider all information provided to it that is relevant to a candidate's nomination as a director of the Company. Following such consideration, the Nominating and Corporate Governance Committee may seek additional information regarding, and may request an interview with, any candidate who it wishes to continue to consider. Based upon all information available to it and any interviews it may have conducted, the Committee will meet to determine whether to recommend the candidate to the Board of Directors. The Committee will consider candidates recommended by stockholders on the same basis as candidates from other

sources.

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for directors. The Committee regularly reviews the appropriate size of the Board of Directors and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event vacancies are anticipated, or otherwise arise, the Committee will consider various potential candidates. Candidates may be recommended by current members of the Board of Directors, third-party search firms or stockholders. No search firm was retained by the Committee during the past fiscal year. The Nominating and Corporate Governance Committee generally does not consider recommendations for director nominees submitted by individuals who are not affiliated with the Company. In order to preserve its impartiality, the Nominating and Corporate Governance Committee may not consider a recommendation that is not submitted in accordance with the procedures set forth above.

#### **SUBMISSION OF STOCKHOLDER PROPOSALS**

Proposals of stockholders intended to be eligible for inclusion in the Company's proxy statement and form of proxy relating to the Company's next annual meeting must be received at the Company's executive offices on or before November 24, 2005. Such proposals must be addressed to the Company, 5875 Landerbrook Drive, Cleveland, Ohio 44124-4017, Attention: Secretary. Any stockholder intending to propose any matter at the next annual meeting but not intending for the Company to include the matter in its proxy statement and proxy related to the next annual meeting must notify the Company by February 7, 2006 of such intention. If the Company does not receive such notice by that date, the notice will be considered untimely. The Company's proxy for the next annual meeting will grant authority to the persons named therein to exercise their voting discretion with respect to any such matter of which the Company does not receive notice by February 7, 2006. Notices should be submitted in the manner and to the address set forth above.

#### **COMMUNICATIONS WITH DIRECTORS**

The Company's security holders and other interested parties may communicate with the Board of Directors as a group, with the non-management directors as a group, or with any individual director by sending written communications to NACCO Industries, Inc., 5875 Landerbrook Drive, Cleveland, Ohio 44124-4017, Attention: Secretary. Complaints regarding accounting, internal accounting controls or auditing matters will be forwarded directly to the Chairman of the Audit Review Committee. All other communications will be provided to the individual director(s) or group of directors to whom they are addressed. Copies of all communications will be provided to all other directors; *provided, however*, that any such communications that are considered to be improper for submission to the intended recipients will not be provided to the directors. Examples of communications that would be considered improper for submission include, without limitation, customer complaints, solicitations, communications that do not relate, directly or indirectly, to the business of the Company and/or its subsidiaries, or communications that relate to improper or irrelevant topics.

#### **SOLICITATION OF PROXIES**

The Company will bear the costs of soliciting proxies from its stockholders. In addition to the use of the mails, proxies may be solicited by the directors, officers and employees of the Company by personal interview, telephone or telegram. Such directors, officers and employees will not be additionally compensated for such solicitation, but may be reimbursed for out-of-pocket expenses incurred in connection therewith. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of Class A Common and Class B Common held of record by such persons, and the Company will reimburse such brokerage houses, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred in connection therewith.

**OTHER MATTERS**

The directors know of no other matters which are likely to be brought before the meeting. The Company did not receive notice by February 1, 2005 of any other matter intended to be raised by a stockholder at the Annual Meeting. Therefore, the enclosed proxy card grants to the persons named in the proxy card the authority to vote in their best judgment regarding all other matters properly raised at the Annual Meeting.

Charles A. Bittenbender  
*Secretary*

Cleveland, Ohio  
March 24, 2005

**It is important that the proxies be returned promptly. Stockholders who do not expect to attend the meeting are urged to fill out, sign, date and mail the enclosed form of proxy in the enclosed envelope, which requires no postage if mailed in the United States. *Stockholders who hold both Class A Common and Class B Common now only have to fill out, sign, date and return the single enclosed form of proxy.***

34

---

**APPENDIX A**

**INDEPENDENCE STANDARDS FOR DIRECTORS**

The following standards will be applied by the Board of Directors of NACCO Industries, Inc. (the Company) in determining whether individual directors qualify as independent under the Rules of the New York Stock Exchange. References to the Company include its consolidated subsidiaries.

1. No director will qualify as independent unless the Board of Directors affirmatively determines that the director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. The Company will identify which directors are independent and disclose these affirmative determinations.
2. No director can be independent if the director is, or has been within the last three years, an employee of the Company.
3. No director can be independent whose immediate family member is or has been an executive officer of the Company within the last three years.
4. No director can be independent if the director received, or has an immediate family member who has received, during any twelve-month period within that last three years, more than \$100,000 during any twelve-month period in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
5. No director can be independent if:
  - a. the director or an immediate family member is a current partner of the Company's internal or external auditor;
  - b. the director is a current employee of the Company's internal or external auditor;
  - c. the director has an immediate family member who is a current employee of the Company's internal or external auditor and participates in such auditor's audit, assurance or tax compliance (but not tax planning) practice; or
  - d. the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such auditor and personally worked on the Company's audit within that time.
6. No director can be independent if the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executives at the same time serves or served on that company's compensation committee.
7. No director can be independent if the director is a current employee, or an immediate family member is an current executive officer, of a company (excluding charitable organizations) that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
8. No director can be independent if the Company has made charitable contributions to any charitable organization in which such director serves as an executive officer if, within the preceding three years, contributions by the Company to such charitable organization in any single completed fiscal year of such charitable organization exceeded the greater of \$1,000,000, or 2% of such charitable organization's consolidated gross revenues.

**Annual Meeting of Stockholders  
May 11, 2005**

c/o National City Bank  
Corporate Trust Operations  
Locator 5352  
P. O. Box 92301  
Cleveland, OH 44101-4301

---

**If you hold shares of both Class A Common Stock and Class B Common Stock, you now only have to complete the single attached form of proxy.**

ê FOLD AND DETACH HERE ê

**Proxy**

**Proxy**

**Solicited on behalf of the Board of Directors for the Annual Meeting, May 11, 2005**

The undersigned hereby appoints Robert M. Gates, Richard de J. Osborne and Alfred M. Rankin, Jr., and each of them, as proxies, with full power of substitution, to vote and act for and in the name of the undersigned as fully as the undersigned could vote and act if personally present at the annual meeting of stockholders of NACCO Industries, Inc. to be held on May 11, 2005, and at any adjournment or adjournments thereof, as follows and in accordance with their judgment upon any other matter properly presented.

Date:

, 2005

Signature(s) of stockholder(s)

**NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.**

**PLEASE DATE, SIGN AND RETURN IN THE ENCLOSED ENVELOPE NO POSTAGE NECESSARY**





**Annual Meeting of Stockholders  
May 11, 2005**

**IMPORTANT: PLEASE VOTE, DATE AND SIGN YOUR**

**PROXY AND RETURN IT IN THE ENVELOPE PROVIDED**

ê FOLD AND DETACH HERE ê

**This proxy when properly executed will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR the election of Directors and FOR proposal 2.**

**The Board of Directors recommends a vote FOR the election of Directors and FOR proposal 2.**

1. The election of the nominees listed below as directors:

- |   |   |
|---|---|
| <input type="radio"/> FOR all nominees listed below<br><i>(except as marked to the contrary below).</i> | <input type="radio"/> WITHHOLD AUTHORITY<br><i>to vote for all nominees listed below.</i> |
|---|---|

***Instruction: To withhold authority to vote for any individual nominee, strike a line through the nominee's name listed below.***

Owsley Brown II	Robert M. Gates	Leon J. Hendrix, Jr.	Dennis W. LaBarre
Richard de J. Osborne	Alfred M. Rankin, Jr.	Ian M. Ross	Michael E. Shannon
Britton T. Taplin	David F. Taplin	John F. Turben	Eugene Wong

2. Proposal to confirm the appointment of Ernst & Young LLP as independent registered public accounting firm.
- |                           |                               |                               |
|---------------------------|-------------------------------|-------------------------------|
| <input type="radio"/> FOR | <input type="radio"/> AGAINST | <input type="radio"/> ABSTAIN |
|---------------------------|-------------------------------|-------------------------------|

*(Continued and to be signed on reverse side)*