

APPLICA INC  
Form 425  
July 24, 2006

Filed by NACCO Industries, Inc. pursuant to  
Rule 425 promulgated under the Securities Act of 1933  
and deemed filed pursuant to Rule 14a-12  
promulgated under the Securities Act of 1934

Subject Company: Applica Incorporated  
Commission File No.: 1-10177

The following is a letter sent by Mr. Alfred M. Rankin, Jr., Chairman, President and Chief Executive Officer of NACCO Industries, Inc. to the employees of Kitchen Collection, Inc., a wholly owned subsidiary of NACCO Industries, Inc., in connection with the proposed spin off of by NACCO Industries, Inc. of its Hamilton Beach/Proctor Silex business to NACCO Industries, Inc.'s stockholders and subsequent merger of Applica Incorporated with and into Hamilton Beach/Proctor Silex.

July 24, 2006

I want to provide you with some important and exciting news about our businesses and the future direction of NACCO Industries, Inc. This morning, we announced our plans to spin off Hamilton Beach/Proctor-Silex and then immediately merge Applica Incorporated into the Hamilton Beach/Proctor-Silex business to create an independent public company named Hamilton Beach, Inc. Kitchen Collection (KCI) will not be part of this transaction and will remain a part of NACCO. A copy of the news release announcing this proposed transaction is attached to this letter. Upon completion of the proposed transaction, I will serve as Non-executive Chairman of the Board of Directors of Hamilton Beach, Inc. Dr. Michael J. Morecroft, who currently leads Hamilton Beach/Proctor-Silex, will be Hamilton Beach, Inc.'s President and Chief Executive Officer. The headquarters for Hamilton Beach, Inc. will be in Richmond, VA, the current site of Hamilton Beach/Proctor-Silex.

Overall, we believe this proposed transaction makes sense for the Hamilton Beach/Proctor-Silex business for several reasons:

With estimated annual sales of approximately \$1.1 billion, we expect that, upon closing of the merger, Hamilton Beach, Inc. will become the largest U.S. public company focused on the small electric household appliance industry.

The proposed combination will create a business with a broad portfolio of products that includes some of the most recognized and respected brands in the industry along with a history of strong retailer relationships.

Hamilton Beach, Inc. is expected to have the enhanced scale, improved competitive position, increased capital structure flexibility and international presence needed to compete in a consolidating and highly competitive marketplace.

Certainly, there are some important connections between KCI and Hamilton Beach/Proctor-Silex and I fully anticipate this successful relationship to continue as it always has.

It is important to note that, as a continuing part of NACCO, we do not anticipate any changes at KCI related to today's announcement. KCI will continue to sell the Hamilton Beach<sup>®</sup>, Proctor Silex<sup>®</sup> and ecletrics<sup>®</sup> brands as well as Black & Decker<sup>®</sup> branded products. KCI will also continue to sell HB-branded non-electric products such as gadgets, bakeware and cookware, among others. Kitchen Collection will continue to pursue all of its current strategic and growth initiatives.

Please understand that today's announcement is just the first step in the process. In the months ahead, we will be seeking the necessary stockholder and regulatory approvals to complete the transaction and for Applica to merge with and into Hamilton Beach/Proctor-Silex to become an independent public company. Until the transaction closes, Hamilton Beach/Proctor-Silex remains separate from Applica and each company will continue to operate independently.

If you have questions, please direct them to your immediate supervisor. You may also wish to visit a special web site we have set up to provide more detailed information. That website is accessible via the NACCO home page at [www.nacco.com](http://www.nacco.com). If the information on the website does not answer your question, we have also established a special



email address for inquiries. It is: ir@naccoind.com. Additionally, if you should receive any third-party or media inquiries, please direct them to Christina Kmetko at (440) 449-9669.

We will keep you abreast of developments as we move forward with this proposed transaction. As always, thank you for your continued efforts as we work toward our goals for this year and beyond.

Sincerely,

Alfred M. Rankin, Jr.

Chairman, President and Chief Executive Officer  
NACCO Industries, Inc.

*\* Investors and security holders are urged to read the registration statement on Form S-4 and the proxy statement/prospectus/information statement included within the registration statement on Form S-4 when it becomes available and any other relevant documents to be filed with the Securities and Exchange Commission ( SEC ) in connection with the proposed transaction because they will contain important information about HB-PS Holding Company, Inc. ( Hamilton Beach/Proctor-Silex ), Applica Incorporated and NACCO Industries, Inc. and the proposed transaction. Investors and security holders may obtain free copies of these documents when they become available through the website maintained by the SEC at www.sec.gov. In addition, the documents filed with the SEC by Applica Incorporated may be obtained free of charge by directing such requests to Applica Incorporated, 3633 Flamingo Road, Miramar, Florida 33027, Attention: Investor Relations ((954) 883-1000), or from Applica Incorporated s website at www.applicainc.com. The documents filed with the SEC by Hamilton Beach/Proctor-Silex may be obtained free of charge by directing such requests to HB-PS Holding Company, Inc., 4421 Waterfront Drive, Glen Allen, Virginia 23060, Attention: Investor Relations ((804) 527-7166), or from Hamilton Beach/Proctor-Silex s website at www.hamiltonbeach.com. The documents filed with the SEC by NACCO Industries, Inc. may be obtained free of charge by directing such requests to NACCO Industries, Inc., 5875 Landerbrook Drive, Cleveland, Ohio 44124, Attention: Investor Relations ((440) 449-9669), or from NACCO Industries, Inc. s website at www.nacco.com. Applica Incorporated, Hamilton Beach/Proctor-Silex and their respective directors, executive officers and certain other members of management may be deemed to be participants in the solicitation of proxies from Applica Incorporated stockholders with respect to the proposed transaction. Information regarding the interests of these officers and directors in the proposed transaction will be included in the registration statement on Form S-4 and proxy statement/prospectus/information statement included within the registration statement on Form S-4. In addition, information about Applica Incorporated s directors, executive officers and members of management is contained in Applica Incorporated s most recent proxy statement, which is available on Applica Incorporated s website and at www.sec.gov. Additional information regarding the interests of such potential participants will be included in the registration statement on Form S-4, the proxy statement/prospectus/information statement contained therein and other relevant documents filed with the SEC.*

Attachment: Joint press release of NACCO and Applica, dated July 24, 2006 (previously filed)

The statements contained in this filing that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are made subject to certain risks and uncertainties, which could cause actual results to differ materially from those presented in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. NACCO, Hamilton Beach/Proctor-Silex and Applica undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. Among the factors that could cause plans, actions and results to differ materially from current expectations are, without limitation: (1) the ability to obtain governmental approvals of the proposed spin-off and merger on the proposed terms and schedule, (2) the failure to obtain approval of the merger from Applica stockholders, (3) the ability of the two businesses to be integrated successfully, (4) the ability of the new company to fully realize the cost savings and any synergies from the proposed transaction within the proposed time frame, (5) disruption from the spin-off and merger making it more difficult to maintain relationships with customers, employees or suppliers, (6) the failure to obtain New York Stock Exchange approval for the listing of Hamilton Beach, Inc. s Class A common stock, (7) customer acceptance of the new combined entity, (8) changes in the

sales prices, product mix or levels of consumer purchases of kitchenware and small electric household appliances, (9) bankruptcy of or loss of major retail customers or suppliers, (10) changes in costs, including transportation costs, of raw materials, key component parts or sourced products, (11) delays in delivery or the unavailability of raw materials, key component parts or sourced products, (12) changes in suppliers, (13) exchange rate fluctuations, changes in the foreign import tariffs and monetary policies, and other changes in the regulatory climate in the foreign countries in which NACCO, Hamilton Beach/Proctor-Silex and Appliance buy, operate and/or sell products, (14) product liability, regulatory actions or other litigation, warranty claims or returns of products, (15) customer acceptance of changes in costs of, or delays in the development of new products, (16) delays in or increased costs of restructuring programs, (17) increased competition, including consolidation within the industry; as well as other risks and uncertainties detailed from time to time in NACCO's and Appliance's respective Securities and Exchange Commission filings.