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PRESENTATION

Operator

Welcome to the NACCO Industries 2015 first-quarter earnings conference call. (Operator Instructions) As reminder, this conference is being recorded.

I would now like to hand the conference over to Christina Kmetko of Investor Relations. Please go ahead.

Christina Kmetko - *NACCO Industries, Inc. - IR*

Thank you. Good morning, everyone, and welcome to our 2015 first-quarter earnings call. I am Christina Kmetko and I am responsible for Investor Relations at NACCO Industries. I will be providing a brief overview of our quarterly results and business outlook, and then I will open up the call for your questions.

Joining me on today's call our Al Rankin, Chairman, President, and Chief Executive Officer; J.C. Butler, Senior Vice President, Finance, Treasurer, and Chief Administrative Officer; and Elizabeth Loveman, NACCO's Vice President and Controller. Yesterday we published our first-quarter 2015 results and filed our 10-Q for the three months ended March 31, 2015. Also, copies of our earnings release and 10-Q are available on our website at NACCO.com.

For anyone who is not able to listen to today's entire call, an archived version of this webcast will be on our website later this afternoon and available for approximately 12 months.

Before we begin, I would like to remind participants that this conference call may contain certain forward-looking statements. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements made here today in either our prepared remarks or during the following question-and-answer session.

We disclaim any obligation to update these forward-looking statements, which may not be updated until our next quarterly earnings conference call, if at all. Additional information regarding these risks and uncertainties was set forth in our earnings release and in our Q.

Also, certain amounts discussed during today's call are considered non-GAAP. The non-GAAP reconciliations of these amounts are included in our 2015 first-quarter earnings release available on our website. Now let's discuss the quarterly results.

Results in this quarter were an improvement over last year's first quarter. Consolidated revenue was $193.7 million in the first quarter of 2015, up from $177.4 million in 2014. We also reported net income of $1 million, or $0.14 per share, for the 2015 first quarter versus a net loss of $1.5 million, or $0.19 per share, last year.

Here is how our quarterly results breakdown by business unit, starting with North American Coal. North American Coal's revenues increased slightly; however, the coal business reported lower net income of $4.5 million this quarter compared with net income of $5.7 million for the first quarter of 2014. Lower operating results at Centennial, partially offset by a substantial improvement in Mississippi Lignite Mining Company's income, were the major contributing factors to this reduction.

If you recall, during last year's first quarter, Mississippi Lignite Mining Company's customer had a planned extended outage at its power plant. This year the power plant ran the entire quarter. As a result, Mississippi Lignite sold more tons this quarter, which translated into a substantial improvement in its revenues and results.

In contrast, and as we told you in our year-end release, this quarter Centennial's customer had a planned power plant outage, so Centennial sold fewer tons than it did a year ago. The reduction in tons sold, as well as the fact that Centennial did not capitalize any costs for mine development in 2015, resulted in the substantial decrease in Centennial's first-quarter results. And since Centennial's decline was more than the improvement in Mississippi, overall North American Coal results declined.

As we expected, this quarter was weak for North American Coal. However, we expect our coal business to improve over the remainder of the year. Overall in 2015, North American Coal expects improved operating performance at its coal mining operations.

Faced with the ongoing weakness in the Alabama and global coal markets and higher anticipated coal processing costs related to more stringent coal quality requirements, North American Coal continues to focus on managing the Centennial business based on cash generation. The management team is managing operations in line with conservative volume estimates, altering mining plans, identifying and implementing less costly coal processing methods, managing production methods and volumes to optimize cash flow, and evaluating capital employed, including selling certain non-core assets.

In this context, we expect Centennial's mining areas to be produced from three currently to a single mine area during the second half of 2015. We also expect Centennial's operating results, cash flow before financing, and EBITDA to improve significantly in the last three quarters of 2015 compared with 2014, excluding the asset impairment charge recognized last year, largely due to increased tons sold, improved cost effectiveness, and reduced capital employed.

A reduction in Centennial's annual depreciation and amortization expense of approximately $6 million resulting from the impairment charge taken in 2014 will be reflected in the improved 2015 results. That said, we still expect current-year operating results at Centennial, including the non-cash charges, to remain in a substantial loss position, due in part to the loss incurred this quarter and also to increasing coal processing costs in the remaining three quarters to comply with the change in customer requirements.

Cash expenditures in the remainder of 2015 will include required final reclamation at some mined areas where mining will have been concluded. Although cash flow before financing activities is expected to improve from 2014, Centennial is still expected to have cash losses in the remaining three quarters of 2015. Management is hopeful that actions taken during 2015 will position Centennial for further improvement in cash generation in 2016 assuming that market conditions do not deteriorate further.

We believe that efforts to manage the Centennial business around conservative volume expectations and to manage this business for cash will help to position this operation to take advantage of any rebound in the coal market that may occur over time.

Tons sold and results from operations are also expected to be substantially higher than in 2014 at Mississippi Lignite Mining Company as two significant planned outages took place at the customer's plant in 2014 and there are no outages planned in 2015. At the unconsolidated mines, we expect tons sold to increase based on our customers' currently planned power plant operating levels, including production increases at the newer mines.

While we expect coal mining operations to improve, we expect lower limerock deliveries as a result of reduced customer requirements in 2015. However, operating results at the limerock operations are expected to be higher as a result of the absence of a $1.2 million pretax charge incurred in 2014 to reimburse the customer for damaged equipment. Finally, we also expect a decline in royalty and other income.

Overall, excluding the 2014 asset impairment charge of $66.4 million after-tax and the gain on the sale of assets, we expect North American Coal's 2015 income before income taxes to increase significantly over 2014 and we expect cash flow before financing activities to be positive as compared with the negative cash flow before financing activities realized last year.

We are also planning for capital expenditures of $12.4 million in 2015, a decrease from the $24.1 million we projected in our year-end earnings release. We expect capital expenditures during the last three quarters of 2015 to be $11.4 million comprised largely of $9 million for replacement equipment and land at the Mississippi Lignite Mining Company and approximately $1.6 million at Centennial. The reduction in capital -- in expected capital expenditures reflects our continued efforts to manage capital employed at appropriate levels.

Now let me turn to Hamilton Beach. Hamilton Beach had a solid first quarter. Included in these results is a full quarter of our recent acquisition of Weston Brands, which Hamilton Beach acquired in December 2014. Revenues increased 22%, including Weston's sales, and 18% excluding Weston.

Operating profit improved $1.3 million, resulting primarily from an increase in sales volumes of higher-priced and higher-margin products in the US consumer retail and commercial markets. This was partially offset by higher selling, general, and administrative expenses and unfavorable foreign currency movements, as well as an operating loss of $800,000 at Weston Brands.

Weston generated gross profit, but incurred an operating loss in the seasonally weak first quarter which included certain integration costs, mainly relocation and employee severance expenses, as well as amortization expense on acquired intangibles. Net income increased modestly to $600,000 because many of the improvements in operating profit were partially offset by unfavorable currency movements.

We are looking forward to continued improvements in Hamilton Beach in 2015. While the economy appears to be improving, Hamilton Beach's target consumer and middle-market mass consumer continues to remain under pressure financially. This situation and weakened consumer traffic to retail locations are creating continued uncertainty about the ongoing strength of the retail market for small appliances.

As a result, sales volumes in the middle-market portion of the US small kitchen appliance market, in which Hamilton Beach's core brands participate, are projected to grow only modestly in 2015. And the Canadian retail market is expected to follow the same trend. Other international markets and commercial product markets in which Hamilton Beach participates are also anticipated to grow moderately in 2015 compared with 2014.

Hamilton Beach believes the underlying market conditions in the hunting, gardening, and food enthusiast markets will continue to generate increasing interest and demand in the categories in which its new subsidiary, Weston Brands, participates. Given these market conditions, we expect sales volumes at Hamilton Beach's core small kitchen appliance business to grow more favorably in the market in 2015 due to broader placements of products.

In addition, we also believe there are a number of existing placements and market opportunities that can be secured for the Weston business. As such, we expect the Weston sales volumes in 2015 to grow at or above the growth rate experienced by the core Hamilton Beach small kitchen appliance business. Finally, we anticipate sales volumes in the international and commercial product markets to grow in 2015 as a result of the Company's strategic initiatives.

Overall, we expect full-year 2015 net income at Hamilton Beach to be moderately higher than 2014. The anticipated increase in sales volume attributable to the continued implementation and execution of Hamilton Beach's strategic initiatives, along with a full year of revenue from the Weston Brands acquisition, is expected to be partially offset by a full year of operating expenses, including amortization on acquired intangibles for Weston Brands, cost to implement Hamilton Beach's strategic initiatives, increases in transportation costs, and the absence of the $1.6 million tax benefit realized in 2014.

In addition, the negative effects of foreign currency fluctuations are currently expected to increase in 2015 compared with 2014. Excluding the cash paid for the acquisition of Weston Brands, we expect Hamilton Beach's cash flow before financing activities in 2015 to be higher than 2014. Capital expenditures are expected to be $7.2 million in the remainder of 2015.

Finally, our Kitchen Collection business had a significantly improved first quarter despite the seasonal weakness. While revenues continued to decline mainly as a result of the closure of a significant number of stores since the first quarter of 2014, results continued to improve. Kitchen Collection recorded a lower net loss of $1.9 million in the first quarter of 2015, a substantial improvement from a net loss of $4 million last year.

Results improved primarily because of the closure of the unprofitable stores and improved operating margins at Kitchen Collection comparable stores, due to fewer promotional sales, lower markdowns, a shift in higher-margin products -- a shift in mix to higher-margin products, and a reduction in comparable store expenses.

Consumer traffic to all mall locations continues to be soft and with Kitchen Collection's target customer expected to continue to limit spending, we are anticipating continued market softness through 2015. During the first quarter, Kitchen Collection closed an additional 25 stores and we expect to close the three remaining Le Gourmet Chef stores by mid-2015. This will, in large measure, complete our program of closing underperforming stores to realign the business around a core of Kitchen Collection stores which perform with acceptable profitability.

Kitchen Collection plans to maintain a lower number of stores in 2015 and, as a result, we expect 2015 revenues to decrease compared with 2014. We expect that the net effect of closing additional stores early in 2015 and the anticipated opening of a small number of new stores, mostly during the second half of 2015, as well as the ongoing evaluation of Kitchen Collection's expense structure and lower store closure expenses to produce net income near breakeven.

We anticipate cash flow before financing activities to be positive again in 2015, but down from the level generated in 2014. Capital expenditures are expected to be $1.2 million for the remainder of the year.

Before I open up the call for questions, I want to note that for the three months ended March 31, 2015, we repurchased $6.9 million of Class A common stock under our $60 million stock repurchase program. Since the program began in November 2013, we have repurchased approximately 801,800 shares for aggregate purchase price of $42.9 million.

That concludes our prepared remarks. On open up the call for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Evan Tindell, Ballentine Capital.

Evan Tindell - *Ballentine Capital Management - Analyst*

I have a question regarding SG&A at the mining business. So when I look at the 10-K or the -- and also the 10-Q, there's the summarized financial information for the unconsolidated mines and that shows -- it shows a difference between gross profits and income before taxes of about $5 million a quarter or $26 million for all of the last year. Is that SG&A expense or is that mostly interest? What is in -- what makes up those costs?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

I would ask Elizabeth to comment on what's in that, but it is not all SG&A. There's also I believe some royalty income in that number. Elizabeth, do you want to elaborate, please?

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

I'm sorry, I was having trouble following which numbers you were referring to.

Evan Tindell - *Ballentine Capital Management - Analyst*

I'm looking at -- I'm trying to figure out how much in SG&A is actually already in the financial statements for the unconsolidated mines before it gets passed through to NACCO, to the consolidated financial statements.

And so I'm looking at -- like in the 10-K when it has the financial statements of the unconsolidated line, it shows revenues and gross profit and then operating income. And the difference is about $26 million or something like that, $26 million. And so I was just wondering if that was SG&A or if that was -- or what that was. If it was interest.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

I think it would be more interest. It would be interest expense as well, yes. It would be interest expense.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, so is there --?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

If you look at the reconciliation to North American coal operating profit, SG&A for the coal business is called out. It is the last page in the earnings release, I believe it is called page 13, and you will see there is a very explicit number there for SG&A.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay. So I guess that is kind of my question. That SG&A number is -- last quarter it was $7.76 million. That SG&A is essentially the SG&A cost to run the entire coal business, not just the consolidated mines, is that correct?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

That's correct.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay. So if you guys were trying to, say, sell the unconsolidated mines or something you would have to -- the buyer would be looking at that number and trying to allocate some of that SG&A to the unconsolidated mines?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

No, the SG&A affiliated with the unconsolidated mines is all paid by those customers, as per the terms of those contracts. The SG&A that you see on this page 13 is the SG&A that is required to run North American Coal separate from the SG&A that is dedicated to each one of those mines, the unconsolidated mines.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay.

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Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

It's the corporate expense, corporate G&A of North American Coal.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, okay. Well, I guess that brings me to another question, which is if that -- if the SG&A to run the unconsolidated mines is paid for by those customers, then that means that the SG&A that you guys show in the earnings release is basically just to run the consolidated mining operation. And --.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

I wouldn't draw that conclusion at all.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

It's not what it says and it's not what we do. What we have are certain contractual rights to receive certain SG&A from individual mines and pass through certain kinds of costs that might otherwise be considered SG&A. But this is collectively what it takes to run all of our mines at the businesses, excluding direct costs at each mine, including the kinds of SG&A that are directly involved in the oversight of the mines, which are paid by the customers but are paid very much pursuant to contract structure.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, okay, I see, I see. So the contracts allow you to get paid some SG&A that is directly involved with the day-to-day moving of rocks around, but there's other stuff at the corporate level that the customer doesn't pay for but that is required nonetheless. And that pertains also to the unconsolidated line.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

And it does include some allocation of the NACCO SG&A as well, which is all essentially allocated to our individual operating subsidiaries.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, great. Thank, I will let someone else ask something.

Operator

Brian Leonard, Keeley Asset Management.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Good morning. I have a handful of questions, so staying on the coal, North American; more specifically Centennial. Given the reduction in CapEx, which is good to see, especially there, down to $1.6 million, what type of cash flow or even free cash flow do you now expect for the year? You have some kind of vague language. Is there anything you can firm up for us?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

I think we have said all that we have an intention of saying, which is that we will not be cash positive in 2015. There will be some substantial cash losses. Those are associated both with the mining operations at Centennial and also with reclamation work that will largely be completed in the course of 2015. And I think that kind of lays out the picture.

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

Though we do state that it's going to be significantly improved from 2014 levels.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

It will be significantly improved and we see the opportunity for further improvement in 2016. That is the limit of what we are prepared to say at this point.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Okay. I get that, but is it going to be significantly improved because of the improved performance at Mississippi Lignite or is it improved at Centennial as well?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Those are comments about Centennial. They are directly in the earnings release and they relate to the Centennial paragraph.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Okay, very good. Secondly, you guys kind of think that 2016 will be a little bit better. If conditions don't deteriorate -- let's just say they do, because the coal market is not doing all that great right now. Why not close the mine?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

You are talking about Centennial specifically, is that right?

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Yes, yes, that's correct. Centennial specifically and the met coal market.

Why not close? Because you're going down from three areas to one, why not just close down to zero and then reopen at a later date? Is there -- is it a lot harder than anticipating it to be? Can you walk through why not to go by zero and just buy on the spot?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

We believe that we have the most thoughtful program for minimizing cash losses and maximizing the opportunity for cash gains in the future at the moment. But we and our board consider any changes in the circumstances that may come about as assumptions that we make about the future change.

And as you might imagine, at Centennial the assumptions have been changing at a certainly unanticipatedly rapid rate in the past. We keep discussing those and we will consider all options, but we have laid out for you what our plan is as we see circumstances at the moment.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

So based on what you said, is it fair to conclude that if conditions do continue to deteriorate rapidly that closing of the mine is on the table?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

I just wouldn't speculate at this point. We -- everything would depend on how much -- if there was zero volume, you would have to close it. If there is an appropriate level, you would not close it as long as the prices were appropriate. And what we have given you is our best judgment and comments at this point about how we see the situation.

As we suggest, also it's very difficult to look far into the future at this time in Centennial marketplace. We're just not going to speculate anymore. We will update you quarter by quarter on our perspective just as we are this quarter and just as we did in the final quarter of 2014.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Okay, fair enough. Moving on Hamilton Beach, you guys talk about currency as being a headwind. Is there any way to break out what impact it did have on results? I'm assuming it was pretty significant given the amount of international sales you have.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Well, you know, pretty significant is a relative thing and, furthermore, you should understand that our convention for comments on foreign currency is that we take the currency rates, the interlocking rates at the end of each quarter and we assume that they will be the rates for the remainder of the year. We do not make independent assumptions on further changes one way or the other in currency rates, and so our comments are restricted to what we have said.

Certainly, as you know, the dollar at 3/31 was at a period of almost maximum strength and so we'll just have to see what happens. To some degree, we can recover currency exchange costs through pricing, but certainly not fully and certainly with some kind of lag over time. We take all those into account and try to adjust our prices accordingly and I think that's about all we are prepared to say at this point.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Yes, because given the -- the quarter was fantastic at Hamilton Beach, 18% even without Weston. Then my guess is that it would be much higher than that, given where the strength of the dollar was even in a seasonally weak quarter.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

I think it's fair to say that we added with Weston a business that has a seasonally weak first quarter and, therefore, the operating profit in the remainder of the business increased somewhat more than the operating profit overall. We continue to feel that Weston is an extremely good fit for the Company and, as we laid out in the fourth quarter, we see synergy opportunities that we hope to be capturing later on this year.

Those are things that obviously don't happen overnight. It takes a period of time to work through all these use of products from Weston and our core business, use of core products in the Weston business, cost productions of various kinds and efficiencies. So there are a whole variety of things we are working on, including new customers for the core Weston business, but so far we think it is a very good fit for us.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

Al, just foreign currency impact on revenues and operating profit year-over-year is disclosed in the MD&A table if you wanted to refer to that as well.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

It is? Okay.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Why don't you -- if you want to mention that number, that's fine, Liz.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

It was a $2 million impact negative on revenue and a $700,000 impact on operating profit year-over-year. Negative.

Christina Kmetko - *NACCO Industries, Inc. - IR*

And then there was some additional impact below operating profit.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

Correct, we did not disclose that number, though.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Very good. Thank you. Just a couple more. Given how the year is going to progress and kind of the outlook that you have, how should we think about the cadence of the cash balance on the balance sheet changing throughout the year? Is that going to be a build to the end? Is there going to be kind of some normalization this year on the consolidated level?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

You're talking about the consolidated level?

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Cash, yes.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Well, as you know, Kitchen Collection generates a lot of cash in the fourth quarter. Hamilton Beach is a significant cash generator in third and fourth quarter, particularly the fourth quarter. So those are very much backend loaded.

The coal business not so much. We do have our continuing share repurchase program, which is still open, although the approved amount of that is limited and the program will be completed at such time as those shares are repurchased. So that is obviously happening earlier in the year as opposed to later in the year, and that's kind of the overall picture for you.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Okay. And on the buyback, you guys repurchased $6.9 million in the quarter. What was the average price paid?

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

That's in the Q.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

All right, that's fine. I can look that up.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

We've got it, Brian. It is $56.76 per share.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Okay, thank you. And then, lastly, on the debt reduction, at what point will we start seeing a reduction in the consolidated interest rate?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

We don't have debt anywhere except at the individual subsidiaries, so I don't think I would be inclined to think about it that way at all. Basically, Kitchen Collection is -- has debt during the year as working capital builds up and then it's in a cash position. Hamilton Beach has more debt during the middle part of the year and then it generates a large reduction in working capital at the end, which reduces its debt.

North American Coal, of course, as we say in the earnings release, had a very significant reduction in the first quarter in its working capital, which was related to the permanent financing for the Coyote operation out there. And, J.C., that was how much?

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

I think we said it was $53 million.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

$53 million. Correct, but wasn't that already on the consolidated revolver or were you guys paying interest on (multiple speakers) at the subsidiary level?

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

That was on the consolidated -- well, there is no consolidated revolver. It was at the North American Coal revolver. That receivable was paid within the first quarter.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

So the revolver at North American Coal went down significantly. We don't have -- we have cash at the parent company level, but we do not have debt that the parent company level. All debt is carried at the individual subsidiary and backed by that subsidiary.

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

And all the subsidiaries -- let me say this the other way. There is none of the subsidiary debt that is guaranteed in any way by the parent company.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Right, understand. But on the income statement, you showed $2.125 million in interest expense. Where did that come from?

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

That comes from the interest on the debt at the individual subsidiaries.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

Right. So you reduced debt by $53 million at the subsidiary, North American Coal (multiple speakers).

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

There are some things that are consolidated other than the three subsidiaries. We have a subsidiary called Bellaire, which owns assets of old mining operations and there is some interest associated with that. And we don't show Bellaire as an independent company so it probably shows up on the parent company books, but again the parent company has no borrowings.

Brian Leonard - *Keeley Asset Management Corp. - Analyst*

All right, thank you very much. That does it for me.

Operator

(Operator Instructions) Evan Tindell, Ballentine.

Evan Tindell - *Ballentine Capital Management - Analyst*

Just a couple more questions from me. What is your outlook on royalty income? I understand it's not really in your guys' hands, but do you guys have a view on what it's likely to do this year or over the next few years.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

J.C., you want to comment on royalty income?

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

It is not in our hands at all. We don't try to forecast what it is going to be because it is entirely up to what others do; their own mining or extraction plans. And we don't forecast it.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

I think it is fair to say that we have had the benefit in the last few years of significant -- some significant royalty payments from some entities that are unlikely to continue royalty payments at those levels in the future, to some degree because, for example, the reserves have simply been used up. And so we have the continuing development of sources of royalty and also the using up of these royalties from -- since they are all from depleting resources, in terms of the way they are generated. So it takes another coal miner mining our coal to generate revenue or oil and gas production on land where we own the oil and gas rights in order for us to receive those royalties.

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

And we also historically over the last couple years have benefited from some significant one-time payments that it's impossible to predict when those might happen again.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, thanks. My other question is so Centennial has obviously been affected by the MATS legislation. Are you guys --? I know basically all the other mines, including the unconsolidated mines, you guys have long-term contracts, but should we be scared about MATS affecting some of those other mines as well?

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

The only mining operation where we are affected in this way by the MATS rules is the Alabama operations.

Evan Tindell - *Ballentine Capital Management - Analyst*

But is that -- that is the current situation or you're saying that you don't expect the legislation to affect any of the other ones in the future as well?

J.C. Butler - *NACCO Industries Inc. - SVP, Finance, Treasurer & Chief Administrative Officer*

We do not expect the regulations to affect any of the other mines.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay. I have a question on the asset retirement obligations. In the 10-K, it's note 7, asset retirement obligation, and it has -- for NACCO consolidated it has $41.8 million. And then in the 10-Q it lists the capital structure, NACCO's consolidated capital structure and it says Bellaire closed mine obligations net of tax and that has $15 million.

So I guess I'm wondering where does the other -- does the non-Bellaire asset retirement obligations show up on the balance sheet somewhere? Maybe I'm just missing it.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

They are on the balance sheet. Hold on, let me flip to the balance sheet. (multiple speakers) They are on the balance sheet in our -- let me look at this. They are in the mine closing reserve line, I'm sorry.

Evan Tindell - *Ballentine Capital Management - Analyst*

Mine closing reserve, okay, okay. That's -- got it. I see, and so that's 37 -- right, right, right. On the 10-K that is $37.4 million and then that's -- I'm sure that's net of tax. Okay.

Christina Kmetko - *NACCO Industries, Inc. - IR*

A piece is in current.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

The footnote is in total.

Evan Tindell - *Ballentine Capital Management - Analyst*

Oh, a piece is in current. Okay, I see. And that includes -- that's basically -- I don't know much about how the accounting goes for that, but can I assume that that is basically your sort of best estimate as to the present value of the obligations to -- if you were to just shut every single mine, that's what that number represents?

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

In theory, yes.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay. One question with the Hamilton Beach (multiple speakers).

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

In that regard though -- and Liz can address the accounting of this. But I think it's correct to say that asset retirement obligations for closed mines are the responsibility of our customers in all cases except the Alabama operations. And even there, there are some where we have recourse against others for the mine closing obligations.

So I think that what I would suggest is that if you want further information on those at some future time, perhaps you could get those from Elizabeth. It's a complicated area, but obviously we have to reflect the fact that those are closed eventually and --. But we do have recourse to our customers to pay for most of that closing.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay. So the $41 million, so what you're saying is the $41 million (multiple speakers).

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Let me say that in that number -- you pointed to Bellaire. Those are obligations that we have in addition to Alabama, but they are not really -- they are for already closed operations.

Evan Tindell - *Ballentine Capital Management - Analyst*

Right, right, right. But then what you said is that the rest of it -- basically you were saying that the unconsolidated mines are definitely not your obligation, I think is what you were saying.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Correct, that's correct.

Evan Tindell - *Ballentine Capital Management - Analyst*

So any asset retirement costs for the unconsolidated mines wouldn't even be -- they're not even in that $41 million number, right?

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

Correct.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay. And then one must question on -- or actually two questions on Hamilton Beach.

You said that the currency was like a $700,000 or $800,000 hit to the operating profit. And then I think I saw in the 10-Q that Weston actually had an $800,000 loss. So does that mean that --? Just doing the math on that, ex those two things, Hamilton Beach would have had basically like a -- more than $2 million or about a $2 million profit I think or a little bit more without those two items?

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Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

We got quite a bit of additional volume, the 18% that we put in the earnings release on the core Hamilton Beach business. And I think that currency goes below the operating profit line. What we said was that there was a reduction in the increase from the core business of operating profit by the amount of the operating -- seasonal operating loss that comes from the Weston business.

I might add that in addition to the seasonal loss, there is some element of acquisition accounting that also increases the near-term losses. Inventories are valued differently than they would be on an ongoing basis and so on and so forth. A lot of technicalities, which will roll through relatively quickly.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, and that (multiple speakers).

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

To clarify in the foreign currency, can I just clarify one thing? The $700,000 impact, that's the change year-over-year, that's not the absolute number that impacted the quarter.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay.

Elizabeth Loveman - *NACCO Industries, Inc. - VP & Controller*

And that $700,000 impacted operating profit.

Christina Kmetko - *NACCO Industries, Inc. - IR*

There is a component in operating profit and a component below operating profit.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, got you. And so the 18% increase, is there any reason to think that the things driving that increase were sort of a one-off, or is it --? Do we think that they might continue for the rest of the year?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Well, we feel very good about the rest of the year. I think we have indicated that we think we will have a very good year in both Weston and in the core business of Hamilton Beach. I think we went into the year in a very good position in terms of our customers' inventories, and so we were able to ship pretty much according to the sales rates occurring at our retail customers.

I'm not sure that that was quite the case in the year before. It was a very good year but I think it would be unrealistic to think that those kinds of increases are going to occur for the remaining parts of the year and we don't suggest that in our outlook.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay. And then last question, the last two years at Hamilton Beach you guys saw pretty big cash outflows in Q1 that you hadn't seen for the rest of the decade essentially. Has something changed with the seasonality there or do you think that is -- was that just more random?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Are you comparing the year-to-year numbers? Is that why you are making (multiple speakers) asking the question?

Evan Tindell - *Ballentine Capital Management - Analyst*

Yes, I'm looking at 2014 Q1 and 2015 Q1. You both had cash outflows.

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

Let me just note that in comparing the two years of course we had the Weston working capital in the first quarter of 2015. We did not have Weston's working capital in the first quarter of 2014 and I think we had very good working capital results overall in the core part of the business. And so I think at Hamilton Beach we are basically in a very good position, perhaps even a little bit improved in terms of days sales outstanding which is the way we really think about how we are managing those numbers.

Evan Tindell - *Ballentine Capital Management - Analyst*

Okay, great. Thank you. Thanks for taking so many questions.

Operator

Thank you and that concludes our question-and-answer session for today. I would like to turn the conference back over to Christina Kmetko for any closing comments.

Christina Kmetko - *NACCO Industries, Inc. - IR*

Thank you. Al, did you have anything you wanted to add before we closed the call?

Al Rankin - *NACCO Industries, Inc. - Chairman, President & CEO*

No, that's fine, Christina. Thank you.

Christina Kmetko - *NACCO Industries, Inc. - IR*

Okay, thank you. Thank you, everyone, for joining us today. We do appreciate your interest and if you do have any additional follow-up questions, you can reach out to me at 440-229-5130. Thanks so much.

Operator

Thank you. Ladies and gentlemen, a dial-in replay will be available later in the business day. You may access the recording by dialing 855-859-2056 and entering code 31646201. International callers may use 404-537-3406. (Operator Instructions)

We thank you for your participation and you may now disconnect.