

PREFORMED LINE PRODUCTS CO

Form 10-Q

January 04, 2008

**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 September 30, 2007**

**Commission file number 0-31164**

**Preformed Line Products Company**

(Exact Name of Registrant as Specified in Its Charter)

Ohio

34-0676895

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

660 Beta Drive  
Mayfield Village, Ohio

44143

(Address of Principal Executive Office)

(Zip Code)

(440) 461-5200

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of common shares outstanding as of January 4, 2008: 5,381,456.

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**PART I FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
**PREFORMED LINE PRODUCTS COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	September 30, 2007	December 31, 2006
<i>Thousands of dollars, except share data</i>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 20,574	\$ 29,949
Accounts receivable, less allowances of \$1,853 (\$1,209 in 2006)	43,768	30,029
Inventories net	53,435	40,415
Deferred income taxes	3,885	2,528
Prepays and other	4,677	2,504
<b>TOTAL CURRENT ASSETS</b>	<b>126,339</b>	<b>105,425</b>
Property and equipment net	60,451	52,810
Deferred income taxes	3,795	5,145
Goodwill net	6,128	2,166
Patents and other intangibles net	2,716	2,546
Other assets	2,837	2,760
<b>TOTAL ASSETS</b>	<b>\$ 202,266</b>	<b>\$ 170,852</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Notes payable to banks	\$ 4,322	\$ 3,738
Current portion of long-term debt	1,434	2,157
Trade accounts payable	17,073	11,606
Accrued compensation and amounts withheld from employees	7,992	5,556
Accrued expenses and other liabilities	6,093	4,225
Accrued profit-sharing and other benefits	3,779	3,596
Dividends payable	1,076	1,072
Income taxes	1,724	1,129
<b>TOTAL CURRENT LIABILITIES</b>	<b>43,493</b>	<b>33,079</b>
Long-term debt, less current portion	3,523	2,204
Deferred income taxes	566	439
Unfunded pension liabilities	4,465	3,982
Unrecognized tax benefits	1,896	
Other non-current liabilities	1,026	
Minority interest	961	

**SHAREHOLDERS EQUITY**

Common shares \$2 par value, 15,000,000 shares authorized, 5,378,456 and 5,360,259 issued and outstanding, net of 373,333 and 365,311 treasury shares at par, respectively	10,757	10,721
Paid in capital	2,429	1,562
Retained earnings	140,716	131,949
Accumulated other comprehensive loss	(7,566)	(13,084)
<b>TOTAL SHAREHOLDERS EQUITY</b>	146,336	131,148
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	\$ 202,266	\$ 170,852

*See notes to consolidated financial statements.*

**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED INCOME**  
**(UNAUDITED)**

<i>In thousands, except per share data</i>	Three month periods ended September 30,		Nine month periods ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 66,099	\$ 56,439	\$ 186,383	\$ 165,172
Cost of products sold	43,316	37,677	123,631	111,493
<b>GROSS PROFIT</b>	22,783	18,762	62,752	53,679
Costs and expenses				
Selling	6,208	5,475	18,789	16,872
General and administrative	6,736	5,680	19,101	17,347
Research and engineering	2,026	1,928	6,029	5,807
Other operating expenses (income) net	(169)	136	121	318
	14,801	13,219	44,040	40,344
Royalty income net	345	287	1,487	1,004
<b>OPERATING INCOME</b>	8,327	5,830	20,199	14,339
Other income (expense)				
Interest income	279	389	853	1,144
Interest expense	(140)	(164)	(437)	(399)
Other expense net	(9)	(19)	(22)	(53)
	130	206	394	692
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTEREST</b>	8,457	6,036	20,593	15,031
Income taxes	2,769	2,027	7,371	4,972
<b>INCOME BEFORE MINORITY INTEREST</b>	5,688	4,009	13,222	10,059
Minority interest	24		24	
<b>NET INCOME</b>	\$ 5,664	\$ 4,009	\$ 13,198	\$ 10,059

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Net income per share	basic	\$	1.05	\$	0.71	\$	2.46	\$	1.77
Net income per share	diluted	\$	1.04	\$	0.70	\$	2.44	\$	1.75
Cash dividends declared per share		\$	0.20	\$	0.20	\$	0.60	\$	0.60
Weighted average number of shares outstanding	basic		5,379		5,638		5,369		5,696
Weighted average number of shares outstanding	diluted		5,437		5,688		5,418		5,746

*See notes to consolidated financial statements.*

**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED CASH FLOWS**  
**(UNAUDITED)**

<i>Thousands of dollars</i>	Nine Month Periods Ended September 30,	
	2007	2006
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 13,198	\$ 10,059
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	5,642	5,162
Deferred income taxes	231	(656)
Stock based compensation expense	188	193
Net investment in life insurance	71	72
Other net	88	(93)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(9,998)	(9,765)
Inventories	(7,275)	(1,158)
Trade accounts payables and accrued liabilities	5,149	1,975
Income taxes	1,412	2,860
Other net	(635)	(765)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>8,071</b>	<b>7,884</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(6,958)	(8,463)
Business acquisitions, net of cash received	(8,443)	
Proceeds from the sale of property and equipment	152	378
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(15,249)</b>	<b>(8,085)</b>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in notes payable to banks	(111)	1,388
Proceeds from the issuance of long-term debt	1,311	3,038
Payments of long-term debt	(1,309)	(2,875)
Dividends paid	(3,219)	(3,435)
Excess tax benefits from stock based awards	193	
Issuance of common shares	487	102
Purchase of common shares for treasury	(328)	(12,141)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,976)</b>	<b>(13,923)</b>
Effects of exchange rate changes on cash and cash equivalents	779	558
Decrease in cash and cash equivalents	(9,375)	(13,566)
Cash and cash equivalents at beginning of year	29,949	39,592



<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$	20,574	\$	26,026
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*See notes to consolidated financial statements.*

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**PREFORMED LINE PRODUCTS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*Tables in thousands, except per share data*

**NOTE A BASIS OF PRESENTATION**

The accompanying unaudited financial statements of Preformed Line Products Company ( the Company ) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. These consolidated financial statements do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. Certain amounts in the prior year financial statements have been adjusted for the retrospective application of Financial Accounting Standards Board (FASB) Staff Position AUG AIR 1, Accounting for Planned Major Maintenance Activities, and the beginning of the year retained earnings has been reduced for the cumulative effect of adopting FASB Interpretation (FIN) No. 48,

Accounting for Uncertainty in Income Taxes (see Note H). The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. However, in the opinion of management, these consolidated financial statements contain all estimates and adjustments required to fairly present the financial position, results of operations, and cash flows for the interim periods. Operating results for the nine month period ended September 30, 2007 are not necessarily indicative of the results to be expected for the year ending December 31, 2007.

The consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements, but does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the consolidated financial statements and notes to consolidated financial statements included in the Company s Form 10-K/A for 2006 filed on January 4, 2008 with the Securities and Exchange Commission.

**NOTE B OTHER FINANCIAL STATEMENT INFORMATION**

*Inventories*

	September 30, 2007	December 31, 2006
Finished goods	\$ 22,395	\$ 17,044
Work-in-process	3,270	1,844
Raw material	31,570	25,431
	57,235	44,319
Excess of current cost over LIFO cost	(3,800)	(3,904)
	\$ 53,435	\$ 40,415

During 2007, management s comprehensive review of the components of the Company s Brazil operation s excess and obsolescence reserve calculation discovered that the details of the reserve account included an inappropriate reserve of \$.6 million at December 31, 2006. Based on the timing of the completion of certain aspects of this review, the Company recorded a \$.4 million adjustment in the first quarter of 2007 and a \$.2 million adjustment in the second quarter of 2007 related to the excess and obsolete reserve at December 31, 2006. Management determined that the total year-to-date adjustments related to Brazil s excess and obsolete reserve of \$.6 million were not material, quantitatively or qualitatively, to prior periods and are not expected to be material to the annual 2007 results of operations.



*Property and equipment*

Major classes of property, plant and equipment are stated at cost and were as follows:

	September 30, 2007	December 31, 2006
Land and improvements	\$ 9,377	\$ 8,422
Buildings and improvements	46,167	41,941
Machinery and equipment	111,839	101,339
Construction in progress	6,888	2,629
	174,271	154,331
Less accumulated depreciation	113,820	101,521
	\$ 60,451	\$ 52,810

*Comprehensive Income*

The components of comprehensive income are as follows:

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2007	2006	2007	2006
Net income	\$ 5,664	\$ 4,009	\$ 13,198	\$ 10,059
Other comprehensive income:				
Foreign currency adjustments	2,521	683	5,596	1,824
Net actuarial loss	(78)		(78)	
Comprehensive income	\$ 8,107	\$ 4,692	\$ 18,716	\$ 11,883

*Guarantees*

Product warranty balance at January 1, 2007	\$ 82
Additions charged to Cost of products sold	145
Deductions	(35)
Product warranty balance at September 30, 2007	\$ 192

*Legal Proceedings*

From time to time, the Company may be subject to litigation incidental to its business. The Company is not a party to any pending legal proceedings that the Company believes would, individually or in the aggregate, have a material adverse effect on its financial condition, results of operations or cash flows.

**NOTE C PENSION PLANS**

Net periodic benefit cost for the Company's domestic plan included the following components:

Three month periods ended September 30,	Nine month periods ended September 30,
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	2007	2006	2007	2006
Service cost	\$ 177	\$ 209	\$ 531	\$ 595
Interest cost	235	222	704	676
Expected return on plan assets	(235)	(217)	(704)	(654)
Net periodic benefit cost	\$ 177	\$ 214	\$ 531	\$ 617

As of September 30, 2007, \$.1 million of contributions have been made. The Company presently anticipates contributing an additional \$.2 million to fund its pension plan in 2007 for a total of \$.3 million.

## NOTE D COMPUTATION OF EARNINGS PER SHARE

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2007	2006	2007	2006
Numerator				
Net income	\$ 5,664	\$ 4,009	\$ 13,198	\$ 10,059
Denominator				
Determination of shares				
Weighted average common shares outstanding	5,379	5,638	5,369	5,696
Dilutive effect employee stock options	58	50	49	50
Diluted weighted average common shares outstanding	5,437	5,688	5,418	5,746
Earnings per common share				
Basic	\$ 1.05	\$ 0.71	\$ 2.46	\$ 1.77
Diluted	\$ 1.04	\$ 0.70	\$ 2.44	\$ 1.75

## NOTE E GOODWILL AND OTHER INTANGIBLES

The Company had performed its impairment test for goodwill pursuant to SFAS No. 142, Goodwill and Intangible Assets, as of January 2007 and had determined that no adjustment to the carrying value of goodwill was required. The aggregate amortization expense for other intangibles with finite lives for each of the three months ended September 30, 2007 and 2006 was \$.1 million, and for each of the nine months ended September 30, 2007 and 2006 was \$.2 million. Amortization expense is estimated to be \$.3 million annually for 2007 through 2011. The following table sets forth the carrying value and accumulated amortization of intangibles, including the effect of foreign currency translation, as of the periods ended:

	September 30, 2007	December 31, 2006
Intangible assets primarily patents	\$ 5,442	\$ 5,026
Accumulated amortization	(2,726)	(2,480)
Total amortized intangible assets	\$ 2,716	\$ 2,546

The Company's only intangible asset with an indefinite life is goodwill. The Company's additions of \$3.7 million to goodwill are related to the acquisition of Direct Power and Water Corporation (DPW) in the amount of \$2.6 million and the acquisition of Belos SA of \$1.2 million (see Note J Business Combinations for further details). The changes in the carrying amount of goodwill for the nine month period ended September 30, 2007, is as follows:

Australia	South Africa	All Other	Total
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Balance at January 1, 2007	\$ 257	\$ 55	\$ 1,854	\$ 2,166
Additions			3,740	3,740
Currency translation		1	221	222
Balance at September 30, 2007	\$ 257	\$ 56	\$ 5,815	\$ 6,128

NOTE F STOCK OPTIONS

The 1999 Stock Option Plan (the Plan) permits the grant of 300,000 options to buy common shares of the Company to certain employees at not less than fair market value of the shares on the date of grant. At September 30, 2007 there were 22,000 shares remaining available for issuance under the Plan. Options issued to date under the Plan vest 50% after one year following the date of the grant, 75% after two years, and 100% after three years and expire from five to ten years from the date of grant. Shares issued as a result of stock option exercises will be funded with the issuance of new shares.

There were 20,000 options granted during the nine months ended September 30, 2007. There were no options granted during the nine months ended September 30, 2006. The fair value for the stock options granted in 2007 was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2007
Risk-free interest rate	4.3%
Dividend yield	2.9%
Expected life (years)	6
Expected volatility	37.9%

Activity in the Company's stock option plan for the nine months ended September 30, 2007 was as follows:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007	130,811	\$23.43		
Granted	20,000	\$37.44		
Exercised	(27,369)	\$21.55		
Forfeited				
Outstanding (vested and expected to vest) at September 30, 2007	123,442	\$26.11	6.7	\$3,198
Exercisable at September 30, 2007	90,692	\$21.98	5.3	\$2,724

The weighted average grant-date fair value of options granted during 2007 was \$11.93. The total intrinsic value of stock options exercised during the nine months ended September 30, 2007 and 2006 was \$.7 million and \$.2 million, respectively. Cash received for the exercise of stock options during 2007 was \$.5 million. The total fair value of stock options that vested during the nine months ended September 30, 2007 and 2006 was \$.1 million and \$.3 million, respectively.

For the nine months ended September 30, 2007 and 2006, the Company recorded compensation expense related to the stock options recognized over the requisite service period, reducing income before taxes and net income by \$.2 million. For the nine months ended September 30, 2007 and 2006, the impact on earnings per share was a reduction of \$.03 per share, basic and diluted. The total compensation cost related to nonvested awards not yet recognized at September 30, 2007 is expected to be a combined total of \$.3 million over a weighted-average period of 2 years.

The excess tax benefits from stock based awards for the nine months ended September 30, 2007 of \$.2 million, as reported on the consolidated statements of cash flows in financing activities, represents the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in the current period.

Activity for nonvested stock options for the nine months ended September 30, 2007 was as follows:



	Number of Shares	Weighted- average grant-date fair value per share
Nonvested at January 1, 2007	28,000	\$ 10.61
Granted	20,000	\$ 11.93
Vested	(15,250)	\$ 9.32
Forfeited		
Nonvested at September 30, 2007	32,750	\$ 11.91

**NOTE G RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In September 2006, the FASB issued Statement of Financial Account Standards (SFAS) No. 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This standard does not require new fair value measurements; however the application of this standard may change current practice for an entity. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal periods. The Company is evaluating the impact this standard will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment to FASB No. 115. This standard permits entities to measure certain financial assets and liabilities at fair value. The fair value option established by this standard permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair values option has been elected at each subsequent reporting period. The fair value option election is irrevocable, unless a new election date occurs. SFAS No. 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity's election on earnings, but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. This standard is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Company is evaluating the impact this standard will have on its consolidated financial statements.

**NOTE H NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income taxes an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FIN 48). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for the Company starting January 1, 2007.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$.8 million increase in the liability for unrecognized tax benefits which was accounted for as a reduction in retained earnings. The total amount of unrecognized tax benefits including the accrual for interest and penalties, as of the date of adoption was \$1.8 million, all of which would affect the effective tax rate if recognized. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes. The Company had \$.1 million accrued for the payment of interest and penalties at December 31, 2006. Upon adoption of

FIN 48 on January 1, 2007, the Company increased its accrual for interest and penalties to \$.2 million. The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before 2004.

The Company does not expect that the unrecognized tax benefit will change significantly within the next twelve months.

In September 2006, the FASB issued FASB Staff Position AUG AIR-1, Accounting for Planned Major Maintenance Activities. This staff position amends certain provisions in the AICPA Industry Audit Guide, Audits of Airlines (Airline Guide), and APB No. 28, Interim Financial Reporting. This staff position prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods. The Company adopted the direct expense method effective January 1, 2007, and has retrospectively applied this new accounting principle to prior periods.

The cumulative effect of the retrospective application of the new accounting principle to the carrying value of assets and liabilities and the offsetting adjustment to opening January 1, 2006 retained earnings was a decrease in deferred tax assets of \$.1 million, a decrease in accrued liabilities of \$.3 million and an increase in beginning retained earnings of \$.2 million. The effect on the results of operations for the nine months ended September 30, 2006 was an increase to net income of \$31 thousand in the PLP-USA segment.

#### NOTE I SEGMENT INFORMATION

The following table presents a summary of the Company's reportable segments for the three month periods and nine month periods ended September 30, 2007 and 2006. Prior year amounts have been restated to reflect the current seven reportable segments. Financial results for the PLP-USA segment include the elimination of all segments' intercompany profits in inventory.

	Three month periods ended September 30,		Nine month periods ended September 30,	
	2007	2006	2007	2006
Net sales				
PLP-USA	\$ 24,995	\$ 23,805	\$ 79,001	\$ 69,804
SMP	5,686	5,363	15,919	15,919
Australia	4,800	5,492	12,995	11,326
Brazil	7,396	4,396	18,738	16,079
South Africa	2,562	2,140	5,832	6,654
Canada	2,782	2,536	7,721	7,034
All Other	17,878	12,707	46,177	38,356
Total net sales	\$ 66,099	\$ 56,439	\$ 186,383	\$ 165,172
Intersegment sales				
PLP-USA	\$ 1,472	\$ 1,333	\$ 4,536	\$ 4,119
SMP	47	103	157	400
Australia	15	53	98	209
Brazil	335	245	1,262	834
South Africa	205	192	637	303
Canada	21	43	60	338
All Other	2,423	1,362	7,091	4,247
Total intersegment sales	\$ 4,518	\$ 3,331	\$ 13,841	\$ 10,450

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	Three month periods ended September 30,		Nine month periods ended September 30,	
	2007	2006	2007	2006
<b>Interest income</b>				
PLP-USA	\$ 125	\$ 245	\$ 443	\$ 725
SMP	15	15	48	24
Australia		3	8	11
Brazil	58	39	98	174
South Africa	19	13	59	26
Canada	21	48	67	117
All Other	41	26	130	67
<b>Total interest income</b>	<b>\$ 279</b>	<b>\$ 389</b>	<b>\$ 853</b>	<b>\$ 1,144</b>
<b>Interest expense</b>				
PLP-USA	\$ (15)	\$ (6)	\$ (30)	\$ (23)
SMP				
Australia	(22)	(30)	(58)	(89)
Brazil	(1)		(19)	(2)
South Africa		(2)		(2)
Canada				
All Other	(102)	(126)	(330)	(283)
<b>Total interest expense</b>	<b>\$ (140)</b>	<b>\$ (164)</b>	<b>\$ (437)</b>	<b>\$ (399)</b>
<b>Income Taxes</b>				
PLP-USA	\$ 1,255	\$ 899	\$ 3,790	\$ 1,852
SMP	64	57	131	182
Australia	122	207	194	241
Brazil	304	50	765	494
South Africa	205	164	460	539
Canada	259	261	653	671
All Other	560	389	1,378	993
<b>Total income taxes</b>	<b>\$ 2,769</b>	<b>\$ 2,027</b>	<b>\$ 7,371</b>	<b>\$ 4,972</b>
<b>Net Income</b>				
PLP-USA	\$ 2,272	\$ 1,535	\$ 5,651	\$ 3,419
SMP	96	85	143	281
Australia	246	460	412	537
Brazil	762	163	1,607	1,090
South Africa	369	383	992	1,258
Canada	448	452	1,128	1,160
All Other	1,471	931	3,265	2,314

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Total net income	\$	5,664	\$	4,009	\$	13,198	\$	10,059
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			September 30, 2007	December 31, 2006
Identifiable assets				
PLP-USA	\$	72,668	\$	73,005
SMP		13,257		12,809
Brazil		18,118		12,161
South Africa		5,268		4,103
Canada		7,925		6,637
All Other		85,030		62,137
Total assets	\$	202,266	\$	170,852

The identifiable assets for the Company's Australia segment as of September 30, 2007 and December 31, 2006 have been included in All Other because the information is not separately maintained.

#### NOTE J BUSINESS COMBINATIONS

On March 22, 2007, the Company entered into and closed a Stock Purchase Agreement (Agreement) for \$3 million, subject to a holdback of \$.4 million, acquiring all of the issued and outstanding shares of Direct Power and Water Corporation (DPW), a New Mexico company that designs and installs solar systems and manufactures mounting hardware, battery, and equipment enclosures. The hold back of \$.4 million is to be held as security for any liability of the sellers pursuant to the indemnity obligations set forth in the Agreement. Depending on the post-closing performance of DPW, certain earn out consideration may be paid for the three years following the closing.

The Company's consolidated balance sheet as of September 30, 2007 reflects the acquisition of DPW under the purchase method of accounting. The Company recorded various assets acquired and liabilities assumed, primarily the working capital accounts of DPW. The allocation of the purchase price has not yet been finalized as the valuation of inventories, long lived assets and intangibles is not yet completed. The purchase price allocation remains subject to revision.

The preliminary value of assets acquired and liabilities assumed in connection with the DPW acquisition as of September 30, 2007 is as follows:

	Preliminary Value of Net Assets Acquired
Cash	\$ 75
Accounts receivable	475
Inventories	693
Prepays and other	5
Property and equipment	223
Goodwill	2,569
 Total assets	 4,040
 Notes payable to banks	 244
Trade accounts payable	492
Accrued compensation and amounts withheld from employees	31
Accrued expenses and other liabilities	20
Deferred income taxes	132
Income taxes payable	121
 Total liabilities	 1,040
 Increase in net assets from acquisition	 \$ 3,000

Annualized unaudited 2006 net revenues of DPW were approximately \$7.1 million. The consolidated financial statements for the three month and nine month periods ended September 30, 2007 only include results of DPW from the acquisition date. The reported results of operations are not materially different from the proforma amounts that would include the impact of the acquisition from the beginning of the periods presented. DPW is included in the All Other category for segment disclosures.

On April 22, 2007, the Company entered into a Stock Purchase Agreement for \$6 million to acquire approximately 83.74% of the issued and outstanding shares of Belos SA, a Polish company that manufactures and supplies fittings for low, medium and high voltage power networks in its domestic and export markets. The agreement was closed September 6, 2007.

The Company's consolidated balance sheet as of September 30, 2007 reflects the acquisition of Belos SA under the purchase method of accounting. The Company recorded various assets acquired and liabilities assumed of Belos SA. The allocation of the purchase price has not yet been finalized as the valuation of inventories, long lived assets and intangibles is not yet completed. The purchase price allocation remains subject to revision but it is most likely that the value of inventory, property and equipment will increase and goodwill as presently recorded will decrease. The preliminary value of assets acquired and liabilities assumed in connection with the Belos SA acquisition as of September 30, 2007 is as follows:

	Preliminary Value of Net Assets Acquired
Cash	\$ 103
Accounts receivable	2,975
Inventories	2,811
Prepays and other	149
Property and equipment	3,050
Other long term assets	83
Goodwill	1,171
 Total assets	 10,342
 Notes payable to bank	 150
Trade accounts payable	1,863
Accrued compensation and amounts withheld from employees	396
Accrued expenses and other liabilities	293
Other long term liabilities	622
Deferred income taxes	35
Income taxes payable	45
Minority interest	938
 Total liabilities	 4,342
 Increase in net assets from acquisition	 \$ 6,000

Annualized unaudited 2006 net revenues of Belos SA were approximately \$14 million. The consolidated financial statements for the three month and nine month periods ended September 30, 2007 only include results of Belos SA from the acquisition date. The reported results of operations are not materially different from the proforma amounts that would include the impact of the acquisition from the beginning of the periods presented. Belos SA is included in the All Other category for segment disclosures.

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

### **OVERVIEW**

Our consolidated financial results for the quarter ended September 30, 2007 incorporated the financial results of our solar energy operation (Direct Power and Water Corporation) acquired on March 22, 2007 as well as the results of Belos SA acquired on September 6, 2007. The results of both these operations are included in our All Other segment. Our sales for the quarter ended September 30, 2007 increased 17% and gross profit increased 21% compared to the same period in 2006. Net sales increased in all of our segments with the exception of Australia. Net sales increased



primarily as a result of incorporating the sales from our newly acquired solar energy operation and Belos SA, the favorable impact of the conversion of local currencies to the U.S. dollar and improved sales into PLP-USA energy and telecommunications markets. The 21% increase in gross profit was partially offset by a 12% increase in costs and expenses resulting in an increase in net income of 41%, or \$.35 per diluted share, when compared to the quarter ended

September 30, 2006.

For the nine months ended September 30, 2007, our net sales increased 13% and gross profit increased 17% compared to the same period in 2006. The increase in gross profit was partially offset by a 9% increase in costs and expenses resulting in an increase in net income of 31%, or \$.69 per diluted share, when compared to the same period in 2006. THREE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2006

For the three months ended September 30, 2007, net sales were \$66.1 million, an increase of \$9.7 million, or 17%, from the same period in 2006 as summarized in the following table:

<i>thousands of dollars</i>	Three month periods ended September 30,			Change due to currency conversion rate changes	Net change	% Net change
	2007	2006	Change			
Net sales						
PLP-USA	\$ 24,995	\$ 23,805	\$ 1,190		\$ 1,190	5%
SMP	5,686	5,363	323		323	6
Australia	4,800	5,492	(692)	502	(1,194)	(22)
Brazil	7,396	4,396	3,000	857	2,143	49
South Africa	2,562	2,140	422	16	406	19
Canada	2,782	2,536	246	179	67	3
All Other	17,878	12,707	5,171	1,028	4,143	33
Consolidated	\$ 66,099	\$ 56,439	\$ 9,660	\$ 2,582	\$ 7,078	13%

The increase in PLP-USA net sales of \$1.2 million, or 5%, was primarily due to increases in price and mix in our energy markets and telecommunications markets. We are beginning to see sales slowing in the distribution sector of the domestic energy market as it relates to new home construction. In the domestic telecommunications markets, we believe many of the large carriers are placing greater emphasis on building out fiber networks rather than maintaining the existing copper based infrastructure. Our SMP net sales increased \$.3 million, or 6%, due to increased sales volume. Foreign net sales were favorably impacted by \$2.6 million when local currency was converted to U.S. dollars as a result of the weaker U.S. dollar compared to certain currencies when compared to the third quarter 2006 conversion rates. Beginning in 2006 we experienced an increase in demand in many of our foreign energy markets and anticipate the strong level of demand to continue for the remainder of 2007 and into 2008. We continue to confront aggressive pricing pressures from our competition in our foreign energy markets. Excluding the effect of currency conversion, Australia net sales decreased \$1.2 million, or 22%, primarily due to a volume decrease in energy sales. Brazil net sales increased \$2.1 million, or 49%, and South Africa net sales increased \$.4 million, or 19%, primarily as a result of increased sales volume. Excluding the effect of currency conversion, Canada net sales increased \$.1 million compared to the same period in 2006. All Other net sales of \$17.9 million increased \$5.2 million, or 41%, compared to 2006 primarily as a result of including the \$3.8 million of net sales from the acquisition of our solar energy operation on March 22, 2007 and our acquisition of Belos SA on September 6, 2007 and a \$1 million favorable impact when certain local currencies were converted to U.S. dollars when compared to the third quarter 2006 conversion rates.

Gross profit of \$22.8 million for the three months ended September 30, 2007 increased \$4 million, or 21%, compared to the same period in 2006. PLP-USA gross profit of \$9.3 million increased \$1.6 million, or 21%, compared to 2006. PLP-USA gross profit increased \$.4 million due to higher net sales and \$1.2 million due to lower per unit manufacturing cost as a result of higher production volumes. SMP gross profit of \$1.2 million decreased \$.1 million

due primarily to higher material costs. Foreign gross profit was favorably impacted by \$.9 million when local currency was converted to U.S. dollars when compared to the third quarter 2006 conversion rates. Australia gross profit of \$1.5 million decreased \$.3 million primarily as a result of a \$.4 million decrease in gross profit due to lower sales partially offset by the favorable effect of currency conversion. Brazil gross profit increased \$1 million primarily as a result of a \$.7 million increase in gross profit on increased sales and a \$.3 million favorable effect of currency conversion rates

when compared to the same period in 2006. South Africa gross profit of \$1 million increased \$.1 million primarily due to an increase in gross profit on increased sales. Canada gross profit of \$1.3 million increased \$.1 million primarily due to the increase in gross profit on higher net sales. All Other gross profit of \$6.1 million increased \$1.6 million primarily as a result of a \$.4 million favorable impact of converting certain foreign currency into U.S. dollars conversion rates compared to the same period in 2006 and a \$1.4 million increase in gross profit on increased net sales. We continue to believe the costs of some raw material are beginning to stabilize and we anticipate a slower overall rate of cost increase for raw materials during the remainder of 2007.

Costs and expenses of \$14.8 million for the three months ended September 30, 2007 increased \$1.6 million, or 12%, compared to the previous year as summarized in the following table:

<i>thousands of dollars</i>	Three months ended September 30,			Change due to currency conversion rate changes	Net change	% Net change
	2007	2006	Change			
Costs and expenses						
PLP-USA	\$ 7,032	\$ 6,551	\$ 481		\$ 481	7%
SMP	1,430	1,545	(115)		(115)	(7)
Australia	925	888	37	98	(61)	(7)
Brazil	1,284	1,145	139	142	(3)	
South Africa	373	307	66	2	64	21
Canada	441	342	99	28	71	21
All Other	3,315	2,441	874	213	661	27
Consolidated	\$ 14,800	\$ 13,219	\$ 1,581	\$ 483	\$ 1,098	8%

The increase in PLP-USA costs and expenses was primarily due to a \$.2 million increase in commission expense on increased sales, a \$.4 million increase in personnel related expenses and a \$.4 million increase in bad debt expenses as a result of recoveries made in 2006 which had previously been written off. These increases were partially offset by a \$.2 million decrease in third party product testing, a \$.1 million decrease in sales promotion and advertising expense and a \$.2 million decrease in other operating expenses related to the write-down of certain assets in 2006 associated with certain products being removed from the market. SMP costs and expenses decreased \$.1 million primarily due to a reduction in personnel expense. The change in costs and expenses at Australia, Brazil, South Africa and Canada excluding the impact of the currency conversion rate were less than \$.1 million. All Other costs and expenses increased \$.7 million net of the unfavorable impact of the currency conversion rate change primarily due to a \$.4 million increase from the inclusion of our solar energy operations and Belos SA in our consolidated financial statements and a \$.2 million increase in personnel expenses at all other operations.

Royalty income net for the quarter ended September 30, 2007 of \$.3 million increased \$.1 million compared to the same period in 2006 due to increased data-communication royalty income for SMP.

Operating income of \$8.3 million for the quarter ended September 30, 2007 increased \$2.5 million, or 43%, compared to the same period in 2006. This increase was a result of the increase in gross profit of \$4 million partially offset by the increase in costs and expenses of \$1.5 million. PLP-USA operating income of \$3.4 million increased \$1.2 million due to the increase in gross profit of \$1.6 million and a \$.1 million increase in intercompany royalty income partially offset by the \$.5 million increase in costs and expenses. SMP operating income remained relatively flat compared to the same period in 2006 as the decrease in costs and expenses and the increase in royalty income offset the decrease in gross profit. Australia operating profit decreased \$.3 million as a result of a decrease in gross profit. Brazil operating income increased \$.8 million as a result of the \$1 million increase in gross profit partially offset by a \$.2 million increase in costs and expenses and intercompany royalty expense. South Africa and Canada operating income

remained relatively flat compared to the same period in 2006. All Other operating income increased \$.7 million primarily as a result of the \$1.6 million increase in gross profit partially offset by a \$.9 million increase in costs and expenses and intercompany royalty expense.

Other income of \$.1 million for the three months ended September 30, 2007 decreased \$.1 million as a result of a decrease in interest income net of interest expense.

Income taxes for the three months ended September 30, 2007 of \$2.8 million were \$.8 million higher than the same period in 2006 as a result of \$2.4 million of additional income before tax. The effective tax rate for the three months ended September 30, 2007 was 33% compared to 34% in 2006. The effective tax rate for three months ended September 30, 2007 is lower than the statutory federal rate of 34% primarily due to the additional tax benefits related to the reversal of uncertain tax positions as a result of the expiration of certain statutes of limitations.

As a result of the preceding items, net income for the three month period September 30, 2007 was \$5.7 million, or \$1.04 per diluted share, compared to net income of \$4 million, or \$.70 per diluted share for the same period in 2006. PLP-USA net income of \$2.3 million increased \$.7 million compared to the same period in 2006 as a result of a \$1.2 million increase in operating income partially offset by a \$.1 million decrease in interest income and a \$.4 million increase in income taxes. SMP net income of \$.1 million, South Africa net income of \$.4 million and Canada net income of \$.4 million remained relative flat compared to same period in 2006. Australia net income of \$.2 million decreased \$.2 million compared to the same period in 2006 primarily due to a \$.3 million decrease in operating income partially offset by a \$.1 million decrease in income taxes. Brazil net income of \$.8 million increased \$.6 million compared to the same period in 2006 as a result of a \$.8 million increase in operating income partially offset by an increase in income taxes. All Other net income of \$1.5 million increased \$.5 million compared to the same period in 2006 as a result of a \$.7 million increase in operating income partially offset by a increase in income taxes.

**NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2006**

For the nine months ended September 30, 2007, net sales were \$186.4 million, an increase of \$21.2 million, or 13%, from the same period in 2006 as summarized in the following table:

<i>thousands of dollars</i>	Nine month periods ended September 30,					
	2007	2006	Change	Change due to currency conversion rate changes	Net change	% Net change
Net sales						
PLP-USA	\$ 79,001	\$ 69,804	\$ 9,197		\$ 9,197	13%
SMP	15,919	15,919				
Australia	12,995	11,326	1,669	1,155	514	5
Brazil	18,738	16,079	2,659	1,619	1,040	6
South Africa	5,832	6,654	(822)	(439)	(383)	(6)
Canada	7,721	7,034	687	202	485	7
All Other	46,177	38,356	7,821	2,935	4,886	13
Consolidated	\$ 186,383	\$ 165,172	\$ 21,211	\$ 5,472	\$ 15,739	10%

PLP-USA net sales of \$79 million increased \$9.2 million, or 13%. The increase in PLP-USA sales for the nine month period ended September 30, 2007 is mostly due to increased volume compared to 2006. Sales in our energy markets increased 24% and sales in our telecommunications markets increased 8%. SMP net sales of \$15.9 million were relatively flat compared to 2006. Foreign net sales were favorably impacted by \$5.5 million when local currency was converted to U.S. dollars as a result of the weaker U.S. dollar compared to certain currencies when compared to the 2006 conversion rates for the same period. Australia net sales of \$13 million increased \$.5 million on increased sales volume and were favorably impacted by \$1.2 million due to the change in conversion rates compared to the same

period in 2006. Brazil net sales of \$18.7 million increased \$2.7 million primarily due to a \$1.1 million increase in sales volume and \$1.6 million favorable impact due to the change in conversion rates compared to the same period in 2006. South Africa net sales of \$5.8 million declined \$.8 million as a result of a \$.4 million decrease in sales volume and a \$.4 million unfavorable impact due to the change in conversion rates compared to the same period in 2006.

Canada net sales of \$7.7 million increased \$.7 million compared to the same period in 2006 on increased volume of \$.5 million and a \$.2 million favorable impact due to the change in conversion rates compared to the same period in 2006. All Other net sales increased \$7.8 primarily as a result of a \$2.9 million favorable impact due to the change in conversion rates compared to the same period in 2006 when certain currencies were converted to U.S. dollars. Excluding the effect of currency conversion, All Other net sales increased \$4.9 million compared to the same period in 2006 due to the inclusion of the \$5.3 million in sales from our solar energy operation and from Belos S.A. partially offset by \$.4 million lower volume in our energy markets at all other operating locations. Gross profit of \$62.8 million for the nine months ended September 30, 2007 was an increase of \$9.1 million, or 17%, compared to last year. PLP-USA gross profit increased \$6 million, or 27%, compared to the same period in 2006. PLP-USA gross profit increased \$2.9 million due to higher net sales and \$3.1 million due to lower per unit manufacturing cost as a result of higher production volumes. SMP gross profit decreased \$1.1 million, or 27%, primarily due to sales mix and increased material costs. Australia gross profit increased \$.1 million primarily as a result of a \$.2 million increase in gross profit on increased sales and a \$.3 million favorable impact due to the change in the currency conversion rate compared to the same period in 2006 partially offset by a \$.4 million increase in material cost and manufacturing expenses. Brazil gross profit increased \$1.1 million primarily as a result of a \$.3 million increase in gross profit on increased sales, a \$.5 million favorable impact due to the currency conversion rate compared to the same period in 2006 and a \$.6 million total year-to-date 2007 inventory adjustment partially offset by increased manufacturing expenses. During 2007, management's comprehensive review of the components of the Company's Brazil operation's excess and obsolescence reserve calculation discovered that the details of the reserve account included an inappropriate reserve of \$.6 million at December 31, 2006. Based on the timing of the completion of certain aspects of the review, the company recorded a \$.4 million adjustment in the first quarter of 2007 and an additional adjustment of \$.2 million in the second quarter of 2007 related to the excess and obsolete reserve. Management determined that the total year-to-date adjustments related to Brazil's excess and obsolete reserve of \$.6 million were not material, quantitatively or qualitatively, to prior periods and are not expected to be material to the annual 2007 results of operations. South Africa gross profit decreased \$.5 million primarily as a result of a \$.2 million decrease in gross profit on lower net sales, a \$.2 million unfavorable impact due to the change in the currency conversion rate compared to the same period in 2006 and a \$.1 million increase in manufacturing expenses. Canada gross profit increased \$.2 million primarily due to the increase in net sales. All Other gross profit increased \$3.1 million primarily as a result of a \$1 million favorable impact due to the change in conversion rates compared to the same period in 2006 when certain currencies were converted to U.S. dollars, a \$1.7 million increase due to increased sales and \$.4 million improvement in margin due to product mix and increased production volumes. Costs and expenses of \$44 million for the nine months ended September 30, 2007 increased \$3.7 million, or 9%, compared to the previous year as summarized in the following table:

<i>thousands of dollars</i>	Nine months ended September 30,					
	2007	2006	Change	Change due to currency conversion rate changes	Net change	% Net change
Costs and expenses						
PLP-USA	\$ 22,179	\$ 20,435	\$ 1,744		\$ 1,744	9%
SMP	4,219	4,587	(368)		(368)	(8)
Australia	2,698	2,431	267	244	23	1
Brazil	3,293	3,101	192	273	(81)	(3)
South Africa	931	966	(35)	(75)	40	4
Canada	1,244	1,044	200	31	169	16
All Other	9,476	7,780	1,696	620	1,076	14



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Consolidated	\$ 44,040	\$ 40,344	\$ 3,696	\$ 1,093	\$ 2,603	6%
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The increase in PLP-USA costs and expenses was primarily due to a \$.6 million increase in commission expense on increased sales, a \$.8 million increase in personnel related expenses, a \$.2 million increase in consulting and professional fees, \$.2 million as a result of a gain on the sale of property in the second quarter of 2006 and a \$.1 million increase in bad debt expense partially offset by a \$.2 million reduction in other operating expense related to the a write-down of certain assets in 2006. SMP costs and expenses of \$4.2 million for the nine months ended September

30, 2007, decreased \$.4 million, or 8%, compared to the same period in 2006 primarily due to a \$.1 million decrease in commissions and a \$.3 million decrease in personnel related expenses. Canada costs and expenses of \$1.2 million for the nine months ended September 30, 2007, increased \$.2 million, or 19%, compared to the same period in 2006 primarily due an increase in marketing related expenses. Costs and expenses were unfavorably impacted by \$1.1 million when local currency was converted to U.S. dollars as a result of the weaker U.S. dollar compared to certain currencies when compared to the 2006 conversion rates for the same period. Excluding the effects of the change in the currency exchange rate compared to 2006, the change in Australia, Brazil and South Africa costs and expenses was insignificant. All Other costs and expenses for the nine months ended September 30, 2007 increased \$1.7 million from the same period in 2006 primarily due to the \$.7 million increase in costs and expenses related to our solar energy operation and to Belos SA, the \$.6 million unfavorable impact due to the change in conversion rates compared to the same period in 2006 when certain currencies were converted to U.S. dollars and a \$.4 million increase in personnel related costs at all other operations.

Royalty income net for the nine month period ended September 30, 2007 of \$1.5 million increased \$.5 million compared to 2006 due to a one-time \$.4 million settlement with a data communication licensee in the second quarter of 2007 and a \$.1 million increase in data communication royalties in the third quarter.

Operating income of \$20.2 million for the nine months ended September 30, 2007 increased \$5.9 million, or 41%, compared to the same period in 2006. This increase was primarily a result of an increase in PLP-USA operating income of \$4.4 million, a \$1.4 million increase in All Other operating income, and a \$.9 million increase in operating income at Brazil partially offset by a \$.4 million decrease in operating income at South Africa and a \$.2 million decrease in operating income from SMP and Australia.

Other income of \$.4 million for the nine months ended September 30, 2007 decreased \$.3 million as a result of a \$.3 million decrease in interest income.

Income taxes for the nine months ended September 30, 2007 of \$7.4 million were \$2.4 million higher than the same period in 2006 primarily due to \$5.6 million of additional income before tax. The effective tax rate for the nine months ended September 30, 2007 was 36% compared to 33% in 2006. The effective tax rate for 2007 is higher than the statutory rate of 34% primarily due to an increase in income taxed at higher statutory rates.

As a result of the preceding items, net income for the nine months ended September 30, 2007 was \$13.2 million, or \$2.44 per diluted share, compared to net income of \$10.1 million, or \$1.75 per diluted share, for the same period in 2006. PLP-USA net income of \$5.7 million increased \$2.2 million compared to the same period in 2006 due to a \$4.4 million increase in operating income partially offset by a \$.3 million decrease in interest income and a \$1.9 million increase in income taxes. SMP net income of \$.2 million decreased \$.1 million compared to the same period in 2006 as a result of a \$.2 million decrease in operating income partially offset by lower income taxes. Australia net income of \$.4 million decreased \$.1 million when compared to the same period in 2006 due to a \$.2 million decrease in operating income partially offset by lower taxes. Brazil net income of \$1.6 million increased \$.5 million when compared to the same period in 2006 as a result of a \$.9 million increase in operating income partially offset by a \$.1 million decrease in interest income and a \$.3 million increase in income taxes. South Africa net income of \$1 million decreased \$.3 million compared to the same period in 2006 as a result of a \$.4 million decrease in operating income partially offset by lower income taxes. Canada net income of \$1.1 million remained relatively flat compared to the same period in 2006. All Other income of \$3.3 million increased \$1 million compared to the same period in 2006 due to a \$1.3 million increase in operating income partially offset by a \$.4 million increase in income taxes.

#### WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$8.1 million for the nine months ended September 30, 2007 due primarily to \$13.2 million of net income and \$6.2 million in non cash items including depreciation partially offset by an \$11.3 million increase in operating assets (net of operating liabilities) to support the increase in sales. The major investing and financing uses of cash were capital expenditures of \$7 million, a cash outlay of \$8.4 million for two business acquisitions and \$3.2 million in dividend payments. Consequently cash decreased \$9.4 million for the nine months ended September 30, 2007.

Net cash used for investing activities of \$15.2 million represents an increase of \$7.2 million when compared to the cash

used for investing activities in 2006. In March 2007, we acquired all of the issued and outstanding shares of Direct Power and Water Corporation for an initial cash payment of \$2.6 million. In September 2007, we acquired 83.74% of the issued and outstanding shares of Belos SA for an initial cash payment of \$6 million. Capital expenditures decreased \$1.5 million in the nine months ended September 30, 2007 when compared to the same period in 2006. Cash used in financing activities was \$3 million compared to \$13.9 million in the previous year. Cash used for financing was used primarily to pay dividends of \$3.2 million. During 2006 we had repurchased common shares in the amount of \$12 million.

Our current ratio was 2.9 to 1 at September 30, 2007 compared to 3.2 to 1 at December 31, 2006. Our current ratio decreased primarily due to the cash used during the year for working capital to support higher sales and acquisitions. At September 30, 2007, our unused balance under our main credit facility was \$20 million and our bank debt to equity percentage was 6%. Our main revolving credit agreement contains, among other provisions, requirements for maintaining levels of working capital, net worth and profitability. At September 30, 2007, we were in compliance with these covenants. We believe our future operating cash flows will be more than sufficient to cover debt repayments, other contractual obligations, capital expenditures and dividends. In addition, we believe our existing cash position, together with our available borrowing capacity, provides substantial financial resources. If we were to incur significant indebtedness, we expect to be able to continue to meet liquidity needs under the credit facilities. We would not increase our debt to a level that we believe would have a material adverse impact upon the results of operations or financial condition.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued Statement of Financial Account Standards (SFAS) No. 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This standard does not require new fair value measurements; however the application of this standard may change current practice for an entity. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal periods. The Company is evaluating the impact this standard will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment to FASB No. 115. This standard permits entities to measure certain financial assets and liabilities at fair value. The fair value option established by this standard permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair values option has been elected at each subsequent reporting period. The fair value option election is irrevocable, unless a new election date occurs. SFAS No. 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity's election on earnings, but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. This standard is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Company is evaluating the impact this standard will have on its consolidated financial statements.

#### NEWLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income taxes an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FIN 48). This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for the Company starting January 1, 2007.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a \$.8 million increase in the liability for unrecognized tax benefits which was accounted for as a



reduction in retained earnings. The total amount of unrecognized tax benefits, including the accrual for interest and penalties, as of the date of adoption was \$1.8 million, all of which would affect the effective tax rate if recognized. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes. The Company had \$.1 million accrued for the payment of interest and penalties at December 31, 2006. Upon adoption of FIN 48 on January 1, 2007, the Company increased its accrual for interest and penalties to \$.2 million.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state, local, or foreign examinations by tax authorities for years before 2004.

The Company does not expect that the unrecognized tax benefit will change significantly within the next twelve months.

In September 2006, the FASB issued FASB Staff Position AUG AIR-1, Accounting for Planned Major Maintenance Activities. This staff position amends certain provisions in the AICPA Industry Audit Guide, Audits of Airlines (Airline Guide), and APB No. 28, Interim Financial Reporting. This staff position prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods. The Company adopted the direct expense method effective January 1, 2007, and has retrospectively applied this new accounting principle to prior periods.

The cumulative effect of the retrospective application of the new accounting principle to the carrying value of assets and liabilities and the offsetting adjustment to opening January 1, 2006 retained earnings was a decrease in deferred tax assets of \$.1 million, a decrease in accrued liabilities of \$.3 million and an increase in beginning retained earnings of \$.2 million. The effect on the results of operations for the nine months ended September 30, 2006 was an increase to net income of \$31 thousand in our PLP-USA segment.

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

The Company operates manufacturing facilities and offices around the world and uses fixed and floating rate debt to finance the Company's global operations. As a result, the Company is subject to business risks inherent in non-U.S. activities, including political and economic uncertainty, import and export limitations, and market risk related to changes in interest rates and foreign currency exchange rates. The Company believes the political and economic risks related to the Company's foreign operations are mitigated due to the stability of the countries in which the Company's largest foreign operations are located.

The Company has no foreign currency forward exchange contracts outstanding at September 30, 2007. The Company does not hold derivatives for trading purposes.

The Company is exposed to market risk, including changes in interest rates. The Company is subject to interest rate risk on its variable rate revolving credit facilities and term notes, which consisted of borrowings of \$9.3 million at September 30, 2007. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of less than \$.1 million for the nine month period ended September 30, 2007.

The Company's primary currency rate exposures are related to foreign denominated debt, intercompany debt, foreign exchange contracts, foreign denominated receivables, and cash and short-term investments. A hypothetical 10% change in currency rates would have a favorable/unfavorable impact on fair values of \$1.8 million and on income before income taxes of less than \$.1 million.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Background of Restatement**

Subsequent to the quarterly period ended September 30, 2007 and in response to a comment raised by the Staff of the SEC, the Company determined that its previously issued financial statements should be restated to expand the Company's segment disclosures. On January 4, 2008, the Company restated its consolidated financial statements included in its Form 10-K/A for the year ended December 31, 2006 and its condensed consolidated financial statements included in its Form 10-Q/A for the quarter ended March 31, 2007. In this Form 10-Q, the Company has restated interim financial information for each of the three and nine month periods ended September 30, 2006 to reflect the current seven reportable segments. For a more detailed discussion of the restatement, please see Note J Segment Information contained in the Notes To Consolidated Financial Statements included in our 2006 Annual Report on Form 10-K/A filed on January 4, 2008.

##### **Evaluation of Disclosure Controls and Procedures**

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Vice President of Finance and Treasurer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Securities and Exchange Act Rules 13a-15(e) and 15-d-15(e)) as of September 30, 2007. Based on that evaluation, the Company's management including the Chief Executive Officer and Vice President of Finance and Treasurer, concluded that the Company's disclosure controls and procedures were not effective as of September 30, 2007 due to the following material weakness identified in internal control over financial reporting. The Company recognized upon its reassessment of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" that it did not perform an adequate analysis and evaluation of the disclosure requirements. This material weakness resulted in the restatement of the Company's previously issued consolidated financial statements to expand the number of reportable segments from two reportable segments to seven reportable segments as more fully described in Note J Segment Information contained in the Notes To Consolidated Financial Statements included in our 2006 Annual Report on Form 10-K/A filed on January 4, 2008.

##### **Changes in Internal Control Over Financial Reporting**

There has not been any change in the Company's internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, identified in connection with the evaluation of the Company's internal control performed during the quarter ended September 30, 2007 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Subsequent to September 30, 2007, the Company's management is taking the following steps to remedy the material weakness in internal control over financial reporting identified above:

Key personnel involved in the financial reporting process are enhancing the controls by which the SFAS No. 131 authoritative guidance is analyzed, monitored and applied on a regular basis.

The Company will now require the Company's Disclosure Committee to review its segment reporting on a quarterly basis.

#### **PART II OTHER INFORMATION**

##### **ITEM 1. LEGAL PROCEEDINGS**

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect our financial condition or results of operations.

**ITEM 1A. RISK FACTORS**

There were no material changes from the risk factors previously disclosed in the Company's 10-K/A for the fiscal year ended December 31, 2006 filed on January 4, 2008.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On February 15, 2007, the Board of Directors authorized a plan to repurchase up to 200,000 shares of Preformed Line Products Company, superseding any previously authorized plan, including the December 2004 plan. The repurchase plan does not have an expiration date. There were no repurchases for the three-month period ending September 30, 2007. The following table includes repurchases for the three-month period ending September 30, 2007.

## Company Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs
July			8,022	191,978
August			8,022	191,978
September			8,022	191,978
Total				

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

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

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

- 31.1 Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certifications of the Principal Financial Officer, Eric R. Graef, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.1 Certification of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
- 32.2 Certification of the Principal Accounting Officer, Eric R. Graef, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.



### FORWARD LOOKING STATEMENTS

Cautionary Statement for "Safe Harbor" Purposes Under The Private Securities Litigation Reform Act of 1995  
This Form 10-Q and other documents the Company files with the Securities and Exchange Commission contain forward-looking statements regarding the Company's and management's beliefs and expectations. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance (as opposed to historical items) and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements are subject to uncertainties and factors relating to the Company's operations and business environment, all of which are difficult to predict and many of which are beyond the Company's control. Such uncertainties and factors could cause the Company's actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

The following factors, among others, could affect the Company's future performance and cause the Company's actual results to differ materially from those expressed or implied by forward-looking statements made in this report:

The overall demand for cable anchoring and control hardware for electrical transmission and distribution lines on a worldwide basis, which has a slow growth rate in mature markets such as the United States, Canada, and Western Europe;

The effect on the Company's business resulting from economic uncertainty within Latin American regions;

Technology developments that affect longer-term trends for communication lines such as wireless communication;

The decreasing demands for product supporting copper-based infrastructure due to the introduction of products using new technologies or adoption of new industry standards.

The Company's success at continuing to develop proprietary technology to meet or exceed new industry performance standards and individual customer expectations;

The rate of progress in continuing to modify the Company's cost structure to maintain and enhance the Company's competitiveness;

The Company's success in strengthening and retaining relationships with the Company's customers, growing sales at targeted accounts and expanding geographically;

The extent to which the Company is successful in expanding the Company's product line into new areas;

The Company's ability to identify, complete and integrate acquisitions for profitable growth;

The potential impact of consolidation, deregulation and bankruptcy among the Company's suppliers, competitors and customers;

The relative degree of competitive and customer price pressure on the Company's products;

The cost, availability and quality of raw materials required for the manufacture of products;

The effects of fluctuation in currency exchange rates upon the Company's reported results from international operations, together with non-currency risks of investing in and conducting significant operations in foreign countries, including those relating to political, social, economic and regulatory factors;

Changes in significant government regulations affecting environmental compliances;

The Company's ability to compete in the domestic data communication market;

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The telecommunication market's continued deployment of Fiber-to-the-Premises;

Those factors described under the heading "Risk Factors" on page 12 of the Company's Form 10-K/A for the fiscal year ended December 31, 2006 filed on January 4, 2008.

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**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.

January 4, 2008

/s/ Robert G. Ruhlman  
Robert G. Ruhlman  
Chairman, President and Chief Executive  
Officer  
(Principal Executive Officer)

January 4, 2008

/s/ Eric R. Graef  
Eric R. Graef  
Vice President Finance and Treasurer  
(Principal Accounting Officer)

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