

NATIONAL PRESTO INDUSTRIES INC  
Form 10-K405  
March 29, 2001

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Index to Schedules and  
Exhibits are at Page 14 and 15

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 For the fiscal year ended December 31, 2000

or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-2451

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

WISCONSIN 39-0494170  
-----

(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification Number

3925 NORTH HASTINGS WAY  
-----

EAU CLAIRE, WISCONSIN 54703-3703  
-----

(Address of principal executive offices) (Zip Code)  
-----

Registrant's telephone number, including area code: (715) 839-2121

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
\$1.00 par value common stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE  
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K.

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The aggregate market value of the voting stock held by non-affiliates of the registrant computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of February 28, 2001, was \$199,356,357.

The number of shares outstanding of each of the registrant's classes of common stock, as of February 28, 2001, was 6,877,445.

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### DOCUMENTS INCORPORATED BY REFERENCE

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The following documents are incorporated by reference into that part of this Form 10-K designated to the right of the document title.

TITLE -----	PART -----
Proxy Statement dated March 30, 2001	Part III

Except as specifically incorporated herein by reference, the foregoing Proxy Statement is not deemed filed as part of this report.

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### PART I

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#### ITEM 1. BUSINESS

##### A. DESCRIPTION OF BUSINESS

The business of National Presto Industries, Inc., and its consolidated subsidiaries (the "Company") consists of a single business segment. The Company manufactures and distributes small electrical appliances and housewares, including comfort appliances, pressure cookers and canners, private label and premium sales products.

Electrical appliances and housewares sold by the Company include pressure cookers and canners; the Presto Control Master(R) heat control single thermostatic control line of fry pans in several sizes, griddles and combination griddle/warmers and multi-purpose cookers; deep fryers of various sizes; pizza ovens, can openers, slicer/shredders; electric heaters; corn poppers (hot air and microwave); microwave bacon cookers; coffeemakers; electric grills; electric tea kettles; electric knives; bread slicing systems; electric knife sharpeners; and timers.

Pressure cookers and canners are available in various sizes and are fabricated of aluminum and, in the case of cookers, of stainless steel, as well. The Company believes it is one of the principal manufacturers of pressure cookers in the United States.

For the year ended December 31, 2000, approximately 58% of consolidated net sales were provided by cast products (fry pans, griddles, grills,

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deep fryers and multi- cookers), approximately 6% by motorized nonthermal appliances (can openers, slicer/shredders, knife sharpeners, electric knives, and bread slicing systems), and approximately 32% by noncast/thermal appliances (stamped cookers and canners, stainless steel cookers, pizza ovens, corn poppers (hot air and microwave), coffeemakers, microwave bacon cookers, tea kettles, and heaters). For the year ended December 31, 1999, approximately 61% of consolidated net sales were provided by cast products, approximately 9% by motorized nonthermal appliances and approximately 26% by noncast/thermal appliances. For the year ended December 31, 1998, approximately 59% of consolidated net sales were provided by cast products, approximately 13% by motorized nonthermal appliances and approximately 25% by noncast/thermal appliances.

For the year ended December 31, 2000, Wal-Mart Stores, Inc. accounted for 42% and Target, Inc. accounted for 11% of consolidated net sales. Wal-Mart Stores, Inc., accounted for 46% and Target, Inc. accounted for 12% of consolidated net sales in 1999. Wal-Mart Stores, Inc. accounted for 44% of consolidated net sales for the year ended December 31, 1998.

Products are sold directly to retailers throughout the United States and also through independent distributors. Although the Company has long established relationships with many of its customers, it does not have long-term supply contracts with them. The loss of, or material reduction in, business from any of the Company's major customers could adversely affect the Company's business (see Footnote J in the Notes to Consolidated Financial Statements).

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The Company has a sales force of approximately ten employees that sell to and service customers. In selected geographic areas sales are handled by manufacturers' representatives who may also sell other product lines. Sales promotional activities are conducted through the use of television, radio and newspaper advertising. The Company's business is highly competitive and seasonal, with the normal peak sales period occurring in the fourth quarter of the year prior to the holiday season. Many companies compete for sales of housewares and small electrical appliances, some of which are larger than the Company and others which are smaller. Product competition extends to special product features, product pricing, marketing programs, warranty provisions, service policies and other factors. New product introductions are an important part of the Company's sales to offset the morbidity rate of other products and/or the effect of lowered acceptance of seasonal products due to weather conditions. New products entail unusual risks. Engineering and tooling costs are increasingly expensive, as are components and finished goods that may not have a ready market or achieve widespread consumer acceptance. High-cost advertising commitments accompanying such new products or to maintain sales of existing products may not be fully absorbed by ultimate product sales. Initial production schedules, set in advance of introduction, carry the possibility of excess unsold inventories. New product introductions are further subject to delivery delays from supply sources, which can impact availability for the Company's most active selling periods.

Research and development costs related to new product development for the years 2000, 1999 and 1998 were absorbed in operations of these years and were not a material element in the aggregate costs incurred

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by the Company.

Company products are generally warranted to the original owner to be free from defects in material and workmanship for a period of two years from date of purchase. The Company allows a sixty-day over-the-counter initial return privilege through cooperating dealers. The Company services its products through independent service providers throughout the United States and a corporate service repair operation. The Company's service and warranty programs are competitive with those offered by other manufacturers in the industry.

The Company's products are manufactured in plants located at Jackson, Mississippi and Alamogordo, New Mexico. The Company also purchases a portion (18% in 2000) of its products from nonaffiliated companies in the Pacific Rim Countries.

The Company warehouses and distributes its products from a distribution center located in Canton, Mississippi. Selective use is made of leased tractors and trailers with back-hauls scheduled on return trips carrying goods consigned for internal corporate use.

The Company invests funds not currently required for business activities (see Footnote B (3) in the Notes to Consolidated Financial Statements). Income from invested funds is included in Other Income in the accompanying financial statements.

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Earnings from investments may vary significantly from year to year depending on interest yields on instruments meeting the Company's investment criteria, and the extent to which funds may be needed for internal growth, reacquisition of Company stock, acquisitions and newly identified business activities.

### B. OTHER COMMENTS

#### 1. Sources and Availability of Materials

Production levels at the Company's manufacturing plants may be affected by vendor failure to deliver tooling, material and critical parts within commitments. While recent years have witnessed virtual elimination of these circumstances, there is no assurance against recurrence.

Deliveries of new products, many of which have been sourced overseas, could be delayed by labor or supply problems at vendors or in transportation. As a consequence, these products may not be available in sufficient quantities during the prime selling period. While there has been no major incidence of such problems in recent years and the Company has made every reasonable effort to prevent occurrence, there is no assurance that such effort will be totally effective.

#### 2. Trademarks, Licenses, Franchises and Concessions Held

In recent years, patents on new products have become more meaningful to operating results. Trademarks and know-how are considered significant. The Company's current and future success depends upon judicial protection of its intellectual property rights (patents, trademarks and trade dress). Removal of that protection would expose the Company to

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competitors who seek to take advantage of the Company's innovations and proprietary rights. To date, the Company has vigorously protected its rights and enjoyed success in all its intellectual property suits.

### 3. Effects of Compliance with Environmental and OSHA Regulations

In May 1986, the Company's Eau Claire, Wisconsin, site was placed on the United States Environmental Protection Agency's (EPA) National Priorities List (NPL) under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) because of alleged hazardous waste deposited on the property. During July 1986, the Company entered into an agreement with the EPA and the Wisconsin Department of Natural Resources to conduct a remedial investigation and feasibility study at the site. The remedial investigation was completed in 1992, the feasibility study in 1994, and in May 1996 the final record of decision (ROD) was issued for the site by the EPA. At year end 2000, all remediation projects at the Eau Claire, Wisconsin, site had been installed, were fully operational, and restoration activities had been completed.

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In February 1988, the Company entered into an agreement with the Department of the Army (the 1988 agreement), pursuant to which the Army agreed to fund environmental restoration activities related to the site. As a result of the 1988 Agreement, a total of \$27,000,000 has been appropriated and spent for environmental matters. Based on factors known as of December 31, 2000, it is believed that funds existing in corporate reserves, will be adequate to satisfy on-going remediation operations and monitoring activities; however, should environmental agencies require additional studies or remediation projects, it is possible the existing funds could be inadequate.

Management believes that in the absence of any unforeseen future developments, known environmental matters will not have any material affect on the results of operations or financial condition of the Company.

### 4. Number of Employees of the Company

As of December 31, 2000, the Company had 624 employees.

### 5. Industry Practices Related to Working Capital Requirements

The major portion of the Company's commercial sales were made with terms of 90 days or shorter. A small portion of the sales were made with seasonal dating provisions.

Inventory levels increase in advance of the selling period for products that are seasonal, such as pressure canners, heaters, and major new product introductions. Inventory build-up also occurs to create stock levels required to support the higher sales that occur in the latter half of each year. Buying practices of the Company's customers require "just-in-time" delivery, necessitating that the Company carry large finished goods inventories. The Company purchases components and raw materials in advance of production requirements where such purchases are necessary to ensure supply or provide advantageous long-term pricing and/or costing.

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The current year resulted in lower than expected acceptance of the Company's primary new product, the Pizzazz(TM) pizza oven, resulting in higher than expected inventory levels. There are no assurances that this inventory will be sold in the normal course of business.

### 6. Backlog

Shipment of most of the Company's products occurs within a relatively short time after receipt of the order and, therefore, there is usually no substantial order backlog. New product introductions may result in order backlogs that vary from product to product and as to timing of introduction.

### C. INDUSTRY SEGMENTS

The Company operates in one business segment.

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## ITEM 2. PROPERTIES (Owned Except Where Indicated)

The Company's Eau Claire facility is approximately 560,000 square feet. Leases for 237,000 square feet of this area have been entered into with outside tenants. The Company's corporate office is also located in Eau Claire.

The Company manufactures products in Jackson, Mississippi and Alamogordo, New Mexico.

The Jackson plant contains 283,000 square feet, of which 119,600 square feet are used for warehousing.

The facility at Alamogordo contains 170,700 square feet, of which 24,800 square feet are used for warehousing. An additional 15,500 square feet has been leased for warehousing.

The Company has a 191,900 square foot building at Canton, Mississippi which is used primarily for warehousing and distribution and some activities for product service functions. An additional 72,000 square feet has been leased in adjacent buildings for warehousing. During the peak season, an additional 35,000 square feet has been leased.

## ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various legal actions incidental to its normal business operations. In the opinion of management such actions will be resolved for amounts that in the aggregate will not be material to the results of operations or financial condition of the Company.

See Item 1.B.3. For information regarding certain environmental matters.

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

None

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### EXECUTIVE OFFICERS OF THE REGISTRANT

The following information is provided with regard to the executive officers of the registrant: (All terms of office are for one year or until their respective successors are duly elected.)

NAME -----	TITLE -----	AGE -----
Melvin S. Cohen	Chairman of the Board	83
Maryjo Cohen	President and Chief Executive Officer	48
James F. Bartl	Executive Vice President and Secretary	60
Richard F. Anderl	Vice President, Engineering	57
Neil L. Brown	Vice President, Manufacturing	57
Larry R. Hoepner	Vice President, Purchasing	59
Donald E. Hoeschen	Vice President, Sales	53
Randy F. Lieble	Chief Financial Officer and Treasurer	47

Mr. Cohen was elected Chairman of the Board in May 1975. Prior to that date he was President, a position that he again held from November 1986 to May 1989. Mr. Cohen is the father of Maryjo Cohen and has been associated with the registrant since 1944.

Ms. Cohen was elected Treasurer in September 1983, to the additional positions of Vice President in May 1986, President in May 1989 and Chief Executive Officer in May 1994. She has been associated with the registrant since 1976. Prior to becoming an officer, she was Associate Resident Counsel and Assistant to the Treasurer. Ms. Cohen is the daughter of Melvin S. Cohen.

Mr. Bartl was elected Secretary in May 1978 and the additional position of Executive Vice President in November 1998. He has been associated with the registrant since 1969. Prior to becoming an officer, he was Resident Counsel and Director of Industrial Relations, positions he continues to hold.

Mr. Anderl was elected Vice President in May 1989. He has been associated with the registrant since 1963 and prior to becoming an officer, he was Director of Engineering.

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Mr. Brown was elected Vice President in November 1997. He has been associated with the registrant since 1966. Prior to becoming an officer, he was Director of Manufacturing.

Mr. Hoepner was elected Vice President in November 1998. He has been

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associated with the registrant since 1966. Prior to becoming an officer, he was Director of Purchasing.

Mr. Hoeschen was elected Vice President in May 1997. He has been associated with the registrant since 1971. Prior to becoming an officer, he was Director of Sales.

Mr. Lieble was elected Treasurer in November 1995 and the additional position of Chief Financial Officer in November 1999. He has been associated with the registrant since 1977. Prior to becoming an officer, he was Manager of Investments and Government Contracts.

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### PART II

#### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

##### RECORD OF DIVIDENDS PAID AND MARKET PRICE OF COMMON STOCK

	2000			1999		
	Applicable Dividends Paid per Share -----	Market Price -----		Applicable Dividends Paid per Share -----	Market Price -----	
		High	Low		High	Low
First Quarter	\$ 2.10	\$35.81	\$31.00	\$ 2.00	\$42.88	\$35.13
Second Quarter	--	35.19	29.56	--	38.94	34.13
Third Quarter	--	31.19	29.63	--	41.00	35.50
Fourth Quarter	--	32.00	29.06	--	39.00	34.13
Full Year	\$ 2.10	\$35.81	\$29.06	\$ 2.00	\$42.88	\$34.13

Common stock of National Presto Industries, Inc., is traded on the New York Stock Exchange under the symbol NPK. As of December 31, 2000, there were 731 stockholders of record. There were 730 stockholders of record as of February 28, 2001, the latest practicable date.

#### ITEM 6. SELECTED FINANCIAL DATA

(in thousands except per share data)

For the years ended December 31,	2000	1999	1998	1997	1996
Gross sales	\$ 120,079	\$ 116,723	\$ 108,861	\$ 111,423	\$ 107,878
Net earnings	15,158	20,822	19,733	16,982	14,720
Net earnings per share	2.16	2.84	2.68	2.31	2.00



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Total assets	288,707	299,393	294,762	291,870	285,385
Dividends paid per common share applicable to current year	2.10	2.00	2.00	2.00	2.00

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

Forward-looking statements in this Annual Report are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from historical results. Investors are cautioned that all forward-looking statements involve risks and uncertainty. The factors that could cause actual results to differ materially are the following: consumer spending and debt levels; interest rates; continuity of relationships with and purchases by major customers; product mix; competitive pressure on sales and pricing, and increases in material or production cost which cannot be recouped in product pricing. Additional information concerning those and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Form 10-K, copies of which are available from the Company without charge.

#### 2000 COMPARED TO 1999

Net sales increased by \$1,871,000 from \$114,697,000 to \$116,568,000 or 2%. The increase was due primarily to the sale of new products offset in part by decreased unit volume.

Gross profit for 2000 decreased \$1,151,000 from \$36,831,000 to \$35,680,000 or 31% versus 32% as a percentage of net sales. The reduction of gross profit percentage was largely caused by less favorable manufacturing efficiencies at the Company's manufacturing facilities.

Selling and general expenses increased \$9,613,000 largely due to increased advertising expenses related to new product introductions. As a percentage of net sales, selling and general expenses increased from 15% to 23%.

Earnings before provision for income taxes decreased \$9,849,000 from \$29,177,000 to \$19,328,000. The provision for income taxes decreased from \$8,355,000 to \$4,170,000, which resulted in an effective income tax rate decrease from 29% to 22%, as a result of decreased earnings subject to tax. Net earnings decreased \$5,664,000 from \$20,822,000 to \$15,158,000, or 27%.

The Company maintains adequate liquidity for all of its anticipated capital requirements and dividend payments. As of year-end 2000, there were no material capital commitments outstanding.

#### 1999 COMPARED TO 1998

Net sales increased by \$7,624,000 from \$107,073,000 to \$114,697,000 or 7%. The increase was due primarily to increased unit volume.

Gross profit for 1999 increased \$611,000 from \$36,220,000 to \$36,831,000 or 32% versus 34% as a percentage of net sales. The reduction of gross profit percentage was largely caused by increased material costs.

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Selling and general expenses decreased \$834,000 largely due to a more favorable bad debt experience. As a percentage of net sales, selling and general expenses decreased from 17% to 15%.

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Earnings before provision for income taxes increased \$1,781,000 from \$27,396,000 to \$29,177,000. The provision for income taxes increased from \$7,663,000 to \$8,355,000, which resulted in an effective income tax rate increase from 28% to 29%, as a result of increased earnings subject to tax. Net earnings increased \$1,089,000 from \$19,733,000 to \$20,822,000, or 6%.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's interest income on cash equivalents and investments is affected by changes in interest rates in the United States. The Company's investments are held primarily in municipal bonds, a majority of which earn a fixed rate of interest, while the remaining bonds earn a variable interest rate. The Company uses sensitivity analysis to determine its exposure to changes in interest rates. Through December 31, 2000, changes in these rates have not had a material effect on the Company, and the Company does not anticipate that future exposure to interest rate market risk will be material.

The Company has no history of, and does not anticipate in the future, investing in derivative financial instruments. Most transactions with international customers are entered into in U.S. dollars, precluding the need for foreign currency hedges. Any transactions that are currently entered into in foreign currency are not deemed material to the financial statements. Thus, the exposure to foreign exchange market risk is not material.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

- A. The consolidated financial statements of National Presto Industries, Inc. and its subsidiaries and the related Report of Independent Certified Public Accountants are contained on pages F-1 through F-12 of this report.
- B. Quarterly financial data is contained in Note M in Notes to Consolidated Financial Statements.

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

None

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## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A listing of the Executive Officers of the Registrant is included in

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Part I. See Note following Item 13 for information relating to Directors of the Company.

### ITEM 11. EXECUTIVE COMPENSATION

See Note following Item 13.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See Note following Item 13.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Note following.

NOTE: Within 120 days after the close of the registrant's fiscal year ended December 31, 2000, the registrant intends to file a definitive proxy statement pursuant to regulation 14A. Pursuant to the Rules and Regulations of the Securities Exchange Act of 1934, the information required for Items 10, 11, 12 and 13 has been omitted and is incorporated herein from Proxy by reference.

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## PART IV

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

- A. The following consolidated financial statements of National Presto Industries, Inc., and its subsidiaries and the related Report of Independent Certified Public Accountants are included in this report:

	Form Page Re -----
1. Consolidated Balance Sheets - December 31, 2000 and 1999	F-1 &
2. Consolidated Statements of Earnings - Years ended December 31, 2000, 1999 and 1998	F
3. Consolidated Statements of Cash Flows - Years ended December 31, 2000, 1999 and 1998	F
4. Consolidated Statements of Stockholders' Equity - Years ended December 31, 2000, 1999 and 1998	F
5. Notes to Consolidated Financial Statements	F-6 t
6. Report of Independent Certified Public Accountants	F

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B. The following Schedules and Exhibits are included in this report:

- Schedule II - Valuation and Qualifying Accounts
- Exhibit 3 (i) - Restated Articles of Incorporation - incorporated by reference from Exhibit 3 (i) of the Company's quarterly report on Form 10-Q for the quarter ended July 6, 1997
- (ii) - By-Laws - incorporated by reference from Exhibit 3 (ii) of the Company's quarterly report on Form 10-Q for the quarter ended October 3, 1999
- Exhibit 9 - Voting Trust Agreement - incorporated by reference from Exhibit 9 of the Company's quarterly report on Form 10-Q for the quarter ended July 6, 1997
- Exhibit 10.1 - 1988 Stock Option Plan - incorporated by reference from Exhibit 10.1 of the Company's quarterly report on Form 10-Q for the Quarter ended July 6, 1997
- Exhibit 10.2 - Form of Incentive Stock Option Agreement under the 1988 Stock Option Plan - Incorporated by reference from Exhibit 10.2 of the Company's quarterly report on Form 10-Q for the Quarter ended July 6, 1997
- Exhibit 11 - Statement Re Computaton of Per Share Earnings
- Exhibit 21 - Parent and Subsidiaries
- Exhibit 23.1 - Consent of Grant Thornton LLP

All other Schedules and Exhibits for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted. Columns omitted from schedules filed have been omitted because the information is not applicable.

C. Reports on Form 8-K:

No reports on Form 8-K were filed during the last quarter of the period covered by this Form 10-K.

SIGNATURE

Pursuant to the Requirements of Section 13 or 14 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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NATIONAL PRESTO INDUSTRIES, INC.

-----  
(registrant)

By: /S/ Randy F. Lieble

-----  
Randy F. Lieble  
Chief Financial Officer  
and Treasurer  
(Principal Accounting Officer)

By: /S/ Richard N. Cardozo

-----  
Richard N. Cardozo  
Director

By: /S/ Melvin S. Cohen

-----  
Melvin S. Cohen  
Chairman of the Board

By: /S/ John M. Sirianni

-----  
John M. Sirianni  
Director

By: /S/ James F. Bartl

-----  
James F. Bartl  
Executive Vice President,  
Secretary and Director

By: /S/ Michael J. O'Meara

-----  
Michael J. O'Meara  
Director

By: /S/ Maryjo Cohen

-----  
Maryjo Cohen  
President and Chief Executive  
Officer and Director

Date: March 23, 2001  
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NATIONAL PRESTO INDUSTRIES, INC.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands except share and per share data)

DECEMBER 31, 2000  
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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	79,624
Marketable securities		143,205
Accounts receivable	\$	10,473

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Less allowance for doubtful accounts	450	10,023
	-----	
Inventories:		
Finished goods	21,056	
Work in process	2,416	
Raw materials	6,968	
Supplies	867	31,307
	-----	
Prepaid expenses		47
		-----
Total current assets		264,206
PROPERTY, PLANT AND EQUIPMENT:		
Land and land improvements	212	
Buildings	8,052	
Machinery and equipment	18,014	
	-----	
	26,278	
Less allowance for depreciation	12,984	13,294
	-----	
OTHER ASSETS		11,207
		-----
		\$ 288,707
		=====

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

DECEMBER 31, 2000

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LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 16,014
Federal and state income taxes	3,108

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Accrued liabilities		24,425	
			-----
Total current liabilities		43,547	
COMMITMENTS AND CONTINGENCIES		--	
STOCKHOLDERS' EQUITY			
Common stock, \$1 par value:			
Authorized: 12,000,000 shares			
Issued: 7,440,518 shares	\$	7,441	
Paid-in capital		1,027	
Retained earnings		254,381	
			-----
		262,849	
Treasury stock, at cost, 562,798 shares in 2000 and 230,912 shares in 1999		17,689	
			-----
Total stockholders' equity		245,160	
			-----
	\$	288,707	
			=====

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF EARNINGS  
(In thousands except per share data)

For the years ended December 31,	2000	1999	1998
Gross sales	\$120,079	\$116,723	\$108,861
Less freight, discounts, etc	3,511	2,026	1,788
			-----
Net sales	116,568	114,697	107,073
Cost of sales	80,888	77,866	70,853
			-----
Gross profit	35,680	36,831	36,220

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Selling and general expenses	26,680	17,067	17,901
Operating profit	9,000	19,764	18,319
Other income, principally interest	10,328	9,413	9,077
Earnings before provision for income taxes	19,328	29,177	27,396
Provision for income taxes	4,170	8,355	7,663
Net earnings	\$ 15,158	\$ 20,822	\$ 19,733
Weighted average shares outstanding:			
Basic	7,014	7,343	7,357
Diluted	7,015	7,344	7,358
Net earnings per share:			
Basic	\$ 2.16	\$ 2.84	\$ 2.68
Diluted	\$ 2.16	\$ 2.84	\$ 2.68

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands)

For the years ended December 31,	2000	
Cash flows from operating activities:		
Net earnings	\$ 15,158	\$
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for depreciation	2,786	
Deferred income taxes	198	
Other	209	
Changes in:		
Accounts receivable	9,993	
Inventories	(13,980)	
Prepaid expenses	25	
Accounts payable and accrued liabilities	2,442	
Federal and state income taxes	(2,956)	
Net cash provided by operating activities	13,875	



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-----		
Cash flows from investing activities:		
Marketable securities purchased	(50,747)	(
Marketable securities - maturities and sales	57,997	
Acquisition of property, plant and equipment	(3,843)	
Changes in other assets	(194)	
-----		
Net cash provided by (used in) investing activities	3,213	(
-----		
Cash flows from financing activities:		
Dividends paid	(14,995)	(
Purchase of treasury stock	(10,544)	
-----		
Net cash used in financing activities	(25,539)	(
-----		
Net increase (decrease) in cash and cash equivalents	(8,451)	(
Cash and cash equivalents at beginning of year	88,075	1
-----		
Cash and cash equivalents at end of year	\$ 79,624	\$
=====		
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	\$ 6,930	\$
=====		

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(In thousands except share and per share data)

For the years ended December 31, 2000, 1999, 1998

-----				
	Common Stock -----	Paid-in Capital -----	Retained Earnings -----	Treasury Stock -----
Balance January 1, 1998	\$ 7,441	\$ 925	\$ 243,092	\$ (2,260)
Net earnings	--	--	19,733	--
Dividends paid, \$2.00 per share	--	--	(14,710)	--
Other	--	65	--	119
-----				
Balance December 31, 1998	7,441	990	248,115	(2,141)

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Net earnings	--	--	20,822	--
Dividends paid, \$2.00 per share	--	--	(14,719)	--
Purchase of treasury stock - 155,000 shares	--	--	--	(5,363)
Other	--	43	--	144
-----				
Balance December 31, 1999	7,441	1,033	254,218	(7,360)
Net earnings	--	--	15,158	--
Dividends paid, \$2.10 per share	--	--	(14,995)	--
Purchase of treasury stock - 338,600 shares	--	--	--	(10,544)
Other	--	(6)	--	215
-----				
Balance December 31, 2000	\$ 7,441	\$ 1,027	\$ 254,381	\$ (17,689)
=====				

The accompanying notes are an integral part of the financial statements.

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NATIONAL PRESTO INDUSTRIES, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. NATURE OF OPERATIONS:

The Company manufactures and distributes small electrical appliances and housewares. Products are sold directly to retail outlets throughout the United States and also through independent distributors. These products are manufactured in plants located at Jackson, Mississippi and Alamogordo, New Mexico. A portion of its products are imported from nonaffiliated companies in the Pacific Rim countries. The Company's operations are in one industry segment.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- (1) USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS: In preparation of the Company's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and related revenues and expenses. Actual results may differ from the estimates used by management.
- (2) PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of National Presto Industries, Inc. and its subsidiaries, all of which are wholly-owned. All material intercompany accounts and transactions are eliminated.
- (3) CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES: The Company considers all highly liquid marketable securities with a maturity of one week or less to be cash equivalents. Cash equivalent securities totaled \$80,231,000 and \$88,333,000 at December 31, 2000 and 1999. The Company invests principally in A-rated or higher tax exempt bonds

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issued by entities throughout the United States.

The Company has classified all cash equivalents and marketable securities as available for sale, which requires the securities to be reported at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity. At December 31, 2000 and 1999, cost approximated market value for all securities using the specific identification method. The contractual maturities of the marketable securities held at December 31, 2000 were \$99,395,000 in 2001, \$34,002,000 in 2002, \$8,412,000 in 2003 and \$1,396,000 with indeterminate maturities.

- (4) **INVENTORIES:** Inventories are stated at the lower of cost or market with cost being determined principally on the last-in, first-out (LIFO) method.
- (5) **PROPERTY, PLANT AND EQUIPMENT:** Property, plant and equipment are stated at cost. For machinery and equipment, all amounts that are fully depreciated have been eliminated from both the asset and allowance accounts. Depreciation is provided in amounts sufficient to relate the costs of depreciable assets to operations over their service lives, which are estimated at fifteen to forty years for buildings and three to seven years for machinery and equipment.
- (6) **REVENUE RECOGNITION:** The Company recognizes revenue when product is shipped. The Company provides for its 60-day over-the-counter return privilege, warranties at the time of shipment and other customer returns.

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- (7) **ADVERTISING:** The Company's policy is to expense advertising as incurred for the year. Advertising expense was \$15,195,000, \$6,876,000 and \$6,856,000 in 2000, 1999 and 1998.
- (8) **STOCK OPTIONS:** The intrinsic value method is used for valuing stock options issued.
- (9) **RECLASSIFICATIONS:** Certain reclassifications have been made to the 1999 and 1998 financial statements to conform with the 2000 financial statement presentation.

### C. INVENTORIES:

The amount of inventories valued on the LIFO basis was \$30,440,000 and \$16,443,000 as of December 31, 2000 and 1999. Under LIFO, inventories are valued at approximately \$11,244,000 and \$10,876,000 below current cost determined on a first-in, first-out (FIFO) basis at December 31, 2000 and 1999. The Company uses the LIFO method of inventory accounting to improve the matching of costs and revenues.

The following table describes that which would have occurred if LIFO inventories had been valued at current cost determined on a FIFO basis:

	Increase (Decrease)		
	Cost of	Net	Earnings
Year	Sales	Earnings	Per Share
----	-----	-----	-----

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2000	\$ (368,000)	\$ 228,000	\$ 0.03
1999	(286,000)	177,000	0.02
1998	1,353,000	(838,000)	(0.11)

This information is provided for comparison with companies using the FIFO basis.

### D. ACCRUED LIABILITIES:

At December 31, 2000 accrued liabilities consisted of payroll \$2,767,000, insurance \$15,923,000, environmental \$3,320,000 and other \$2,415,000. At December 31, 1999 accrued liabilities consisted of payroll \$2,590,000, insurance \$14,442,000, environmental \$3,642,000 and other \$2,928,000.

### E. TREASURY STOCK:

As of December 31, 2000, the Company has authority from the Board of Directors to reacquire an additional 569,200 shares. During 2000 and 1999, 338,600 and 155,000 shares were reacquired. No shares were reacquired in 1998. Treasury shares have been used for the exercise of stock options and to fund the Company's 401(k) contributions (see note H).

### F. NET EARNINGS PER COMMON SHARE:

Basic net earnings per share amounts have been computed by dividing net earnings by the weighted average number of outstanding common shares. Diluted net earnings per share is computed by dividing net earnings by the weighted average number of outstanding common shares and common share equivalents relating to stock options, when dilutive. Options to purchase 8,750; 10,000; and 11,500 shares of common stock with a weighted average exercise price of \$39.41, \$39.43 and \$39.45 were outstanding at December 31, 2000, 1999 and 1998, but were excluded from the computation of common share equivalents because their exercise prices were greater than the average market price of the common shares.

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### G. STOCK OPTION PLAN:

The National Presto Industries, Inc. Stock Option Plan reserves 100,000 shares of common stock for key employees. Stock options for 8,750 shares at a weighted average price of \$39.41 per share were outstanding at December 31, 2000. Stock options for 10,000 shares at a weighted average price of \$39.43 per share were outstanding at December 31, 1999. There were 1,250 shares exercisable at \$39.41 at December 31, 2000 and 1,250 shares exercisable at \$39.43 at December 31, 1999. The pro forma effect of accounting for stock options using the fair value method is immaterial.

### H. RETIREMENT PLANS:

#### PENSION PLANS:

The Company has pension plans which cover the majority of employees. Pension benefits are based on an employee's years of service and compensation near the end of those years of service. The Company's funding policy has been to contribute such amounts as necessary, computed on an actuarial basis, to provide the plans with assets sufficient to meet the benefits to be paid to plan members. Plan assets consist primarily (72%) of interest bearing securities with the balance in corporate stocks,

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principally National Presto Industries, Inc. common stock.

	(In thousands)		
	Pension Benefits		
	2000	1999	1998
	-----	-----	-----
Net periodic benefit cost	\$ 529	\$ 713	\$ 713
<hr/>			
Fair value of plan assets	\$ 8,656	\$ 8,066	
Benefit obligation	9,683	9,112	
<hr/>			
Benefit obligations in excess of fair value of plan assets	(1,027)	(1,046)	
Unrecognized actuarial loss	2,941	2,157	
Unrecognized prior service cost	1,039	1,267	
Unrecognized net transition obligation	(187)	(291)	
<hr/>			
Prepaid benefit	\$ 2,766	\$ 2,087	
<hr/>			
WEIGHTED-AVERAGE ASSUMPTIONS AS OF DECEMBER 31:			
Discount rate	7.50%	7.75%	
Expected return on plan assets	8.00%	8.00%	
Rate of compensation increase	5.00%	5.00%	

### 401(k) PLAN:

The Company also has a 401(k) retirement plan which covers substantially all employees. At its discretion, the Company will match up to 50% of the first 4% contributed by employees to the plan. The matching contribution can be made with either cash or common stock. Contributions made from the treasury stock, including the Company's cash dividends, totaled \$209,000 in 2000, \$187,000 in 1999, and \$184,000 in 1998.

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### I. INCOME TAXES:

The following table summarizes the provision for income taxes:

	(In thousands)		
	2000	1999	1998
	-----	-----	-----
Current:			
Federal	\$ 3,345	\$ 6,817	\$ 6,355
State	627	1,336	1,350
	<hr/>	<hr/>	<hr/>
	3,972	8,153	7,705
	<hr/>		
Deferred:			
Federal	170	169	(39)

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State	28	33	(3)
	-----	-----	-----
	198	202	(42)
	-----	-----	-----
Total tax provision	\$ 4,170	\$ 8,355	\$ 7,663
	=====	=====	=====

The effective rate of the provision for income taxes as shown in the Consolidated Statements of Earnings differs from the applicable statutory federal income tax rate for the following reasons:

	Percent of Pre-tax Income		
	-----		
	2000	1999	1998
	----	----	----
Statutory rate	35.0%	35.0%	35.0%
State tax	2.2%	3.0%	3.2%
Tax exempt interest and dividends	-14.9%	-9.2%	-10.8%
Other	-0.7%	-0.2%	0.6%
	-----	-----	-----
Effective rate	21.6%	28.6%	28.0%
	=====	=====	=====

Deferred tax assets and liabilities are recorded based on the differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The tax effects of the cumulative temporary differences resulting in a deferred tax asset are as follows at December 31:

	(In thousands)	
	-----	
	2000	1999
	----	----
Insurance	\$ 6,114	\$ 5,546
Environmental	1,275	1,371
Pension	(1,368)	(1,265)
Other	1,474	2,041
	-----	-----
	\$ 7,495	\$ 7,693
	=====	=====

J. CONCENTRATIONS:

One customer accounted for 42%, 46% and 44% of net sales for the years ended December 2000, 1999 and 1998. Another customer accounted for 11% and 12% of net sales for the years ended December 31, 2000 and 1999.

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The Company's largest customer announced during 2000 that it would be discontinuing the purchase of three of the Company's products during 2001. For the year ended December 31, 2000, sales of these products to this customer approximated \$17,400,000, or 14% of the Company's sales. In January 2001, the Company's second largest customer notified the Company that it would be significantly reducing the products which it currently purchases. For the year ended December 31, 2000, sales of these products to this customer approximated \$11,168,000, or 9% of the Company's year 2000

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sales.

Production levels at commercial plants may be affected by vendor failure to deliver tooling, material, and critical parts within commitments. While recent years have witnessed virtual elimination of these circumstances, there is no assurance against recurrence. Deliveries of new products, some of which have been sourced overseas, could be delayed by labor or supply problems at the vendors or in transportation. As a consequence, these products may not be available in sufficient quantities during the prime selling period. While there has been no major incidence of such problems and the Company has made every reasonable effort to prevent occurrence, there is no assurance that such effort will be totally effective.

### K. RISKS AND UNCERTAINTIES:

#### ENVIRONMENTAL:

As of December 31, 1998, all remediation projects required at the Company's Eau Claire, Wisconsin, site had been installed, were fully operational, and restoration activities had been completed. Based on factors known as of December 31, 2000, it is believed that funds existing in corporate reserves, will be adequate to satisfy on-going remediation operations and monitoring activities; however, should environmental agencies require additional studies or remediation projects, it is possible that existing funds could be inadequate. Management believes that in the absence of any unforeseen future developments, known environmental matters will not have any material affect on the results of operations or financial condition of the Company.

### L. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standard Board Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" is effective for fiscal years beginning after June 15, 2000 as amended by SFAS137. SFAS 133 requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. The Statement also specifies new methods of accounting for derivatives used in risk management strategies (hedging activities), prescribes the items and transactions that may be hedged, and specifies detailed criteria required to qualify for hedge accounting. The adoption of this standard is not expected to have a material effect on the consolidated financial statements of the Company.

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### M. INTERIM FINANCIAL INFORMATION (UNAUDITED):

The following represents unaudited financial information for 2000, 1999, and 1998:

(In thousands)				
Quarter	Gross Sales	Gross Profit	Net Earnings	Earnings Per Share
	-----	-----	-----	-----
2000				
First	\$ 18,944	\$ 4,687	\$ 3,018	\$ 0.42

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Second	\$ 20,831	\$ 5,658	\$ 2,848	\$ 0.40
Third	\$ 31,388	\$ 10,041	\$ 3,600	\$ 0.52
Fourth	\$ 48,916	\$ 15,294	\$ 5,692	\$ 0.82
	-----			
Total	\$ 120,079	\$ 35,680	\$ 15,158	\$ 2.16
	=====			
1999				
First	\$ 21,963	\$ 6,174	\$ 3,280	\$ 0.45
Second	19,176	5,919	3,133	\$ 0.43
Third	25,594	7,910	3,744	\$ 0.51
Fourth	49,990	16,828	10,665	\$ 1.45
	-----			
Total	\$ 116,723	\$ 36,831	\$ 20,822	\$ 2.84
	=====			
1998				
First	\$ 19,378	\$ 4,922	\$ 2,810	\$ 0.38
Second	16,640	4,710	2,760	0.38
Third	24,752	8,181	3,735	0.50
Fourth	48,091	18,407	10,428	1.42
	-----			
Total	\$ 108,861	\$ 36,220	\$ 19,733	\$ 2.68
	=====			

N. SUBSEQUENT EVENT (UNAUDITED)

On February 24, 2001, the Company acquired the outstanding stock of a supplier to the defense industry for cash. For the year ended December 31, 2000 this company's sales were approximately \$10,900,000.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Stockholders and Board of Directors  
National Presto Industries, Inc.

We have audited the accompanying consolidated balance sheets of National Presto Industries, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present



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fairly, in all material respects, the consolidated financial position of National Presto Industries, Inc. and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

We have also audited Schedule II of National Presto Industries, Inc. and subsidiaries for each of the three years in the period ended December 31, 2000. In our opinion, this schedule represents fairly, in all material respects, the information required to be set forth therein.

/S/ Grant Thornton LLP  
 Minneapolis, Minnesota  
 February 16, 2001

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NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2000, 1999 and 1998

(In thousands)			
Column A ----- Description -----	Column B ----- Balance at Beginning of Period -----	Column C ----- Additions (A) -----	Column D ----- Deductions (B) -----
Deducted from assets:			
Allowance for doubtful accounts:			
Year ended December 31, 2000	\$ 450	\$ (41)	\$ (41)
Year ended December 31, 1999	\$ 450	\$ (283)	\$ (283)
Year ended December 31, 1998	\$ 450	\$ 1,536	\$ 1,536

Notes:

- (A) Amounts charged (credited) to selling and general expenses
- (B) Principally bad debts written off, net of recoveries