



## Edgar Filing: SPS TECHNOLOGIES INC - Form 10-K

Exhibit 13, which contains portions of the 2001 Annual Report to Shareholders of the registrant is incorporated by reference in Parts I, II and IV of this Report. Portions of the Definitive Proxy Statement of registrant, if filed with the Securities and Exchange Commission within 120 days after December 31, 2001, are incorporated by reference in Part III of this report. To the extent not so filed, such information will be provided on a Form 10-K/A filed with the Securities and Exchange Commission.

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### SPS TECHNOLOGIES, INC. AND SUBSIDIARIES

#### PART I

##### Item 1. BUSINESS

SPS Technologies, Inc. and subsidiaries (the "Company") was incorporated in Pennsylvania in 1903. The Company is engaged in the design, manufacture and marketing of fasteners, specialty metals, magnetic products, aerospace structures and precision tools. The Company is multinational in operation. In addition to 25 manufacturing facilities in the United States, it operates 19 manufacturing facilities in eight different countries: England, Ireland, Canada, Brazil, Australia, China, Italy and France. Marketing operations are carried on by subsidiaries in four other countries.

Although the Company's sales increased in 2001 compared to 2000, operating earnings and net earnings decreased. The growth in sales and earnings of the Company's businesses serving the aerospace and industrial gas turbine markets and the accretive results of acquired businesses were offset by lower sales and earnings of businesses serving the automotive, industrial and electronics markets. In 2001, the company announced plans to eliminate, consolidate and restructure certain under-performing operations which, when completed, are expected to provide meaningful reductions to the Company's cost structure and re-size the Company to respond to the expected changes in its end market demand. During 2001, the Company completed three acquisitions which complement its existing businesses. Additional information regarding the general development of business operations in 2001 is provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The Company is organized into four reportable segments for financial reporting purposes. The four reportable segments are: Aerospace Fasteners and Components, Engineered Fasteners and Components, Specialty Materials and Alloys, and Magnetic Products. The Aerospace Fasteners and Components segment produces fasteners and structural assemblies for the aerospace market. Principal aerospace fastener products are SPS(R) aerospace fasteners, MULTIPHASE(R) alloy fasteners, FLEXLOC(R) all-metal locknuts and GREER STOP NUT(R) locknuts. Principal structural assemblies products are precision machined components, sheet metal fabrications and avionics assemblies. The Engineered Fasteners and Components segment produces fasteners for the automotive and industrial machinery markets and precision consumable tools used for metal forming and cutting. Principal engineered fastener products are fasteners and precision components for gasoline and diesel engines, other critical and non-critical automotive applications and off-highway equipment, UNBRAKO(R) brand socket screws, hex keys and dowel pins. Principal tooling products are HI-LIFE(R) thread roll dies and other metalworking tools. The Specialty Materials and Alloys (SM&A) segment produces specialty metals, superalloys and waxes and provides melting services for the manufacture of components for aerospace, industrial gas turbine, medical and general engineering applications. Principal SM&A products are air and vacuum-melted

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iron, cobalt, and nickel-based superalloys, including CMSX(R) single-crystal alloys. The Magnetic Products segment produces magnetic materials and products for the automotive, aerospace, reprographic, computer security and advertising specialty markets. Principal magnetic products are metallic and ceramic permanent magnets, wound and pressed powder magnetic components, bonded magnets, magnetic components and assemblies and magnetic ultra-thin foil and strip products.

The Company sells directly to original equipment manufacturers and industrial, commercial and governmental users, and also sells through independent stocking distributors and dealers. There were no changes in the methods of distribution during 2001.

The principal sources of raw materials include major and specialty steel producers, and non-ferrous metal producers, converters and distributors. The Company anticipates it will have no significant problem with respect to sources or availability of the raw materials essential to the conduct of its business.

The Company owns and licenses certain trademarks and patents that it considers to be of importance to its four segments. The principal trademarks of the Company include ARNOLD(R), AVIBANK(R), CANNON-MUSKEGON(R), CMSX(R), FLEXLOC(R), FLEXMAG(R), GREER STOP NUT(R), HI-LIFE(R), HOWELL PENNCRAFT(R), MP35N(R), MP159(R), MULTIPHASE(R), NSS(R), PLASTIFORM(R), SPS(R), SPS TECHNOLOGIES(R), U130(R), and UNBRAKO(R). The trademarks have been registered in the United States and certain foreign countries. Generally, trademark registrations are valid so long as the trademarks registered are used and renewal of the registration is timely made. United States and foreign patents of the Company expire at various times. Patents covering the CMSX-4(R), CMSX-10K(R), CMSX-10N(R), CM 186 LC(R) and CM 247 LC(R) superalloys are of particular importance in protecting the proprietary superalloy technology of the Company's subsidiary, Cannon-Muskegon Corporation. However, the Company does not believe that its business as a whole is dependent on any one or more patents or trademarks or on patent or trademark protection generally.

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No material portion of the Company's business in any segment is seasonal.

No material part of the Company's business is dependent upon a single customer. In 2001, the five largest customers accounted for 18% of the Company's reported consolidated sales.

The backlog of orders by segment at December 31, which represents firm orders with scheduled delivery within the next twelve months, was as follows (in thousands of dollars):

	2001	2000
	-----	-----
Aerospace Fasteners and Components .....	\$189,320	\$157,215
Engineered Fasteners and Components .....	71,650	75,911
Specialty Materials and Alloys .....	15,512	28,073
Magnetic Products .....	22,654	32,970
	-----	-----
Total .....	\$299,136	\$294,169
	=====	=====

The Company's business is highly competitive. Competition is based primarily on technology, price, service, product quality and performance. The Company believes that its favorable competitive position is based upon its high-

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quality product performance and service to its customers, supported by its commitment to research and development.

Total expenditures during 2001, 2000 and 1999 for Company-sponsored research and development were \$8.4 million, \$7.3 million and \$6.3 million, respectively. In 2001, approximately 57% of the expenditures were for the Company's Aerospace Fasteners and Components segment.

Capital expenditures for property, plant and equipment are planned at \$20.0 million in 2002, excluding capital spending for any businesses that may be acquired in 2002.

There were approximately 3,320 persons employed in the Aerospace Fasteners and Components segment, 1,899 persons employed in the Engineered Fasteners and Components segment, 407 persons employed in the Specialty Materials and Alloys segment, and 750 persons employed in the Magnetic Products segment at December 31, 2001.

Additional narrative information and the financial information concerning industry segments and the foreign and domestic operations are included in Note 21 to the Company's Consolidated Financial Statements on pages 30 through 32 in the 2001 Annual Report to Shareholders. Exhibit 13.1 contains the information and is incorporated herein by reference.

### Item 2. PROPERTIES

The Company owns or leases the manufacturing properties described below. All properties are in good condition.

Location	Square Feet
Owned	-----
-----	-----
Jenkintown, Pennsylvania .....	663,000 (a)
Leicester, England .....	109,000 (a)
Salt Lake City, Utah .....	104,000 (a)
Mansfield, England .....	55,000 (a)
Auxerre, France .....	45,600 (a)
Cleveland, Ohio .....	365,000 (b)
Sorocaba, Brazil .....	339,000 (b)
Smethwick, England .....	137,000 (b)
Waterford, Michigan .....	114,000 (b)
Melbourne, Australia .....	44,000 (b)
Nuneaton, England .....	9,400 (b)
Transfer, Pennsylvania .....	252,900 (c)
Muskegon, Michigan .....	135,000 (c)
Mamaroneck, New York .....	29,400 (c)
Tempe, Arizona .....	17,000 (c)
Marengo, Illinois .....	356,000 (d)
Norfolk, Nebraska .....	112,000 (d)
Marietta, Ohio .....	86,600 (d)
Sevierville, Tennessee .....	65,000 (d)
Adelanto, California .....	45,000 (d)
Derbyshire, England .....	44,000 (d)
Ogallala, Nebraska .....	22,000 (d)

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Leased	Lease Expires	Square Feet
-----	-----	-----

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Nottinghamshire, England .....	(e)	142,500 (a)
North Hollywood, California .....	(f)	129,000 (a)
Nashville, Tennessee .....	(g)	99,000 (a)
Burbank, California .....	(h)	91,700 (a)
Santa Ana, California .....	(i)	82,000 (a)
Auxerre, France .....	(j)	39,300 (a)
Pointe-Claire, Quebec, Canada .....	(k)	39,150 (a)
Leicester, England .....	(l)	38,000 (a)
Nottingham, England .....	(m)	18,300 (a)
Shannon, Ireland .....	(n) (o) (p)	232,000 (b)
Shannon, Ireland .....	(q) (r)	64,000 (b)
Gadsden, Alabama .....	(s)	130,000 (b)
Plymouth, Michigan .....	(t)	115,000 (b)
Milan, Italy .....	(u)	76,200 (b)
Coventry, England .....	(v)	70,000 (b)
Valencia, California .....	(w)	67,700 (b)
Canton, Michigan .....	(x)	50,800 (b)
Howell, Michigan .....	(y)	44,000 (b)
Rosemead, CA .....	(z)	34,100 (c)
Rochester, New York .....	(aa)	70,000 (d)
Shenzhen, China .....	(bb)	80,000 (d)
Rochester, England .....	(cc)	12,000 (d)

- 
- (a) Aerospace Fasteners and Components segment.
  - (b) Engineered Fasteners and Components segment.
  - (c) Specialty Materials and Alloys segment.
  - (d) Magnetic Products segment.
  - (e) Lease for 142,500 square feet expires December 21, 2015.
  - (f) Lease for 129,000 square feet expires March 31, 2010.
  - (g) Lease for 99,000 square feet expires August 14, 2002.
  - (h) Lease for 91,700 square feet expires March 31, 2004.
  - (i) Lease for 82,000 square feet expires June 30, 2009.
  - (j) Lease for 39,300 square feet expires February 28, 2004.
  - (k) Lease for 39,150 square feet expires October 31, 2002.
  - (l) Lease for 38,000 square feet expires January 12, 2012.
  - (m) Leases for 18,300 square feet with various expirations. Primary lease expires December 21, 2015.
  - (n) Lease for 100,000 square feet expires November 13, 2010.
  - (o) Lease for 75,000 square feet expires November 15, 2010.
  - (p) Lease for 57,000 square feet expires April 1, 2004.
  - (q) Lease for 48,000 square feet expires January 1, 2112.
  - (r) Lease for 16,000 square feet expires December 31, 2023.
  - (s) Leases for 130,000 square feet expires June 30, 2009.
  - (t) Leases for 115,000 square feet with various expirations. Primary lease expires June 30, 2009.
  - (u) Lease for 76,200 square feet expires December 31, 2005.
  - (v) Lease for 70,000 square feet expires March 31, 2003.
  - (w) Leases for 67,700 square feet with various expirations. Primary lease expires February 28, 2010.
  - (x) Lease for 50,800 square feet expires June 30, 2009.
  - (y) Lease for 44,000 square feet expires June 30, 2003.
  - (z) Leases for 34,100 square feet with various expirations. Primary lease expires October 31, 2008.
  - (aa) Lease for 70,000 square feel expires October 31, 2006.
  - (bb) Lease for 80,000 square feet expires August 31, 2011.
  - (cc) Lease for 12,000 square feet expires June 24, 2007.

Industrial Development Revenue Bonds were issued to finance the acquisition and improvement of the Salt Lake City, Utah manufacturing facility. These bonds are collateralized by a first mortgage on the facility and a bank letter of credit.

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## Item 3. LEGAL PROCEEDINGS

A discussion of legal proceedings is included in Note 11 to the Company's Consolidated Financial Statements on pages 19 and 20 in the 2001 Annual Report to Shareholders. Exhibit 13.1 contains the information and is incorporated herein by reference.

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

No matter was submitted to a vote of security holders during the fourth quarter of 2001, through the solicitations of proxies or otherwise.

### EXECUTIVE OFFICERS OF THE REGISTRANT

All executive officers of the Company are named below and are appointed by the Board of Directors. The date that each officer was first appointed to their present position is indicated. No officer listed was appointed as a result of any arrangement between them and any other person as that phrase is understood under the Securities Exchange Act regulations. No family relationship exists among the executive officers of the Company.

Name	Experience and Position Held
----	-----
Charles W. Grigg	Chairman and Chief Executive Officer since October 1999. Previously, Chairman and Chief Executive Officer and President since April 1997. Previously, Chairman and Chief Executive Officer since December 1993.
John S. Thompson	President and Chief Operating Officer since October 1999. Previously, President and Chief Executive of BTR, Inc. since 1993.
William M. Shockley	Vice President, Chief Financial Officer since October 1998. Previously, Vice President, Chief Financial Officer and Controller since July 1995.
Thomas S. Cross	Vice President, Human Resources since June 1999. Previously, Vice President, Human Resources, North American Aerospace Fasteners since January 1998. Previously, Resource Manager, North American Aerospace Fasteners since January 1994.
James D. Dee	Vice President, General Counsel and Secretary since April 1997. Previously, President, Environmental and Legal Affairs since February 1996.
Thomas W. McDonnell	Controller since February 2000. Previously, Director of Middle Market Advisory, PricewaterhouseCoopers LLP since July 1997. Previously, Audit Manager, PricewaterhouseCoopers LLP since July 1988.
Margaret B. Zminda	Treasurer, Assistant Secretary and Director, Investor Relations since February 2000. Previously, Controller since October 1998. Previously, Aerospace Fasteners since September 1993.

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## PART II

### Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Information regarding the principal markets on which SPS Technologies' common stock is traded, the high and low sales price for the stock on the New York Stock Exchange for each quarterly period during the past 2 years, and the approximate number of holders of common stock at March 8, 2002 is included under the caption entitled "Common Stock Information" on page 34 in the 2001 Annual Report to Shareholders. Exhibit 13.4 contains this information and is incorporated herein by reference.

### Item 6. SELECTED FINANCIAL DATA

A summary of selected financial data for SPS Technologies for the years and year-ends specified is included under the caption entitled "Selected Financial Data" on page 34 in the 2001 Annual Report to Shareholders. Exhibit 13.3 contains this information and is incorporated herein by reference.

### Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information regarding SPS Technologies' financial condition, changes in financial condition and results of operations is included under the caption entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 35 through 47 in the 2001 Annual Report to Shareholders. Exhibit 13.5 contains this information and is incorporated herein by reference.

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

The Company's quantitative and qualitative information about market risk is included in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 35 through 47 in the 2001 Annual Report to Shareholders. Exhibit 13.5 contains this information and is incorporated herein by reference.

### Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements for SPS Technologies and the required supplementary data "Summary of Quarterly Results" are included on pages 6 through 34 in the 2001 Annual Report to Shareholders. Exhibits 13.1 and 13.2 contain this information and are incorporated herein by reference.

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

None.

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## PART III

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

(a) Identification of directors:

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Information regarding directors is incorporated by reference to the Definitive Proxy Statement, Election of Directors, if filed with the Securities and Exchange Commission (SEC) within 120 days after December 31, 2001. To the extent not so filed, such information will be provided on a Form 10-K/A filed with the SEC.

(b) Identification of executive officers:

Information regarding executive officers is contained in Part I of this report (page 5).

### Item 11. EXECUTIVE COMPENSATION

Information regarding executive compensation is incorporated by reference to the Definitive Proxy Statement, Executive Compensation and Board Meetings, Committees and Compensation of Directors, if filed with the SEC within 120 days after December 31, 2001. To the extent not so filed, such information will be provided on a Form 10-K/A filed with the SEC.

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

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the Definitive Proxy Statement, Ownership of Voting Securities, if filed with the SEC within 120 days after December 31, 2001. To the extent not so filed, such information will be provided on a Form 10-K/A filed with the SEC.

### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is incorporated by reference to the Definitive Proxy Statement, Certain Relationships and Related Transactions, if filed with the SEC within 120 days after December 31, 2001. To the extent not so filed, such information will be provided on a Form 10-K/A filed with the SEC.

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## PART IV

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

(a) Documents filed as part of this Report:

1. The Consolidated Financial Statements and related Notes to Consolidated Financial Statements are set forth on pages 6 through 33 of the 2001 Annual Report to Shareholders. Exhibit 13.1 contains this information and is incorporated by reference. The Report of Independent Accountants, which covers the financial statement schedule, appears on page 11 of this report.
2. Financial Statement Schedules:  
The following supplemental schedule is located in this Report on the page indicated.

II Valuation and Qualifying Accounts

Page  
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Schedules other than those listed above are omitted for the reason that they are either not applicable or not required or because the information required is contained in the financial statements or notes thereto.

### 3. Exhibits:

- 3a Articles of Incorporation as amended. Exhibit 3a to the Annual Report on Form 10-K for the year ended December 31, 1997, is hereby incorporated by reference.
- 3b By-Laws as amended, effective April 29, 1998. Exhibit 3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, is hereby incorporated by reference.
- 4a Rights Agreement, effective November 21, 1998. Exhibit 1 to the Form 8-A filed November 18, 1998, is hereby incorporated by reference.
- 4b Form of Registration Rights Agreement between the Company, the Purchasers and the Investors dated November 16, 1994. Exhibit 4.5 to the Form S-3 filed August 26, 1994, is hereby incorporated by reference.
- 10a SPS 1988 Long Term Incentive Stock Plan as amended, effective February 2, 1989. Exhibit 10a to the Annual Report on Form 10-K for the year ended December 31, 1988, is hereby incorporated by reference.
- 10b SPS Employees Savings and Investment Plan as Amended and Restated, effective January 1, 1999. Exhibit 10b to the Annual Report on Form 10-K for the year ended December 31, 1999, is hereby incorporated by reference.
- 10c Employment Agreement between SPS Technologies, Inc. and John S. Thompson, President and Chief Operating Officer, effective October 1, 1999. Exhibit 10c to the Annual Report on Form 10-K for the year ended December 31, 1999, is hereby incorporated by reference.
- 10d SPS Technologies, Inc. Management Incentive Plan as Amended and Restated, effective April 26, 1994. Exhibit 10d to the Annual Report on Form 10-K for the year ended December 31, 1995, is hereby incorporated by reference.
- 10e Form of standby Purchase Agreement dated November 16, 1994. Exhibit 10.1 to the Form S-3/A filed November 17, 1994, is hereby incorporated by reference.
- 10f Retirement Benefit Agreement, dated February 28, 1979. Exhibit 10f to the Annual Report on Form 10-K for the year ended December 31, 1991, is hereby incorporated by reference.
- 10g Fee Arrangement with Former Directors, effective November 29, 1984. Exhibit 10g to the Annual Report on Form 10-K for the year ended December 31, 1990, is hereby incorporated by reference.
- 10h Form of Employment Agreements between SPS Technologies, Inc. and certain employees, as amended and restated effective December 14, 1992. Exhibit 10h to the Annual Report on Form 10-K for the year ended December 31, 1992, is hereby incorporated

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by reference.

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- 10i SPS Technologies, Inc. Executive Deferred Compensation Plan, as amended and restated, effective December 14, 1992. Exhibit 10i to the Annual Report on Form 10-K for the year ended December 31, 1992, is hereby incorporated by reference.
- 10j SPS Technologies, Inc. Executive Deferred Compensation Plan II, as amended and restated effective December 1, 1993. Exhibit 10j to the Annual Report on Form 10-K for the year ended December 31, 1993, is hereby incorporated by reference.
- 10k SPS Technologies, Inc. Supplemental Executive Retirement Plan, as amended and restated effective July 31, 2001(submitted electronically herewith).
- 10l Employment Agreement between SPS Technologies, Inc. and Charles W. Grigg, Chairman and Chief Executive Officer, effective December 1, 1993. Exhibit 10l to the Annual Report on Form 10-K for the period ended December 31, 1993, is hereby incorporated by reference. Amendment 1 to the Employment Agreement (submitted electronically herewith).
- 10m Form of Indemnification Agreements between SPS Technologies, Inc. and officers and directors dated February 2, 1987. Exhibit 10m to the Annual Report on Form 10-K for the period ended December 31, 1992, is hereby incorporated by reference.
- 10n Split Dollar Insurance Agreements regarding certain officers and directors effective April 2, 1990, and November 27, 1991. Exhibit 10n to the Annual Report on Form 10-K for the year ended December 31, 1991, is hereby incorporated by reference.
- 10o SPS Technologies, Inc. Senior Executive Severance Plan, effective December 14, 1992. Exhibit 10o to the Annual Report on Form 10-K for the year ended December 31, 1992, is hereby incorporated by reference.
- 10p Agreement with Retiring Executive, approved December 14, 1992. Exhibit 10p to the Annual Report on Form 10-K for the year ended December 31, 1992, is hereby incorporated by reference.
- 10q SPS Technologies, Inc. Benefit Equalization Plan, as amended and restated effective December 14, 1992. Exhibit 10 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 1993, is hereby incorporated by reference.
- 10r SPS Technologies, Inc. Long Range Incentive Plan, effective January 1, 1995. Exhibit 10r to the Annual Report on Form 10-K for the year ended December 31, 1995, is hereby incorporated by reference.
- 10s SPS Technologies, Inc. Executive Deferred Compensation Plan III, effective January 1, 1998. Exhibit 10s to the Annual Report on Form 10-K for the year ended December 31, 1998, is hereby incorporated by reference.
- 10t SPS Technologies, Inc. Restricted Stock Award Plan for

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Officers, Directors and Non-Officer Employees, effective February 10, 2000. Exhibit 10t to the Annual Report on Form 10-k for the year ended December 31, 2000, is hereby incorporated by reference.

13.1 2001 Consolidated Financial Statements, Notes to Consolidated Financial Statements and Report of Independent Accountants.

13.2 Summary of Quarterly Results for 2001 and 2000.

13.3 Selected Financial Data for 1997 through 2001.

13.4 Common Stock Information for 2001 and 2000.

13.5 2001 Management's Discussion and Analysis of Financial Condition and Results of Operations.

21 Subsidiaries of the Registrant.

23 Consent of Independent Accountants.

(b) Reports on Form 8-K filed during the last quarter of 2001:

None.

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### SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPS TECHNOLOGIES, INC.

-----  
(Registrant)

/s/ William M. Shockley

-----  
William M. Shockley  
Vice President,  
Chief Financial Officer

Date: March 14, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
----- /s/ CHARLES W. GRIGG ----- Charles W. Grigg	Chairman, Chief Executive Officer Director (Principal Executive Officer)	March 14, 2002
----- /s/ JOHN S. THOMPSON -----	President, Chief Operating Officer and Director	March 14, 2002

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John S. Thompson

/s/ WILLIAM M. SHOCKLE Vice President, Chief Financial Officer March 14, 2002  
-----  
(Principal Financial Officer)

William M. Shockley

/s/ JAMES F. O'CONNOR Director March 14, 2002  
-----

James F. O'Connor

/s/ ERIC M. RUTTENBER Director March 14, 2002  
-----

Eric M. Ruttenberg

/s/ HARRY J. WILKINSON Director March 14, 2002  
-----

Harry J. Wilkinson

/s/ JAMES W. ZUG Director March 14, 2002  
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James W. Zug

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REPORT OF INDEPENDENT ACCOUNTANTS ON  
FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of  
SPS Technologies, Inc.:

Our audits of the consolidated financial statements referred to in our report dated February 13, 2002 appearing in the 2001 Annual Report to Shareholders of SPS Technologies, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP  
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PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania  
February 13, 2002

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SCHEDULE II

SPS TECHNOLOGIES, INC. AND SUBSIDIARIES  
VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2001, 2000 and 1999

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(Thousands of dollars)

Description -----	Balance at beginning of year -----	Additions charged (deductions credited) to costs and expenses -----	Add ch (ded cre to ac -----
Year ended December 31, 2001:			
Allowance for doubtful accounts.....	\$ 3,815 =====	\$ 1,281 =====	\$ \$ ==
Deferred income tax valuation allowance.....	\$ 8,407 =====	\$ (68) =====	\$ \$ ==
Year ended December 31, 2000:			
Allowance for doubtful accounts.....	\$ 3,363 =====	\$ 159 =====	\$ \$ ==
Deferred income tax valuation allowance.....	\$ 8,876 =====	\$ (141) =====	\$ \$ ==
Year ended December 31, 1999:			
Allowance for doubtful accounts.....	\$ 2,960 =====	\$ 459 =====	\$ \$ ==
Deferred income tax valuation allowance.....	\$11,782 =====	\$ (1,449) =====	\$ \$ ==

- (a) Write off of uncollectible receivables, net of recoveries.
- (b) Translation adjustments.
- (c) Balance acquired in connection with acquisitions.
- (d) Release of valuation allowances related to a prior year business acquisition and credited to goodwill.

EXHIBIT INDEX

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- 4a Rights Agreement, effective November 21, 1998. Exhibit 1 to the Form 8-A

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- filed November 18, 1998, is hereby incorporated by reference.
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- 10j SPS Technologies, Inc. Executive Deferred Compensation Plan II, as amended and restated effective December 1, 1993. Exhibit 10j to the Annual Report on Form 10-K for the year ended December 31, 1993, is hereby incorporated by reference.
- 10k SPS Technologies, Inc. Supplemental Executive Retirement Plan, as amended and restated effective July 31, 2001 (submitted electronically herewith).
- 10l Employment Agreement between SPS Technologies, Inc. and Charles W. Grigg, Chairman and Chief Executive Officer, effective December 1, 1993. Exhibit 10l to the Annual Report on Form 10-K for the period ended December 31, 1993, is hereby incorporated by reference. Amendment 1 to the Employment Agreement (submitted electronically herewith).
- 10m Form of Indemnification Agreements between SPS Technologies, Inc. and officers and directors dated February 2, 1987. Exhibit 10m to the Annual

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- Report on Form 10-K for the period ended December 31, 1992, is hereby incorporated by reference.
- 10n Split Dollar Insurance Agreements regarding certain officers and directors effective April 2, 1990, and November 27, 1991. Exhibit 10n to the Annual Report on Form 10-K for the year ended December 31, 1991, is hereby incorporated by reference.
- 10o SPS Technologies, Inc. Senior Executive Severance Plan, effective December 14, 1992. Exhibit 10o to the Annual Report on Form 10-K for the year ended December 31, 1992, is hereby incorporated by reference.
- 10p Agreement with Retiring Executive, approved December 14, 1992. Exhibit 10p to the Annual Report on Form 10-K for the year ended December 31, 1992, is hereby incorporated by reference.
- 10q SPS Technologies, Inc. Benefit Equalization Plan, as amended and restated effective December 14, 1992. Exhibit 10 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 1993, is hereby incorporated by reference.
- 10r SPS Technologies, Inc. Long Range Incentive Plan, effective January 1, 1995. Exhibit 10r to the Annual Report on Form 10-K for the year ended December 31, 1995, is hereby incorporated by reference.
- 10s SPS Technologies, Inc. Executive Deferred Compensation Plan III, effective January 1, 1998. Exhibit 10s to the Annual Report on Form 10-K for the year ended December 31, 1998, is hereby incorporated by reference.
- 10t SPS Technologies, Inc. Restricted Stock Award Plan for Officers, Directors and Non-Officer Employees, effective February 10, 2000. Exhibit 10t to the Annual Report on Form 10-K for the year ended December 31, 2000, is hereby incorporated by reference.
- 13.1 2001 Consolidated Financial Statements, Notes to Consolidated Financial Statements and Report of Independent Accountants.
- 13.2 Summary of Quarterly Results for 2001 and 2000.
- 13.3 Selected Financial Data for 1997 through 2001.
- 13.4 Common Stock Information for 2001 and 2000.
- 13.5 2001 Management's Discussion and Analysis of Financial Condition and Results of Operations.
- 21 Subsidiaries of the Registrant.
- 23 Consent of Independent Accountants.