

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 October 2, 2022

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**

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1 par value	NPK	NYSE

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 7,060,207 shares of the Issuer's Common Stock outstanding as of November 11, 2022.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

October 2, 2022 and December 31, 2021

(Dollars in thousands)

	October 2, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 61,784	\$ 109,805
Marketable securities	43,710	34,190
Accounts receivable, net	46,052	53,377
Inventories:		
Finished goods	\$ 58,989	\$ 40,624
Work in process	109,165	92,437
Raw materials	8,557	143,861
Notes receivable, current	2,282	2,330
Other current assets	6,108	4,490
Total current assets	336,647	348,053
PROPERTY, PLANT AND EQUIPMENT	\$ 99,963	\$ 98,573
Less allowance for depreciation	63,825	36,723
GOODWILL	15,317	15,317
INTANGIBLE ASSETS, net	2,729	2,624
RIGHT-OF-USE LEASE ASSETS	10,899	10,161
DEFERRED INCOME TAXES	4,689	4,642
OTHER ASSETS	1,024	2,878
	<u>\$ 407,443</u>	<u>\$ 420,398</u>

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

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NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
October 2, 2022 and December 31, 2021
(Dollars in thousands)

	<u>October 2, 2022 (Unaudited)</u>	<u>December 31, 2021</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 30,978	\$ 32,759
Federal and state income taxes	3,192	3,163
Lease liabilities	613	546
Accrued liabilities	16,849	16,691
Total current liabilities	51,632	53,159
LEASE LIABILITIES - NON-CURRENT	10,286	9,616
Total liabilities	61,918	62,775
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value:		
Authorized: 12,000,000 shares		
Issued: 7,440,518 shares	\$ 7,441	\$ 7,441
Paid-in capital	14,585	13,743
Retained earnings	335,897	349,198
Accumulated other comprehensive income (loss)	(156)	20
	357,767	370,402
Treasury stock, at cost	12,242	12,779
Total stockholders' equity	345,525	357,623
	<u>\$ 407,443</u>	<u>\$ 420,398</u>

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

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NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three and Nine Months Ended October 2, 2022 and October 3, 2021
(Unaudited)
(In thousands except per share data)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
Net sales	\$ 69,683	\$ 87,225	\$ 207,575	\$ 255,370
Cost of sales	52,621	75,995	165,764	208,104
Gross profit	17,062	11,230	41,811	47,266
Selling and general expenses	6,486	6,541	20,181	20,196
Intangibles amortization	78	54	186	162
Operating profit	10,498	4,635	21,444	26,908
Other income	1,085	645	2,529	1,910
Earnings before provision for income taxes	11,583	5,280	23,973	28,818
Provision for income taxes	2,656	1,151	5,447	6,404
Net earnings	\$ 8,927	\$ 4,129	\$ 18,526	\$ 22,414
Weighted average shares outstanding:				
Basic and diluted	7,083	7,062	7,079	7,059
Net Earnings per share:				
Basic and diluted	\$ 1.26	\$ 0.58	\$ 2.62	\$ 3.18
Comprehensive income:				
Net earnings	\$ 8,927	\$ 4,129	\$ 18,526	\$ 22,414
Other comprehensive income, net of tax:				
Unrealized loss on available-for-sale securities	(89)	(22)	(176)	(105)
Comprehensive income	\$ 8,838	\$ 4,107	\$ 18,350	\$ 22,309
Cash dividends declared and paid per common share	\$ 0.00	\$ 0.00	\$ 4.50	\$ 6.25

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

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NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended October 2, 2022 and October 3, 2021
(Unaudited)
(Dollars in thousands)

	2022	2021
Cash flows from operating activities:		
Net earnings	\$ 18,526	\$ 22,414
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for depreciation	1,974	2,066
Intangibles amortization	186	162
Non-cash retirement plan expense	620	563
Proceeds from insurance claim	89	-
Gain on bargain purchase	(492)	-
Other	492	226
Changes in operating accounts, net of effects of acquired business:		
Accounts receivable, net	9,522	2,557
Inventories	(32,030)	(15,097)
Other assets and current assets	243	(3,924)
Accounts payable and accrued liabilities	(2,277)	8,167
Federal and state income taxes	(133)	(2,565)
Net cash (used in) provided by operating activities	<u>(3,280)</u>	<u>14,569</u>
Cash flows from investing activities:		
Marketable securities purchased	(12,575)	(4)
Marketable securities - maturities and sales	2,832	35,537
Proceeds from note receivable	76	386
Acquisition of business, net cash required	(3,125)	-
Purchase of property, plant and equipment	(522)	(2,469)
Proceeds from insurance settlement	-	500
Net cash (used in) provided by investing activities	<u>(13,314)</u>	<u>33,950</u>
Cash flows from financing activities:		
Dividends paid	(31,827)	(44,083)
Proceeds from sale of treasury stock	436	571
Other	(36)	(30)
Net cash used in financing activities	<u>(31,427)</u>	<u>(43,542)</u>
Net increase (decrease) in cash and cash equivalents	(48,021)	4,977
Cash and cash equivalents at beginning of period	109,805	86,036
Cash and cash equivalents at end of period	<u>\$ 61,784</u>	<u>\$ 91,013</u>

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Three and Nine Months Ended October 2, 2022 and October 3, 2021
(Unaudited)
(In thousands except per share data)

	Shares of Common Stock Outstanding Net of Treasury Shares	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income (Loss)	Treasury Stock	Total
Balance July 4, 2021	7,038	\$ 7,441	\$ 13,256	\$ 341,831	\$ 71	\$ (12,909)	\$ 349,690
Net earnings				4,129			4,129
Unrealized loss on available-for-sale securities, net of tax					(22)		(22)
Other	2		212	(1)	(1)	64	274
Balance October 3, 2021	<u>7,040</u>	<u>\$ 7,441</u>	<u>\$ 13,468</u>	<u>\$ 345,959</u>	<u>\$ 48</u>	<u>\$ (12,845)</u>	<u>\$ 354,071</u>
Balance July 3, 2022	7,057	\$ 7,441	\$ 14,374	\$ 326,970	\$ (67)	\$ (12,346)	\$ 336,372
Net earnings				8,927			8,927
Unrealized loss on available-for-sale securities, net of tax					(89)		(89)
Other	3		211	-		104	315
Balance October 2, 2022	<u>7,060</u>	<u>\$ 7,441</u>	<u>\$ 14,585</u>	<u>\$ 335,897</u>	<u>\$ (156)</u>	<u>\$ (12,242)</u>	<u>\$ 345,525</u>

	Shares of Common Stock Outstanding Net of Treasury Shares	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income (Loss)	Treasury Stock	Total
Balance December 31, 2020	7,025	\$ 7,441	\$ 12,438	\$ 367,627	\$ 154	\$ (13,312)	\$ 374,348
Net earnings				22,414			22,414
Unrealized loss on available-for-sale securities, net of tax					(105)		(105)
Dividends paid March 12, \$1.00 per share regular, \$5.25 per share extra				(44,083)			(44,083)
Other	15		1,030	1	(1)	467	1,497
Balance October 3, 2021	<u>7,040</u>	<u>\$ 7,441</u>	<u>\$ 13,468</u>	<u>\$ 345,959</u>	<u>\$ 48</u>	<u>\$ (12,845)</u>	<u>\$ 354,071</u>
Balance December 31, 2021	7,042	\$ 7,441	\$ 13,743	\$ 349,198	\$ 20	\$ (12,779)	\$ 357,623
Net earnings				18,526			18,526
Unrealized loss on available-for-sale securities, net of tax					(176)		(176)
Dividends paid March 15, \$1.00 per share regular, \$3.50 per share extra				(31,827)			(31,827)
Other	18		842	-		537	1,379
Balance October 2, 2022	<u>7,060</u>	<u>\$ 7,441</u>	<u>\$ 14,585</u>	<u>\$ 335,897</u>	<u>\$ (156)</u>	<u>\$ (12,242)</u>	<u>\$ 345,525</u>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED 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 of 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, 2021 is summarized from audited consolidated financial statements, but does not include all the disclosures contained therein and should be read in conjunction with the 2021 Annual Report on Form 10-K. Interim results for the period are not indicative of those for the year.

NOTE B – GENERAL

The after-effects of the government responses to the COVID-19 virus have impacted worldwide economic activity. The Company continues to monitor the impact on all aspects of its business, including effects on employees, customers, suppliers, and the global economy and will adjust procedures accordingly. The after-effects of the COVID-19 related edicts and guidelines also continue to affect each segment in a variety of fashions, which include material and labor shortages, contributing to increased material and labor costs as well as difficulty in securing needed products and components and personnel; congestion throughout the supply chain resulting in sizable delays; increased absenteeism; limited opportunities to meet with customers/suppliers; as well as inefficiencies inherent when dealing with suppliers and customers that continue to work from home. The extent to which these after-effects from the various responses to the COVID-19 pandemic impact the Company’s business for the remainder of 2022 and beyond will depend on future developments that are highly uncertain and cannot be predicted.

NOTE C – REVENUES

The Company’s revenues are derived from short-term contracts and programs that are typically completed within 3 to 36 months and are recognized in accordance with Financial Accounting Standard Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*. The Company’s contracts generally contain one or more performance obligations: the physical delivery of distinct ordered product or products. The Company provides an assurance type product warranty on its products to the original owner. In addition, for the Housewares/Small Appliances segment, the Company estimates returns of seasonal products and returns of newly introduced products sold with a return privilege. Stand-alone selling prices are set forth in each contract and are used to allocate revenue to the corresponding performance obligations. For the Housewares/Small Appliances segment, contracts include variable consideration, as the prices are subject to customer allowances, which principally consist of allowances for cooperative advertising, defective product, and trade discounts. Customer allowances are generally allocated to the performance obligations based on budgeted rates agreed upon with customers, as well as historical experience, and yield the Company’s best estimate of the expected value for the variable consideration.

The Company’s contracts in the Defense segment are primarily with the U.S. Department of Defense (DOD) and DOD prime contractors. As a consequence, this segment’s business essentially depends on the product needs and governmental funding of the DOD. Substantially all of the work performed by the Defense segment directly or indirectly for the DOD is performed on a fixed-price basis. Under fixed-price contracts, the price paid to the contractor is usually awarded based on competition at the outset of the contract and therefore, with the exception of limited escalation provisions on specific materials, is generally not subject to any adjustments reflecting the actual costs incurred by the contractor.

For the Housewares/Small Appliance segment, revenue is generally recognized as the completed, ordered product is shipped to the customer from the Company’s warehouses. For the relatively few situations in which revenue should be recognized when product is received by the customer, the Company adjusts revenue accordingly. For the Defense segment, revenue is primarily recognized when the customer has legal title and formally documents that it has accepted the products. There are also certain termination clauses in Defense segment contracts that may give rise to an over-time pattern of recognition of revenue in the absence of alternative use of the product. In some situations, the customer may obtain legal title and accept the products at the Company’s facilities, arranging for transportation at a later date, typically in one to four weeks. The Company does not consider the short-term storage of the customer owned products to be a material performance obligation, and no part of the transaction price is allocated to it.

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, and customer advances and deposits (contract liabilities) on the Company’s Condensed Consolidated Balance Sheets. For the Defense segment, the Company occasionally receives advances or deposits from certain customers before revenue is recognized, resulting in contract liabilities. These advances or deposits do not represent a significant financing component. As of October 2, 2022 and December 31, 2021, \$4,139,000 and \$2,211,000, respectively, of contract liabilities were included in Accounts Payable on the Company’s Condensed Consolidated Balance Sheets. The Company did not recognize any revenue during the nine-month period ended October 2, 2022 that was included in the Defense segment contract liability at the beginning of that period. The Company monitors its estimates of variable consideration, which includes customer allowances for cooperative advertising, defective product, and trade discounts, and returns of seasonal and newly introduced product, all of which pertain to the Housewares/Small Appliances segment, and periodically makes cumulative adjustments to the carrying amounts of these contract liabilities as appropriate. During the three and nine month periods ended October 2, 2022 and October 3, 2021, there were no material adjustments to the aforementioned estimates. There were no amounts of revenue recognized during the same periods related to performance obligations satisfied in a previous period. The portion of contract transaction prices allocated to unsatisfied performance obligations, also known as the contract backlog, in the Company’s Defense segment were \$497,933,000 and \$460,800,000 as of October 2, 2022 and December 31, 2021, respectively. The Company anticipates that the unsatisfied performance obligations (contract backlog) will be fulfilled in an 18 to 36-month period. The performance obligations in the Housewares/Small Appliances segment have original expected durations of less than one year.

The Company’s principal sources of revenue are derived from three segments: Housewares/Small Appliance, Defense, and Safety, as shown in Note E. Management utilizes the performance measures by segment to evaluate the financial performance of and make operating decisions for the Company.

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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 E – BUSINESS SEGMENTS

In the following summary, operating profit represents earnings before other income and income taxes. The Company's segments operate discretely from each other with no shared owned or leased 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	Safety	Total
Quarter ended October 2, 2022				
External net sales	\$ 27,120	\$ 42,347	\$ 216	\$ 69,683
Gross profit (loss)	8,787	8,846	(571)	17,062
Operating profit (loss)	6,083	6,268	(1,853)	10,498
Total assets	215,752	175,966	15,725	407,443
Depreciation and amortization	504	747	143	1,394
Capital expenditures	100	194	924	1,218
Quarter ended October 3, 2021				
External net sales	\$ 27,732	\$ 59,338	\$ 155	\$ 87,225
Gross profit (loss)	(3,180)	14,620	(210)	11,230
Operating profit (loss)	(6,277)	12,099	(1,187)	4,635
Total assets	233,680	169,124	23,105	425,909
Depreciation and amortization	318	386	59	763
Capital expenditures	241	262	10	513

	(in thousands)			
	Housewares / Small Appliances	Defense	Safety	Total
Nine Months Ended October 2, 2022				
External net sales	\$ 72,267	\$ 134,828	\$ 480	\$ 207,575
Gross profit (loss)	14,020	28,941	(1,150)	41,811
Operating profit (loss)	5,151	20,900	(4,607)	21,444
Total assets	215,752	175,966	15,725	407,443
Depreciation and amortization	766	1,136	258	2,160
Capital expenditures	177	286	927	1,390
Nine Months Ended October 3, 2021				
External net sales	\$ 77,437	\$ 177,592	341	\$ 255,370
Gross profit (loss)	2,911	45,131	(776)	47,266
Operating profit (loss)	(6,909)	37,455	(3,638)	26,908
Total assets	233,680	169,124	23,105	425,909
Depreciation and amortization	911	1,141	176	2,228
Capital expenditures	581	1,772	116	2,469

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company utilizes the methods of fair value as described in FASB 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 amounts for cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and accrued liabilities approximate fair value due to the immediate or short-term maturity of these financial instruments. See Note G for fair value information on marketable securities.

NOTE G - 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 October 2, 2022 and December 31, 2021, 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.

	(In Thousands)			
	MARKETABLE SECURITIES			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
October 2, 2022				
Fixed Rate Municipal Bonds and Certificates of Deposit	\$ 18,865	\$ 18,668	\$ -	\$ 197
Variable Rate Demand Notes	25,042	25,042	-	-
Total Marketable Securities	\$ 43,907	\$ 43,710	\$ -	\$ 197
December 31, 2021				
Fixed Rate Municipal Bonds	\$ 8,737	\$ 8,763	\$ 31	\$ 5
Variable Rate Demand Notes	25,427	61,784	-	-
Total Marketable Securities	\$ 34,164	\$ 70,547	\$ 31	\$ 5

Proceeds from maturities and sales of available-for-sale securities totaled \$195,000 and \$9,127,000 for the three month periods ended October 2, 2022 and October 3, 2021, respectively, and totaled \$2,832,000 and \$35,537,000 for the nine month periods then ended, respectively. There were no gross gains or losses related to sales of marketable securities during the same periods. Net unrealized losses included in other comprehensive income were \$86,000 and \$28,000 before taxes for the three month periods ended October 2, 2022 and October 3, 2021, respectively, and were \$197,000 and \$134,000 before taxes for the nine 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 October 2, 2022 are as follows: \$15,898,000 within one year; \$2,969,000 beyond one year to five years; \$3,743,000 beyond five years to ten years, and \$21,297,000 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 H - 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 two years. As of October 2, 2022 and December 31, 2021, \$4,599,000 and \$8,711,000 of such prepayments, respectively, remained unused and outstanding. At October 2, 2022 and December 31, 2021, \$3,575,000 and \$4,361,000 of those payments, respectively were 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 I – LEASES

The Company accounts for leases under ASC *Topic 842, Leases*. The Company's leasing activities include roles as both lessee and lessor. As lessee, the Company's primary leasing activities include buildings and structures to support its manufacturing operations at one location in its Defense segment, buildings and structures to support its Safety segment, and warehouse space and equipment to support its distribution center operations in its Housewares/Small Appliances segment. As lessor, the Company's primary leasing activity is comprised of manufacturing and office space located adjacent to its corporate offices. All of the Company's leases are classified as operating leases.

The Company's leases as lessee in its Defense segment provide for variable lease payments that are based on changes in the Consumer Price Index. As lessor, the Company's primary lease also provides for variable lease payments that are based on changes in the Consumer Price Index, as well as on increases in costs of insurance, real estate taxes, and utilities related to the leased space. Generally, all of the Company's lease contracts include options for extensions and early terminations. The majority of lease terms of the Company's lease contracts recognized on the balance sheet reflect extension options, while none reflect early termination options.

The Company has determined that the rates implicit in its leases are not readily determinable and therefore, estimates its incremental borrowing rates utilizing quotes from financial institutions for real estate and equipment, as applicable, over periods of time similar to the terms of its leases. The Company has entered into various short-term (12 months or less) leases as lessee and has elected a non-recognition accounting policy, as permitted by ASC *Topic 842*.

Summary of Lease Cost (in thousands)	3 Months	3 Months	9 Months	9 Months
	Ending October 2, 2022	Ending October 3, 2021	Ending October 2, 2022	Ending October 3, 2021
Operating lease cost	\$ 284	\$ 254	\$ 784	\$ 688
Short-term and variable lease cost	79	46	158	206
Total lease cost	<u>\$ 363</u>	<u>\$ 300</u>	<u>\$ 942</u>	<u>\$ 894</u>

Operating cash used for operating leases was \$363,000 and \$942,000 for the three and nine months ended October 2, 2022, respectively, and \$300,000 and \$894,000 for the three and nine months ended October 3, 2021, respectively. The weighted-average remaining lease term was 20.7 years, and the weighted-average discount rate was 4.6% as of October 2, 2022.

Maturities of operating lease liabilities are as follows:

Years ending December 31:	(In thousands)
2022 (remaining three months)	\$ 241
2023	873
2024	808
2025	796
2026	782
Thereafter	14,462
Total lease payments	<u>\$ 17,962</u>
Less: future interest expense	7,063
Lease liabilities	<u>\$ 10,899</u>

Lease income from operating lease payments was \$514,000 and \$464,000 for the quarters ended October 2, 2022 and October 3, 2021, respectively and \$1,552,000 and \$1,392,000 for the nine months then ended, respectively. Undiscounted cash flows provided by lease payments are expected as follows:

Years ending December 31:	(In thousands)
2022 (remaining three months)	\$ 514
2023	2,055
2024	2,055
2025	2,055
2026	2,055
Thereafter	16,440
Total lease payments	<u>\$ 25,174</u>

The Company considers risk associated with the residual value of its leased real property to be low, given the nature of the long-term lease agreement, the Company's ability to control the maintenance of the property, and the creditworthiness of the lessee. The residual value risk is further mitigated by the long-lived nature of the property, and the propensity of such assets to hold their value or, in some cases, appreciate in value.

NOTE J – 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.

In the state of Mississippi, inventory that is shipped out of state that is held in a licensed Free Port Warehouse is exempt from personal property taxes. One of the Company's subsidiaries operates in Hinds County, Mississippi. That subsidiary has submitted its Hinds County Free Port Warehouse tax filing for approximately 40 years. Each year, the county then assessed the subsidiary in accordance with the Company's filing. However, in June 2020, the Hinds County tax assessor notified the Company that the county had no record of a Free Port Warehouse License and issued an assessment totaling \$2,506,000, reflecting personal property tax going back seven years. The Company is vigorously fighting the assessment, and does not consider the ultimate payment of the taxes to be probable. Accordingly, as prescribed by ASC 450 - *Contingencies*, no accrual has been recorded on the Company's consolidated financial statements as of October 2, 2022.

NOTE K – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

The Company assesses the impacts of adopting recently issued accounting standards by the Financial Accounting Standards Board on the Company's financial statements, and updates previous assessments, as necessary, from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 2022. There were no new accounting standards issued or adopted in the quarter ended October 2, 2022 that would have a material impact on the Company's consolidated financial statements.

NOTE L – BUSINESS ACQUISITION

On July 29, 2022, the Company's wholly owned subsidiary, UESCO, Inc., purchased certain assets and assumed certain liabilities of Knox Safety, Inc., a company formed in 2019 with operations in Illinois and North Carolina, with cash on hand of \$3,125,000. In addition, upon closing the Company paid a deposit of \$500,000 to a vendor that had previously been a supplier of Knox Safety. Knox Safety is a startup company that designs and sells carbon monoxide detectors for residential use, the acquisition of which will serve to complement the product lines currently offered by the Company's Safety segment. Subsequent to the acquisition of Knox Safety, UESCO legally adopted the corporate name Rely Innovations, Inc.

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 their acquisition date. The fair value estimates are pending completion of several elements, including the finalization of an independent appraisal and final review by the Company. Accordingly, until the fair values are final, there could be material adjustments to the Company's consolidated financial statements, including changes to depreciation and amortization expense related to the valuation of property and equipment and intangible assets acquired and their respective useful lives, among other adjustments.

	(in thousands)
Accounts receivable	1,832
Inventories	1,274
Other current assets	7
Property, plant and equipment	868
Intangible assets	290
Right-of-Use Lease Assets	1,126
Total assets acquired	5,397
Less: Current liabilities assumed	(776)
Less: Lease Liability - Noncurrent	(1,004)
Net assets acquired	\$ 3,617

The acquired intangibles primarily included trademarks and safety certifications that will be amortized over a period of two years. Due to its startup nature and history of operating losses, the acquisition of Knox Safety resulted in a bargain purchase gain of \$492,000, which was included with Selling and general expenses in the Consolidated Statements of Comprehensive Income. There was no material tax impact from the acquisition on the Company's Consolidated Financial Statements. The Company's results of operations for 2022 includes revenue of \$121,000 and loss of (\$189,000) from the acquired facility from the date of acquisition through October 2, 2022. The following pro forma condensed consolidated results of operations has been prepared as if the acquisition had occurred as of January 1, 2021.

	(unaudited)			
	(in thousands, except per share data)			
	Quarter Ended		Nine Months Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Net sales	\$ 71,894	\$ 89,139	\$ 210,086	\$ 257,284
Net earnings	8,871	3,413	17,194	20,484
Net earnings per share (basic and diluted)	\$ 1.25	\$ 0.48	\$ 2.43	\$ 2.90
Weighted average shares outstanding (basic and diluted)	7,083	7,062	7,079	7,059

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 acquisition been completed at the beginning of the periods indicated above. 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 M - SUBSEQUENT EVENT

On October 26, 2022, the Company's wholly owned subsidiary, National Defense Corporation, and newly formed subsidiary Woodlawn Manufacturing, LLC, acquired the equity interests of Woodlawn Manufacturing, Ltd. Woodlawn Manufacturing, Ltd, is a high volume manufacturer of precision metal parts and assemblies primarily for the defense and aerospace industry, and has recently shown annual sales of approximately \$18,000,000. As the acquisition occurred shortly before the issuance of the financial statements for the fiscal quarter ended October 2, 2022, the initial accounting for the acquisition was incomplete at that time. The Company expects to finalize the accounting for the acquisition as soon as practicable.

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 2021 Annual Report to Stockholders, in the Proxy Statement for the annual meeting, 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, tariffs, 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 ability of startup businesses to ultimately have the potential to be successful; 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 security breaches and disruptions to the Company's information technology systems. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings.

COVID-19 Disclosure

All of the Company's businesses were deemed essential and as a result, all operated during the COVID-19 shutdowns. Distribution systems of customers that survived the shutdowns are largely intact as most key retail customers' outlets have been open since third quarter 2020. Most customer offices are now open, although some may not reopen until 2023. Trade shows, albeit with reduced attendance, have resumed. Material, components, and finished goods continue to be delayed due to the supply chain congestion. As a result of government COVID-19 policies, material, transportation and labor costs have materially increased. Labor shortages continue. Due to the Company's historical conservative practices, it has no debt and has adequate balances to fund its operations.

For historical information about the impact of the government responses to COVID-19, please see "Item 1A. Risk Factors" titled "The COVID-19 or Other Pandemics, Epidemics or Similar Public Health Crises Risks" included in the Company's Annual Report on Form 10-K for year ended December 31, 2021.

Comparison of Third Quarter 2022 and 2021

Readers are directed to Note E to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's three business segments for the quarters ended October 2, 2022 and October 3, 2021.

On a consolidated basis, net sales decreased by \$17,542,000 (20%), gross profit increased by \$5,832,000 (52%), selling and general expenses decreased by \$55,000 (1%), and amortization increased 24,000 (44%). Other income increased by \$440,000 (68%), earnings before provision for income taxes increased by \$6,303,000 (119%), and net earnings increased by \$4,798,000 (116%). Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales decreased by \$612,000 from \$27,732,000 to \$27,120,000, or 2%, primarily attributable to a decrease in unit shipments, approximately 92% of which was offset by an increase in pricing and changes in mix. Defense net sales decreased by \$16,991,000 from \$59,338,000 to \$42,347,000, or 29%, primarily reflecting a decrease in shipments.

Housewares/Small Appliance gross profit increased \$11,967,000 from a loss of (\$3,180,000) to a profit of \$8,787,000, primarily reflecting the changes in pricing and mix mentioned above, augmented by decreased ocean cargo and inland freight costs, partially offset by the decrease in unit shipments. Defense gross profit decreased \$5,774,000 from \$14,620,000 to \$8,846,000, primarily reflecting the decrease in sales mentioned above, a less favorable mix of products, and reduced efficiencies stemming largely from labor shortages and other supply chain issues. Due to the startup nature of the businesses in the Safety segment and the resulting limited revenues, gross margins were negative in both years.

Selling and general expenses for the Housewares/Small Appliance segment decreased \$393,000, reflecting lower accruals for self insurance of \$513,000, offset in largest part by legal and professional costs of \$63,000, with the balance of the change primarily attributable to increases in employee compensation. Selling and general expenses for the Defense segment were relatively flat. Selling and general expenses for the Safety segment increased \$281,000, primarily reflecting increased legal and professional costs of \$515,000, largely offset by the bargain purchase gain recognized upon the acquisition of Knox Safety, Inc. of \$492,000. (See Note L to the Consolidated Financial Statements.) The balance of the increase was primarily due to an increase in employee compensation and benefits.

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

Earnings before provision for income taxes increased \$6,303,000 from \$5,280,000 to \$11,583,000. The provision for income taxes increased from \$1,151,000 to \$2,656,000, which resulted in an effective income tax rate of 23% and 22%, for the quarters ended October 2, 2022 and October 3, 2021, respectively. Net earnings increased \$4,798,000 from \$4,129,000 to \$8,927,000, or 116%.

Comparison of First Nine Months 2022 and 2021

Readers are directed to Note E to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's three business segments for the first nine months ended October 2, 2022 and October 3, 2021.

On a consolidated basis, net sales decreased by \$47,795,000 (19%), gross profit decreased by \$5,455,000 (12%), selling and general expenses and intangibles amortization were flat. Other income increased by \$619,000 (32%), while earnings before provision for income taxes decreased by \$4,845,000 (17%), and net earnings decreased by \$3,888,000 (17%). Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales decreased by \$5,170,000 from \$77,437,000 to \$72,267,000, or 7%, primarily attributable to a decrease in units shipped, approximately 78% of which was offset by an increase in pricing and changes in mix. Defense net sales decreased by \$42,764,000 from \$177,592,000 to \$134,828,000, or 24%, primarily reflecting a decrease in shipments.

Housewares/Small Appliance gross profit increased \$11,109,000 from \$2,911,000 to \$14,020,000, primarily reflecting the changes in pricing and mix mentioned above, augmented by lower ocean cargo and inland freight costs, partially offset by the decrease in unit shipments. Defense gross profit decreased \$16,190,000 from \$45,131,000 to \$28,941,000, primarily reflecting the decrease in sales mentioned above, a less favorable mix of products, and reduced efficiencies stemming largely from labor shortages and other supply chain issues. Due to the startup nature of the businesses in the Safety segment and the resulting limited revenues, gross margins were negative in both years.

Selling and general expenses for the Housewares/Small Appliance segment decreased \$951,000, primarily reflecting lower accruals for self-insurance of \$1,794,000, partially offset by an increase in legal and professional costs of \$685,000 and an increase in employee compensation of \$116,000. Selling and general expenses for the Defense segment increased \$365,000, primarily reflecting increased marketing and personnel costs of \$127,000 and \$141,000, respectively, as well as increased legal and professional costs of \$31,000, with the remaining increased balance mainly attributable to computers and software expense. Selling and general expenses for the Safety segment increased \$571,000, primarily reflecting increased legal and professional costs of \$700,000, increased employee compensation costs of \$92,000, and higher marketing and insurance costs of \$132,000 and \$94,000, respectively. These were partially offset by the bargain purchase gain recognized upon the acquisition of Knox Safety, Inc. of \$492,000. (See Note L to the Consolidated Financial Statements.)

Earnings before provision for income taxes decreased \$4,845,000 from \$28,818,000 to \$23,973,000. The provision for income taxes decreased from \$6,404,000 to \$5,447,000, which resulted in an effective income tax rate of 23% and 22%, for the first nine months ended October 2, 2022 and October 3, 2021, respectively. Net earnings decreased \$3,888,000 from \$22,414,000 to \$18,526,000, or 17%.

Liquidity and Capital Resources

Net cash used in operating activities was \$3,280,000 during the first nine months of 2022 as compared to \$14,569,000 provided by operating activities during the first nine months of 2021. The principal factors contributing to the change 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 nine months of 2022 were net earnings of \$18,526,000, which included non-cash depreciation and amortization expenses of \$2,160,000. Contributing to the cash used were increased inventory levels and a net decrease in payable and accrual levels, partially offset by a decrease in accounts receivable levels stemming from cash collections on customer sales. Of particular note during the first nine months of 2021 were net earnings of \$22,414,000, which included non-cash depreciation and amortization expenses of \$2,228,000. Also contributing to the cash provided was a decrease in accounts receivable levels stemming from cash collections on customer sales and a net increase in payable and accrual levels, partially offset by increased inventory levels and a net increase in deposits made to vendors included in other assets and current assets.

Net cash used in investing activities was \$13,314,000 during the first nine months of 2022 as compared to \$33,950,000 provided by investing activities during the first nine months of 2021. Significant factors contributing to the change were net purchases of marketable securities in 2022 of \$9,743,000, in contrast with maturities and sales of marketable securities in 2021 of \$35,533,000. Also contributing to the change in cash were a payment to acquire Knox Safety, Inc. of \$3,125,000 (see Note L to the Consolidated Financial Statements) and a decrease in the purchase of property, plant, and equipment in 2022 of \$1,947,000.

Net cash used in financing activities was \$31,427,000 and \$43,542,000, for the first nine months of 2022 and 2021, respectively, and primarily relates to the annual dividend payments. The extra dividend decreased from \$5.25 per share in 2021 to \$3.50 per share in 2022. Cash flows for both nine-month periods also reflected the proceeds from the sale of treasury stock to a Company sponsored retirement plan.

Working capital decreased by \$9,879,000 during the first nine months of 2022 to \$285,015,000 at October 2, 2022 for the reasons stated above. The Company's current ratio was 6.5 to 1.0 at both October 2, 2022 and December 31, 2021.

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 its business 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 variable rate demand notes described in Item 3 of Part I of this quarterly report on Form 10-Q and in fixed rate municipal notes and bonds. The Company intends to continue its investment strategy of safety and short-term liquidity throughout its investment holdings.

Critical Accounting Estimates

The Company's discussion and analysis of financial condition and results of operations are based upon its Consolidated Financial Statements. 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. The estimates are based on experience and other assumptions that the Company believes are reasonable under the circumstances, and these estimates are evaluated on an ongoing basis. Actual results may differ from those estimates.

The Company's critical accounting policies are those that materially affect its Consolidated Financial Statements and involve difficult, subjective, or complex judgments by management. 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 as they involve the use of significant estimates and assumptions as described above. These critical accounting policies and estimates have been reviewed with the Audit Committee of the Board of Directors. See Note A - Summary of Significant Accounting Policies to the Consolidated Financial Statements included in Part II, Item 8 of the Annual Report on Form 10-K for the year-ended December 31, 2021 filed on March 11, 2022 for more detailed information regarding the Company's critical accounting policies.

Inventories

New Housewares/Small Appliance product introductions are an important part of the Company's sales. The introductions are important to offset the morbidity rate of other products. 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. In addition, due to fire safety regulations, commercial extinguishers have a limited shelf life, which is based on the date of production. Inventory risk for the Company's Defense segment 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.

Revenues

Sales are recorded net of discounts and returns for the Housewares/Small Appliance segment. Sales discounts and returns are key aspects of variable consideration, which is a significant estimate utilized in revenue recognition. Sales returns 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 intellectual property. 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.

The Company recognizes the excess cost of acquired entities over the net amount assigned to the fair value of assets acquired and liabilities assumed as goodwill. Goodwill is tested for impairment on an annual basis at the start of the fourth quarter and between annual tests whenever an impairment is indicated. The impairment test for goodwill requires the determination of fair value of the reporting unit. The Company uses multiples of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), sales, and discounted cash flow models, which are described above, to determine the reporting unit's fair value, as appropriate.

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 0.6 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

Evaluation of Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Treasurer (principal financial officer), 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 October 2, 2022. Based on that evaluation, the Company's Chief Executive Officer and Treasurer (principal 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 October 2, 2022 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 J 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 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 Treasurer 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 Treasurer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- Exhibit 101.INS eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema Document
- Exhibit 101.CAL Inline XBRL Taxonomy Calculation Linkbase Document
- Exhibit 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- Exhibit 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- Exhibit 104 The cover page from this Quarterly Report on Form 10-Q for the quarter ended October 2, 2022, formatted in Inline XBRL and contained in Exhibit 101.INS

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/ David J. Peuse

David J. Peuse, Director of Financial Reporting and Treasurer, (Principal
Financial Officer)

Date: November 14, 2022