

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED July 5, 2015

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.**

(Exact name of registrant as specified in its charter)

**WISCONSIN**  
(State or other jurisdiction of incorporation  
or organization)

**39-0494170**  
(I.R.S. Employer Identification No.)

**3925 NORTH HASTINGS WAY**  
**EAU CLAIRE, WISCONSIN**  
(Address of principal executive offices)

**54703-3703**  
(Zip Code)

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

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 whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer                      Accelerated filer                       Non-accelerated filer                      Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

There were 6,931,011 shares of the Issuer's Common Stock outstanding as of August 1, 2015.

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 July 5, 2015 and December 31, 2014  
 (Unaudited)  
 (Dollars in thousands)

	2015		2014	
<b>ASSETS</b>				
CURRENT ASSETS:				
Cash and cash equivalents	\$	49,805	\$	54,043
Marketable securities		21,705		22,404
Accounts receivable, net		50,274		68,752
Inventories:				
Finished goods	\$	34,697	\$	30,308
Work in process		52,886		50,569
Raw materials and supplies		9,505	97,088	8,181
Deferred tax assets		6,623		6,623
Income tax receivable		—		1,668
Other current assets		9,337		9,671
Total current assets		234,832		252,219
PROPERTY, PLANT AND EQUIPMENT		173,625		171,264
Less allowance for depreciation		80,257	93,368	75,721
GOODWILL				11,485
INTANGIBLE ASSETS, net				10,644
NOTE RECEIVABLE				3,818
OTHER ASSETS				4,650
		<u>\$</u>		<u>\$</u>
		363,247		378,359

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 July 5, 2015 and December 31, 2014  
 (Unaudited)  
 (Dollars in thousands)

	2015	2014
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 29,634	\$ 32,948
Federal and state income taxes	127	—
Accrued liabilities	13,734	15,680
Total current liabilities	<u>43,495</u>	<u>48,628</u>
DEFERRED INCOME TAXES	4,291	4,288
COMMITMENTS AND CONTINGENCIES		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$1 par value:		
Authorized: 12,000,000 shares		
Issued: 7,440,518 shares	\$ 7,441	\$ 7,441
Paid-in capital	6,376	5,906
Retained earnings	317,532	328,417
Accumulated other comprehensive income (loss)	<u>3</u>	<u>(3)</u>
	331,352	341,761
Treasury stock, at cost	<u>15,891</u>	<u>16,318</u>
Total stockholders' equity	315,461	325,443
	<u>\$ 363,247</u>	<u>\$ 378,359</u>

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
Three and Six Months Ended July 5, 2015 and June 29, 2014  
(Unaudited)  
(In thousands except per share data)

	Three Months Ended		Six Months Ended	
	2015	2014	2015	2014
Net sales	\$ 102,371	\$ 88,312	\$ 203,370	\$ 174,866
Cost of sales	81,938	72,170	162,058	143,004
Gross profit	20,433	16,142	41,312	31,862
Selling and general expenses	5,782	6,440	11,943	12,735
Intangibles amortization	888	3,381	3,282	5,824
Operating profit	13,763	6,321	26,087	13,303
Other income	101	148	176	312
Earnings before provision for income taxes	13,864	6,469	26,263	13,615
Provision for income taxes	4,744	2,298	9,034	4,754
Net earnings	<u>\$ 9,120</u>	<u>\$ 4,171</u>	<u>\$ 17,229</u>	<u>\$ 8,861</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>6,951</u>	<u>6,929</u>	<u>6,947</u>	<u>6,925</u>
Net earnings per share:				
Basic and diluted	<u>\$ 1.31</u>	<u>\$ 0.60</u>	<u>\$ 2.48</u>	<u>\$ 1.28</u>
Comprehensive income:				
Net earnings	\$ 9,120	\$ 4,171	\$ 17,229	\$ 8,861
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on available-for-sale securities	(1)	(1)	6	3
Comprehensive income	<u>\$ 9,119</u>	<u>\$ 4,170</u>	<u>\$ 17,235</u>	<u>\$ 8,864</u>
Cash dividends declared and paid per common share	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 4.05</u>	<u>\$ 5.05</u>

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Six Months Ended July 5, 2015 and June 29, 2014  
(Unaudited)  
(Dollars in thousands)

	2015	2014
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 17,229	\$ 8,861
Adjustments to reconcile net earnings to net cash provided by operating activities, net of acquisition related assets:		
Provision for depreciation	5,029	4,713
Intangibles amortization	3,282	5,824
Provision for doubtful accounts	77	360
Noncash retirement plan expense	399	202
Other	91	61
Changes in:		
Accounts receivable	18,401	42,475
Inventories	(8,030)	(13,477)
Other assets and current assets	(7,337)	2,080
Accounts payable and accrued liabilities	(5,250)	(11,606)
Federal and state income taxes	1,791	(5,826)
Net cash provided by operating activities	<u>25,682</u>	<u>33,667</u>
<b>Cash flows from investing activities:</b>		
Marketable securities purchased	(3,640)	(1,208)
Marketable securities - maturities and sales	4,349	14,388
Purchase of property, plant and equipment	(2,855)	(4,953)
Acquisition of businesses, net of cash acquired	—	(10,534)
Sale of property, plant and equipment	22	300
Net cash used in investing activities	<u>(2,124)</u>	<u>(2,007)</u>
<b>Cash flows from financing activities:</b>		
Dividends paid	(28,114)	(34,954)
Proceeds from sale of treasury stock	323	362
Other	(5)	—
Net cash used in financing activities	<u>(27,796)</u>	<u>(34,592)</u>
Net decrease in cash and cash equivalents	(4,238)	(2,932)
Cash and cash equivalents at beginning of period	54,043	22,953
Cash and cash equivalents at end of period	<u>\$ 49,805</u>	<u>\$ 20,021</u>

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (Unaudited)

**NOTE A – BASIS OF PRESENTATION**

The consolidated interim financial statements included herein are unaudited and have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). In the opinion of management of the Company, the consolidated interim financial statements reflect all the adjustments which were of a normal recurring nature necessary for a fair presentation of the results of the interim periods. The condensed consolidated balance sheet as of December 31, 2014 is summarized from consolidated financial statements, but does not include all the disclosures contained therein and should be read in conjunction with the 2014 Annual Report on Form 10-K. Interim results for the period are not indicative of those for the year.

**NOTE B – RECLASSIFICATIONS**

Certain reclassifications have been made to the prior periods’ financial statements to conform to the current period’s financial statement presentation. These reclassifications did not affect net earnings or stockholders’ equity as previously reported.

**NOTE C – EARNINGS PER SHARE**

Basic earnings per share is based on the weighted average number of common shares and participating securities outstanding during the period. Diluted earnings per share also includes the dilutive effect of additional potential common shares issuable. Unvested stock awards, which contain non-forfeitable rights to dividends whether paid or unpaid (“participating securities”), are included in the number of shares outstanding for both basic and diluted earnings per share calculations.

**NOTE D – BUSINESS SEGMENTS**

In the following summary, operating profit represents earnings before other income, principally interest income and income taxes. The Company’s segments operate discretely from each other with no shared manufacturing facilities. Costs associated with corporate activities (such as cash and marketable securities management) and the assets associated with such activities are included within the Housewares/Small Appliances segment for all periods presented.

	(in thousands)			
	Housewares / Small Appliances	Defense Products	Absorbent Products	Total
<b>Quarter ended July 5, 2015</b>				
External net sales	\$ 21,963	\$ 62,646	\$ 17,762	\$ 102,371
Gross profit (loss)	4,413	16,465	(445)	20,433
Operating profit (loss)	1,932	13,102	(1,271)	13,763
Total assets	156,591	142,780	63,876	363,247
Depreciation and amortization	234	1,582	1,616	3,432
Capital expenditures	847	90	365	1,302
<b>Quarter ended June 29, 2014</b>				
External net sales	\$ 21,949	\$ 50,367	\$ 15,996	\$ 88,312
Gross profit (loss)	4,408	13,200	(1,466)	16,142
Operating profit (loss)	1,438	7,019	(2,136)	6,321
Total assets	140,963	152,475	63,579	357,017
Depreciation and amortization	243	4,020	1,493	5,756
Capital expenditures	155	287	643	1,085

	(in thousands)			
	Housewares/ Small Appliances	Defense Products	Absorbent Products	Total
<b>Six Months ended July 5, 2015</b>				
External net sales	\$ 45,256	\$ 122,324	\$ 35,790	\$ 203,370
Gross profit (loss)	9,253	32,553	(494)	41,312
Operating profit (loss)	3,958	24,176	(2,047)	26,087
Total assets	156,591	142,780	63,876	363,247
Depreciation and amortization	469	4,617	3,225	8,311
Capital expenditures	979	124	1,752	2,855
<b>Six Months ended June 29, 2014</b>				
External net sales	\$ 41,312	\$ 98,656	\$ 34,898	\$ 174,866
Gross profit (loss)	8,197	24,505	(840)	31,862
Operating profit (loss)	2,382	13,046	(2,125)	13,303
Total assets	140,963	152,475	63,579	357,017
Depreciation and amortization	485	7,128	2,924	10,537
Capital expenditures	319	889	3,745	4,953

#### NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company utilizes the methods of fair value as described in Financial Accounting Standard Board ("FASB") Accounting Standard Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, to value its financial assets and liabilities. ASC 820 utilizes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying amount for cash and cash equivalents, accounts receivable, note receivable, accounts payable, and accrued liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments.

#### NOTE F - CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company considers all highly liquid marketable securities with an original maturity of three months or less to be cash equivalents. Cash equivalents include money market funds. The Company deposits its cash in high quality financial institutions. The balances, at times, may exceed federally insured limits. Money market funds are reported at fair value determined using quoted prices in active markets for identical securities (Level 1, as defined by FASB ASC 820).

The Company has classified all marketable securities as available-for-sale which requires the securities to be reported at estimated fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Highly liquid, tax-exempt variable rate demand notes with put options exercisable in three months or less are classified as marketable securities.

At July 5, 2015 and December 31, 2014, cost for marketable securities was determined using the specific identification method. A summary of the amortized costs and fair values of the Company's marketable securities at the end of the periods presented is shown in the following table. All of the Company's marketable securities are classified as Level 2, as defined by FASB ASC 820, with fair values determined using significant other observable inputs, which include quoted prices in markets that are not active, quoted prices of similar securities, recently executed transactions, broker quotations, and other inputs that are observable. There were no transfers into or out of Level 2 during the six months ended July 5, 2015.

	(In Thousands)			
	MARKETABLE SECURITIES			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
<b>July 5, 2015</b>				
Tax-exempt Municipal Bonds	\$ 8,923	\$ 8,928	\$ 6	\$ 1
Variable Rate Demand Notes	12,777	12,777	—	—
Total Marketable Securities	\$ 21,700	\$ 21,705	\$ 6	\$ 1
<b>December 31, 2014</b>				
Tax-exempt Municipal Bonds	\$ 8,809	\$ 8,804	\$ 5	\$ 10
Variable Rate Demand Notes	13,600	13,600	—	—
Total Marketable Securities	\$ 22,409	\$ 22,404	\$ 5	\$ 10

Proceeds from maturities and sales of available-for-sale securities totaled \$511,000 and \$4,476,000 for the three month periods ended July 5, 2015 and June 29, 2014, respectively, and totaled \$4,349,000 and \$14,388,000 for the six month periods then ended, respectively. There were no gross gains or losses related to sales of marketable securities during the same periods. Net unrealized gains (losses) included in other comprehensive income were \$(2,000) and \$(1,000) before taxes for the three month periods ended July 5, 2015 and June 29, 2014, respectively, and were \$10,000 and \$5,000 before taxes for the six month periods then ended, respectively. No unrealized gains or losses were reclassified out of accumulated other comprehensive income during the same periods.

The contractual maturities of the marketable securities held at July 5, 2015 are as follows: \$5,042,000 within one year; \$4,281,000 beyond one year to five years; \$7,796,000 beyond five years to ten years, and \$4,586,000 beyond ten years. All of the instruments in the beyond five year ranges are variable rate demand notes which can be tendered for cash at par plus interest within seven days. Despite the stated contractual maturity date, to the extent a tender is not honored, the notes become immediately due and payable.

#### NOTE G – OTHER ASSETS

Other Assets includes prepayments that are made from time to time by the Company for certain materials used in the manufacturing process in the Housewares/Small Appliances segment. The Company expects to utilize the prepayments and related materials over an estimated period of up to three years. As of July 5, 2015 and December 31, 2014, \$19,623,000 and \$13,018,000 of such prepayments, respectively, remained unused and outstanding. At July 5, 2015 and December 31, 2014, \$7,302,000 and \$8,369,000 of these amounts, respectively, are included in Other Current Assets, representing the Company's best estimate of the expected utilization of the prepayments and related materials during the twelve-month periods following those dates.

#### NOTE H – COMMITMENTS AND CONTINGENCIES

The Company is involved in largely routine litigation incidental to its business. Management believes the ultimate outcome of the litigation will not have a material effect on the Company's consolidated financial position, liquidity, or results of operations.



**NOTE I – BUSINESS ACQUISITION**

On January 24, 2014, AMTEC Corporation, a wholly-owned subsidiary of the Company, purchased substantially all of the assets of Chemring Energetic Devices, Inc.'s business located in Clear Lake, South Dakota, and all of the real property owned by Technical Ordnance Realty, LLC. The Clear Lake facility is a manufacturer of detonators, booster pellets, release cartridges, lead azide, and other military energetic devices and materials. Its major customers include U.S. and foreign government agencies, AMTEC Corporation, and other defense contractors. The acquisition of the Clear Lake facility complements the Defense segment's existing line of products. The total consideration transferred was \$10,534,000, consisting of \$10,000,000 of cash paid at closing, and an additional cash payment of \$534,000, which was made during the second quarter of 2014.

The acquisition was accounted for under the acquisition method of accounting with the Company treated as the acquiring entity. Accordingly, the consideration paid by the Company to complete the acquisition has been recorded to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. The carrying values for current assets and liabilities were deemed to approximate their fair values due to the short-term nature of these assets and liabilities. The following table shows the amounts recorded as of the acquisition date.

	<u>(in thousands)</u>
Receivables	\$ 1,498
Inventory	4,688
Other current assets	28
Property, plant and equipment	4,800
Total assets acquired	<u>11,014</u>
Less: Current liabilities assumed	480
Net assets acquired	<u>\$ 10,534</u>

The amount shown above for receivables represents the gross accounts receivable from the sales of goods, net of an allowance for doubtful accounts of \$20,000.

The Company's statement of comprehensive income includes revenue and earnings from the acquired facility of \$3,992,000 and \$550,000, respectively, for the second quarter of 2014, and \$6,007,000 and \$705,000, respectively, for the period starting from the date of acquisition through the end of the second quarter of 2014. The following unaudited pro forma condensed consolidated results of operations has been prepared as if the acquisition had occurred as of the first day of the fiscal year prior to the fiscal year in which the acquisition was completed.

**(unaudited)****(in thousands, except per share data)**

	<u>Quarter Ended</u> <u>June 29, 2014</u>	<u>Six Months Ended</u> <u>June 29, 2014</u>
Net sales	\$ 88,312	\$ 175,501
Net earnings	4,171	8,581
Net earnings per share (basic and diluted)	\$ 0.60	\$ 1.24
Weighted average shares outstanding (basic and diluted)	6,929	6,925

The unaudited pro forma financial information presented above is not intended to represent or be indicative of what would have occurred if the transactions had taken place on the dates presented and is not indicative of what the Company's actual results of operations would have been had the acquisitions been completed at the beginning of the periods indicated above. Further, the pro forma combined results reflect one-time costs to fully merge and operate the combined organization more efficiently, but do not reflect anticipated synergies expected to result from the combination and should not be relied upon as being indicative of the future results that the Company will experience.

NOTE J – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2015, the FASB issued Accounting Standards Update ("ASU") 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 requires inventory to be measured at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 does not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method, but applies to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. ASU 2015-11 is effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2015-11 to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. The amendment may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements, but does not expect the impact to be material.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, elsewhere in this Form 10-Q, in the Company's 2014 Annual Report to Shareholders, in the Proxy Statement for the annual meeting held May 19, 2015, and in the Company's press releases and oral statements made with the approval of an authorized executive officer 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 those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed herein and in the Notes to Consolidated Financial Statements, among the other 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; the benefit and risk of business acquisitions; competitive pressure on sales and pricing; development and market acceptance of new products; increases in material, freight/shipping, or production cost which cannot be recouped in product pricing; delays or interruptions in shipping or production; reliance on third-party suppliers in Asia; shipment of defective product which could result in product liability claims or recalls; work or labor disruptions stemming from a unionized work force; changes in government requirements, military spending, and funding of government contracts, which could result in, among other things, the modification or termination of existing contracts; dependence on subcontractors or vendors to perform as required by contract; the efficient start-up and utilization of capital equipment investments; political actions of federal and state governments which could have an impact on everything from the value of the U.S dollar vis-à-vis other currencies to the availability of affordable labor and energy; and information technology system failures or security breaches. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings.

### Comparison of Second Quarter 2015 and 2014

Readers are directed to Note D to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's three business segments for the quarters ended July 5, 2015 and June 29, 2014.

On a consolidated basis, sales increased by \$14,059,000 (16%), gross profit increased by \$4,291,000 (27%), selling and general expenses decreased by \$658,000 (10%), and intangibles amortization decreased by \$2,493,000 (74%). Earnings before the provision for income taxes increased by \$7,395,000 (114%), as did net earnings by \$4,949,000 (119%). Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales were essentially flat. Defense net sales increased by \$12,279,000 from \$50,367,000 to \$62,646,000, or 24%, primarily reflecting an increase in units shipped. Absorbent Products net sales increased by \$1,766,000 from \$15,996,000 to \$17,762,000, or 11%, which was primarily attributable to an increase in shipments.

Housewares/Small Appliance gross profit was also essentially flat. Defense gross profit increased \$3,265,000 from \$13,200,000 to \$16,465,000, primarily reflecting the increase in sales mentioned above. Absorbent Products gross profit improved by \$1,021,000, from a loss of \$1,466,000 to a loss of \$445,000, primarily reflecting the increase in sales mentioned above and lower material costs.

Selling and general expenses for the Housewares/Small Appliance segment decreased \$489,000, primarily reflecting decreased benefit and self-insurance accruals. Defense segment selling and general expenses decreased by \$325,000, approximately half of which was due to a net decrease in employee compensation and benefit costs, with the balance attributable to a decrease in the provision for bad debts and the absence of last year's one-time transitional costs associated with the purchase of Tech Ord, which is described in Note I to the Consolidated Financial Statements included in Part I of this Form 10-Q. Absorbent Products segment selling and general expenses increased \$156,000, which was primarily attributable to an increase in sales related costs reflecting the ongoing shift in the segment's customer base.

Intangibles amortization decreased by \$2,493,000. The decrease primarily reflects amortization of the customer contract intangible asset corresponding to the quarter's comparatively lower shipments of a portion of the backlog acquired in late 2013 from DSE, Inc., one of the Company's former competitors in the Defense segment. The DSE asset acquisition is described in Note Q to the Company's 2014 Consolidated Financial Statements on Form 10-K. For the quarters ended July 5, 2015 and June 29, 2014, the Company recorded amortization expense of \$854,000 and \$3,179,000, respectively, associated with the customer contract intangible asset.

The above items were responsible for the change in operating profit.

Earnings before provision for income taxes increased \$7,395,000 from \$6,469,000 to \$13,864,000. The provision for income taxes increased from \$2,298,000 to \$4,744,000, primarily reflecting an increase in taxable earnings. Net earnings increased \$4,949,000 from \$4,171,000 to \$9,120,000, or 119%.

#### **Comparison of First Six Months 2015 and 2014**

Readers are directed to Note D to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's three business segments for the first six months ended July 5, 2015 and June 29, 2014.

The Company reports its operations on a fiscal quarter basis in which each quarter contains approximately thirteen weeks and ends on a Sunday, with the exception of the fourth quarter, which ends on December 31. Occasionally, the end dates of the fiscal quarters are adjusted to account for differences that accumulate between the end of the fiscal year and the end of the subsequent first quarter. One such adjustment occurred during the quarter ended April 5, 2015. As compared to the prior year's first six months, the current year's first six months include six additional days.

On a consolidated basis, sales increased by \$28,504,000 (16%), gross profit increased by \$9,450,000 (30%), selling and general expenses decreased by \$792,000 (6%), and intangibles amortization decreased by \$2,542,000 (44%). Earnings before the provision for income taxes increased by \$12,648,000 (93%), as did net earnings by \$8,368,000 (94%). Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales increased by \$3,944,000 from \$41,312,000 to \$45,256,000, or 10%, chiefly attributable to an increase in shipments. Defense net sales increased by \$23,668,000 from \$98,656,000 to \$122,324,000, or 24%, primarily reflecting an increase in units shipped. Absorbent Products net sales increased by \$892,000 from \$34,898,000 to \$35,790,000, or 3%, which was primarily attributable to an increase in shipments.

Housewares/Small Appliance gross profit increased \$1,056,000 from \$8,197,000 to \$9,253,000, primarily reflecting the increase in sales mentioned above. Defense gross profit increased \$8,048,000 from \$24,505,000 to \$32,553,000, primarily reflecting the increase in sales mentioned above, augmented by an improved product mix. Absorbent Products gross profit improved by \$346,000, from a loss of \$840,000 to a loss of \$494,000, primarily reflecting the increase in sales mentioned above and lower material costs, partially offset by costs associated with the installation and startup of new capital equipment.

Selling and general expenses for the Housewares/Small Appliance segment decreased \$520,000, primarily reflecting decreased benefit and self-insurance reserves. Defense segment selling and general expenses decreased by \$540,000, primarily due to net decreases in employee compensation and benefit costs and the provision for bad debts, as well as the absence of last year's transitional costs mentioned above associated with the purchase of Tech Ord. Absorbent Products segment selling and general expenses increased \$268,000, which was primarily attributable to an increase in sales related costs reflecting the ongoing shift in the segment's customer base.

Intangibles amortization decreased by \$2,542,000. The decrease primarily reflects amortization of the customer contract intangible asset corresponding to the period's comparatively lower shipments of a portion of the backlog acquired in late 2013 from DSE, Inc., one of the Company's former competitors in the Defense segment. The DSE asset acquisition is described in Note Q to the Company's 2014 Consolidated Financial Statements on Form 10-K. For the six months ended July 5, 2015 and June 29, 2014, the Company recorded amortization expense of \$3,213,000 and \$5,398,000, respectively, associated with the customer contract intangible asset.

The above items were responsible for the change in operating profit.

Earnings before provision for income taxes increased \$12,648,000 from \$13,615,000 to \$26,263,000. The provision for income taxes increased from \$4,754,000 to \$9,034,000, primarily reflecting an increase in taxable earnings. Net earnings increased \$8,368,000 from \$8,861,000 to \$17,229,000, or 94%.

#### **Liquidity and Capital Resources**

Net cash provided by operating activities was \$25,682,000 and \$33,667,000 for the six months ended July 5, 2015 and June 29, 2014, respectively. The principal factors contributing to the decrease can be found in the changes in the components of working capital within the Consolidated Statements of Cash Flows. Of particular note during the first six months of 2015 were net earnings of \$17,229,000, which included total non-cash depreciation and amortization expenses of \$8,311,000, and a decrease in accounts receivable levels stemming from cash collections on customer sales. These were partially offset by increases in inventory levels and deposits made with raw material suppliers included in other assets and current assets; and a net decrease in payable and accrual levels. Of particular note during the first six months of 2014 were net earnings of \$8,861,000, which included total non-cash depreciation and amortization expenses of \$10,537,000, a decrease in accounts receivable levels stemming from cash collections on customer sales, and a decrease in deposits made with raw material suppliers included in other assets and current assets. These were partially offset by a decrease in payable and accrual levels and an increase in inventory levels.

Net cash used in investing activities was \$2,124,000 during the first six months of 2015 as compared to \$2,007,000 used in investing activities during the first six months of 2014. Although the two figures are similar, the actual activities reflected were different but largely offsetting. Of significance were a decrease in net proceeds from marketable securities activity, the acquisition of Tech Ord during the first quarter of 2014 mentioned above, and a decrease in the acquisition of property, plant, and equipment.

Cash flows from financing activities for the first six months of 2015 and 2014 primarily differed as a result of the \$1.00 per share decrease in the extra dividend paid during those periods. Cash flows for both six-month periods also reflected the proceeds from the sale of treasury stock to a Company sponsored retirement plan.

Working capital decreased by \$12,254,000 during the first six months of 2015 to \$191,337,000 at July 5, 2015 for the reasons stated above. The Company's current ratio was 5.4 to 1.0 at July 5, 2015 and 5.2 to 1.0 at December 31, 2014.

The Company expects to continue to evaluate acquisition opportunities that align with its business segments and will make further acquisitions, as well as continue to make capital investments in these segments per existing authorized projects and for additional projects, if the appropriate return on investment is projected.

The Company has substantial liquidity in the form of cash and cash equivalents and marketable securities to meet all of its anticipated capital requirements, to make dividend payments, and to fund future growth through acquisitions and other means. The bulk of its marketable securities are invested in the tax exempt variable rate demand notes described above and in municipal bonds that are pre-refunded with escrowed U.S. Treasuries. The Company intends to continue its investment strategy of safety and short-term liquidity throughout its investment holdings.

## Critical Accounting Policies

The preparation of the Company's Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and revenues and expenses during the periods reported. Actual results may differ from those estimates. The Company reviewed the development and selection of the critical accounting policies and believes the following are the most critical accounting policies that could have an effect on the Company's reported results. These critical accounting policies and estimates have been reviewed with the Audit Committee of the Board of Directors.

### Inventories

New Housewares/Small Appliance product introductions are an important part of the Company's sales to offset the morbidity rate of other Housewares/Small Appliance products and/or the effect of lowered acceptance of seasonal products due to weather conditions. New products entail unusual risks and have occasionally in the past resulted in losses related to obsolete or excess inventory as a result of low or diminishing demand for a product. There were no such obsolescence issues that had a material effect during the current period, and accordingly, the Company did not record a reserve for obsolete product. In the future should product demand issues arise, the Company may incur losses related to the obsolescence of the related inventory. Inventory risk for the Company's other segments is not deemed to be significant, as products are largely built pursuant to customers' specific orders.

### Self-Insured Product Liability and Health Insurance

The Company is subject to product liability claims in the normal course of business and is self-insured for health care costs, although it does carry stop loss and other insurance to cover claims once a health care claim reaches a specified threshold. The Company's insurance coverage varies from policy year to policy year, and there are typically limits on all types of insurance coverage, which also vary from policy year to policy year. Accordingly, the Company records an accrual for known claims and incurred but not reported claims, including an estimate for related legal fees in the Company's Consolidated Financial Statements. The Company utilizes historical trends and other analysis to assist in determining the appropriate accrual. There are no known claims that would have a material adverse impact on the Company beyond the reserve levels that have been accrued and recorded on the Company's books and records. An increase in the number or magnitude of claims could have a material impact on the Company's financial condition and results of operations.

### Sales and Returns

Sales are recorded net of discounts and returns. The latter pertain primarily to warranty returns, returns of seasonal items, and returns of those newly introduced products sold with a return privilege. The calculation of warranty returns is based in large part on historical data, while seasonal and new product returns are primarily developed using customer provided information.

Impairment and Valuation of Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Long-lived assets consist of property, plant and equipment and intangible assets, including the value of a government sales contract, customer relationships, trademarks, product backlogs, and consulting and non-compete agreements. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, the amounts of the cash flows and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. The Company uses internal discounted cash flows estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. The Company derives the required cash flow estimates from its historical experience and its internal business plans.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's interest income on cash equivalents and marketable securities is affected by changes in interest rates in the United States. Cash equivalents primarily consist of money market funds. Based on the accounting profession's interpretation of cash equivalents under FASB ASC Topic 230, the Company's seven-day variable rate demand notes are classified as marketable securities rather than as cash equivalents. The demand notes are highly liquid instruments with interest rates set every seven days that can be tendered to the trustee or remarketer upon seven days notice for payment of principal and accrued interest amounts. The seven-day tender feature of these variable rate demand notes is further supported by an irrevocable letter of credit from highly rated U.S. banks. To the extent a bond is not remarketed at par plus accrued interest, the difference is drawn from the bank's letter of credit. The Company has had no issues tendering these notes to the trustees or remarketers. Other than a failure of a major U.S. bank, there are no risks of which the Company is aware that relate to these notes in the current market. The balance of the Company's investments is held primarily in fixed and variable rate municipal bonds with a weighted average life of 0.9 years. Accordingly, changes in interest 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 uses sensitivity analysis to determine its exposure to changes in interest rates.

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 cash flow hedges. As the majority of the Housewares/Small Appliance segment's suppliers are located in China, periodic changes in the U.S. dollar and Chinese Renminbi (RMB) exchange rates do have an impact on that segment's product costs. It is anticipated that any potential material impact from fluctuations in the exchange rate will be to the cost of products secured via purchase orders issued subsequent to the revaluation.

### ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "1934 Act") as of July 5, 2015. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date.

There were no changes to internal controls over financial reporting during the quarter ended July 5, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

See Note H to the Consolidated Financial Statements set forth under Part I - Item 1 above.

### Item 6. Exhibits

- |               |                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Exhibit 3(i)  | Restated Articles of Incorporation - incorporated by reference from Exhibit 3 (i) of the Company's annual report on Form 10-K for the year ended December 31, 2005                                                                                                                                                                                                                                          |
| Exhibit 3(ii) | By-Laws - incorporated by reference from Exhibit 3 (ii) of the Company's current report on Form 8-K dated July 6, 2007                                                                                                                                                                                                                                                                                      |
| Exhibit 9.1   | 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 9.2   | Voting Trust Agreement Amendment - incorporated by reference from Exhibit 9.2 of the Company's annual report on Form 10-K for the year ended December 31, 2008                                                                                                                                                                                                                                              |
| Exhibit 10.1  | Incentive Compensation Plan - incorporated by reference from Exhibit 10.1 of the Company's quarterly report on Form 10-Q for the quarter ended July 4, 2010                                                                                                                                                                                                                                                 |
| Exhibit 10.2  | Form of Restricted Stock Award Agreement - incorporated by reference from Exhibit 10.2 of the Company's quarterly report on Form 10-Q for the quarter ended July 4, 2010                                                                                                                                                                                                                                    |
| Exhibit 31.1  | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                                      |
| Exhibit 31.2  | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                                      |
| Exhibit 32.1  | Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                                      |
| Exhibit 32.2  | Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                                                                                                                                                                                                                                                                                                      |
| Exhibit 101   | The following financial information from National Presto Industries, Inc.'s Quarterly Report on Form 10-Q for the period ended July 5, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements. |

### SIGNATURES

Pursuant to the requirements 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.

#### NATIONAL PRESTO INDUSTRIES, INC.

/s/ Maryjo Cohen

Maryjo Cohen, Chair of the Board,  
President, Chief Executive Officer  
(Principal Executive Officer), Director

/s/ Randy F. Lieble

Randy F. Lieble, Director, Vice President,  
Chief Financial Officer (Principal  
Financial Officer), Treasurer

Date: August 14, 2015

**National Presto Industries, Inc.**  
**Exhibit Index**

Exhibit Number	Exhibit Description
31.1	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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**Exhibit 31.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Maryjo Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Presto Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2015

/s/ Maryjo Cohen

Maryjo Cohen  
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Randy Lieble, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Presto Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2015

/s/ Randy Lieble  
Randy Lieble  
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Executive Officer of National Presto Industries, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 5, 2015 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 14, 2015

/s/ Maryjo Cohen

Maryjo Cohen,  
Chief Executive Officer

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**Exhibit 32.2**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Financial Officer of National Presto Industries, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended July 5, 2015 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 14, 2015

/s/ Randy Lieble

Randy Lieble,  
Chief Financial Officer

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