

PREFORMED LINE PRODUCTS CO

Form 10-Q

November 09, 2006

Table of Contents

**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, 2006
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 November 1, 2006: 5,360,259.

Table of Contents

| | Page |
|--|-------------|
| <u>Part I Financial Information</u> | |
| <u>Item 1. Consolidated Financial Statements and Notes to Consolidated Financial Statements</u> | 3 |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 12 |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | 18 |
| <u>Item 4. Controls and Procedures</u> | 18 |
| <u>Part II Other Information</u> | |
| <u>Item 1. Legal Proceedings</u> | 18 |
| <u>Item 1A. Risk Factors</u> | 18 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 19 |
| <u>Item 3. Defaults Upon Senior Securities</u> | 19 |
| <u>Item 4. Submission of Matters to a Vote of Security Holders</u> | 19 |
| <u>Item 5. Other Information</u> | 19 |
| <u>Item 6. Exhibits</u> | 19 |
| <u>SIGNATURES</u> | 22 |
| <u>EX-31.1</u> | |
| <u>EX-31.2</u> | |
| <u>EX-32.1</u> | |
| <u>EX-32.2</u> | |

Table of Contents

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

| | September 30, 2006 | December 31, 2005 |
|---|--------------------------|-------------------------|
| <i>Thousands of dollars, except share data</i> | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 26,026 | \$ 39,592 |
| Accounts receivable, less allowances of \$976 (\$789 in 2005) | 36,389 | 26,481 |
| Inventories net | 39,316 | 37,618 |
| Deferred income taxes | 4,430 | 3,870 |
| Prepays and other | 3,153 | 2,832 |
| TOTAL CURRENT ASSETS | 109,314 | 110,393 |
| Property and equipment net | 52,567 | 48,804 |
| Deferred income taxes | 2,410 | 2,060 |
| Goodwill net | 2,073 | 2,018 |
| Patents and other intangibles net | 2,628 | 2,871 |
| Other assets | 2,476 | 2,401 |
| TOTAL ASSETS | \$ 171,468 | \$ 168,547 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Notes payable to banks | \$ 2,645 | \$ 1,156 |
| Current portion of long-term debt | 3,404 | 4,806 |
| Trade accounts payable | 12,840 | 10,878 |
| Accrued compensation and amounts withheld from employees | 6,568 | 5,161 |
| Accrued expenses and other liabilities | 5,284 | 6,406 |
| Accrued profit-sharing and pension contributions | 4,385 | 4,290 |
| Dividends payable | 1,072 | 1,147 |
| Income taxes | 2,849 | 881 |
| Deferred income taxes | 11 | |
| TOTAL CURRENT LIABILITIES | 39,058 | 34,725 |
| Long-term debt, less current portion | 1,836 | 122 |
| Deferred income taxes | 385 | 157 |
| SHAREHOLDERS EQUITY | | |
| Common shares \$2 par value, 15,000,000 shares authorized, 5,360,259 and 5,734,797 outstanding, net of 365,311 and 511,159 treasury shares at par, respectively | 10,721 | 11,470 |

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| | | |
|--|-------------------|-------------------|
| Paid in capital | 1,515 | 1,237 |
| Retained earnings | 130,774 | 135,481 |
| Accumulated other comprehensive loss | (12,821) | (14,645) |
| TOTAL SHAREHOLDERS EQUITY | 130,189 | 133,543 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 171,468 | \$ 168,547 |

See notes to consolidated financial statements.

Table of Contents

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, | |
|--|--|-----------------|---|------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Net sales | \$ 56,439 | \$ 55,614 | \$ 165,172 | \$ 159,078 |
| Cost of products sold | 37,677 | 36,355 | 111,493 | 105,775 |
| GROSS PROFIT | 18,762 | 19,259 | 53,679 | 53,303 |
| Costs and expenses | | | | |
| Selling | 5,475 | 5,608 | 16,872 | 16,182 |
| General and administrative | 5,695 | 5,985 | 17,393 | 16,464 |
| Research and engineering | 1,928 | 1,565 | 5,807 | 4,635 |
| Other operating expenses net | 136 | 112 | 318 | 42 |
| | 13,234 | 13,270 | 40,390 | 37,323 |
| Royalty income net | 287 | 576 | 1,004 | 1,113 |
| OPERATING INCOME | 5,815 | 6,565 | 14,293 | 17,093 |
| Other income (expense) | | | | |
| Interest income | 389 | 263 | 1,144 | 717 |
| Interest expense | (164) | (93) | (399) | (273) |
| Other expense net | (19) | (27) | (53) | (81) |
| | 206 | 143 | 692 | 363 |
| INCOME BEFORE INCOME TAXES | 6,021 | 6,708 | 14,985 | 17,456 |
| Income taxes | 2,022 | 2,529 | 4,957 | 6,353 |
| NET INCOME | \$ 3,999 | \$ 4,179 | \$ 10,028 | \$ 11,103 |
| Net income per share basic | \$ 0.71 | \$ 0.73 | \$ 1.76 | \$ 1.94 |
| Net income per share diluted | \$ 0.70 | \$ 0.72 | \$ 1.75 | \$ 1.92 |
| Cash dividends declared per share | \$ 0.20 | \$ 0.20 | \$ 0.60 | \$ 0.60 |

| | | | | |
|--|-------|-------|-------|-------|
| Weighted average number of shares outstanding basic | 5,638 | 5,724 | 5,696 | 5,723 |
|--|-------|-------|-------|-------|

| | | | | |
|--|-------|-------|-------|-------|
| Weighted average number of shares outstanding diluted | 5,688 | 5,793 | 5,746 | 5,781 |
|--|-------|-------|-------|-------|

See notes to consolidated financial statements.

4

Table of Contents

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

| <i>Thousands of dollars</i> | Nine Month Periods Ended September 30, | |
|---|---|----------------|
| | 2006 | 2005 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 10,028 | \$ 11,103 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation and amortization | 5,162 | 5,192 |
| Deferred income taxes | (671) | (709) |
| Stock based compensation expense | 193 | |
| Net investment in life insurance | 72 | 55 |
| Translation adjustment | (42) | 66 |
| Gain on sale of property and equipment | (167) | (44) |
| Other net | 116 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (9,765) | (6,531) |
| Inventories | (1,158) | 438 |
| Trade accounts payables and accrued liabilities | 2,021 | 2,709 |
| Income taxes | 2,860 | 1,929 |
| Other net | (765) | (452) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 7,884 | 13,756 |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (8,463) | (4,923) |
| Proceeds from the sale of property and equipment | 378 | 121 |
| NET CASH USED IN INVESTING ACTIVITIES | (8,085) | (4,802) |
| FINANCING ACTIVITIES | | |
| Increase in notes payable to banks | 1,388 | 446 |
| Proceeds from the issuance of long-term debt | 3,038 | 680 |
| Payments of long-term debt | (2,875) | (526) |
| Dividends paid | (3,435) | (3,431) |
| Issuance of common shares | 102 | 686 |
| Purchase of common shares for treasury | (12,141) | (702) |
| NET CASH USED IN FINANCING ACTIVITIES | (13,923) | (2,847) |
| Effects of exchange rate changes on cash and cash equivalents | 558 | (971) |
| Increase (decrease) in cash and cash equivalents | (13,566) | 5,136 |
| Cash and cash equivalents at beginning of year | 39,592 | 29,744 |

| | | | | |
|---|----|--------|----|--------|
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ | 26,026 | \$ | 34,880 |
|---|----|--------|----|--------|

See notes to consolidated financial statements.

5

Table of Contents

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 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. Accordingly, 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. 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, 2006 are not necessarily indicative of the results to be expected for the year ending December 31, 2006.

The consolidated balance sheet at December 31, 2005 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 for 2005 filed with the Securities and Exchange Commission.

NOTE B OTHER FINANCIAL STATEMENT INFORMATION*Inventories*

| | September 30, 2006 | December 31, 2005 |
|---------------------------------------|--------------------------|-------------------------|
| Finished goods | \$ 16,988 | \$ 15,550 |
| Work-in-process | 1,825 | 1,732 |
| Raw material | 24,042 | 23,021 |
| | 42,855 | 40,303 |
| Excess of current cost over LIFO cost | (3,539) | (2,685) |
| | \$ 39,316 | \$ 37,618 |

Property and equipment

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

| | September 30, 2006 | December 31, 2005 |
|-------------------------------|--------------------------|-------------------------|
| Land and improvements | \$ 8,174 | \$ 6,762 |
| Buildings and improvements | 41,462 | 37,902 |
| Machinery and equipment | 97,395 | 93,619 |
| Construction in progress | 4,433 | 5,627 |
| | 151,464 | 143,910 |
| Less accumulated depreciation | 98,897 | 95,106 |

\$ 52,567 \$ 48,804

Comprehensive Income

6

Table of Contents

The components of comprehensive income are as follows:

| | Three month period ended September 30, | | Nine month period ended September 30, | |
|------------------------------------|---|----------|--|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| Net income | \$ 3,999 | \$ 4,179 | \$ 10,028 | \$ 11,103 |
| Other comprehensive income (loss): | | | | |
| Foreign currency adjustments | 683 | 798 | 1,824 | (1,001) |
| Comprehensive income | \$ 4,682 | \$ 4,977 | \$ 11,852 | \$ 10,102 |

Guarantees

| | |
|--|-------|
| Product warranty balance at January 1, 2006 | \$ 10 |
| Additions charged to Cost of products sold | 59 |
| Deductions | (10) |
| Product warranty balance at September 30, 2006 | \$ 59 |

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 period ended September 30, | | Nine month period ended September 30, | |
|--------------------------------|---|--------|--|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Service cost | \$ 209 | \$ 180 | \$ 595 | \$ 540 |
| Interest cost | 222 | 202 | 676 | 606 |
| Expected return on plan assets | (217) | (188) | (654) | (564) |
| Recognized net actuarial loss | 43 | 51 | 160 | 153 |
| Net periodic benefit cost | \$ 257 | \$ 245 | \$ 777 | \$ 735 |

As of September 30, 2006, \$.5 million of contributions have been made. The Company presently anticipates contributing an additional \$.2 million to fund its pension plan in 2006 for a total of \$.7 million.

Table of Contents

NOTE D COMPUTATION OF EARNINGS PER SHARE

| | Three month period ended | | Nine month period ended | |
|--|--------------------------|----------|-------------------------|-----------|
| | September 30, | | September 30, | |
| | 2006 | 2005 | 2006 | 2005 |
| Numerator | | | | |
| Net income | \$ 3,999 | \$ 4,179 | \$ 10,028 | \$ 11,103 |
| Denominator | | | | |
| Determination of shares | | | | |
| Weighted average common shares outstanding | 5,638 | 5,724 | 5,696 | 5,723 |
| Dilutive effect employee stock options | 50 | 69 | 50 | 58 |
| Diluted weighted average common shares outstanding | 5,688 | 5,793 | 5,746 | 5,781 |
| Earnings per common share | | | | |
| Basic | \$ 0.71 | \$ 0.73 | \$ 1.76 | \$ 1.94 |
| Diluted | \$ 0.70 | \$ 0.72 | \$ 1.75 | \$ 1.92 |

NOTE E GOODWILL AND OTHER INTANGIBLES

The Company performed its annual impairment test for goodwill pursuant to SFAS No. 142, "Goodwill and Intangible Assets", as of January 2006 and had determined that no adjustment to the carrying value of goodwill was required. The Company's only intangible asset with an indefinite life is goodwill, which is included within the foreign segment. The aggregate amortization expense for other intangibles with finite lives for each of the three-months ended September 30, 2006 and 2005 was \$1 million, and for the nine-months ended September 30, 2006 and 2005 was \$.3 million and \$.2 million, respectively. Amortization expense is estimated to be \$.3 million for each of the full years ended 2006 through 2010.

The following table sets forth the carrying value and accumulated amortization of intangibles, including the effect of foreign currency translation, by segment at September 30, 2006:

| | As of September 30, 2006 | | |
|--|--------------------------|---------|----------|
| | Domestic | Foreign | Total |
| Amortized intangible assets | | | |
| Gross carrying amount patents and other intangibles | \$ 4,947 | \$ 79 | \$ 5,026 |
| Accumulated amortization patents and other intangibles | (2,344) | (54) | (2,398) |
| Total | \$ 2,603 | \$ 25 | \$ 2,628 |

The changes in the carrying amount of goodwill for the nine-month period ended September 30, 2006, is as follows:

| | |
|-------------------------------|----------|
| Balance at January 1, 2006 | \$ 2,018 |
| Currency translation | 55 |
| Balance at September 30, 2006 | \$ 2,073 |

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, 2006 there were 42,000 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.

Effective January 1, 2006, the Company adopted SFAS No. 123 (Revised 2004), Share-Based Payment (SFAS No. 123R). SFAS No. 123R affects the value of stock options that have been granted and requires the Company to expense share-based payment awards with compensation cost for transactions measured at fair value. The Company adopted the modified-prospective-transition method and accordingly has not restated amounts in prior interim periods and fiscal years. The Company has elected to use the simplified method of calculating the expected term of the stock options and

Table of Contents

historical volatility to compute fair value under the Black-Scholes option-pricing model. The risk free rate for periods within the contractual life of the option is based on the U.S. zero coupon Treasury yield in effect at the time of grant. Forfeitures have been estimated to be zero.

Activity in the Company's stock option plan for the nine-month period ended September 30, 2006 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, 2006 | 140,742 | \$ 22.82 | 7.0 | |
| Granted | | | | |
| Exercised | (9,931) | \$ 16.55 | | \$ 51 |
| Forfeited | | | | |
| Outstanding at September 30, 2006 | 130,811 | \$ 23.43 | 6.5 | \$939 |
| Exercisable at September 30, 2006 | 98,311 | \$ 17.92 | 5.3 | \$598 |

The total intrinsic value of stock options exercised during the nine months ended September 30, 2006 and 2005 was \$.1 million and \$.3 million, respectively.

For the nine-month period ended September 30, 2006 the Company recorded compensation expense related to the stock options currently vesting, reducing income before taxes and net income by \$.2 million. 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 is expected to be a combined total of \$.3 million over the next three years.

Activity for nonvested stock options for the nine-month period ended September 30, 2006 was as follows:

| | Number of Shares | Weighted Average Exercise Price per Share |
|---------------------------------|---------------------|---|
| Nonvested at January 1, 2006 | 62,500 | \$ 31.38 |
| Granted | | |
| Vested | (30,000) | \$ 28.13 |
| Forfeited | | |
| Nonvested at September 30, 2006 | 32,500 | \$ 34.38 |

In accordance with the provision of SFAS 148, Accounting for Stock-Based Compensation-Transition and Disclosure an amendment of SFAS No. 123, the Company elected to continue to apply the intrinsic value approach under APB No. 25 in accounting for its stock-based compensation plans prior to January 1, 2006. Accordingly, the Company did not recognize compensation expense for stock options when the exercise price at the grant date was equal to or greater than the fair market value of the stock at that date.

Table of Contents

The following table illustrates the effect on net income and net income per share for the nine-month period ended September 30, 2005 as if the fair value based method had been applied to all outstanding and vested awards.

| | |
|---|-----------|
| Net income, as reported | \$ 11,103 |
| Less: Stock-based compensation expense, pro forma | 126 |
| Pro forma net income | \$ 10,977 |
| Earnings per share: | |
| Basic as reported | \$ 1.94 |
| Basic pro forma | \$ 1.92 |
| | |
| Diluted as reported | \$ 1.92 |
| Diluted pro forma | \$ 1.90 |

NOTE G RELATED PARTY TRANSACTIONS

On September 8, 2006, the Company, upon the approval of a Special Committee of the Board of Directors and the Board of Directors, purchased 365,311 Common Shares of the Company from Barbara P. Ruhlman at a price per share of \$31.48. Barbara P. Ruhlman is a member of the Company's Board of Directors and the mother of Robert G. Ruhlman and Randall M. Ruhlman, both of whom are also members of the Board of Directors. The purchase was consummated pursuant to a Shares Purchase Agreement between the Company and Mrs. Ruhlman, as trustee, under trust agreement dated February 16, 1985.

In connection with the purchase the Company's status as a controlled company under the NASDAQ Corporate Governance Rules was terminated by the Company's shareholders, who had previously formed a group owning over 50% of the Company's outstanding stock by entering into a controlled company agreement. As a result of the termination of the controlled status the Board adopted a resolution that any Board nominees must be selected by a majority of the Company's independent directors. The Company had previously adopted all other requirements for a non-controlled company.

NOTE H NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, *Inventory Costs*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. This standard requires that such items be recognized as current-period charges. The standard also establishes the concept of *normal capacity* and requires the allocation of fixed production overhead to inventory based on the normal capacity of the production facilities. Any unallocated overhead must be recognized as an expense in the period incurred. The Company adopted this standard effective January 1, 2006, and the impact was immaterial on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets*. This standard amended APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, to eliminate the exception from fair value measurement for nonmonetary exchanges of similar productive assets. This standard replaces this exception with a general exception from fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for all nonmonetary asset exchanges completed by the Company starting January 1, 2006. The Company adopted this standard and it did not have an impact on its consolidated financial statements, because the Company has not engaged in nonmonetary exchanges of assets.

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. 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. This interpretation also provides guidance on derecognition,

Table of Contents

classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for the Company starting January 1, 2007. The Company is evaluating the impact this interpretation will have on its consolidated financial statements.

In September 2006, the FASB issued 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 after January 1, 2007. The Company is evaluating the impact this standard will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans. This standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. This standard also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. This standard also requires disclosure in the notes to financial statements, additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. The requirement to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures is effective for an employer with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company is evaluating the impact this standard will have on its consolidated financial statements.

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. This staff position is effective as of January 1, 2007. The Company is evaluating the impact this staff position will have on its consolidated financial statements.

In September 2006, the FASB issued Emerging Issues Task Force (EITF) abstract Issue No. 06-5, Accounting for Purchases of Life Insurance Determining the Amount that Could be Realized in Accordance with FASB Technical Bulletin No. 85-4. This issue clarifies the calculation of the amount that could be realized under an insurance contract as of the date of the statement of financial position. This issue concludes the policyholder should consider any additional amounts included in contractual terms of the policy in determining the amount that could be realized under the insurance contract. Contractual limitations should be considered, as well as amount recoverable by the policyholder at the discretion of the insurance company should be excluded from the amount that could be realized. All fixed amounts recoverable by the policyholder in future periods in excess of one year from the surrender of the policy should be recognized at their present value. Lastly, any amount that is realized by the policyholder upon surrender of the final policy shall be included in the amount that could be realized. This issue should be applied by either a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other components of equity or net assets or a change in accounting principle through retrospective application to all prior periods. This issue is effective for fiscal years beginning after December 15, 2006. The Company is evaluating the impact this EITF issue will have on its consolidated financial statements.

Table of Contents

NOTE H BUSINESS SEGMENTS

| | Three month period ended September 30, | | Nine month period ended September 30, | |
|----------------------------|---|-------------------------|--|------------|
| | 2006 | 2005 | 2006 | 2005 |
| Net sales | | | | |
| Domestic | \$ 29,168 | \$ 32,565 | \$ 85,723 | \$ 90,927 |
| Foreign | 27,271 | 23,049 | 79,449 | 68,151 |
| Total net sales | \$ 56,439 | \$ 55,614 | \$ 165,172 | \$ 159,078 |
| Intersegment sales | | | | |
| Domestic | \$ 1,403 | \$ 1,648 | \$ 4,435 | \$ 4,669 |
| Foreign | 1,161 | 965 | 3,447 | 2,300 |
| Total intersegment sales | \$ 2,564 | \$ 2,613 | \$ 7,882 | \$ 6,969 |
| Operating income | | | | |
| Domestic | \$ 2,106 | \$ 4,125 | \$ 4,805 | \$ 10,209 |
| Foreign | 3,709 | 2,440 | 9,488 | 6,884 |
| | 5,815 | 6,565 | 14,293 | 17,093 |
| Interest income | | | | |
| Domestic | 258 | 140 | 745 | 326 |
| Foreign | 131 | 123 | 399 | 391 |
| | 389 | 263 | 1,144 | 717 |
| Interest expense | | | | |
| Domestic | (6) | (7) | (23) | (35) |
| Foreign | (158) | (86) | (376) | (238) |
| | (164) | (93) | (399) | (273) |
| Other expense net | (19) | (27) | (53) | (81) |
| Income before income taxes | \$ 6,021 | \$ 6,708 | \$ 14,985 | \$ 17,456 |
| | | | | |
| | September 30, 2006 | December 31, 2005 | | |
| Identifiable assets | | | | |
| Domestic | \$ 83,947 | \$ 93,132 | | |
| Foreign | 87,521 | 75,415 | | |
| Total assets | \$ 171,468 | \$ 168,547 | | |

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

EXECUTIVE SUMMARY

Sales increases for the nine months ended September 30, 2006 continue to be driven by our strong international operations. Domestic sales for the nine months ended September 30, 2006 have been negatively impacted by decreased spending on the construction and maintenance of copper communications networks by the telecommunication companies. Additionally, the first quarter of 2005 had strong sales for fiber-to-the-premise. Domestic sales were lower in the third quarter than the previous year primarily because last year included \$3 million of storm-damage related sales.

Operating income for the three months ended September 30, 2006 decreased \$.8 million, or 13%, after excluding the \$.1 million favorable impact of foreign currency, when compared to the same period in 2005. The decrease was a result of lower gross profit due to increased material and transportation costs coupled with a reduction in royalty income net.

Operating income for the nine months ended September 30, 2006 decreased \$2.8 million, or 16%, when compared to the same period in 2005. The decrease was driven by an 8% increase in cost and expenses, which exceeded the 4% growth rate of sales with a lower gross profit percentage due to increased raw material and transportation costs and higher manufacturing per unit cost due to lower production volumes.

Table of Contents**THREE MONTHS ENDED SEPTEMBER 30, 2006 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2005**

For the three months ended September 30, 2006, consolidated net sales were \$56.4 million, an increase of \$.8 million, or 1%, from the same period in 2005. Domestic net sales decreased \$3.4 million, or 10%, and foreign net sales increased \$4.2 million, or 18%. Reduced sales volume accounted for the decrease in domestic markets. We estimate that customer repairs of damage caused by hurricanes in the Southeast United States contributed approximately \$3 million to domestic net sales for the quarter ended September 30, 2005. We expect domestic sales for the remainder of 2006 to exceed the fourth quarter 2005 as a result of anticipated higher level of activity in our domestic markets. Foreign net sales were favorably impacted by \$.6 million when native currency financial statements were converted to U.S. dollars as a result of the weaker U.S. dollar compared to most foreign currencies. Excluding the effect of currency conversion, foreign sales increased \$3.6 million, or 16%, compared to the same period in 2005, with stronger sales in all of our foreign markets with the exception of Europe.

Gross profit of \$18.7 million for the three months ended September 30, 2006 was a decrease of \$.5 million, or 3%, compared to the prior year. The decrease in gross profit is primarily a result of higher material and transportation costs. Domestic gross profit decreased \$2 million, or 18%, compared to the third quarter of 2005, primarily as a result of lower net sales and higher material costs and lower production levels. We believe our raw material costs for aluminum and steel will continue to increase for the remainder of 2006. Foreign gross profit increased \$1.5 million, or 18%, primarily due to an increase in net sales.

Consolidated costs and expenses of \$13.2 million for the three months ended September 30, 2006 remained relatively unchanged compared to the previous year as summarized in the following table:

| <i>thousands of dollars</i> | Three month periods ended September 30, | | | |
|-----------------------------|---|-----------|----------|-------------|
| | 2006 | 2005 | Change | % Change |
| Costs and expenses | | | | |
| Domestic: | | | | |
| Selling | \$ 3,581 | \$ 3,682 | \$ (101) | 3% |
| General and administrative | 3,275 | 3,424 | (149) | 4 |
| Research and engineering | 1,333 | 1,059 | 274 | 26 |
| Other operating expense net | 142 | 152 | (10) | 7 |
| | 8,331 | 8,317 | 14 | |
| Foreign: | | | | |
| Selling | 1,894 | 1,926 | (32) | 2 |
| General and administrative | 2,420 | 2,561 | (141) | 6 |
| Research and engineering | 595 | 506 | 89 | 18 |
| Other operating income net | (6) | (40) | 34 | NM* |
| | 4,903 | 4,953 | (50) | 1 |
| | \$ 13,234 | \$ 13,270 | \$ (36) | % |

* NM Not Meaningful

Domestic costs and expenses of \$8.3 million for the three months ended September 30, 2006 remained unchanged compared to the same period in 2005. Selling expenses decreased \$.1 million due primarily to a \$.4 million reduction in commission expense on lower sales partially offset by a \$.2 million increase in advertising and promotional costs. General and administrative costs decreased \$.1 million primarily as a result of lower consulting costs. Research and engineering expenses increased \$.3 million as a result of higher product testing and employee related expenses.

Foreign costs and expenses of \$4.9 million for the three months ended September 30, 2006 decreased \$.1 million, or 1%, compared to the same period in 2005. The weaker dollar unfavorably affected costs and expenses by \$.1 million,

Table of Contents

compared to the same period of 2005, when costs in local currency were translated to U.S. dollars. The unfavorable effect of currency translation was partially offset by the recovery of certain trade receivables previously written-off as uncollectible.

Royalty income for the quarter ended September 30, 2006 of \$.3 million decreased \$.3 million, primarily as a result of one-time collections in the third quarter of 2005 in the domestic data communication market.

Operating income of \$5.8 million for the quarter ended September 30, 2006 decreased \$.8 million, or 11%, compared to \$6.6 million in the previous year. This decrease was a result of the \$.5 million decrease in gross profit and the \$.3 million decrease in royalty income. Domestic operating income decreased \$2 million compared to the same period in 2005 as a result of a \$2 million decrease in gross profit. Foreign operating income of \$3.7 million increased \$1.2 million compared to the same period in 2005, primarily due to a \$1.5 million increase in gross profit partially offset by a \$.3 million increase in intercompany royalty expense.

Other income of \$.2 million for the three months ended September 30, 2006 increased \$.1 million compared to the same period in 2005 as a result of an increase in interest income.

Income taxes for the three months ended September 30, 2006 of \$2 million decreased \$.5 million compared to the same period in 2005. The effective tax rate for the three months ended September 30, 2006 was 34% compared to 38% in 2005.

As a result of the preceding, net income for the three months ended September 30, 2006 was \$4 million, or \$.70 per diluted share, which represents a decrease of \$.2 million, or \$.02 per diluted share, compared to 2005.

NINE MONTHS ENDED SEPTEMBER 30, 2006 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2005

For the nine months ended September 30, 2006, consolidated net sales were \$165.2 million, an increase of \$6.1 million, or 4%, from the same period in 2005. Domestic net sales decreased \$5.2 million, or 6%, and foreign sales increased \$11.3 million, or 17%. The decrease in domestic net sales was primarily due to volume decreases resulting from decreased spending on the construction and maintenance of copper communication networks by the telecommunication companies, sales related to the repair of storm damage in 2005, and an extremely strong first quarter of 2005 for fiber-to-the-premise products. Foreign net sales were favorably impacted by \$1.9 million when foreign currencies were converted to U.S. dollars. Excluding the effect of currency conversion, foreign net sales increased 14% when compared to the same period in 2005 as net sales increased in all foreign markets except North America. We expect continued growth opportunities particularly in our Latin America and Pacific Rim markets for the remainder of 2006.

Gross profit of \$53.7 million for the nine months ended September 30, 2006 was an increase of \$.4 million from the prior year. The increase in gross profit is primarily a result of higher foreign net sales partially offset by higher material costs and transportation expenses. Domestic gross profit decreased \$4 million compared to the same period in 2005, primarily as a result of lower net sales and higher material and transportation costs and lower production levels. Foreign gross profit increased \$4.4 million primarily due to the increase in net sales. The favorable impact of converting foreign currencies to U.S. dollars accounted for \$.5 million of the increase.

Table of Contents

Costs and expenses of \$40.4 million for the nine months ended September 30, 2006 increased \$3.1 million, or 8%, compared to the previous year as summarized in the following table:

| <i>thousands of dollars</i> | Nine month periods ended September 30, | | | |
|--------------------------------------|--|-----------|----------|-------------|
| | 2006 | 2005 | Change | % Change |
| Costs and expenses | | | | |
| Domestic: | | | | |
| Selling | \$ 11,252 | \$ 10,667 | \$ 585 | 5% |
| General and administrative | 9,865 | 9,373 | 492 | 5 |
| Research and engineering | 4,035 | 3,198 | 837 | 26 |
| Other operating expense net | 129 | 264 | (135) | NM* |
| | 25,281 | 23,502 | 1,779 | 8 |
| Foreign: | | | | |
| Selling | 5,620 | 5,515 | 105 | 2 |
| General and administrative | 7,528 | 7,091 | 437 | 6 |
| Research and engineering | 1,772 | 1,437 | 335 | 23 |
| Other operating expense (income) net | 189 | (222) | 411 | NM* |
| | 15,109 | 13,821 | 1,288 | 9 |
| | \$ 40,390 | \$ 37,323 | \$ 3,067 | 8% |

* NM Not Meaningful

Domestic costs and expenses of \$25.3 million for the nine months ended September 30, 2006 increased \$1.8 million, or 8%, compared to the same period in 2005. Selling expenses of \$11.3 million increased \$.6 million as a result of an increase of \$.3 million in employee related expenses, a \$.3 million increase in advertising and promotional related expenses, a \$.2 million increase in travel expenses partially offset by a \$.2 million decrease in commission expense on lower net sales. General and administrative expenses increased \$.5 million primarily due to a \$.5 million increase in employee related expenses. Research and engineering expenses increased \$.8 million primarily due to a \$.3 million increase in employee related expenses and a \$.4 million increase in other product development costs. Other operating expense decreased \$.1 million primarily as a result of gains on sales of capital assets.

Foreign costs and expenses of \$15.1 million for the nine months ended September 30, 2006 increased \$1.3 million, or 9%, compared to the same period in 2005. The weaker dollar unfavorably affected costs and expenses by \$.2 million when foreign costs in local currency were translated to U.S. dollars. Foreign selling expense net of currency translation remained relatively unchanged compared to the same period in 2005. General and administrative expenses net of currency translation increased \$.3 million driven primarily by increased employee related expenses. Research and engineering expenses net of currency translation increased \$.3 million, due primarily to an increase in employee related expenses. Other operating expense net of currency translation increased \$.5 million, primarily as a result of foreign currency transaction gains.

Royalty income for the nine months ended September 30, 2006 of \$1 million decreased \$.1 million as a result of lower net royalty income related to the data communication market compared to the same period in 2005.

Operating income of \$14.3 million for the nine months ended September 30, 2006 decreased \$2.8 million, or 16%, compared to the same period in 2005. This decrease was a result of the \$3.1 million increase in costs and expenses and the \$.1 million decrease in royalty income partially offset by the \$.4 million increase in gross profit. Domestic operating income decreased \$5.4 million, or 53%, compared to the same period in 2005, primarily due to the decrease in gross profit of \$4 million, a \$1.8 million increase in costs and expenses and a \$.1 million decrease in third party royalty income partially offset by a \$.5 million increase in intercompany royalty income. Foreign operating income of \$9.5 million increased \$2.6 million, or 38%, compared to the same period in 2005, primarily due to the increase in gross profit of \$4.4 million partially offset by an increase in costs and expenses of \$1.3 million and a \$.5 million increase in intercompany royalty expense.

Table of Contents

Other income for the nine months ended September 30, 2006 increased \$.3 million from the same period in 2005 primarily as a result of a \$.3 million increase in interest income net of interest expense as a result of higher cash balances and interest rates.

Income taxes for the nine months ended September 30, 2006 of \$5 million were \$1.4 million lower than the same period in 2005. The effective tax rate for the nine months ended September 30, 2006 was 33% compared to 36% in 2005. The effective tax rate for 2006 is lower than the statutory rate of 35% primarily due to an increase in the amount of foreign income taxed in jurisdictions with lower statutory rates and an adjustment of a tax contingency reserve related to state income tax.

As a result of the preceding, net income for the nine months ended September 30, 2006 was \$10 million, or \$1.75 per diluted share, which represents a decrease of \$1.1 million, or \$.17 per diluted share, from 2005.

WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$7.9 million for the first nine months of 2006 compared to net cash provided by operating activities of \$13.8 million for the same period in 2005. This decrease was due to a decrease in net income of \$1.1 million, a \$4.9 million increase in working capital offset by an increase in non-cash items of \$.1 million in 2006. The increase in working capital was due to higher accounts receivable in 2006 offset by a net decrease in other working capital items.

Net cash used in investing activities for the first nine months of 2006 of \$8.1 million represents an increase of \$3.3 million when compared to 2005. Capital expenditures in 2006 were \$3.5 million greater than 2005 due to the acquisition of a new facility for one of our foreign operations of \$1.5 million and greater manufacturing equipment purchases. We are continually analyzing potential acquisition candidates and business alternatives, but we currently have no commitments that would materially affect the operations of the business.

Cash used in financing activities for the first nine months of 2006 was \$13.9 million compared to \$2.8 million in the previous year. This increase was primarily a result of the Company's repurchase of common shares at \$12 million offset by greater proceeds from debt of \$1 million in 2006.

Our current ratio was 2.8 to 1 at September 30, 2006 compared to 3.2 to 1 at December 31, 2005. Working capital of \$70.3 million has decreased from the December 31, 2005 amount of \$75.7 million primarily because we used cash for the purchase of common shares, which was partially offset by greater receivables due to higher sales levels. At September 30, 2006, 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, 2006 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 untapped 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 but possibly at an increased cost for interest and commitment fees. 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.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, *Inventory Costs*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. This standard requires that such items be recognized as current-period charges. The standard also establishes the concept of *normal capacity* and requires the allocation of fixed production overhead to inventory based on the normal capacity of the production facilities. Any unallocated overhead must be recognized as an expense in the period incurred. The Company adopted this standard effective January 1, 2006, and the impact was immaterial on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets*. This standard amended APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, to eliminate the exception from fair value measurement for nonmonetary exchanges of similar productive assets. This standard replaces this exception with a

Table of Contents

general exception from fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for all nonmonetary asset exchanges completed by the Company starting January 1, 2006. The Company adopted this standard and it did not have an impact on its consolidated financial statements, because the Company has not engaged in nonmonetary exchanges of assets.

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*. 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. 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 is evaluating the impact this interpretation will have on its consolidated financial statements.

In September 2006, the FASB issued 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 after January 1, 2007. The Company is evaluating the impact this standard will have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*. This standard requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. This standard also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. This standard also requires disclosure in the notes to financial statements, additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. The requirement to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures is effective for an employer with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. The Company is evaluating the impact this standard will have on its consolidated financial statements.

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. This staff position is effective as of January 1, 2007. The Company is evaluating the impact this staff position will have on its consolidated financial statements.

In September 2006, the FASB issued Emerging Issues Task Force (EITF) abstract Issue No. 06-5, *Accounting for Purchases of Life Insurance Determining the Amount that Could be Realized in Accordance with FASB Technical Bulletin No. 85-4*. This issue clarifies the calculation of the amount that could be realized under an insurance contract as of the date of the statement of financial position. This issue concludes the policyholder should consider any additional amounts included in contractual terms of the policy in determining the amount that could be realized under the insurance contract. Contractual limitations should be considered, as well as amount recoverable by the policyholder at the discretion of the insurance company should be excluded from the amount that could be realized. All fixed amounts recoverable by the policyholder in future periods in excess of one year from the surrender of the policy should be recognized at their present value. Lastly, any amount that is realized by the policyholder upon surrender of the final policy shall be included in the amount that could be realized. This issue should be applied by either a change in accounting principle through a cumulative-effect adjustment to retained earnings or to other

components of equity or net assets or a change in accounting principle through retrospective application to all prior periods. This issue is effective for fiscal years beginning after December 15, 2006. The Company is evaluating the impact this EITF issue will have on its consolidated financial statements.

Table of Contents

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 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 \$7.9 million at September 30, 2006. 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, 2006.

The Company's primary currency rate exposures are related to foreign denominated debt, intercompany debt, 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 \$1.9 million and on income before income taxes of less than \$.1 million.

ITEM 4. 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, of the effectiveness of the Company's disclosure controls and procedures (as defined in Securities and Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2006. Based on the evaluation, the Company's management, including the Chief Executive Officer and Vice President of Finance, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2006.

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2006 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 for the fiscal year ended December 31, 2005 filed on March 15, 2006.

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

Table of Contents

| Period | Company Purchases of Equity Securities | | | |
|-----------|---|---------------------------------------|---|---|
| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number of Shares that may yet be Purchased under the Plans or Programs |
| July | | | 51,646 | 48,354 |
| August | | | 51,646 | 48,354 |
| September | 365,311(2) | \$ 31.48 | 51,646 | 48,354 |
| Total | 365,311 | | | |

(1) On December 16, 2004, the Company announced the Board of Directors authorized a plan to repurchase up to 100,000 of Preformed Line Products common shares. The repurchase plan does not have an expiration date. During the third quarter of 2006, the Company did not repurchase any of its common shares under this plan. The remaining shares that may be purchased under this plan were 48,354 during the third quarter of 2006.

(2) On September 8, 2006, Preformed Line Products Company, upon the approval of a Special Committee of the Board of Directors and the Board of Directors, purchased 365,311 Common Shares of the Company from Barbara P. Ruhlman at a price per share of \$31.48. Barbara P. Ruhlman is a member of the Company's Board of Directors and the mother of Robert G. Ruhlman and Randall M. Ruhlman, both of whom are also members of the Board of Directors. Robert G. Ruhlman is Chairman, President and Chief Executive Officer of the Company. The purchase was consummated pursuant to a Shares Purchase Agreement between the Company and

Mrs. Ruhlman,
as trustee, under
trust agreement
dated February
16, 1985.

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

10.11 Shares Purchase Agreement, dated September 8, 2006 by and between Barbara P. Ruhlman and the Company (incorporated by reference from Exhibit 99.1 to the Form 8-k filed on September 11, 2006).

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

Table of Contents

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 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 continue to compete with larger companies who have acquired a substantial number of the Company's former competitors;

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

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

The Company's ability to increase sales or margins to recover the rising cost of complying with Section 404 of the Sarbanes-Oxley Act of 2002; and

Table of Contents

Those factors described under the heading "Risk Factors" on page 12 of the Company's Form 10-K for the fiscal year ended December 31, 2005 filed on March 15, 2006.

Table of Contents

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.

November 9, 2006

/s/ Robert G. Ruhlman

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

November 9, 2006

/s/ Eric R. Graef

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

22

Table of Contents

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