PREFORMED LINE PRODUCTS CO
Form 10-Q
August 04, 2017

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 June 30, 2017

Commission file number: 0-31164

Preformed Line Products Company

(Exact Name of Registrant as Specified in Its Charter)

Ohio (State or Other Jurisdiction of Incorporation or Organization)	34-0676895 (I.R.S. Employer Identification No.)
660 Beta Drive	
Mayfield Village, Ohio (Address of Principal Executive Office)	44143 (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company

Emerging growth company

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

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

The number of common shares outstanding as of August 1, 2017: 5,115,981.

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PREFORMED LINE PRODUCTS COMPANY

CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except share and per share data)	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Cash and cash equivalents	$ 28,002	$ 30,737
Accounts receivable, less allowances of $3,221 ($3,210 in 2016)	79,686	63,415
Inventories - net	75,498	74,484
Prepaids	4,040	3,353
Prepaid taxes	5,945	8,682
Other current assets	2,345	8,436
TOTAL CURRENT ASSETS	195,516	189,107
Property, plant and equipment - net	107,234	105,104
Intangibles - net	10,468	10,475
Goodwill	16,478	15,769
Deferred income taxes	10,897	10,208
Other assets	10,978	10,274
TOTAL ASSETS	$ 351,571	$ 340,937
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 24,145	$ 21,978
Notes payable to banks	1,379	1,315
Current portion of long-term debt	1,448	1,448
Accrued compensation and amounts withheld from employees	12,355	10,040
Accrued expenses and other liabilities	13,660	12,331
Accrued profit-sharing and other benefits	4,000	6,251
Dividends payable	1,055	1,037
Income taxes payable	1,038	1,055
TOTAL CURRENT LIABILITIES	59,080	55,455
Long-term debt, less current portion	36,570	42,943
Unfunded pension obligation	10,298	10,423
Deferred income taxes	2,201	2,078
Other noncurrent liabilities	6,825	6,495
SHAREHOLDERS' EQUITY		
Shareholders' equity:		
Common shares - $2 par value per share, 15,000,000 shares authorized, 5,115,981 and 5,117,753 issued and outstanding, at June 30, 2017 and December 31, 2016,	12,514	12,508

respectively		
Common shares issued to rabbi trust, 297,840 and 297,281 shares at June 30, 2017 and December 31, 2016, respectively	(12,089)	(12,054)
Deferred compensation liability	12,089	12,054
Paid-in capital	25,916	24,629
Retained earnings	306,979	303,415
Treasury shares, at cost, 1,140,816 and 1,136,443 shares at June 30, 2017 and December 31, 2016, respectively	(59,880)	(59,640)
Accumulated other comprehensive loss	(48,932)	(57,369)
TOTAL SHAREHOLDERS' EQUITY	236,597	223,543
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 351,571	$ 340,937

See notes to consolidated financial statements (unaudited).

PREFORMED LINE PRODUCTS COMPANY

STATEMENTS OF CONSOLIDATED INCOME

(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
(Thousands of dollars, except per share data)				
Net sales	$97,512	$83,220	$182,081	$161,903
Cost of products sold	67,839	56,414	127,743	110,807
GROSS PROFIT	29,673	26,806	54,338	51,096
Costs and expenses				
Selling	8,626	8,183	16,910	15,814
General and administrative	10,772	10,962	21,101	21,049
Research and engineering	3,612	3,609	7,301	7,347
Other operating (income) expense - net	369	(27)	474	(880)
	23,379	22,727	45,786	43,330
OPERATING INCOME	6,294	4,079	8,552	7,766
Other income (expense)				
Interest income	160	68	264	143
Interest expense	(277)	(166)	(577)	(324)
Other income - net	81	(208)	137	(156)
	(36)	(306)	(176)	(337)
INCOME BEFORE INCOME TAXES	6,258	3,773	8,376	7,429
Income taxes	2,102	1,018	2,702	2,016
NET INCOME	$4,156	$2,755	$5,674	$5,413
BASIC EARNINGS PER SHARE				
Net income	$0.81	$0.53	$1.11	$1.04
DILUTED EARNINGS PER SHARE				
Net income	$0.81	$0.53	$1.11	$1.04
Cash dividends declared per share	$0.20	$0.20	$0.40	$0.40
Weighted-average number of shares outstanding - basic	5,116	5,186	5,117	5,198
Weighted-average number of shares outstanding - diluted	5,127	5,208	5,132	5,218

See notes to consolidated financial statements (unaudited).

PREFORMED LINE PRODUCTS COMPANY

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
(Thousands of dollars)				
Net income	$4,156	$2,755	$5,674	$5,413
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	2,810	(1,855)	8,282	2,012
Recognized net actuarial gain (net of tax provision of $49 and $46 for the three months ended June 30, 2017 and 2016, respectively, and net of tax provision of $93 and $92 for the six months ended June 30, 2017 and 2016, respectively.)	83	76	155	153
Other comprehensive income (loss), net of tax	2,893	(1,779)	8,437	2,165
Comprehensive income	$7,049	$976	$14,111	$7,578

See notes to consolidated financial statements (unaudited).

PREFORMED LINE PRODUCTS COMPANY

STATEMENTS OF CONSOLIDATED CASH FLOWS

(UNAUDITED)

(Thousands of dollars)	Six Months Ended June 30 2017	2016
OPERATING ACTIVITIES		
Net income	$5,674	$5,413
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	5,873	5,602
Provision for accounts receivable allowances	777	132
Provision for inventory reserves	722	864
Deferred income taxes	(790)	(815)
Share-based compensation expense	1,140	506
Gain on sale of property and equipment	(13)	(11)
Other - net	276	415
Changes in operating assets and liabilities		
Accounts receivable	(15,284)	116
Inventories	539	(1,585)
Trade accounts payable and accrued liabilities	2,035	887
Income taxes - net	2,714	(1,695)
Other - net	(1,644)	207
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,019	10,036
INVESTING ACTIVITIES		
Capital expenditures	(4,554)	(19,677)
Proceeds from the sale of property and equipment	1	61
Restricted cash and maturity (purchase) of fixed-term deposits - net	6,923	(1,314)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,370	(20,930)
FINANCING ACTIVITIES		
Increase in notes payable to banks	2	337
Proceeds from the issuance of long-term debt	25,038	43,132
Payments of long-term debt	(31,471)	(28,862)
Dividends paid	(2,092)	(2,102)
Excess tax expenses from share-based awards	0	8
Proceeds from issuance of common shares	0	110
Purchase of common shares for treasury	(238)	(2,032)
Purchase of common shares for treasury from related parties	(2)	(33)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(8,763)	10,558
Effects of exchange rate changes on cash and cash equivalents	1,639	(1,914)
Net decrease in cash and cash equivalents	(2,735)	(2,250)
Cash and cash equivalents at beginning of year	30,737	30,393
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$28,002	$28,143

See notes to consolidated financial statements (unaudited).

PREFORMED LINE PRODUCTS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(In thousands, except share and per share data, unless specifically noted)

NOTE A – BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Preformed Line Products Company and subsidiaries (the "Company" or "PLPC") have been prepared in accordance with United States of America (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from these estimates. In the opinion of management, these consolidated financial statements contain all estimates and adjustments, consisting of normal recurring accruals, required to fairly present the financial position, results of operations, and cash flows for the interim periods. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full-year ending December 31, 2017.

The Consolidated Balance Sheet at December 31, 2016 has been derived from the audited consolidated financial statements, but does not include all of the information and notes required by U.S. GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes to consolidated financial statements included in the Company's 2016 Annual Report on Form 10-K filed on March 10, 2017 with the Securities and Exchange Commission.

NOTE B – OTHER FINANCIAL STATEMENT INFORMATION

Inventories – net

	June 30, 2017	December 31, 2016
Raw materials	$42,295	$ 37,535
Work-in-process	9,957	9,057
Finished Goods	31,444	35,629
	83,696	82,221
Excess of current cost over LIFO cost	(2,823)	(2,784)
Noncurrent portion of inventory	(5,375)	(4,953)
	$75,498	$ 74,484

Cost of inventories for certain material is determined using the last-in-first-out (LIFO) method and totaled approximately $27.0 million at June 30, 2017 and $28.6 million at December 31, 2016. An actual valuation of inventories under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation. During both the three and six-month periods ended June 30, 2017, the net change in LIFO inventories resulted in a less than $.1 million benefit and a less than $.1 million expense, respectively, to Income before income taxes. During the three and six months ended June 30, 2016, the net change in LIFO inventories resulted in a $.5 million and $.1 million benefit to Income before income taxes, respectively.

Noncurrent inventory is included in Other assets on the Consolidated Balance Sheets.

Property, plant and equipment—net

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

	June 30, 2017	December 31, 2016
Land and improvements	$ 13,001	$ 12,584
Buildings and improvements	74,800	72,662
Machinery, equipment and aircraft	165,205	158,078
Construction in progress	4,432	3,877
	257,438	247,201
Less accumulated depreciation	150,204	142,097
	$ 107,234	$ 105,104

Legal proceedings

The Company and its subsidiaries Helix Uniformed Ltd. (“Helix”) and Preformed Line Products (Canada) Limited (“PLPC Canada”), were each named, jointly and severally, with each of SNC-Lavalin ATP, Inc. (“SNC ATP”), HD Supply Canada Inc., by its trade names HD Supply Power Solutions and HD Supply Utilities (“HD Supply”), and Anixter Power Solutions Canada Inc. (the corporate successor to HD Supply, “Anixter” and, together with the Company, PLPC Canada, Helix, SNC ATP and HD Supply, the “Defendants”) in a complaint filed by Altalink, L.P. (the “Plaintiff”) in the Court of Queen’s Bench of Alberta in Alberta, Canada in November 2016 (the “Complaint”).

The Complaint states that Plaintiff engaged SNC ATP to design, engineer, procure and construct numerous power distribution and transmission facilities in Alberta (the “Projects”) and that through SNC ATP and HD Supply (now Anixter), spacer dampers manufactured by Helix were procured and installed in the Projects. The Complaint alleges that the spacer dampers have and may continue to become loose, open and detach from the conductors, resulting in damage and potential injury and a failure to perform the intended function of providing spacing and damping to the Project. The Plaintiffs are seeking an estimated $56 million in damages jointly and severally from the Defendants, representing the costs of monitoring and replacing the spacer dampers and remediating property damage, due to alleged defects in the design and construction of, and supply of materials for, the Projects by SNC ATP and HD Supply/Anixter and in the design of the spacer dampers by Helix.

The lawsuit is in its very early stages, but the Company believes the claims against it are without merit and intends to vigorously defend against such claims. However, the Company is unable to predict the outcome of this case and, if determined adversely to the Company, it could have a material effect on the Company’s financial results.

The Company is not a party to any other 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

The Company uses a December 31 measurement date for the Preformed Line Products Company Employees’ Retirement Plan (the “Plan”). Net periodic pension cost for this plan included the following components:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Service cost	$72	$55	$127	$110
Interest cost	363	364	729	729
Expected return on plan assets	(476)	(449)	(951)	(899)
Recognized net actuarial loss	131	123	248	246
Net periodic pension cost	$90	$93	$153	$186

No contributions were made to the Plan during the six months ended June 30, 2017. The Company does not anticipate contributing additional funding to the Plan in 2017.

NOTE D – ACCUMULATED OTHER COMPREHENSIVE INCOME (“AOCI”)

The following tables set forth the total changes in AOCI by component, net of tax:

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
	Defined benefit pension plan activity	Currency Translation Adjustment	Total	Defined benefit pension plan activity	Currency Translation Adjustment	Total
Balance at April 1	$(5,802)	$ (46,023)	$(51,825)	$(6,158)	$ (44,049)	$(50,207)
Other comprehensive income (loss) before reclassifications:						
Gain (loss) on foreign currency translation adjustment	0	2,810	2,810	0	(1,855)	(1,855)
Amounts reclassified from AOCI:						
Amortization of defined benefit pension actuarial gain (a)	83	0	83	76	0	76
Net current period other comprehensive income (loss)	83	2,810	2,893	76	(1,855)	(1,779)
Balance at June 30	$(5,719)	$ (43,213)	$(48,932)	$(6,082)	$ (45,904)	$(51,986)

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
	Defined benefit pension plan activity	Currency Translation Adjustment	Total	Defined benefit pension plan activity	Currency Translation Adjustment	Total
Balance at January 1	$(5,874)	$ (51,495)	$(57,369)	$(6,235)	$ (47,916)	$(54,151)
Other comprehensive income before reclassifications:						
Gain on foreign currency translation adjustment	0	8,282	8,282	0	2,012	2,012
Amounts reclassified from AOCI:						
Amortization of defined benefit pension actuarial loss (a)	155	0	155	153	0	153
Net current period other comprehensive income	155	8,282	8,437	153	2,012	2,165
Balance at June 30	$(5,719)	$ (43,213)	$(48,932)	$(6,082)	$ (45,904)	$(51,986)

(a) This AOCI component is included in the computation of net periodic pension costs.

NOTE E – COMPUTATION OF EARNINGS PER SHARE

Basic earnings per share were computed by dividing Net income by the weighted-average number of common shares outstanding for each respective period. Diluted earnings per share were calculated by dividing Net income by the weighted-average of all potentially dilutive common stock that was outstanding during the periods presented.

The calculation of basic and diluted earnings per share for the three and six months ended June 30, 2017 and 2016 was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Numerator				
Net income	$4,156	$2,755	$5,674	$5,413
Denominator				
Determination of shares				
Weighted-average common shares outstanding	5,116	5,186	5,117	5,198
Dilutive effect - share-based awards	11	22	15	20
Diluted weighted-average common shares outstanding	5,127	5,208	5,132	5,218
Earnings per common share				
Basic	$0.81	$0.53	$1.11	$1.04
Diluted	$0.81	$0.53	$1.11	$1.04

For the three and six-month periods ended June 30, 2017, 48,498 and 47,679 stock options, respectively, were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive. For the three and six-month periods ended June 30, 2016, 60,350 and 61,800, respectively, stock options were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive.

NOTE F – GOODWILL AND OTHER INTANGIBLES

The Company's finite and indefinite-lived intangible assets consist of the following:

	June 30, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets				
Patents	$4,817	$ (4,810)	$4,816	$ (4,799)
Land use rights	1,070	(190)	1,070	(180)
Trademarks	1,781	(1,116)	1,725	(1,039)
Technology	3,190	(1,114)	3,057	(1,031)
Customer relationships	12,425	(5,585)	12,073	(5,217)
	$23,283	$ (12,815)	$22,741	$ (12,266)
Indefinite-lived intangible assets				
Goodwill	$16,478		$15,769	

The aggregate amortization expense for other intangibles with finite lives for the three and six months ended June 30, 2017 was $.3 million and $.5 million, respectively. The aggregate amortization expense for other intangibles with finite lives for each of the three and six months ended June 30, 2016 was $.2 million and $.5 million, respectively. Amortization expense is estimated to be $.5 million for the remaining period of 2017, $1.0 million annually for 2018 and 2019, and $.9 million for both 2020 and 2021. The weighted-average remaining amortization period is approximately 16.6 years. The weighted-average remaining amortization period by intangible asset class is as follows: patents, 8.5 years; land use rights, 57.5 years; trademarks, 9.4 years; technology, 14.4 years; and customer relationships, 12.7 years.

The Company's measurement date for its annual impairment test for goodwill is October 1st of each year. The Company performs its annual impairment test for goodwill utilizing a discounted cash flow methodology, market comparables, and an overall market capitalization reasonableness test in computing fair value by reporting unit. The Company then compares the fair value of the reporting unit with its carrying value to assess if goodwill has been impaired. Based on the assumptions as to growth, discount rates and the weighting used for each respective valuation methodology, results of the valuations could be significantly different. However, the Company believes that the methodologies and weightings used are reasonable and result in appropriate fair values of the reporting units. The Company's valuation method uses Level 3 inputs under the fair value hierarchy.

The Company's only intangible asset with an indefinite life is goodwill. The changes in the carrying amount of goodwill, by segment, for the six months ended June 30, 2017 are as follows:

	USA	The Americas	EMEA	Asia-Pacific	Total
Balance at January 1, 2017	$3,078	$ 4,017	$1,287	$ 7,387	$15,769
Currency translation	0	155	137	417	709
Balance at June 30, 2017	$3,078	$ 4,172	$1,424	$ 7,804	$16,478

NOTE G – SHARE-BASED COMPENSATION

The 1999 Stock Option Plan

Activity in the Company's 1999 Stock Option Plan for the six months ended June 30, 2017 as follows:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2017	5,550	$ 48.35		
Granted	0	$ 0.00		
Exercised	0	$ 0.00		
Forfeited	0	$ 0.00		
Outstanding (exercisable and vested) at June 30, 2017	5,550	$ 48.35	1.3	$ 11

There were no stock options exercised during the six months ended June 30, 2017 or 2016.

As all stock options from the 1999 Stock Option Plan are fully vested, the Company recorded no compensation expense related to stock options for the six months ended June 30, 2017 and 2016.

Long Term Incentive Plan of 2008 and 2016 Incentive Plan

The Company maintains an equity award program to give the Company a competitive advantage in attracting, retaining, and motivating officers, employees and directors and to provide an incentive to those individuals to increase shareholder value through long-term incentives directly linked to the Company's performance. Under the Preformed Line Products Company Long Term Incentive Plan of 2008 (the "LTIP"), certain employees, officers, and directors were eligible to receive awards of options, restricted shares and restricted share units (RSUs). The total number of Company common shares reserved for awards under the LTIP was 900,000, of which 800,000 common shares were reserved for RSUs and 100,000 common shares have been reserved for share options. The LTIP was terminated and replaced with the Preformed Line Products Company 2016 Incentive Plan (the "Incentive Plan") in May 2016 upon approval by the Company's Shareholders at the 2016 Annual Meeting of Shareholders on May 10, 2016. No further awards will be made under the LTIP and previously granted awards remain outstanding in accordance with their terms. Under the Incentive Plan, certain employees, officers, and directors will be eligible to receive awards of options, restricted shares and RSUs. The total number of Company common shares reserved for awards under the Incentive Plan is 1,000,000 of which 900,000 common shares have been reserved for restricted share awards and 100,000 common shares have been reserved for share options. The Incentive Plan expires on May 10, 2026.

Restricted Share Units

For the regular annual grants, a portion of the RSUs is subject to time-based cliff vesting and a portion is subject to vesting based upon the Company's performance over a set period for all participants except the CEO. All of the CEO's regular annual RSUs are subject to vesting based upon the Company's performance over a set-year period.

The RSUs are offered at no cost to the employees. The fair value of RSUs is based on the market price of a common share on the grant date and the shares are restricted until they vest. The portion of the RSU's granted to The Company's former Chief Financial Officer in 2015, 2016 and 2017 that had not yet vested as of his retirement date of May 31, 2017 were forfeited. The Company currently estimates that no other performance-based and time-based RSUs will be forfeited during 2017. Dividends declared are accrued in cash.

A summary of the RSUs outstanding under the LTIP for the six months ended June 30, 2017 is as follows:

	Restricted Share Units			
	Performance and Service Required [1]	Service Required	Total Restricted Share Units	Weighted-Average Grant-Date Fair Value
Nonvested as of January 1, 2017	130,168	15,974	146,142	$ 38.46
Granted	80,247	10,560	90,807	54.60
Vested	0	0	0	0.00
Forfeited	(9,843)	(2,461)	(12,304)	46.86
Nonvested as of June 30, 2017	200,572	24,073	224,645	$ 44.53

(1) Nonvested performance-based RSUs are reflected at the maximum performance achievement level.

For time-based RSUs, the Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award in General and administrative expense in the accompanying Statements of Consolidated Income. Compensation expense related to the time-based RSUs for the three-month and six-month periods ended June 30, 2017 was $.1 million and $.2 million, respectively. Compensation expense related to the time-based RSU's for the three and six months ended June 30, 2016 was $.1 million and $.2 million, respectively. As of June 30, 2017, there was $.6 million of total unrecognized compensation cost related to time-based RSUs that is expected to be recognized over the weighted-average remaining period of approximately 2.1 years.

For the performance-based RSUs, the number of RSUs in which the participants will vest depends on the Company's level of performance measured by growth in either operating or pre-tax income and sales growth over a requisite performance period. Depending on the extent to which the performance criterions are satisfied under the LTIP, the participants are eligible to earn common shares over the vesting period. Performance-based compensation expense for the three and six months ended June 30, 2017 was $.4 million and $.9 million, respectively. Performance-based compensation expense for the three and six months ended June 30, 2016 was $.1 million and $.3 million, respectively. As of June 30, 2017, the remaining performance-based RSUs compensation expense of $3.1 million is expected to be recognized over a period of approximately 2.1 years.

In the event of a Change in Control (as defined in the LTIP), vesting of the RSUs will be accelerated and all restrictions will lapse. Unvested performance-based awards are based on a target potential payout. Actual shares awarded at the end of the performance period may be less than the target potential payout level depending on achievement of performance-based award objectives.

To satisfy the vesting of its RSU awards, the Company has reserved new shares from its authorized but unissued shares. Any additional awards granted will also be issued from the Company's authorized but unissued shares.

Share Option Awards

The LTIP permitted and now the Incentive Plan permits the grant of 100,000 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. Options issued to date under the LTIP 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.

The Company utilizes the Black-Scholes option pricing model for estimating fair values of options. The Black-Scholes model requires assumptions regarding the volatility of the Company's stock, the expected life of the stock award and the Company's dividend yield. The Company utilizes historical data in determining these assumptions. 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.

There were 5,000 options granted for the six months ended June 30, 2017 and no options granted for the six months ended June 30, 2016.

Stock option activity under the Company's LTIP for six months ended June 30, 2017 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, 2017	52,750	$ 54.54		
Granted	5,000	$ 48.00		
Exercised	0	$ 0.00		
Forfeited	0	$ 0.00		
Outstanding (vested and expected to vest) at June 30, 2017	57,750	$ 53.98	7.0	$ 20
Exercisable at June 30, 2017	42,875	$ 56.55	6.5	$ 15

There were no stock options exercised during the six months ended June 30, 2017 or 2016.

For both the three and six-month periods ended June 30, 2017, the Company recorded compensation expense related to the stock options currently vested of less than $.1 million. For the three and six months ended June 30, 2016, the Company recorded compensation expense related to the stock options currently vested of less than $.1 million and $.1 million, respectively. The total compensation cost related to nonvested awards not yet recognized at June 30, 2017 is expected to be $.1 million over a weighted-average period of approximately 2.0 years.

Deferred Compensation Plan

The Company maintains a trust, commonly referred to as a rabbi trust, in connection with the Company's deferred compensation plan. This plan allows for two deferrals. First, Directors make elective deferrals of Director fees payable and held in the rabbi trust. The deferred compensation plan allows the Directors to elect to receive Director fees in common shares of the Company at a later date instead of fees paid each quarter in cash. Second, this plan allows certain Company employees to defer restricted shares or RSUs for future distribution in the form of common shares. Assets of the rabbi trust are consolidated, and the value of the Company's common shares held in the rabbi trust is classified in Shareholders' equity and generally accounted for in a manner similar to treasury stock. The Company recognizes the original amount of the deferred compensation (fair value of the deferred stock award at the date of grant) as the basis for recognition in common shares issued to the rabbi trust. Changes in the fair value of amounts owed to certain employees or Directors are not recognized as the Company's deferred compensation plan does not permit diversification and must be settled by the delivery of a fixed number of the Company's common shares. As of June 30, 2017, 297,840 shares have been deferred and are being held in the rabbi trust.

NOTE H – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of the Company's current financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, notes payable, and short-term debt, approximates its fair value because of the short-term maturity of these instruments. At June 30, 2017, the fair value of the Company's long-term debt was estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowing arrangements which are considered to be Level 2 inputs. There have been no transfers in or out of Level 2 for the six months ended June 30, 2017. Based on the analysis performed, the carrying value of the Company's long-term debt approximates fair value at June 30, 2017 and December 31, 2016.

NOTE I – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update "ASU 2016-09", "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 amends several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The Company adopted ASU 2016-09 effective January 1, 2017.

ASU 2016-09 requires prospective recognition of excess tax benefits and deficiencies resulting from stock-based compensation awards vesting and exercises to be recognized as a discrete income tax adjustment in the income statement. Previously, these amounts were recognized in Paid in capital. The Company had $0 excess tax benefit recorded during the six months ended June 30, 2017. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be prospectively excluded from the assumed future proceeds in the calculation of diluted shares, resulting in an insignificant increase in diluted weighted average number of shares outstanding for the six months ended June 30, 2017 and an immaterial impact on earnings per share.

ASU 2016-09 requires that excess tax benefits from share-based compensation awards be reported as operating activities in the Statements of Consolidated Cash Flows. Previously, this activity was included in financing activities on the Statements of Consolidated Cash Flows. As permitted, the Company has elected to apply this change prospectively.

ASU 2016-09 requires that employee taxes paid when an employer withholds shares for tax withholding purposes be reported as financing activities in the Statements of Consolidated Cash Flows on a retrospective basis. Previously, this activity was included in financing activities and, therefore, this resulted in no impact to the Statements of Consolidated Cash Flows.

The Company has elected to account for forfeitures as they occur to estimate the number of stock-based awards expected to vest as permitted by ASU 2016-09.

In July 2015, the FASB issued Accounting Standards Update 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory.” The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). The Company adopted ASU 2015-11 effective January 1, 2017. Under ASU 2015-11, an entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update are effective for fiscal years beginning after December 15, 2016 including interim periods within those fiscal years. The amendments in this Update have been applied prospectively and did not have an effect on Company’s consolidated financial statements for the three and six months ended June 30, 2017.

NOTE J – NEW ACCOUNTING STANDARDS TO BE ADOPTED

In March 2017, the FASB issued ASU 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendment in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period as well as the nature and reason for the change in accounting principle. The Company is currently evaluating what impact, if any, its adoption will have to the presentation of the Company’s consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment,” to eliminate Step 2 from the goodwill impairment test in order to simplify the subsequent measurement of goodwill. The guidance is effective for fiscal years beginning after December 15, 2019. Early application is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Adoption of this guidance is not expected to have a material impact on the Company's Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash." The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within the annual reporting period. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Company is currently evaluating what impact, if any, its adoption will have to the presentation of the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory." ASU 2016-16 modifies the recognition of income tax expense resulting from intra-entity transfers of assets other than inventory. Pursuant to this amendment, entities should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This amendment eliminates the exception for an intra-entity transfer of assets other than inventory. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within the annual reporting period. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating what impact, if any, its adoption will have to the presentation of the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The amendments in this Update require the recognition of assets and liabilities arising from lease transactions on the balance sheet and the disclosure of key information about leasing arrangements. Accordingly, a lessee will recognize a lease asset for its right to use the underlying asset and a lease liability for the corresponding lease obligation. Both the asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. Subsequent measurement, including the presentation of expenses and cash flows, will depend on the classification of the lease as either a finance or an operating lease. Initial costs directly attributable to negotiating and arranging the lease will be included in the asset. For leases with a term of 12 months or less, a lessee can make an accounting policy election by class of underlying asset to not recognize an asset and corresponding liability. Lessees will also be required to provide additional qualitative and quantitative disclosures regarding the amount, timing and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements and provide additional information about the nature of an organization's leasing activities. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating what impact, if any, its adoption will have to the presentation of the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," or ASU 2014-09. ASU 2014-09 requires an entity to recognize revenue in a matter that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the amendment provides five steps that an entity should apply when recognizing revenue. The amendment also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with cumulative effect of initially applying the update recognized at the date of initial application. In August 2015, the FASB issued ASU No. 2015-14 deferring the effective date of the amendment to annual reporting periods beginning after December 15, 2017, including interim periods therein. Although early adoption is permitted, the Company plans to adopt the new guidance effective January 1, 2018 and has developed an implementation plan. The Company's analysis is ongoing with respect to whether certain contracts will be recognized over time or at a point in time while identifying changes to our processes and controls to meet the standard's reporting and disclosure requirements. The Company will continue to update the assessment of the impact of ASU 2014-09 and related updates to the Company's consolidated financial statements and will disclose material impacts, if any.

NOTE K – SEGMENT INFORMATION

The following tables present a summary of the Company's reportable segments for the three and six months ended June 30, 2017 and 2016. Financial results for the PLP-USA segment include the elimination of all segments' intercompany profit in inventory.

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	2017	2016
Net sales				
PLP-USA	$38,087	$34,183	$72,949	$68,830
The Americas	16,827	14,515	33,396	26,969
EMEA	17,578	14,660	31,430	28,578
Asia-Pacific	25,020	19,862	44,306	37,526
Total net sales	$97,512	$83,220	$182,081	$161,903
Intersegment sales				
PLP-USA	$3,012	$1,965	$6,019	$4,178
The Americas	1,467	1,274	2,708	2,566
EMEA	285	257	600	656
Asia-Pacific	2,485	2,311	4,536	4,059
Total intersegment sales	$7,249	$5,807	$13,863	$11,459
Income taxes				
PLP-USA	$463	$126	$41	$106
The Americas	804	694	1,515	1,240
EMEA	375	674	578	1,180
Asia-Pacific	460	(476)	568	(510)
Total income taxes	$2,102	$1,018	$2,702	$2,016
Net income (loss)				
PLP-USA	$949	$(37)	$317	$(157)
The Americas	1,789	1,107	3,574	2,188
EMEA	669	1,933	1,288	3,632
Asia-Pacific	749	(248)	495	(250)
Total net income	$4,156	$2,755	$5,674	$5,413

	June 30, 2017	December 31, 2016
Assets		
PLP-USA	$123,175	$122,326
The Americas	65,282	63,643
EMEA	56,660	54,493
Asia-Pacific	106,454	100,475
Total identifiable assets	$351,571	$340,937

NOTE L – INCOME TAXES

The Company's effective tax rate was 34% and 27% for the three months ended June 30, 2017 and 2016, respectively, and 32% and 27% for the six months ended June 30, 2017 and 2016, respectively. The lower effective tax rate for the three and six months ended June 30, 2017 compared to the U.S. federal statutory tax rate of 35% was primarily due to an increase in earnings in jurisdictions with lower tax rates than the U.S. federal statutory tax rate where such earnings are permanently reinvested. The higher tax rate for the three and six months ended June 30, 2017 compared with the same periods for 2016 was primarily due to the release of valuation allowances in 2016 primarily attributable to operating losses in certain foreign jurisdictions.

As described in Note I, effective January 1, 2017, the Company adopted the new guidance (ASU 2016-09) and will record excess tax benefits or tax deficiencies from stock-based compensation in the Statements of Consolidated Income within the provision for income taxes rather than in the Consolidated Balance Sheets within Paid-in capital.

The Company provides valuation allowances against deferred tax assets when it is more likely than not that some portion or all of its deferred tax assets will not be realized. No significant changes to the valuation allowance were reflected for the period ended June 30, 2017.

During the period ended June 30, 2017, the Company did not record any unrecognized tax benefits and as of June 30, 2017, the Company has no unrecognized tax benefits. The Company does not anticipate any significant changes to its gross unrecognized tax benefits within the next twelve months.

NOTE M – PRODUCT WARRANTY RESERVE

The Company records an accrual for estimated warranty costs to Costs of products sold in the Statements of Consolidated Income. These amounts are recorded in Accrued expenses and other liabilities in the Consolidated Balance Sheets. The Company records and accounts for its warranty reserve based on specific claim incidents. Should the Company become aware of a specific potential warranty claim for which liability is probable and reasonably estimable, a specific charge is recorded and accounted for accordingly. Adjustments are made quarterly to the accruals as claim information changes.

The following is a rollforward of the product warranty reserve:

	Six Months Ended June 30	
	2017	2016
Beginning of period balance	$1,058	$714
Additions charged to income	198	310
Warranty usage	(118)	(28)
Currency translation	63	(18)
End of period balance	$1,201	$978

NOTE N – CHARGES RELATED TO RESTRUCTURING ACTIVITIES

The Company previously reconfigured one of its operations within its Asia Pacific segment by reducing its workforce and manufacturing facilities while outsourcing production predominantly to its locations with lower cost operations. This was done in response to a slowdown in economic activity in the region as well as continued downward market pressure on prices. These actions reduced go-forward infrastructure and manufacturing costs. No expense was recognized in the six months ended June 30, 2017 and expense of $.1 million was recognized in the six months ended June 30, 2016 for these restructuring activities. The restructuring liability remaining at June 30, 2017 of $.5 million was recorded in Accrued expenses.

A summary of the accruals recorded as a result of the restructuring is as follows:

	Severance	Lease Termination Costs	Other	Total
December 31, 2016 Balance				
Asia-Pacific	$ 0	$ 478	$ 0	$478
Total	0	478	0	478
Charges				

Asia-Pacific	0	0	0	0
Total	0	0	0	0
Payments and other adjustments				
Asia-Pacific	0	(30)	22	(8)
Total	0	(30)	22	(8)
June 30, 2017 Balance				
Asia-Pacific	0	448	22	470
Total	$ 0	$ 448	$ 22	$470

NOTE O – DEBT ARRANGEMENTS

At June 27, 2016, the Company borrowed $14.5 million at a fixed rate of 2.71%, due July 1, 2026 to finance the purchase of a Company aircraft. The loan is secured by the newly purchased aircraft. On August 22, 2016, the Company increased its borrowing capacity under the credit facility from $50 million to $65 million and extended the term to June 30, 2019. All other terms remain the same, including the interest rate at LIBOR plus 1.125% unless its funded debt to Earnings before Interest, Taxes and Depreciation ratio exceeds 2.25 to 1, then the LIBOR spread becomes 1.500%. In 2016, the Company's Australian subsidiary borrowed $1.5 million Australian dollars at a rate of 1.125 plus the Australian Bank Bill Swap Bid Rate with a term expiring June 30, 2019. At June 30, 2017, the interest on the Australian line of credit agreement was 2.755%. Under the credit facility, at June 30, 2017, the Company had utilized $24.9 million with $40.1 million available under the line of credit net of long-term outstanding letters of credit. The line of credit agreement contains, among other provisions, requirements for maintaining levels of net worth and profitability. At June 30, 2017, the Company was in compliance with these covenants.

NOTE P – RELATED PARTY TRANSACTIONS

On January 3, 2017, the Company purchased 1,834 shares of the Company from Officers at a price per share of $58.58, which was calculated from a 30-day average of market price in connection with the vesting of equity awards. The Audit Committee of the Board of Directors approved this transaction.

On May 9, 2017, the Company purchased 2,500 shares of the Company from an Officer at a price per share of $52.05, which was calculated from a 30-day average of market price in connection with the vesting of equity awards. The Audit Committee of the Board of Directors approved this transaction.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the readers of our consolidated financial statements better understand our results of operations, financial condition and present business environment. The MD&A is provided as a supplement to, and should be read in conjunction with, our unaudited consolidated financial statements and related notes included elsewhere in this report.

The MD&A is organized as follows:

- Overview
- Preface
- Results of Operations
- Application of Critical Accounting Policies and Estimates
- Working Capital, Liquidity and Capital Resources
- Recently Adopted Accounting Pronouncements
- New Accounting Standards to be Adopted

OVERVIEW

Preformed Line Products Company (the "Company", "PLPC", "we", "us", or "our") was incorporated in Ohio in 1947. We are an international designer and manufacturer of products and systems employed in the construction and maintenance of overhead and underground networks for the energy, telecommunication, cable operators, information (data communication), and other similar industries. Our primary products support, protect, connect, terminate, and secure cables and wires. We also provide solar hardware systems, mounting hardware for a variety of solar power applications, and fiber optic and copper splice closures. PLPC is respected around the world for quality, dependability and market-leading customer service. Our goal is to continue to achieve profitable growth as a leader in the research, innovation, development, manufacture, and marketing of technically advanced products and services related to energy, communications and cable systems and to take advantage of this leadership position to sell additional quality products in familiar markets. We have 27 sales and manufacturing operations in 18 different countries.

We report our segments in four geographic regions: PLP-USA (including corporate), The Americas (includes operations in North and South America without PLP-USA), EMEA (Europe, Middle East & Africa) and Asia-Pacific in accordance with accounting standards codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 280, Segment Reporting. Each segment distributes a full range of our primary products. Our PLP-USA segment is comprised of our U.S. operations manufacturing our traditional products primarily supporting our domestic energy, telecommunications and solar products. Our other three segments, The Americas, EMEA and Asia-Pacific, support our energy, telecommunications, data communication and solar products in each respective geographical region.

The segment managers responsible for each region report directly to the Company's Chief Executive Officer, who is the chief operating decision maker, and are accountable for the financial results and performance of their entire segment for which they are responsible. The business components within each segment are managed to maximize the results of the entire operating segment and Company rather than the results of any individual business component of the segment.

We evaluate segment performance and allocate resources based on several factors primarily based on sales and net income.

PREFACE

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). Our discussions of the financial results include non-GAAP measures (e.g., foreign currency impact) to provide additional information concerning our financial results and provide information that we believe is useful to the readers of our consolidated financial statements in the assessment of our performance and operating trends.

Our consolidated financial statements are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. As foreign currencies strengthen against the U.S. dollar, our sales and costs increase as the foreign currency-denominated financial statements translate into more U.S. dollars. In total, foreign currencies strengthened against the U.S. dollar in the second quarter and first six months of 2017 in contrast to the foreign currencies weakening during the comparable periods in 2016. The fluctuations of foreign currencies during the three months ended June 30, 2017 had a less than a $.1 million favorable effect on sales and a $1.4 million favorable effect on the six months ended June 30, 2017 compared to the same periods in 2016. On a reportable segment basis, the impact of foreign currency on net sales and net income for the three and six months ended June 30, 2017 was as follows:

	Foreign Currency Translation Impact			
	Net Sales		Net Income	
(Thousands of dollars)	Three Months	Six Months	Three Months	Six Months
The Americas	$ (23)	$ 1,293	$ (72)	$ 28
EMEA	74	(282)	38	(42)
Asia-Pacific	38	426	(19)	(30)
Total	$ 89	$ 1,437	$ (53)	$ (44)

The operating results for the three months ended June 30, 2017 are compared to the same period in 2016. Net sales for the three months ended June 30, 2017 of $97.5 million increased $14.3 million, or 17%, compared to 2016. As a percentage of net sales, gross profit decreased to 30.4% in 2017 from 32.2% in 2016. Gross profit for the three months ended June 30, 2017 of $29.7 million increased $2.9 million compared to 2016. Gross profit increased $3.0 million, or 11%, compared to 2016, including a minimal impact from currency translation. Costs and expenses of $23.4 million increased $.7 million compared to 2016 with no impact from currency translation. Operating income for the three months ended June 30, 2017 was $6.3 million, an increase of $2.2 million compared to 2016. Net income for the three months ended June 30, 2017 of $4.2 million increased $1.4 million compared to the net income in 2016. The effect of currency translation had immaterial unfavorable impacts on both operating income and net income of less than $.1 million.

The operating results for the six months ended June 30, 2017 are compared to the same period in 2016. Net sales for the six months ended June 30, 2017 of $182.1 million increased $20.2 million, or 12%, compared to 2016. Excluding the favorable effect of currency translation, sales for the six months ended June 30, 2017 increased $18.8 million. As a percentage of net sales, gross profit decreased to 29.8% in 2017 from 31.6% in 2016. Gross profit for the six months ended June 30, 2017 of $54.3 million increased $3.2 million compared to 2016 with no measurable impact from currency translation. Costs and expenses of $45.8 million increased $2.5 million compared to 2016 with an unfavorable impact from currency translation of $.2 million. Operating income for the six months ended June 30, 2017 was $8.6 million, an increase of $.8 million compared to 2016. Net income for the six months ended June 30, 2017 of $5.7 million was an increase of $.3 million compared to the net income in 2016. The effect of currency translation had immaterial unfavorable impact on both operating income and net income of less than $.1 million.

The following table reflects the impact of foreign currency fluctuations on operating income for the three and six months ended June 30, 2017 and 2016:

Foreign Currency Translation Impact

(Thousands of dollars)	Three Months Ended June 30 2017	2016	Six Months Ended June 30 2017	2016
Operating income	$6,294	$4,079	$8,552	$7,766
Translation gain	(65)	0	(50)	0
Transaction gain	(3)	(317)	(186)	(1,358)
Operating income excluding currency impact	$6,226	$3,762	$8,316	$6,408

Despite the uncertainty in the current global economy, we believe our business fundamentals and our financial position are sound and that we are strategically well-positioned. We remain focused on assessing our business structure, global facilities and overall capacity in conjunction with the requirements of local manufacturing in the markets that we serve. If necessary, we will modify redundant processes and utilize our global manufacturing network to manage costs, increase sales volumes and deliver value to our customers. We have continued to invest in the business to improve efficiency, develop new products, increase our capacity and become an even stronger supplier to our customers. We currently have a bank debt to equity ratio of 16.7% and can borrow needed funds at a competitive interest rate under our credit facility.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2017 COMPARED TO THREE MONTHS ENDED JUNE 30, 2016

The following table sets forth a summary of the Company's Statements of Consolidated Income and the percentage of net sales for the three months ended June 30, 2017 and 2016. The Company's past operating results are not necessarily indicative of future operating results.

	Three Months Ended June 30				
(Thousands of dollars)	2017		2016		Change
Net sales	$97,512	100.0%	$83,220	100.0%	$14,292
Cost of products sold	67,839	69.6	56,414	67.8	11,425
GROSS PROFIT	29,673	30.4	26,806	32.2	2,867
Costs and expenses	23,379	24.0	22,727	27.3	652
OPERATING INCOME	6,294	6.5	4,079	4.9	2,215
Other expense - net	(36)	(0.0)	(306)	(0.4)	270
INCOME BEFORE INCOME TAXES	6,258	6.4	3,773	4.5	2,485
Income taxes	2,102	2.2	1,018	1.2	1,084
NET INCOME	$4,156	4.3 %	$2,755	3.3 %	$1,401

Net sales. Net sales were $97.5 million for the three months ended June 30, 2017, an increase of $14.3 million, or 17%, from the three months ended June 30, 2016 as summarized in the following table:

	Three Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Net sales						
PLP-USA	$38,087	$34,183	$3,904	$ 0	$ 3,904	11 %
The Americas	16,827	14,515	2,312	(23)	2,335	16
EMEA	17,578	14,660	2,918	74	2,844	19
Asia-Pacific	25,020	19,862	5,158	38	5,120	26
Consolidated	$97,512	$83,220	$14,292	$ 89	$ 14,203	17 %

The increase in PLP-USA net sales of $3.9 million, or 6%, was primarily due to a volume increase in transmission and communication sales, partially offset by a decrease in solar sales. International net sales for the three months ended June 30, 2017 were favorably affected by less than $.1 million when local currencies were converted to U.S. dollars. The following discussion of net sales excludes the effect of currency translation. The Americas net sales of $16.8 million increased $2.3 million, or 16%, primarily due to a volume increase in transmission and communication sales. EMEA net sales of $17.6 million increased $2.8 million, or 19%, primarily due to a volume increase in telecommunications sales and transmission projects in the region, partially offset by a decline in solar sales. In Asia-Pacific, net sales of $25.0 million increased $5.1 million, or 26%, compared to 2016 primarily due to a sales volume increase in transmission products.

Gross profit. Gross profit of $29.7 million for the three months ended June 30, 2017 increased $2.9 million, or 11%, compared to the three months ended June 30, 2016, as summarized in the following table:

	Three Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Gross profit						
PLP-USA	$12,533	$11,736	$797	$ 0	$ 797	7 %
The Americas	5,676	4,749	927	(97)	1,024	22
EMEA	4,752	5,812	(1,060)	36	(1,096)	(19)
Asia-Pacific	6,712	4,509	2,203	(29)	2,232	50
Consolidated	$29,673	$26,806	$2,867	$ (90)	$ 2,957	11 %

PLP-USA gross profit of $12.5 million increased $.8 million compared to the same period in 2016. International gross profit for the three months ended June 30, 2017 was unfavorably impacted by $.1 million when local currencies were translated to U.S. dollars. The following discussion of gross profit excludes the effects of currency translation. The Americas gross profit increase of $1.0 million was primarily the result of the sales increase of $2.3 combined with product margin improvement in the region due to sales mix. Although sales increased, EMEA gross profit decreased $1.1 million due to a shift in sales toward lower gross profit margin products. Asia-Pacific gross profit increased $2.2 million mainly as a result of a $5.1 million increase in sales, however, gross profit rate declined due to a shift in product sales mix in the region.

Costs and expenses. Costs and expenses of $23.4 million for the three months ended June 30, 2017 increased $.7 million, or 3%, as summarized in the following table:

	Three Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Costs and expenses						
PLP-USA	$10,877	$11,193	$(316)	$0	$(316)	(3)%
The Americas	3,262	3,023	239	15	224	7
EMEA	3,745	3,261	484	(27)	511	16
Asia-Pacific	5,495	5,250	245	(13)	258	5
Consolidated	$23,379	$22,727	$652	$(25)	$677	3%

PLP-USA costs and expenses of $10.9 million for the three months ended June 30, 2017 decreased $.3 million, or 3%, compared to 2016 mainly due to a $1.0 million charge related to the 2016 lease expiration of the Company aircraft that did not recur in 2017 and an increase in foreign currency exchange gains of $.2 million, offset by higher employee related costs of $.6 million, which includes healthcare and benefits, and various other net operating expenses of $.1 million. The foreign currency exchange gains were primarily related to translating into U.S. dollars its foreign denominated loans, trade and royalty receivables from its foreign subsidiaries at the June 30, 2017 exchange rates. On a consolidated basis, costs and expenses for the three months ended June 30, 2017 were minimally impacted when local currencies were translated to U.S. dollars. The following discussion of costs and expenses excludes the effect of currency translation. The Americas costs and expenses of $3.3 million increased $.2 million for the three months ended June 30, 2017 compared to the same period in 2016 primarily due to a net loss on foreign currency exchange of $.4 million offset by $.1 million of lower bad debt expense and $.1 million of lower professional fees. EMEA costs and expenses of $3.7 million increased $.5 million due to a net loss on foreign currency exchange of $.2 million, increased personnel related costs of $.2 million and $.1 million of various other expense increases. Asia-Pacific costs and expenses of $5.5 million increased $.3 million. This increase was primarily due to higher personnel related expenses.

Other income (expense). Other expense for the three months ended June 30, 2017 decreased $.3 million.

Income taxes. Income taxes for the three months ended June 30, 2017 and 2016 were $2.1 million and $1.0 million, respectively, based on pre-tax income of $6.3 million and $3.8 million, respectively. The effective tax rate for the three months ended June 30, 2017 and 2016 was 34% and 27%, respectively, compared to the U.S. federal statutory rate of 35%. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions, which differ from the U.S., federal statutory income tax rate, and the relative amount of income earned in those jurisdictions. It is also affected by discrete items that may occur in any given period but are not consistent from year to year. In addition to the impact of state and local income taxes, the following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 35% and our effective tax rate:

2017

1. A $.1 million, or 2%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.
2. A $.3 million, or 4%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.
3. A $.1 million, or 1%, increase resulting from a mix of U.S. permanent items and discrete items.

2016

1. A $.1 million, or 2%, decrease resulting from U.S. permanent items, primarily related to the repatriation of foreign earnings.
2. A $.3 million, or 7%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.

3. A $.3 million, or 7%, decrease for the recognition of various discrete items, primarily related to the release of valuation allowance in the Asia Pacific Region.
4. A $.2 million, or 6%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.

Net income. As a result of the preceding items, net income for the three months ended June 30, 2017 was $4.2 million, compared to $2.8 million for the three months ended June 30, 2016, an increase of $1.4 million as summarized in the following table:

	Three Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Net income (loss)						
PLP-USA	$949	$(37)	$986	$ 0	$ 986	NM %
The Americas	1,789	1,107	682	(72)	754	68
EMEA	669	1,933	(1,264)	38	(1,302)	(67)
Asia-Pacific	749	(248)	997	(19)	1,016	NM
Consolidated	$4,156	$2,755	$1,401	$ (53)	$ 1,454	53 %

NM - Not Meaningful

PLP-USA net income increased $1.0 million compared to 2016 due to a $1.1 million increase in operating income and a decrease in other expense of $.3 million, partially offset by an increase in income taxes of $.3 million and a net increase in net interest expense of $.1 million. The following discussion of net income excludes the effect of currency translation. The Americas net income increased $.8 million as a result of a $.8 million increase in operating income and higher interest income of $.1 million partially offset by higher income taxes of $.1 million. EMEA net income decreased $1.3 million as a result of a decrease in operating income of $1.9 million, partially offset with a decrease in income taxes of $.4 million. Asia-Pacific net income increased $1.0 million as a result of a $1.9 million increase in operating income, offset by an increase in income tax expense of $.9 million.

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

The following table sets forth a summary of the Company’s Statements of Consolidated Income and the percentage of net sales for the six months ended June 30, 2017 and 2016. The Company’s past operating results are not necessarily indicative of future operating results.

	Six Months Ended June 30		
(Thousands of dollars)	2017	2016	Change

Net sales	$182,081	100.0%	$161,903	100.0%	$20,178
Cost of products sold	127,743	70.2	110,807	68.4	16,936
GROSS PROFIT	54,338	29.8	51,096	31.6	3,242
Costs and expenses	45,786	25.1	43,330	26.8	2,456
OPERATING INCOME	8,552	4.7	7,766	4.8	786
Other income (expense)—net	(176)	(0.1)	(337)	(0.2)	161
INCOME BEFORE INCOME TAXES	8,376	4.6	7,429	4.6	947
Income taxes	2,702	1.5	2,016	1.2	686
NET INCOME	$5,674	3.1 %	$5,413	3.3 %	$261

Net sales. For the six months ended June 30, 2017, net sales were $182.1 million, an increase of $20.2 million, or 12%, from the six months ended June 30, 2016. Excluding the favorable effect of currency translation, net sales for the six months ended June 30, 2017 increased $18.7 million, or 12%, compared to the same period in 2016 as summarized in the following table:

	Six Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Net sales						
PLP-USA	$72,949	$68,830	$4,119	$ 0	$ 4,119	6 %
The Americas	33,396	26,969	6,427	1,293	5,134	19
EMEA	31,430	28,578	2,852	(282)	3,134	11
Asia-Pacific	44,306	37,526	6,780	426	6,354	17
Consolidated	$182,081	$161,903	$20,178	$ 1,437	$ 18,741	12 %

The increase in PLP-USA net sales of $4.1 million, or 6%, was primarily due to a volume increase in transmission and communication sales, partially offset by a decrease in solar sales. International net sales for the six months ended June 30, 2017 were favorably affected by $1.4 million when local currencies were converted to U.S. dollars. The following discussion of net sales excludes the effect of currency translation. The Americas net sales of $33.4 million increased $5.1 million, or 19%, primarily due to a volume increase in transmission and communication sales. EMEA net sales of $31.4 million increased $3.1 million, or 11%, primarily due to a volume increase in telecommunications sales and transmission projects in the region, partially offset by a decline in solar sales. In Asia-Pacific, net sales of $44.3 million increased $6.4 million, or 17%, compared to 2016 primarily due to a sales volume increase in transmission products.

Gross profit. Gross profit of $54.3 million for the six months ended June 30, 2017 increased $3.2 million, or 6%, compared to the six months ended June 30, 2016. Excluding the effect of currency translation, gross profit increased $3.1 million, or 6%, as summarized in the following table:

	Six Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change

Gross profit						
PLP-USA	$22,471	$21,674	$797	$ 0	$ 797	4 %
The Americas	11,438	9,119	2,319	258	2,061	23
EMEA	9,018	11,246	(2,228)	(156)	(2,072)	(18)
Asia-Pacific	11,411	9,057	2,354	30	2,324	26
Consolidated	$54,338	$51,096	$3,242	$ 132	$ 3,110	6 %

PLP-USA gross profit of $22.5 increased $.8 million in the six months ended June 30, 2017 compared to the same period in 2016. International gross profit for the six months ended June 30, 2017 was favorably impacted by $.1 million when local currencies were translated to U.S. dollars. The following discussion of gross profit excludes the effects of currency translation. The Americas gross profit increase of $2.1 million was primarily the result of the sales increase of $5.1 million combined with product margin improvement in the region due to sales mix. The EMEA gross profit decreased $2.1 million despite an increase in sales due to a shift in product sales mix to lower gross margin products. Asia-Pacific gross profit increased $2.3 million mainly as a result of a $6.4 million increase in sales primarily due to a shift to higher gross margin product sales mix in the region.

Costs and expenses. Costs and expenses of $45.8 million for the six months ended June 30, 2017 increased $2.5 million, or 6%, compared to the six months ended June 30, 2016. Excluding the favorable effect of currency translation, costs and expenses increased $2.3, million or 5%, as summarized in the following table:

	Six Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Costs and expenses						
PLP-USA	$21,600	$21,155	$445	$ 0	$ 445	2 %
The Americas	6,620	5,800	820	246	574	10
EMEA	7,228	6,538	690	(134)	824	13
Asia-Pacific	10,338	9,837	501	70	431	4
Consolidated	$45,786	$43,330	$2,456	$ 182	$ 2,274	5 %

PLP-USA costs and expenses of $21.6 million for the six months ended June 30, 2017 increased $.4 million, or 2%, compared to 2016 primarily as a result of increased personnel related expense of $1.0 million, which includes healthcare and benefits expense, and higher commission expense of $.5 million. There was no impact from foreign currency exchange gains/losses for the six months ended June 30, 2017 versus the prior year. Offsetting the higher expenses was a $1.0 million charge in 2016 related to the lease expiration of the Company aircraft and lower advertising expense of $.1 million. Costs and expenses for the six months ended June 30, 2017 were favorably impacted by $.2 million when local currencies were translated to U.S. dollars. Excluding the unfavorable impact of currency translation, costs and expenses increased $2.3 million. The following discussion of costs and expenses excludes the effect of currency translation. The Americas costs and expenses of $6.6 million increased $.6 million for the six months ended June 30, 2017 compared to the same period in 2016 primarily due to a net loss on foreign currency transactional exchange of $.9 million offset by $.2 million of lower bad debt expense and higher interest income of $.1 million. EMEA costs and expenses of $7.2 million increased $.8 million mainly due to increased personnel related costs of $.2 million, a net loss on foreign currency transactional exchange of $.2 million and other various net expense increases of $.2 million. Asia-Pacific costs and expenses of $10.3 million increased $.4 million. This increase was primarily due to higher personnel related expenses.

Other income (expense). Other expense for the six months ended June 30, 2017 decreased $.2 million compared to 2016.

Income taxes. Income taxes for the six months ended June 30, 2017 and 2016 were $2.7 million and $2.0 million, respectively, based on pretax income of $8.4 million and $7.4 million, respectively. The effective tax rate for the six months ended June 30, 2017 and 2016 was 32% and 27%, respectively, compared to the U.S. federal statutory rate of 35%. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions, which differ from the U.S. federal statutory income tax rate, and the relative amount of income earned in those jurisdictions. It is also affected by discrete items that may occur in any given period but are not consistent from year to year. In addition to the impact of state and local income taxes, the following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 35% and our effective tax rate:

2017

1. A $.2 million, or 2%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.

2. A $.4 million, or 5%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.

2016

1. A $.3 million, or 4%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.
2. A $.6 million, or 7%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.

3. A $.3 million, or 5%, decrease for the recognition of various discrete items, primarily related to the release of valuation allowance in the Asia Pacific Region.

Net income. As a result of the preceding items, net income for the six months ended June 30, 2017 was $5.7 million, compared to $5.4 million for the six months ended June 30, 2016. Excluding the effect of currency translation, net income increased $.3 million as summarized in the following table:

	Six Months Ended June 30					
(Thousands of dollars)	2017	2016	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Net income						
PLP-USA	$317	$(157)	$474	$ 0	$ 474	NM
The Americas	3,574	2,188	1,386	28	1,358	62
EMEA	1,288	3,632	(2,344)	(42)	(2,302)	(63)
Asia-Pacific	495	(250)	745	(30)	775	NM
Consolidated	$5,674	$5,413	$261	$ (44)	$ 305	6 %

NM - Not Meaningful

PLP-USA net income increased $.5 million compared to 2016 due to a $.4 million increase in operating income and a decrease in income taxes of $.1 million. International net income for the six months ended June 30, 2017 was minimally impacted when local currencies were converted to U.S. dollars. The following discussion of net income excludes the effect of currency translation. The Americas net income increased $1.4 million as a result of a $1.5 million increase in operating income partially offset by an increase in income taxes of $.1 million. EMEA net income decreased $2.3 million as a result of a decrease in operating income of $2.9 million offset with a decrease in income taxes of $.6 million. Asia-Pacific net income increased $.8 million as a result of a $1.8 million increase in operating income, offset with an increase in income tax expense of $1.0 million.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies are consistent with the information set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Form 10-K for the year ended December 31, 2016 filed on March 10, 2017 with the Securities and Exchange Commission and are, therefore, not presented herein.

WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

Management Assessment of Liquidity

We measure liquidity on the basis of our ability to meet short-term and long-term operating needs, repay debt, fund additional investments, including acquisitions, and make dividend payments to shareholders. Significant factors affecting the management of liquidity are cash flows from operating activities, capital expenditures, cash dividends, business acquisitions and access to bank lines of credit.

Our investments include expenditures required for equipment and facilities as well as expenditures in support of our strategic initiatives. During the first six months of 2017, we used cash of $4.6 million for capital expenditures. We ended the first six months of 2017 with $28.0 million of cash and cash equivalents. Our cash and cash equivalents are held in various locations throughout the world. At June 30, 2017, the majority of our cash and cash equivalents were held outside the U.S. We expect most accumulated non-U.S. cash balances will remain outside of the U.S. and that we will meet U.S. liquidity needs through future cash flows, use of U.S. cash balances, external borrowings, or some combination of these sources. We complete comprehensive reviews of our significant customers and their creditworthiness by analyzing financial statements for customers where we have identified a measure of increased risk. We closely monitor payments and developments which may signal possible customer credit issues. We currently have not identified any potential material impact on our liquidity from customer credit issues.

Total debt at June 30, 2017 was $39.4 million. At June 30, 2017, our unused availability under our line of credit was $40.1 million and our bank debt to equity percentage was 16.7%. On August 22, 2016, we increased our borrowing capacity under our credit facility from $50 million to $65 million and extended the term to June 30, 2019. All other terms remain the same, including the interest rate at LIBOR plus 1.125% unless our funded debt to Earnings before Interest, Taxes and Depreciation ratio exceeds 2.25 to 1, then the LIBOR spread becomes 1.500%. The line of credit agreement contains, among other provisions, requirements for maintaining levels of net worth and funded debt-to-earnings before interest, taxes, depreciation and amortization along with an interest coverage ratio. On June 27, 2016, we entered into a promissory note with PNC Bank, NA, pursuant to which we borrowed $14.5 million at a fixed rate of 2.71%, due July 1, 2026, which was used to purchase a corporate aircraft to replace the expiring lease of the previous aircraft. The loan is secured by the aircraft. The net worth and profitability requirements are calculated based on the line of credit agreement. At June 30, 2017 and December 31, 2016, we were in compliance with these covenants.

We expect that our major source of funding for 2017 and beyond will be our operating cash flows, our existing cash and cash equivalents as well as our line of credit agreement. We earn a significant amount of our operating income outside the United States, which, except for current earnings in certain jurisdictions, is deemed to be indefinitely reinvested in foreign jurisdictions. We currently do not intend nor foresee a need to repatriate these funds. We believe our future operating cash flows will be more than sufficient to cover debt repayments, other contractual obligations, capital expenditures and dividends for the next 12 months and thereafter for the foreseeable future. In addition, we believe our borrowing capacity provides substantial financial resources, if needed, to supplement funding of capital expenditures and/or acquisitions. We also believe that we can expand our borrowing capacity, if necessary; however, we do not believe we would increase our debt to a level that would have a material adverse impact upon results of operations or financial condition.

Sources and Uses of Cash

Cash decreased $2.7 million for the six months ended June 30, 2017. Net cash provided by operating activities was $2.0 million. The major investing and financing uses of cash were payments of long-term debt of $31.5 million and capital expenditures of $4.6 million, partially offset by debt proceeds of $25.0 million. Currency had a positive $1.6 million impact on cash and cash equivalents when translating foreign denominated financial statements to U.S. dollars.

Net cash provided by operating activities for the six months ended June 30, 2017 and 2016 was $2.0 million and $10.0 million, respectively. The $8.0 million decrease was primarily a result of an increase in cash used for operating assets (net of operating liabilities) of $9.6 million, offset by an increase in non-cash transactions of $1.3 million and an increase in net income of $.3 million.

Net cash provided by investing activities for the six months ended June 30, 2017 of $2.4 million represents an increase of $23.3 million when compared to cash used for investing activities in the six months ended June 30, 2016. The improvement is primarily related to lower capital expenditures of $15.1 million which was predominantly related to the 2016 purchase of a corporate aircraft to replace the expiring lease of the previous aircraft, combined with a net increase in restricted cash and fixed-term deposits of $8.2 million.

Cash used for financing activities for the six months ended June 30, 2017 was $8.8 million compared to cash provided by financing activities of $10.6 million for the six months ended June 30, 2016. The $19.4 million decrease was primarily the result of a decrease in debt borrowings in 2017 compared to 2016 of $18.4 million, higher payments in the six months ended June 30, 2017 versus the prior year of $2.6 million, partially offset by a decrease in share repurchases of $1.8 million.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

See Note I of the Notes to the Consolidated Financial Statements

NEW ACCOUNTING STANDARDS TO BE ADOPTED

See Note J of the Notes to the Consolidated Financial Statements

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 we file with the Securities and Exchange Commission (“SEC”) 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 (U.S.), Canada, Australia and Western Europe and may grow slowly or experience prolonged delay in developing regions despite expanding power needs;
- The potential impact of the global economic condition on the Company's ongoing profitability and future growth opportunities in the Company's core markets in the U.S. and other foreign countries where the financial situation is expected to be similar going forward;
- Decrease in infrastructure spending globally as a result of worldwide depressed spending;
- The impact of low oil and other commodity prices on the Company's growth opportunities, particularly with respect to energy projects;
- The ability of the Company's customers to raise funds needed to build the facilities their customers require;
- Technological developments that affect longer-term trends for communication lines, such as wireless communication;
- The decreasing demand 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 and maintaining high quality products and customer service to meet or exceed new industry performance standards and individual customer expectations;
- 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 at expanding the Company's product line or production facilities into new areas or implementing efficiency measures at existing facilities;
- The effects of fluctuation in currency exchange rates upon the Company's foreign subsidiaries' operations and 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;
- The Company's ability to identify, complete, obtain funding for and integrate acquisitions for profitable growth;
- The potential impact of consolidation, deregulation and bankruptcy among the Company's suppliers, competitors and customers and of any legal or regulatory claims;
- 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;
- Strikes and other labor disruptions;
- Changes in significant government regulations affecting environmental compliances;
- The telecommunication market's continued deployment of Fiber-to-the-Premises; and
- Those factors described under the heading "Risk Factors" on page 11 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 10, 2017.

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 that the political and economic risks related to the Company's international operations are mitigated due to the geographic diversity in which the Company's international operations are located.

As of June 30, 2017, the Company had no foreign currency forward exchange contracts outstanding. The Company does not hold derivatives for trading or speculative purposes.

28

The Company's primary currency rate exposures are related to foreign denominated debt, intercompany debt, forward exchange contracts, foreign denominated receivables and payables and cash and short-term investments. A hypothetical 10% change in currency rates would have a favorable/unfavorable impact on fair values on such instruments of $0.9 million and on income before taxes of $.7 million.

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 $26.2 million at June 30, 2017. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately $.1 million for the six months ended June 30, 2017.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Principal Executive Officer and Principal Accounting Officer have concluded that the Company's disclosure controls and procedures as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended, were effective as of June 30, 2017.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) during the quarter ended June 30, 2017 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 and its subsidiaries, Helix Uniformed Ltd. (“Helix”) and Preformed Line Products (Canada) Limited (“PLPC Canada”), were each named, jointly and severally, with each of SNC-Lavalin ATP, Inc. (“SNC ATP”), HD Supply Canada Inc., by its trade names HD Supply Power Solutions and HD Supply Utilities (“HD Supply”), and Anixter Power Solutions Canada Inc. (the corporate successor to HD Supply, “Anixter” and, together with the Company, PLPC Canada, Helix, SNC ATP and HD Supply, the “Defendants”) in a complaint filed by Altalink, L.P. (the “Plaintiff”) in the Court of Queen’s Bench of Alberta in Alberta, Canada in November 2016 (the “Complaint”).

The Complaint states that Plaintiff engaged SNC ATP to design, engineer, procure and construct numerous power distribution and transmission facilities in Alberta (the “Projects”) and that through SNC ATP and HD Supply (now Anixter), spacer dampers manufactured by Helix were procured and installed in the Projects. The Complaint alleges that the spacer dampers have and may continue to become loose, open and detach from the conductors, resulting in damage and potential injury and a failure to perform the intended function of providing spacing and damping to the Project. The Plaintiffs are seeking an estimated $56 million in damages jointly and severally from the Defendants, representing the costs of monitoring and replacing the spacer dampers and remediating property damage, due to alleged defects in the design and construction of, and supply of materials for, the Projects by SNC ATP and HD Supply/Anixter and in the design of the spacer dampers by Helix.

The lawsuit is in its very early stages, but the Company believes the claims against it are without merit and intends to vigorously defend against such claims. However, we are unable to predict the outcome of this case and, if determined adversely to the Company, it could have a material effect on the Company’s financial results.

The Company is not a party to any other 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 flow.

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on March 10, 2017.

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

On February 3, 2016, the Company announced that the Board of Directors authorized a plan to repurchase up to an additional 214,620 of Preformed Line Products Company common shares, resulting in a total of 250,000 shares available for repurchase with no expiration date. There were 39 shares repurchased under the repurchase plan during the six months ended June 30, 2017:

Period (2017)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that may yet be Purchased under the Plans or

			or Programs	Programs
April	0	$ 0.00	108,346	141,654
May (1)	2,500	52.05	110,846	139,154
Jun	39	44.95	110,885	139,115
Total	2,539			

(1) Represents 2,500 shares repurchased from an Officer of the Company as discussed in Note P.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

30

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 Accounting Officer, Michael A. Weisbarth, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
32.2	Certifications of the Principal Accounting Officer, Michael A. Weisbarth, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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.

August 4, 2017	/s/ Robert G. Ruhlman Robert G. Ruhlman Chairman, President and Chief Executive Officer (Principal Executive Officer)
August 4, 2017	/s/ Michael A. Weisbarth Michael A. Weisbarth Vice President – Finance and Treasurer (Principal Accounting Officer)

EXHIBIT INDEX

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101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.