Risk Factors Comparison 2024-03-06 to 2023-03-15 Form: 10-K

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The Company operates in a rapidly changing environment that involves a number of risks. The following discussion highlights some of these risks and others are discussed elsewhere in this report. These and other risks could materially and adversely affect the Company' s business, financial condition, operating results or cash flows. The following risk factors are not an exhaustive list of the risks associated with the Company' s business. New factors may emerge or changes to these risks could occur that could materially affect the Company' s business. Risks related to the Coal Mining segment Termination of or default under long- term mining contracts could adversely affect the Company' s business, financial condition, results of operation and cash flows. Substantially all of the Coal Mining segment' s profits are derived from long- term mining contracts. Although the Company has long- term contracts, numerous regulatory authorities, along with well- funded political and environmental activist groups, are devoting substantial resources to anti- coal activities to minimize or eliminate the use of coal as a source of electricity generation. Any customer' s premature facility closure could have a material adverse effect on the Company' s business, financial condition and results of operations. **.Government regulations could impose costly requirements on the** Company ~~' s business,financial condition~~ and **its customers** ~~results of operation~~ .The coal mining industry and the electric generation industry are subject to extensive regulation by federal,state and local authorities on matters concerning the health and safety of employees,land use,stream and wetland protection,permit and licensing requirements,air and water quality standards,plant and wildlife protection,reclamation and restoration of mining properties after mining,the discharge of GHGs and other materials into the environment,surface subsidence from underground mining and the effects that mining has on groundwater quality and availability.Legislation mandating certain benefits for current and retired coal miners also affects the industry.Mining operations require numerous governmental and regulatory permits and approvals.The Company is required to prepare and present to federal,state or local authorities data pertaining to the impact the production and combustion of coal may have upon the environment.The public,including non- governmental organizations,opposition groups and individuals,have statutory rights to comment upon and submit objections to requested permits and approvals and to legally challenge certain permits subsequent to their issuance.Compliance with these requirements is costly and time- consuming and may delay commencement or continuation of development or production.New legislation and / or regulations and orders may materially adversely affect the Company' s mining operations or its cost structure,or its customers.All of these factors could significantly reduce the Company' s profitability.See " Item 1.Business — Government Regulation" on page 8 in this Form 10- K for **further** discussion ~~of regulations that~~ See " Item 1. Business — Business Developments" on page 2 in this Form 10- K for discussion of Sabine' s 2023 closure...... in this Form 10- K for further discussion. MLMC is subject to risks associated with its capital investment, operating and equipment costs, growing use of alternative generation that competes with coal- fired generation, changes in customer demand and inflationary adjustments. The profitability of MLMC is subject to the risk of loss of investment in this operation, increases in the cost of mining, changes in customer demand, growing competition from alternative power generation that competes with coal- fired generation and the emergence of adverse mining conditions. At MLMC, the costs of mining operations are not reimbursed by MLMC' s customer. As such, increased costs at MLMC or decreased revenues could materially reduce the Company' s profitability ~~. Any reduction in customer demand at MLMC, including reductions related to reduced mechanical availability of the customer' s power plant, would adversely affect the Company' s operating results and could result in significant impairments~~ . Similar to the Company' s unconsolidated mines, all production costs at MLMC are capitalized into inventory and recognized in cost of sales as tons are delivered. In periods of limited or no deliveries, MLMC may be required to reduce its inventory carrying value using the lower of cost and net realizable value approach, which could adversely affect MLMC ~~' s results of operations. MLMC has approximately $ 125 million of long- lived assets, including property, plant and equipment and a coal supply agreement intangible asset, which are subject to periodic impairment analysis and review. Identifying and assessing whether impairment indicators exist, or if events or changes in circumstances have occurred, including assumptions about future power plant dispatch levels, changes in operating costs and other factors that impact anticipated revenue and customer demand, requires significant judgment. Actual future operating results could differ significantly from these estimates, which may result in an impairment charge in a future period, which could have a substantial impact on the Company~~ ' s results of operations. Profitability at MLMC is affected by customer demand for coal and changes in the indices that determine sales price and actual costs incurred. MLMC sells lignite at contractually agreed upon prices which are subject to changes in the level of established indices over time. Diesel fuel is heavily weighted among the indices used to determine the coal sales price. The diesel fuel- related component of the coal sales price is based on average price changes over time whereas the impact on actual costs from changes in diesel fuel prices is more immediate; therefore, fluctuations in diesel fuel prices can result in significant fluctuations in earnings at MLMC. ~~Changes~~ **Any reduction** in customer demand **at MLMC** ~~for any reason~~ , including, but not limited to, reduced mechanical availability of the customer' s power plant, dispatch of power generated by other energy sources ahead of coal, fluctuations in demand due to unanticipated weather conditions, regulations or comparable policies which may promote planned and unplanned outages at the Red Hills Power Plant, economic conditions, including an economic slowdown and a corresponding decline in the use of electricity, governmental regulations and inflationary adjustments could have a material adverse effect on MLMC' s financial condition, results of operations and cash flows. The Coal Mining segment' s Unconsolidated Subsidiaries are subject to risks created by changes in customer demand and inflationary adjustments. The contracts with the Unconsolidated Subsidiaries' customers are primarily based on a" management fee" approach, whereby compensation includes reimbursement of all operating costs, plus a fee based on the amount of coal delivered. The fees earned adjust over time in line with various indices which reflect general U. S. inflation rates. During the production stage, the Unconsolidated Subsidiaries' customers pay the Company its agreed upon fee only for the coal delivered to them for consumption or use. As a result, reduced coal usage by customers for any reason, including, but not limited to, fluctuations in demand due to unanticipated weather conditions, scheduled and unscheduled outages at the Coal Mining segment' s customers' facilities, unplanned equipment failures **including U. S. power grid reliability issues** , economic conditions or governmental regulations or comparable policies which may promote dispatch of power generated by ~~renewables~~ **renewable energy sources** , such as wind or solar, and the realignment of customers' power generation portfolios that reduce the electric power generated from coal could have a material adverse effect on the Company' s results of operations. Because of the contractual price formulas for the management fees at these Unconsolidated Subsidiaries, the profitability of these operations is also subject to fluctuations in inflationary adjustments (or lack thereof) that can impact the agreed upon management fees. These factors could materially reduce the Company' s profitability. Changes in coal consumption patterns of U. S. electric power generators could adversely affect the Company' s profitability. The amount of coal consumed by the electric power generation industry is affected by general economic conditions; overall demand for electricity; availability of transmission; competition from alternative fuel sources for power generation, such as natural gas, nuclear, hydroelectric, wind and solar power, and the location, availability, quality and price of those alternative fuel sources; environmental and other governmental regulations, including those impacting coal- fired power plants; and energy conservation efforts and related governmental policies. Changes in the utility industry that affect NACCO' s customers could also adversely affect the Company. The increased availability of renewable energy sources has contributed to a reduction in demand for coal- fired electric power generation. Competition from natural gas- fired plants that are relatively more efficient, less expensive to construct and less difficult to permit than coal- fired plants has the most potential to continue to displace a significant amount of coal- fired electric power generation in the near term. Federal and state mandates for increased use of electricity derived from renewable energy sources have also adversely affected demand for coal- fired electric power generation. Such mandates make alternative fuel sources more competitive with coal- fired electric power generation. Changes in federal and state mandates that would include an acceleration in the use of electricity derived from renewable energy sources could result in a decrease in coal consumption by the electric power generation industry and the Company’ s customers. ~~Certain of the Coal Mining segment’ s customers, including MLMC' s customer, benefit or have benefited from a tax credit under Section 45 of the Internal Revenue Code. The benefit results in a reduction to the cost of coal- fired electric power generation. The elimination or expiration of the Section 45 tax credit would increase the cost of the coal- fired electric power generation from these facilities and could result in the power these facilities produce being less economical than other sources of power generation, which could reduce demand and result in a decrease in coal consumption.~~ Any of these risks could result in a decrease in coal consumption by the Company’ s customers and could have a material adverse effect on the Company’ s business, financial condition and results of operations . Government regulations could impose costly requirements...... Form 10- K for further discussion . The Company is subject to burdensome federal and state mining regulations and the assumptions underlying the Company' s reclamation and mine closure obligations could be materially inaccurate. Federal and state statutes require the Company to restore mine property in accordance with specified standards and an approved reclamation plan, and require that the Company obtain and periodically renew permits for mining operations. Regulations require the Company to incur the cost of reclaiming current mine disturbance at operations where the Company holds the mining permit. Estimates of the Company' s total reclamation and mine closing liabilities are based upon permit requirements and the Company' s engineering expertise related to these requirements. While management regularly reviews the estimated reclamation liabilities and believes that appropriate accruals have been recorded for all expected reclamation and other costs associated with closed mines, the estimate can change significantly if actual costs vary from assumptions or if governmental regulations change significantly. Such changes could have a material adverse effect on the Company’ s business and could significantly reduce its profitability. The ~~Clean Air Act could reduce the demand~~ **Coal Mining segment' s customers' operations require significant capital expenditures. Maintaining and installing environmental controls on power plants requires significant capital expenditures. Any delay** ~~for~~ **or reduction in making capital expenditures to maintain or upgrade coal- fired power plants by the** ~~coal~~ **Coal** ~~. The process of burning coal~~ **Segment' s customers, principally electric utilities, could result in** ~~can~~ **an increase** ~~cause many compounds and impurities~~ in **outage days** ~~the coal to be released into the air, including carbon dioxide, sulfur dioxide, nitrogen oxides, mercury, particulates~~ and **a** ~~other matter. The CAA and the~~ corresponding **decrease in** ~~state laws that extensively regulate the emissions of materials into the air affect~~ coal **consumption** ~~mining operations both directly and indirectly. Direct impacts on coal mining operations occur through CAA permitting requirements and / or emission control requirements relating to air contaminants, especially particulate matter. Indirect impacts on coal mining operations occur through regulation of the air emissions of carbon dioxide, sulfur dioxide, nitrogen oxides, mercury, particulate matter and other compounds emitted by coal- fired power plants. The EPA has discussed issuing or issued regulations that impose tighter emission restrictions on a number of these compounds, some of which are currently subject to litigation. The general effect of tighter restrictions is to reduce demand for coal~~ . A ~~reduction~~ **decrease** in coal **consumption** ~~’ s share of the capacity for power generation~~ could have a material adverse effect on the ~~Company’ s business, financial condition and results of operations. See “ Item 1. Business — Government Regulation" on page 8 in this Form 10- K for further discussion. The Coal Mining segment' s customers' operations require significant capital expenditures. Maintaining and installing environmental controls on power plants requires significant capital expenditures. Any delay or reduction in making capital expenditures to maintain or upgrade coal- fired power plants by the Coal Segment' s customers, principally electric utilities, could result in an increase in outage days and a corresponding decrease in coal consumption. A decrease in coal consumption could have a material adverse effect on the~~ Coal Mining segment' s financial condition, results of operations and cash flows. Mining operations are vulnerable to weather and other conditions that are beyond the Company' s control. Many conditions beyond the Company' s control can decrease the delivery, and therefore the use, of coal to the

Company' s customers. These conditions include weather, pandemics, adverse mining conditions, unexpected maintenance problems and shortages of replacement parts, any of which could significantly reduce the Company' s profitability. The Company faces numerous uncertainties in estimating economically recoverable reserves and resources, and inaccuracies in estimates could result in lower than expected revenues, higher than expected costs and decreased profitability. Information concerning the Company' s mining operations in" Item 2- Properties" on page ~~28~~ **31** has been prepared in accordance with the requirements of subpart 1300 of Regulation S- K. A mineral is economically recoverable when the price at which it can be sold exceeds the costs and expenses of mining, processing and selling the mineral. Forecasts of NACCO' s future performance are based on, among other things, estimates of mineral reserves and resources. Mineral reserve and resource estimates of the remaining tons of coal at MLMC are based on many factors, including engineering, economic and geological data assembled and analyzed by internal staff, which includes various engineers and geologists, the area and volume covered by mining rights, assumptions regarding extraction rates and duration of mining operations, and the quality of in- place reserves and resources. The reserve and resource estimates as to both quantity and quality are updated from time to time to reflect, among other matters, production of minerals, new mining or other data received.