

HUBBELL INC
Form 10-Q
July 24, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Part I QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

Part II TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 1-2958

HUBBELL INCORPORATED
(Exact name of registrant as specified in its charter)

STATE OF CONNECTICUT (State or other jurisdiction of incorporation or organization)	06-0397030 (I.R.S. Employer Identification No.)
40 Waterview Drive, Shelton, CT (Address of principal executive offices)	06484 (Zip Code)
(475) 882-4000 (Registrant's telephone number, including area code)	

N/A
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark	YES	NO
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• 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.		..
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• 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).	Part I	..
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• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer (Do not check if a smaller reporting company) ☐	Smaller reporting company ☐
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•
whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐

The number of shares outstanding of the Class A Common Stock and Class B Common Stock as of July 15, 2015 were 7,167,506 and 50,703,910 respectively.

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PART I FINANCIAL INFORMATION

ITEM 1 Financial Statements

Condensed Consolidated Statements of Income (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share amounts)	2015	2014	2015	2014
Net sales	\$874.0	\$855.8	\$1,683.7	\$1,615.3
Cost of goods sold	589.9	563.3	1,146.9	1,077.8
Gross profit	284.1	292.5	536.8	537.5
Selling & administrative expenses	157.4	148.8	305.1	289.0
Operating income	126.7	143.7	231.7	248.5
Interest expense, net	(7.4)	(7.0)	(15.1)	(14.5)
Other (expense) income, net	(1.3)	(0.3)	(3.8)	(1.5)
Total other expense	(8.7)	(7.3)	(18.9)	(16.0)
Income before income taxes	118.0	136.4	212.8	232.5
Provision for income taxes	36.7	45.6	68.1	76.4
Net income	81.3	90.8	144.7	156.1
Less: Net income attributable to noncontrolling interest	1.2	0.6	2.2	1.7
Net income attributable to Hubbell	\$80.1	\$90.2	\$142.5	\$154.4
Earnings per share				
Basic	\$1.39	\$1.53	\$2.46	\$2.61
Diluted	\$1.37	\$1.51	\$2.44	\$2.59
Cash dividends per common share	\$0.56	\$0.50	\$1.12	\$1.00

See notes to unaudited condensed consolidated financial statements.

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Condensed Consolidated Statements of Comprehensive Income (unaudited)

(in millions)	Three Months Ended June 30,	
	2015	2014
Net income	\$81.3	\$90.8
Other comprehensive income (loss):		
Foreign currency translation adjustments	13.6	10.0
Pension and post retirement benefit plans' prior service costs and net actuarial gains, net of taxes of (\$0.9) and (\$0.2)	1.8	0.4
Unrealized loss on investments, net of taxes of \$0.0 and \$0.0	(0.1)	) 0.1
Unrealized gain (loss) on cash flow hedges, net of taxes of \$0.1 and \$0.3	(0.7	) (0.6)
Other comprehensive income (loss)	14.6	9.9
Total comprehensive income	95.9	100.7
Less: Comprehensive income attributable to noncontrolling interest	1.2	0.6
Comprehensive income attributable to Hubbell	\$94.7	\$100.1
See notes to unaudited condensed consolidated financial statements.		

(in millions)	Six Months Ended June 30,	
	2015	2014
Net income	\$144.7	\$156.1
Other comprehensive income (loss):		
Foreign currency translation adjustments	(10.2	) 12.7
Pension and post retirement benefit plans' prior service costs and net actuarial gains, net of taxes of (\$1.9) and \$(0.5)	3.5	0.9
Unrealized loss on investments, net of taxes of \$0.0 and \$0.0	(0.1	) —
Unrealized gain on cash flow hedges, net of taxes of \$0.3 and \$0.2	—	(0.4)
Other comprehensive income (loss)	(6.8	) 13.2
Total comprehensive income	137.9	169.3
Less: Comprehensive income attributable to noncontrolling interest	2.2	1.7
Comprehensive income attributable to Hubbell	\$135.7	\$167.6
See notes to unaudited condensed consolidated financial statements.		

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Condensed Consolidated Balance Sheets (unaudited)

(in millions)	June 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$444.3	\$653.9
Short-term investments	10.4	7.8
Accounts receivable, net	512.5	469.8
Inventories, net	511.9	441.8
Deferred taxes and other	57.7	56.1
Total Current Assets	1,536.8	1,629.4
Property, Plant, and Equipment, net	409.0	401.2
Other Assets		
Investments	43.1	44.1
Goodwill	920.2	874.7
Intangible assets, net	368.1	322.8
Other long-term assets	52.9	50.6
TOTAL ASSETS	\$3,330.1	\$3,322.8
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	\$0.2	\$1.4
Accounts payable	279.8	244.0
Accrued salaries, wages and employee benefits	54.6	76.0
Accrued insurance	54.2	47.8
Other accrued liabilities	127.5	130.0
Total Current Liabilities	516.3	499.2
Long-Term Debt	597.8	597.6
Other Non-Current Liabilities	279.5	290.3
TOTAL LIABILITIES	1,393.6	1,387.1
Total Hubbell Shareholders' Equity	1,927.4	1,927.1
Noncontrolling interest	9.1	8.6
Total Equity	1,936.5	1,935.7
TOTAL LIABILITIES AND EQUITY	\$3,330.1	\$3,322.8

See notes to unaudited condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows (unaudited)

(in millions)	Six Months Ended June 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	\$144.7	\$156.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42.9	38.9
Deferred income taxes	(2.0)	)6.1
Stock-based compensation	7.3	6.7
Tax benefit on stock-based awards	(1.8)	)(6.2)
Changes in assets and liabilities, excluding effects of acquisitions:		
Increase in accounts receivable, net	(37.4)	)(47.1)
Increase in inventories, net	(51.3)	)(31.2)
Increase in current liabilities	18.8	(9.4)
Changes in other assets and liabilities, net	(3.1)	)(8.6)
Contribution to qualified defined benefit pension plans	(21.7)	)(2.8)
Other, net	2.3	(1.3)
Net cash provided by operating activities	98.7	101.2
Cash Flows from Investing Activities		
Capital expenditures	(34.5)	)(27.1)
Acquisition of businesses, net of cash acquired	(127.0)	)(147.3)
Purchases of available-for-sale investments	(5.6)	)(6.0)
Proceeds from available-for-sale investments	4.1	4.7
Other, net	1.5	1.4
Net cash used in investing activities	(161.5)	)(174.3)
Cash Flows from Financing Activities		
Short-term debt borrowings	0.2	0.7
Payments of short-term debt	(1.4)	)—
Payment of dividends	(64.9)	)(59.1)
Payment of dividends to noncontrolling interest	(1.7)	)(1.3)
Repurchase of common shares	(76.0)	)(23.3)
Proceeds from exercise of stock options	—	0.7
Tax benefit on stock-based awards	1.8	6.2
Other, net	—	0.1
Net cash used in financing activities	(142.0)	)(76.0)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(4.8)	)5.8
Decrease in cash and cash equivalents	(209.6)	)(143.3)
Cash and cash equivalents		
Beginning of period	653.9	740.7
End of period	\$444.3	\$597.4
See notes to unaudited condensed consolidated financial statements.		

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Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Hubbell Incorporated (“Hubbell”, the “Company”, “registrant”, “we”, “our” or “us”, which references shall include its divisions and subsidiaries) have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (“U.S.”) for complete financial statements. In the opinion of management, all adjustments consisting only of normal recurring adjustments considered necessary for a fair statement of the results of the periods presented have been included. Operating results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the U.S. for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Hubbell Incorporated Annual Report on Form 10-K for the year ended December 31, 2014.

Recent Accounting Pronouncements

In April of 2015, the Financial Accounting Standards Board ("FASB") updated the guidance related to the presentation of debt issuance costs. The new standard requires debt issuance costs, related to a recognized debt liability, be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The update requires the guidance to be applied retrospectively. The update is effective for fiscal years beginning after December 15, 2015 and the Company does not expect adoption of this guidance will have a material impact on its financial statements.

In February 2015, the FASB amended the current consolidation guidance. The new guidance will impact the determination of whether an entity is a variable interest entity ("VIE") and when a company holds a variable interest in a VIE by introducing specific amendments relating to limited partnerships, outsourced decision makers and service providers, and related parties. The guidance is effective for annual and interim periods beginning after December 2015. The Company does not expect adoption of this guidance will have a material impact on its financial statements.

In January 2015, the FASB issued new guidance to eliminate the concept of extraordinary items as part of its initiative to reduce complexity in accounting standards. The guidance is effective for annual and interim periods beginning after December 2015 and may be applied prospectively or retrospectively. The Company does not expect adoption of this standard will have a material impact on its financial statements.

In August 2014, the FASB issued new guidance requiring an entity’s management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern and if those conditions exist, the required disclosures. The guidance is effective for annual periods ending after December 15, 2015, and for annual and interim periods thereafter. The Company does not expect adoption of this standard will have a material impact on its financial statements.

In June 2014, the FASB issued new guidance to resolve diverse accounting treatment for share based awards in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite

service period. The guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015 and may be applied prospectively or retrospectively. The Company does not expect adoption of this standard will have a material impact on its financial statements.

In May 2014, the FASB issued new revenue recognition guidance that supersedes the existing revenue recognition guidance and most industry-specific guidance applicable to revenue recognition. According to the new guidance an entity will apply a principles-based five step model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The guidance was proposed to be effective for annual periods beginning after December 15, 2016, including interim periods within that reporting period and early application is not permitted. On July 9, 2015, the FASB deferred the effective date of the new revenue recognition standard by one year. This means it is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently assessing the impact of adopting this standard on its financial statements.

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In April 2014, the FASB issued new guidance changing the criteria for determining which disposals of components of an entity can be presented as discontinued operations and modifying the related disclosure requirements. The guidance applies prospectively to new disposals and new classifications of assets as held for sale after the effective date and is effective for annual and interim periods beginning after December 15, 2014, with early adoption permitted. This amendment was adopted by the Company effective January 1, 2015 and had no impact on its financial statements.

NOTE 2 Business Acquisitions

In the first quarter of 2015, the Company acquired the majority of the net assets of the Acme Electric business division of Power Products, LLC and all of the outstanding common stock of Acme Electric de Mexico S. de R.L. de C.V. and Acme Electric Manufacturing de Mexico S. de R.L. de C.V. (collectively "Acme"). Acme was purchased for \$67.6 million, net of cash received, and has been added to the Electrical segment, resulting in the recognition of intangible assets of \$30.8 million and goodwill of \$21.1 million. The \$30.8 million of intangible assets consists primarily of customer relationships and tradenames and will be amortized over a weighted average period of approximately 20 years. The majority of the goodwill is expected to be deductible for tax purposes.

In the first quarter of 2015, the Company acquired the majority of net assets of the Turner Electric business division of Power Products, LLC ("Turner") constituting the transmission and substation switching business. Turner was purchased for \$37.6 million, net of cash received, and has been added to the Power segment, resulting in the recognition of intangible assets of \$22.0 million and goodwill of \$11.8 million. The \$22.0 million of intangible assets consists primarily of customer relationships and tradenames and will be amortized over a weighted average period of approximately 19 years. All of the goodwill associated with the Turner acquisition is expected to be deductible for tax purposes.

In the first quarter of 2015, the Company acquired all of the membership interests of the Electric Controller and Manufacturing Company, LLC ("EC&M"). EC&M was purchased for \$21.6 million, net of cash received, and has been added to the Electrical segment, resulting in the recognition of intangible assets of \$8.5 million and goodwill of \$7.8 million. The \$8.5 million of intangible assets consists primarily of customer relationships and tradenames and will be amortized over a weighted average period of approximately 16 years. All of the goodwill associated with the EC&M acquisition is expected to be deductible for tax purposes.

All of these business acquisitions have been accounted for as business combinations and have resulted in the recognition of goodwill. The goodwill relates to a number of factors built into the purchase price, including the future earnings and cash flow potential of the businesses as well as the complementary strategic fit and resulting synergies they bring to the Company's existing operations.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition related to these transactions (in millions):

Tangible assets acquired	\$34.4	
Intangible assets	61.3	
Goodwill	40.7	
Other liabilities assumed	(9.6	)
TOTAL CASH CONSIDERATION, NET	\$126.8	

Cash used for the acquisition of businesses, net of cash acquired as reported in the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2015 is \$127.0 million and includes an approximately \$0.2 million payment in 2015 to settle the net working capital adjustment relating to an acquisition completed in the fourth quarter

of 2014.

The Condensed Consolidated Financial Statements include the results of operations of Acme, Turner and EC&M from the date of acquisition. Net sales and earnings related to these acquisitions for the three and six months ended June 30, 2015 were not significant to the consolidated results. Pro forma information related to these acquisitions has not been included because the impact to the Company's consolidated results of operations was not material.

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NOTE 3 Segment Information

The Company's reporting segments consist of the Electrical segment and the Power segment. The following table sets forth financial information by business segment (in millions):

	Net Sales		Operating Income		Operating Income as a % of Net Sales		
	2015	2014	2015	2014	2015	2014	
Three Months Ended June 30,							
Electrical	\$615.0	\$612.4	\$74.5	\$95.5	12.1	% 15.6	%
Power	259.0	243.4	52.2	48.2	20.2	% 19.8	%
TOTAL	\$874.0	\$855.8	\$126.7	\$143.7	14.5	% 16.8	%
Six Months Ended June 30,							
Electrical	\$1,184.8	\$1,151.2	\$137.8	\$163.6	11.6	% 14.2	%
Power	498.9	464.1	93.9	84.9	18.8	% 18.3	%
TOTAL	\$1,683.7	\$1,615.3	\$231.7	\$248.5	13.8	% 15.4	%

NOTE 4 Inventories, net

Inventories, net are comprised of the following (in millions):

	June 30, 2015	December 31, 2014
Raw material	\$176.7	\$153.8
Work-in-process	103.3	94.8
Finished goods	316.1	277.6
	596.1	526.2
Excess of FIFO over LIFO cost basis	(84.2)	)(84.4)
TOTAL	\$511.9	\$441.8

NOTE 5 Goodwill and Intangible Assets, net

Changes in the carrying values of goodwill for the six months ended June 30, 2015, by segment, were as follows (in millions):

	Segment		
	Electrical	Power	Total
BALANCE DECEMBER 31, 2014	\$568.9	\$305.8	\$874.7
Current year acquisitions	28.9	11.8	40.7
Foreign currency translation and prior year acquisitions	3.6	1.2	4.8
BALANCE JUNE 30, 2015	\$601.4	\$318.8	\$920.2

In 2015, the Company closed the acquisitions of Acme, Turner, and EC&M. The Acme and EC&M acquisitions were added to the Electrical segment, while the Turner acquisition was added to the Power segment. These acquisitions have been accounted for as business combinations and have resulted in the recognition of \$40.7 million of goodwill. See also Note 2 – Business Acquisitions.

The Company performs its goodwill impairment testing as of April 1st of each year, unless circumstances dictate the need for more frequent assessments. The Company has elected to utilize the two step goodwill impairment testing process as permitted in the accounting guidance. Step 1 compares the fair value of the Company's reporting units to

their carrying values. If the fair value of the reporting unit exceeds its carrying value, no further analysis is necessary. If the carrying value of the reporting unit exceeds its fair value, Step 2 must be completed to quantify the amount of impairment.

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Goodwill impairment testing requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units and determining the fair value of each reporting unit. Significant judgments required to estimate the fair value of reporting units include estimating future cash flows, determining appropriate discount rates and other assumptions. The Company uses internal discounted cash flow estimates to determine fair value. These cash flow estimates are derived from historical experience and future long-term business plans and the application of an appropriate discount rate. The Company used market-based multiples of select industrial competitors to validate the reasonableness of our internal discounted cash flow estimates of fair value. Changes in these estimates and assumptions could affect the determination of fair value and/or goodwill impairment for each reporting unit. The Company's estimated aggregate fair value of its reporting units are reasonable when compared to the Company's market capitalization on the valuation date.

As of April 1, 2015, the impairment testing resulted in implied fair values for each reporting unit that exceeded the reporting unit's carrying value, including goodwill. The Company did not have any reporting units at risk of failing Step 1 of the impairment test as the excess of the estimated fair value over carrying value (expressed as a percentage of carrying value) ranged from approximately 100% to approximately 300%. Additionally, the Company did not have any reporting units with zero or negative carrying amounts.

The carrying value of other intangible assets included in Intangible assets, net in the Condensed Consolidated Balance Sheet is as follows (in millions):

	June 30, 2015		December 31, 2014	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Definite-lived:				
Patents, tradenames and trademarks	\$133.7	\$(35.4)	\$125.1	\$(32.5)
Customer/agent relationships and other	313.8	(98.5)	263.0	(87.8)
Total	447.5	(133.9)	388.1	(120.3)
Indefinite-lived:				
Tradenames and other	54.5	—	55.0	—
TOTAL	\$502.0	\$(133.9)	\$443.1	\$(120.3)

Amortization expense associated with these definite-lived intangible assets was \$14.2 million and \$11.7 million for the six months ended June 30, 2015 and 2014, respectively. Future amortization expense associated with these intangible assets is expected to be \$14.5 million for the remainder of 2015, \$27.1 million in 2016, \$26.6 million in 2017, \$24.7 million in 2018, \$22.3 million in 2019, and \$21.2 million in 2020.

NOTE 6 Other Accrued Liabilities

Other accrued liabilities are comprised of the following (in millions):

	June 30, 2015	December 31, 2014
Customer program incentives	\$28.2	\$40.5
Accrued income taxes	5.2	5.8
Deferred revenue	16.1	18.2
Other	78.0	65.5
TOTAL	\$127.5	\$130.0

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NOTE 7 Other Non-Current Liabilities

Other non-current liabilities are comprised of the following (in millions):

	June 30, 2015	December 31, 2014
Pensions	\$115.6	\$137.1
Other postretirement benefits	24.3	24.3
Deferred tax liabilities	79.8	74.5
Other	59.8	54.4
TOTAL	\$279.5	\$290.3

NOTE 8 Total Equity

Total equity is comprised of the following (in millions, except per share amounts):

	June 30, 2015	December 31, 2014
Common stock, \$.01 par value:		
Class A - authorized 50.0 shares; issued and outstanding 7.2 and 7.2 shares	\$0.1	\$0.1
Class B - authorized 150.0 shares; issued and outstanding 50.7 and 51.3 shares	0.5	0.5
Additional paid-in-capital	76.3	146.7
Retained earnings	2,021.6	1,944.1
Accumulated other comprehensive loss:		
Pension and post retirement benefit plan adjustment, net of tax	(121.2)	(124.7)
Cumulative translation adjustment	(50.1)	(39.9)
Unrealized gain on investment, net of tax	0.2	0.3
Cash flow hedge gain, net of tax	—	—
Total Accumulated other comprehensive loss	(171.1)	(164.3)
Hubbell shareholders' equity	1,927.4	1,927.1
Noncontrolling interest	9.1	8.6
TOTAL EQUITY	\$1,936.5	\$1,935.7

A summary of the changes in equity for the six months ended June 30, 2015 and 2014 is provided below (in millions):

	Six Months Ended June 30, 2015			2014		
	Hubbell Shareholders' Equity	Noncontrolling interest	Total Equity	Hubbell Shareholders' Equity	Noncontrolling interest	Total Equity
EQUITY, JANUARY 1	\$1,927.1	\$ 8.6	\$1,935.7	\$1,906.4	\$ 8.4	\$1,914.8
Total comprehensive income	135.7	2.2	137.9	167.6	1.7	169.3
Stock-based compensation	7.0	—	7.0	6.3	—	6.3
Exercise of stock options	—	—	—	0.7	—	0.7
Income tax windfall from stock-based awards, net	1.6	—	1.6	6.2	—	6.2
Repurchase/surrender of common shares	(79.3)	)—	(79.3)	(31.1)	)—	(31.1)
Issuance of shares related to directors' deferred	0.2	—	0.2	0.5	—	0.5

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compensation

Dividends to noncontrolling interest	—	(1.7	)(1.7	)—	(1.3	)(1.3	)
Cash dividends declared	(64.9	)—	(64.9	)(59.2	)—	(59.2	)
EQUITY, JUNE 30	\$1,927.4	\$ 9.1	\$1,936.5	\$1,997.4	\$ 8.8	\$2,006.2	

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The detailed components of total comprehensive income are presented in the Condensed Consolidated Statement of Comprehensive Income.

NOTE 9 Accumulated Other Comprehensive Loss

A summary of the changes in Accumulated other comprehensive loss (net of tax) for the six months ended June 30, 2015 is provided below (in millions):

(debit) credit	Cash flow hedge (loss) gain	Unrealized gain (loss) on available-for- sale securities	Pension and post retirement benefit plan adjustment	Cumulative translation adjustment	Total
BALANCE AT DECEMBER 31, 2014	\$—	\$0.3	\$(124.7)	\$(39.9)	\$(164.3)
Other comprehensive income (loss) before reclassifications	0.8	(0.1)	)—	(10.2)	)(9.5)
Amounts reclassified from accumulated other comprehensive loss	(0.8)	)—	3.5	—	2.7
Current period other comprehensive income (loss)	—	(0.1)	) 3.5	(10.2)	)(6.8)
BALANCE AT JUNE 30, 2015	\$—	\$0.2	\$(121.2)	\$(50.1)	\$(171.1)

A summary of the gain (loss) reclassifications out of Accumulated other comprehensive loss for the three and six months ended June 30, 2015 and 2014 is provided below (in millions):

Details about Accumulated Other Comprehensive Loss Components	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Location of Gain (Loss) Reclassified into Income
Cash flow hedges gain (loss):			
Forward exchange contracts	\$0.4	\$0.2	Cost of goods sold
	0.4	0.2	Total before tax
	(0.1)	)(0.1	) Tax (expense) benefit
	\$0.3	\$0.1	Gain (loss) net of tax
Amortization of defined benefit pension and post retirement benefit items:			
Prior-service costs	\$0.3	\$0.2	(a)
Actuarial gains/(losses)	(3.0)	)(0.8	)(a)
	(2.7	)(0.6	) Total before tax
	0.9	0.2	Tax benefit (expense)
	\$(1.8	)\$ (0.4	) (Loss) gain net of tax
Losses reclassified into earnings	\$(1.5	)\$ (0.3	) (Loss) gain net of tax

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost (see Note 11 - Pension and Other Benefits for additional details).

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Details about Accumulated Other Comprehensive Loss Components	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Location of Gain (Loss) Reclassified into Income
Cash flow hedges gain (loss):			
Forward exchange contracts	\$1.1	\$0.6	Cost of goods sold
	1.1	0.6	Total before tax
	(0.3)	)(0.2	) Tax (expense) benefit
	\$0.8	\$0.4	Gain (loss) net of tax
Amortization of defined benefit pension and post retirement benefit items:			
Prior-service costs	\$0.5	\$0.3	(a)
Actuarial gains/(losses)	(5.9)	)(1.7	)(a)
	(5.4)	)(1.4	) Total before tax
	1.9	0.5	Tax benefit (expense)
	\$(3.5)	)(0.9	) (Loss) gain net of tax
Losses reclassified into earnings	\$(2.7	)(0.5	) (Loss) gain net of tax

NOTE 10 Earnings Per Share

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities. Service-based and performance-based restricted stock granted by the Company is considered a participating security as these awards contain a non-forfeitable right to dividends.

The following table sets forth the computation of earnings per share for the three and six months ended June 30, 2015 and 2014 (in millions, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net income attributable to Hubbell	\$80.1	\$90.2	\$142.5	\$154.4
Less: Earnings allocated to participating securities	0.2	0.3	0.4	0.5
Net income available to common shareholders	\$79.9	\$89.9	\$142.1	\$153.9
Denominator:				
Average number of common shares outstanding	57.7	59.0	57.9	59.0
Potential dilutive common shares	0.3	0.4	0.3	0.5
Average number of diluted shares outstanding	58.0	59.4	58.2	59.5
Earnings per share:				
Basic	\$1.39	\$1.53	\$2.46	\$2.61
Diluted	\$1.37	\$1.51	\$2.44	\$2.59

The Company did not have any significant anti-dilutive securities during the three and six months ended June 30, 2015 and 2014. The calculation of diluted earnings per share for the three and six months ended June 30, 2015 excludes 28,096 and 28,403, respectively, of performance shares granted in December 2014 that are subject to a performance condition. Those shares are excluded from the calculation of diluted earnings per share for the three and six months ended June 30, 2015 because all necessary performance conditions were not satisfied at the end of those reporting periods.

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NOTE 11 Pension and Other Benefits

The following table sets forth the components of net pension and other benefit costs for the three and six months ended June 30, 2015 and 2014 (in millions):

	Pension Benefits		Other Benefits	
	2015	2014	2015	2014
Three Months Ended June 30,				
Service cost	\$4.5	\$3.8	\$—	\$—
Interest cost	10.1	10.2	0.3	0.4
Expected return on plan assets	(13.4)	(11.3)	)—	—
Amortization of prior service cost	—	—	(0.3)	(0.2)
Amortization of actuarial losses/(gains)	3.0	0.9	—	(0.1)
NET PERIODIC BENEFIT COST	\$4.2	\$3.6	\$—	\$0.1
Six Months Ended June 30,				
Service cost	\$9.0	\$7.5	\$—	\$—
Interest cost	20.2	20.4	0.6	0.6
Expected return on plan assets	(26.6)	(22.6)	)—	—
Amortization of prior service cost	—	0.1	(0.5)	(0.4)
Amortization of actuarial losses/(gains)	5.9	1.8	—	(0.1)
NET PERIODIC BENEFIT COST	\$8.5	\$7.2	\$0.1	\$0.1

Employer Contributions

Although the Company is not required under the Pension Protection Act of 2006 to make any contributions to its qualified domestic benefit pension plans during 2015, the Company made a voluntary contribution to its qualified domestic defined benefit pension plan of \$20 million in January 2015. We do not anticipate further contributions to the qualified domestic defined benefit pension plan in 2015. The Company anticipates making required contributions of approximately \$2.8 million to its foreign pension plans during 2015, of which \$1.7 million has been contributed through June 30, 2015.

NOTE 12 Guarantees

The Company records a liability equal to the fair value of guarantees in the Condensed Consolidated Balance Sheet in accordance with the accounting guidance for guarantees. When it is probable that a liability has been incurred and the amount can be reasonably estimated, the Company accrues for costs associated with guarantees. The most likely costs to be incurred are accrued based on an evaluation of currently available facts and, where no amount within a range of estimates is more likely, the minimum is accrued. As of June 30, 2015 and December 31, 2014, the fair value and maximum potential payment related to the Company's guarantees were not material.

The Company offers product defect warranties on most of its products. These warranties primarily apply to products that are properly installed, maintained and used for their intended purpose. The Company accrues estimated warranty costs at the time of sale. Estimated warranty expenses, recorded in cost of goods sold, are based upon historical information such as past experience, product failure rates, or the estimated number of units to be repaired or replaced. Adjustments are made to the product warranty accrual as claims are incurred, additional information becomes known or as historical experience indicates.

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Changes in the accrual for product warranties during the six months ended June 30, 2015 are set forth below (in millions):

BALANCE AT DECEMBER 31, 2014	\$13.7	
Provision	5.3	
Expenditures/other	(5.0	)
BALANCE AT JUNE 30, 2015	\$14.0	

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NOTE 13 Fair Value Measurement

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The FASB fair value measurement guidance established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three broad levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for which little or no market data exists, therefore requiring a company to develop its own assumptions.

The following table shows, by level within the fair value hierarchy, our financial assets and liabilities that are accounted for at fair value on a recurring basis at June 30, 2015 and December 31, 2014 (in millions):

Asset (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)	Total
June 30, 2015			
Money market funds ^(a)	\$217.8	\$—	\$217.8
Available for sale investments	—	43.6	43.6
Trading securities	9.9	—	9.9
Deferred compensation plan liabilities	(9.9	)—	(9.9)
Derivatives:			
Forward exchange contracts	—	0.6	0.6
Total	\$217.8	\$44.2	\$262.0
December 31, 2014			
Money market funds ^(a)	\$365.9	\$—	\$365.9
Available for sale investments	—	43.0	43.0
Trading securities	8.9	—	8.9
Deferred compensation plan liabilities	(8.9	)—	(8.9)
Derivatives:			
Forward exchange contracts	—	0.7	0.7
Total	\$365.9	\$43.7	\$409.6

(a) Money market funds are reflected in Cash and cash equivalents in the Condensed Consolidated Balance Sheet.

The methods and assumptions used to estimate the Level 2 fair values were as follows:

Forward exchange contracts – The fair value of forward exchange contracts were based on quoted forward foreign exchange prices at the reporting date.

Municipal bonds – The fair value of available-for-sale investments in municipal bonds is based on observable market-based inputs, other than quoted prices in active markets for identical assets.

During the three and six months ended June 30, 2015 there were no transfers of financial assets or liabilities in or out of Level 1 or Level 2 of the fair value hierarchy. During the six months ended June 30, 2015 and as of December 31, 2014, the Company did not have any financial assets or liabilities that fell within Level 3 of the hierarchy.

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Investments

At June 30, 2015 and December 31, 2014, the Company had \$43.6 million and \$43.0 million, respectively, of municipal bonds classified as available-for-sale securities. The Company also had \$9.9 million and \$8.9 million of trading securities at June 30, 2015 and December 31, 2014, respectively. These investments are carried on the balance sheet at fair value. Unrealized gains and losses associated with available-for-sale securities are reflected in Accumulated other comprehensive loss, net of tax, while unrealized gains and losses associated with trading securities are reflected in the results of operations.

Deferred compensation plans

The Company offers certain employees the opportunity to participate in non-qualified deferred compensation plans. A participant's deferrals are invested in a variety of participant-directed debt and equity mutual funds that are classified as trading securities. During the six months ended June 30, 2015 and 2014, the Company purchased \$1.0 million and \$1.2 million, respectively, of trading securities related to these deferred compensation plans. As a result of participant distributions, the Company sold \$0.2 million of these trading securities during the six months ended June 30, 2015 and June 30, 2014. The unrealized gains and losses associated with these trading securities are directly offset by the changes in the fair value of the underlying deferred compensation plan obligation.

Derivatives

In order to limit financial risk in the management of its assets, liabilities and debt, the Company may use derivative financial instruments such as foreign currency hedges, commodity hedges, interest rate hedges and interest rate swaps. All derivative financial instruments are matched with an existing Company asset, liability or forecasted transaction. Market value gains or losses on the derivative financial instrument are recognized in income when the effects of the related price changes of the underlying asset, liability or forecasted transaction are recognized in income. Derivative assets and derivative liabilities are not offset in the Condensed Consolidated Balance Sheet.

The fair values of derivative instruments in the Condensed Consolidated Balance Sheet are as follows (in millions):

	Asset/(Liability) Derivatives	
	Fair Value	
Derivatives designated as hedges	Balance Sheet Location	June 30, 2015 December 31, 2014
Forward exchange contracts designated as cash flow hedges	Deferred taxes and other	\$0.6 \$0.7

Forward exchange contracts

In 2015 and 2014, the Company entered into a series of forward exchange contracts to purchase U.S. dollars in order to hedge its exposure to fluctuating rates of exchange on anticipated inventory purchases by one of its Canadian subsidiaries. As of June 30, 2015, the Company had 18 individual forward exchange contracts for a notional \$1.0 million each, which have various expiration dates through June 2016. These contracts have been designated as cash flow hedges in accordance with the accounting guidance for derivatives.

Interest rate locks

Prior to the issuance of long-term notes in 2010 and 2008, the Company entered into forward interest rate locks to hedge its exposure to fluctuations in treasury rates. The 2010 interest rate lock resulted in a pre-tax \$1.6 million loss

while the 2008 interest rate lock resulted in a pre-tax \$1.2 million gain. These amounts were recorded in Accumulated other comprehensive loss, net of tax, and are being amortized over the life of the respective notes. The amortization associated with these interest rate locks is reclassified from Accumulated other comprehensive loss to Interest expense, net in the Condensed Consolidated Statement of Income. The amortization reclassification for the three and six months ended June 30, 2015 and 2014 was not material. As of both June 30, 2015 and December 31, 2014 there was \$0.4 million of net unamortized losses reflected in Accumulated other comprehensive loss.

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The following table summarizes the results of cash flow hedging relationships for the three months ended June 30, 2015 and 2014 (in millions):

Derivative Instrument	Derivative Gain/(Loss) Recognized in Accumulated Other Comprehensive Loss (net of tax)		Location of Gain/(Loss) Reclassified into Income	Gain/(Loss) Reclassified into Earnings (Effective Portion)	
	2015	2014	(Effective Portion)	2015	2014
Forward exchange contract	\$(0.7	) \$(0.5	) Cost of goods sold	\$0.3	\$0.2

The following table summarizes the results of cash flow hedging relationships for the six months ended June 30, 2015 and 2014, (in millions):

Derivative Instrument	Derivative Gain/(Loss) Recognized in Accumulated Other Comprehensive Loss (net of tax)		Location of Gain/(Loss) Reclassified into Income	Gain/(Loss) Reclassified into Earnings (Effective Portion)	
	2015	2014	(Effective Portion)	2015	2014
Forward exchange contract	\$0.8	\$—	Cost of goods sold	\$0.8	\$0.6

There was no hedge ineffectiveness with respect to the forward exchange cash flow hedges during the three and six months ended June 30, 2015 and 2014.

Long-term Debt

The total carrying value of long-term debt as of June 30, 2015 and December 31, 2014 was \$597.8 million and \$597.6 million, respectively, net of unamortized discount. As of June 30, 2015 and December 31, 2014, the estimated fair value of the long-term debt was \$638.6 million and \$645.1 million, respectively, using quoted market prices in active markets for similar liabilities (Level 2).

NOTE 14 Commitments and Contingencies

The Company is subject to various legal proceedings arising in the normal course of its business. These proceedings include claims for damages arising out of use of the Company's products, intellectual property, workers' compensation and environmental matters. The Company is self-insured up to specified limits for certain types of claims, including product liability and workers' compensation, and is fully self-insured for certain other types of claims, including environmental and intellectual property matters. The Company recognizes a liability for any contingency that in management's judgment is probable of occurrence and can be reasonably estimated. We continually reassess the likelihood of adverse judgments and outcomes in these matters, as well as estimated ranges of possible losses based upon an analysis of each matter which includes consideration of outside legal counsel and, if applicable, other experts.

NOTE 15 Restructuring Costs

In the first six months of 2015, we incurred costs for restructuring actions initiated in 2015 as well as costs involving restructuring actions initiated in the prior year. Our restructuring actions are associated with cost reduction efforts that include the consolidation of manufacturing and distribution facilities as well as workforce reductions.

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Pre-tax restructuring costs incurred in each of our segments and the location of the costs in the Condensed Consolidated Statement of Income for the three and six months ended June 30, 2015 is as follows (in millions):

Three Months Ended June 30, 2015	Cost of goods sold	Selling & administrative expense	Total
Electrical Segment	\$5.4	\$3.0	\$8.4
Power Segment	—	0.5	0.5
Total Pre Tax Restructuring Costs	\$5.4	\$3.5	\$8.9
Six Months Ended June 30, 2015	Cost of goods sold	Selling & administrative expense	Total
Electrical Segment	\$7.3	\$3.1	\$10.4
Power Segment	0.7	0.5	1.2
Total Pre Tax Restructuring Costs	\$8.0	\$3.6	\$11.6

The following table summarizes the accrued liabilities for our restructuring actions (in millions):

	Beginning Accrued Restructuring Balance 1/1/15	Pre-tax Restructuring Costs	Utilization and Foreign Exchange	Ending Accrued Restructuring Balance 6/30/15
Current Year Restructuring Actions				
Severance	\$—	\$6.2	\$(1.8)	) \$4.4
Asset write-downs	—	0.9	(0.9)	) —
Facility closure and other costs	—	0.3	(0.3)	) —
Total Current Year Restructuring Actions	\$—	\$7.4	\$(3.0)	) \$4.4
Prior Year Restructuring Actions				
Severance	\$2.8	\$(0.1)	)(2.2)	) \$0.5
Asset write-downs	—	0.2	(0.2)	) —
Facility closure and other costs	0.9	4.1	(4.3)	) 0.7
Total Prior Year Restructuring Actions	\$3.7	\$4.2	\$(6.7)	) \$1.2
Total Restructuring Actions	\$3.7	\$11.6	\$(9.7)	) \$5.6

The actual and expected costs for our restructuring actions are as follows (in millions):

	Expected Costs	Costs incurred in the fourth quarter of 2014	Costs incurred in first six months of 2015	Remaining costs at 6/30/15
Current Year Restructuring Actions				
Electrical Segment	\$8.7	\$—	\$6.2	\$2.5
Power Segment	1.9	—	1.2	0.7
Total Current Year Restructuring Actions	10.6	—	7.4	3.2
Prior Year Restructuring Actions				
Electrical Segment	9.8	5.5	4.2	0.1
Power Segment	—	—	—	—
Total Prior Year Restructuring Actions	9.8	5.5	4.2	0.1
Total Restructuring Actions	\$20.4	\$5.5	\$11.6	\$3.3

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ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview of the Business

The Company is primarily engaged in the design, manufacture and sale of quality electrical and electronic products for a broad range of non-residential and residential construction, industrial and utility applications. Products are either sourced complete, manufactured or assembled by subsidiaries in the United States, Canada, Switzerland, Puerto Rico, China, Mexico, Italy, the United Kingdom, Brazil and Australia. The Company also participates in joint ventures in Taiwan and Hong Kong, and maintains offices in Singapore, China, India, Mexico, South Korea and countries in the Middle East. The Company employs approximately 16,100 individuals worldwide.

The Company's reporting segments consist of the Electrical segment and the Power segment. Results for the three and six months ended June 30, 2015 are included under "Segment Results" within this Management's Discussion and Analysis.

The Company is focused on growing profits and delivering attractive returns to our shareholders by executing a business plan focused on the following key initiatives: revenue growth, price realization, productivity improvements and effective capital deployment.

As part of our revenue growth initiative, we remain focused on expanding market share through new product introductions and more effective utilization of sales and marketing efforts across the organization. In addition, we continue to assess opportunities to expand sales through acquisitions of businesses that fill product line gaps or allow for expansion into new markets.

Price realization and productivity improvements are key areas of focus for our company. Productivity programs impact virtually all functional areas within the Company by rationalizing our manufacturing footprint and initiating restructuring actions, reducing or eliminating waste and improving processes. We continue to expand our efforts surrounding global product and component sourcing and supplier cost reduction programs. Value engineering efforts, product transfers and the use of lean process improvement techniques are expected to continue to increase manufacturing efficiency. In addition, we continue to build upon the benefits of our enterprise resource planning system across all functions and have also implemented a sustainability program across the organization. Material costs represent a significant portion of our cost of goods sold; therefore volatility in this area can significantly impact profitability. Our goal is to have pricing and productivity programs that offset material and other inflationary cost increases as well as pay for investments in key growth areas.

Results of Operations – Second Quarter of 2015 compared to the Second Quarter of 2014

SUMMARY OF CONSOLIDATED RESULTS (IN MILLIONS, EXCEPT PER SHARE DATA):

	Three Months Ended June 30,				
	2015	% of Net sales	2014	% of Net sales	
Net sales	\$874.0		\$855.8		
Cost of goods sold	589.9	67.5	% 563.3	65.8	%
Gross profit	284.1	32.5	% 292.5	34.2	%
Selling & administrative ("S&A") expense	157.4	18.0	% 148.8	17.4	%
Operating income	126.7	14.5	% 143.7	16.8	%

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Net income attributable to Hubbell	80.1	9.2	% 90.2	10.5	%
Earnings per share - diluted	\$1.37		\$1.51		

Our consolidated results of operations in the second quarter of 2015 include what we refer to as "restructuring and related costs". Restructuring actions support our cost reduction efforts involving the consolidation of manufacturing and distribution facilities and workforce reductions. Restructuring-related costs are one-time costs associated with our business transformation initiatives, including the consolidation of back-office functions and streamlining our processes.

We believe defining restructuring and related costs in this manner and quantifying those costs is useful to assess the impact of restructuring activities and business transformation initiatives on our results of operations. Restructuring and related costs is a non-GAAP measure.

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The following table reconciles our restructuring costs to our restructuring and related costs for the three months ended June 30, 2015 and 2014 (in millions):

	Three Months Ended June 30,					
	2015	2014	2015	2014	2015	2014
	Cost of goods sold		S&A expense		Total	
Restructuring costs (See Note 15 - Restructuring Costs)	\$5.4	\$—	\$3.5	\$—	\$8.9	\$—
Restructuring related costs	4.2	—	2.7	—	6.9	—
Restructuring and related costs (non-GAAP measure)	\$9.6	\$—	\$6.2	\$—	\$15.8	\$—

Of the \$15.8 million of restructuring and related costs incurred in the second quarter of 2015, \$13.3 million is recorded in the Electrical segment and \$2.5 million is recorded in the Power segment.

We expect that our full year diluted earnings per share in 2015 could include approximately \$0.45 of restructuring and related costs. Our full year expectation includes the impact of actions that have been initiated through June 30, 2015 as well as actions we expect to initiate in the remainder of 2015, as we continue to evaluate actions and pursue those that meet our required targets for returns and payback.

Net Sales

Net sales of \$874.0 million for the second quarter of 2015 increased two percent compared to the second quarter of 2014 due to completed acquisitions and higher organic volume, offset partially by the impact of foreign currency translation. Completed acquisitions contributed three percentage points and higher organic volume added one percentage point to net sales, offset by two percentage points of unfavorable foreign currency translation.

Cost of Goods Sold

As a percentage of net sales, cost of goods sold increased to 67.5% in the second quarter of 2015 compared to 65.8% in the second quarter of 2014. Cost of goods sold for the three months ended June 30, 2015 includes approximately 110 basis points of restructuring and related costs in the second quarter of 2015 and unfavorable product and business mix, partially offset by the favorable net impact of pricing, cost, and productivity.

Gross Profit

The consolidated gross profit margin in the second quarter of 2015 was 32.5% compared to 34.2% in the second quarter of 2014. Gross profit margin for the three months ended June 30, 2015 includes approximately 110 basis points of restructuring and related costs incurred in the second quarter of 2015 and unfavorable product and business mix, partially offset by the favorable net impact of pricing, cost, and productivity.

Selling & Administrative Expenses

S&A expense in the second quarter of 2015 was \$157.4 million compared to \$148.8 million in the second quarter of 2014. The \$8.6 million increase in S&A expense was primarily due to restructuring and related costs incurred in the second quarter of 2015 and the addition of S&A expense of acquired businesses. As a percentage of net sales, S&A expense increased to 18.0% in the second quarter of 2015 compared to 17.4% in the second quarter of 2014 primarily due to approximately 70 basis points of restructuring and related costs incurred in the second quarter of 2015.

Total Other Expense

Total other expense, which includes interest expense on long-term debt and foreign currency transaction gains or losses, was \$8.7 million in the second quarter of 2015 compared to \$7.3 million in the second quarter of 2014. The \$1.4 million increase was primarily due to net foreign currency transaction losses in the second quarter of 2015.

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Income Taxes

The effective tax rate in the second quarter of 2015 decreased to 31.1% from 33.4% in the second quarter of 2014 primarily due to a discrete tax benefit recorded in the second quarter of 2015.

Net Income Attributable to Hubbell and Earnings Per Diluted Share

Net income attributable to Hubbell decreased eleven percent in the second quarter of 2015 as compared to the second quarter of 2014. Lower operating income of \$17.0 million, which includes \$15.8 million of restructuring and related costs and higher foreign currency transaction losses were offset partially by lower income tax expense. Earnings per diluted share in the second quarter of 2015 were \$1.37, which includes \$0.19 cents of restructuring and related costs as compared to \$1.51 in the second quarter of 2014. The average number of diluted shares outstanding at the end of the second quarter of 2015 was lower by approximately 1.4 million shares as compared to the second quarter of 2014.

Segment Results

ELECTRICAL

(In millions)	Three Months Ended June 30,		
	2015	2014	
Net sales	\$615.0	\$612.4	
Operating income	\$74.5	\$95.5	
Operating margin	12.1	% 15.6	%

Net sales in the Electrical segment were slightly higher in the second quarter of 2015 compared to the second quarter of 2014, as the increase in net sales from completed acquisitions, contributing two percentage points, was offset by two percentage points of unfavorable foreign currency translation. Organic volume was slightly higher, by less than one percentage point.

Within the segment, net sales of lighting products increased five percent, while electrical systems products declined by two percent in the second quarter of 2015 compared to the second quarter of 2014. Growth in net sales of lighting products was balanced between the residential and commercial and industrial markets. The decline in net sales of electrical systems products is primarily due to a three percentage point decline in organic volume and three percentage points of unfavorable foreign currency translation, partially offset by four percent net sales growth from completed acquisitions. The decline in organic net sales volume is primarily due to lower net sales of products in the industrial and energy-related markets, primarily our Harsh and Hazardous products, partially offset by sales growth in our other electrical systems products.

Operating income in the Electrical segment for the second quarter of 2015 was \$74.5 million and decreased 22% percent, or \$21.0 million, compared to the second quarter of 2014. Operating margin in the second quarter of 2015 decreased by 350 basis points to 12.1% as compared to the same period of 2014. The decrease in operating margin is primarily due to approximately 220 basis points of restructuring and related costs incurred in the second quarter of 2015, as well as unfavorable product and business mix, the unfavorable net impact of pricing, cost and productivity, and the unfavorable impact of foreign exchange on material costs, partially offset by higher volume. Acquisitions contributed approximately 30 basis points to the decline in operating margin.

POWER

(In millions)	Three Months Ended June 30,	
	2015	2014

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Net sales	\$259.0	\$243.4	
Operating income	\$52.2	\$48.2	
Operating margin	20.2	% 19.8	%

Net sales in the Power segment increased six percent in the second quarter of 2015 compared to the second quarter of 2014. Completed acquisitions added four percentage points and organic volume added three percentage points to net sales, offset by one percentage point of unfavorable foreign currency translation. The increase in organic volume was primarily due to higher sales of telecommunications products.

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Operating income in the Power segment in the second quarter of 2015 was \$52.2 million and increased by eight percent compared to the second quarter of 2014. Operating margin in the second quarter of 2015 expanded by 40 basis points to 20.2% as compared to the same period of 2014 primarily due to the favorable net impact of pricing, cost, and productivity, as well as higher organic volume, offset partially by approximately 100 basis points of restructuring and related costs incurred in the second quarter of 2015, and the unfavorable impact of foreign exchange. Acquisitions increased operating income, but reduced operating margin by approximately 30 basis points.

Results of Operations – Six Months Ended June 30, 2015 compared to the Six Months Ended June 30, 2014

SUMMARY OF CONSOLIDATED RESULTS (IN MILLIONS, EXCEPT PER SHARE DATA):

	Six Months Ended June 30,				
	2015	% of Net sales	2014	% of Net sales	
Net sales	\$1,683.7		\$1,615.3		
Cost of goods sold	1,146.9	68.1	% 1,077.8	66.7	%
Gross profit	536.8	31.9	% 537.5	33.3	%
Selling & administrative expense	305.1	18.1	% 289.0	17.9	%
Operating income	231.7	13.8	% 248.5	15.4	%
Net income attributable to Hubbell	142.5	8.5	% 154.4	9.6	%
Earnings per share - diluted	\$2.44		\$2.59		

The following table reconciles our restructuring costs to our restructuring and related costs for the six months ended June 30, 2015 and 2014 (in millions):

	Six Months Ended June 30,					
	2015	2014	2015	2014	2015	2014
	Cost of goods sold		S&A expense		Total	
Restructuring costs (See Note 15 - Restructuring Costs)	\$8.0	\$—	\$3.6	\$—	\$11.6	\$—
Restructuring related costs	5.5	—	3.1	—	8.6	—
Restructuring and related costs (non-GAAP measure)	\$13.5	\$—	\$6.7	\$—	\$20.2	\$—

Of the \$20.2 million of restructuring and related costs incurred in the first six months of 2015, \$16.5 million is recorded in the Electrical segment and \$3.7 million is recorded in the Power segment.

Net Sales

Net sales of \$1.7 billion for the first six months of 2015 increased four percent compared to the first six months of 2014 primarily due to completed acquisitions and higher organic volume, partially offset by the impact of foreign currency translation. Completed acquisitions added four percentage points and higher organic volume contributed two percentage points, offset by two percentage points of unfavorable foreign currency translation.

Cost of Goods Sold

As a percentage of net sales, cost of goods sold increased to 68.1% for the first six months of 2015 compared to 66.7% for the first six months of 2014. Cost of goods sold for the six months ended June 30, 2015 includes approximately 80 basis points of restructuring and related costs, and the impact of unfavorable product and business mix. The net impact of pricing, cost, and productivity in the first six months of 2015 compared to the same period of the prior year was not significant.

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Gross Profit

The consolidated gross profit margin was 31.9% in the first six months of 2015 compared to 33.3% in the first six months of 2014. Gross profit margin for the six months ended June 30, 2015 includes approximately 80 basis points of restructuring and related costs, and the impact of unfavorable product and business mix. The net impact of pricing, cost, and productivity in the first six months of 2015 compared to the same period of the prior year was not significant.

Selling & Administrative Expenses

S&A expense in the first six months of 2015 was \$305.1 million compared to \$289.0 million in the first six months of 2014. The \$16.1 million increase in S&A expense was primarily due to the addition of S&A expense of acquired businesses and restructuring and related costs incurred in the first six months of 2015. As a percentage of net sales, S&A expense increased to 18.1% of net sales in the first six months of 2015 compared to 17.9% in the comparable period of the prior year primarily due to approximately 40 basis points of restructuring and related costs incurred in the first six months of 2015, partially offset by volume leverage.

Total Other Expense

Total other expense, which includes interest expense on long-term debt and foreign currency transaction gains or losses, was \$18.9 million in the first six months of 2015 compared to \$16.0 million in the first six months of 2014. The \$2.9 million increase was primarily due to higher net foreign currency transaction losses in the first six months of 2015 as compared to the same period of 2014.

Income Taxes

The effective tax rate in the first six months of 2015 decreased to 32.0% from 32.9% in the first six months of 2014 primarily due to a discrete tax benefit recorded in the second quarter of 2015.

Net Income Attributable to Hubbell and Earnings Per Diluted Share

Net income attributable to Hubbell decreased eight percent in the first six months of 2015 as compared to the first six months of 2014. Lower operating income of \$16.8 million, which includes \$20.2 million of restructuring and related costs, and higher foreign currency transaction losses were offset partially by lower income tax expense. Earnings per diluted share in the first six months of 2015 were \$2.44, which includes \$0.24 cents of restructuring and related costs, as compared to \$2.59 in the first six months of 2014. The average number of diluted shares outstanding for the first six months of 2015 was lower by approximately 1.3 million shares as compared to the same period of 2014.

Segment Results

ELECTRICAL

(In millions)	Six Months Ended June 30,		
	2015	2014	
Net sales	\$1,184.8	\$1,151.2	
Operating income	\$137.8	\$163.6	
Operating margin	11.6	% 14.2	%

Net sales in the Electrical segment increased three percent in the first six months of 2015 compared to the first six months of 2014 due to completed acquisitions and higher organic volume, partially offset by the impact of foreign

currency translation. Compared to the first six months of 2014, acquisitions added three percentage points and organic volume added two percentage points to net sales, offset by two percentage points of foreign currency translation.

Within the segment, net sales of lighting products increased eight percent, while electrical systems products were flat in the first six months of 2015 compared to the first six months of 2014. Net sales of lighting products increased six percent due to organic growth and two percent due to acquisitions. Organic growth of lighting products was led by the commercial and industrial market, which grew by seven percent. Net sales of electrical systems products were flat, as four percent net sales growth from completed acquisitions was offset by three percentage points of unfavorable foreign currency translation and one percentage point attributable to lower organic volume. The decline in organic net sales volume is primarily due to lower net sales of products in the industrial and energy-related markets, primarily our Harsh and Hazardous products, partially offset by net sales growth in our other electrical systems products.

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Operating income in the Electrical segment for the first six months of 2015 was \$137.8 million and decreased 16% percent, or \$25.8 million, compared to the second quarter of 2014. Operating margin in the first six months of 2015 decreased by approximately 260 basis points to 11.6% as compared to the same period of 2014. The decrease in operating margin is primarily due to approximately 140 basis points of restructuring and related costs incurred in the first six months of 2015, as well as unfavorable product and business mix, the unfavorable impact of foreign exchange on material costs, and slightly lower results from the net impact of pricing, cost, and productivity. Acquisitions increased operating income, but contributed approximately 30 basis points to the decrease in operating margin.

POWER

(In millions)	Six Months Ended June 30,		
	2015	2014	
Net sales	\$498.9	\$464.1	
Operating income	\$93.9	\$84.9	
Operating margin	18.8	% 18.3	%

Net sales in the Power segment in the first six months of 2015 were \$498.9 million, up seven percent versus the first six months of 2014. The impact of acquisitions added four percentage points to net sales and organic volume contributed four percentage points, partially offset by one percentage point of unfavorable foreign currency translation. The increase in organic volume was primarily due to higher sales of telecommunications and distribution products.

Operating income in the Power segment increased eleven percent to \$93.9 million in the first six months of 2015 compared to the same period of 2014. Operating margin in the first six months of 2015 increased by 50 basis points to 18.8% as compared to the same period of 2014. The increase in operating margin is primarily due to the favorable net impact of pricing, cost and productivity, as well as higher organic volume, partially offset by approximately 90 basis points of restructuring and related costs incurred in the first six months of 2015. Acquisitions increased operating income, but reduced operating margin by approximately 40 basis points.

Outlook

For 2015, we expect our overall net sales to increase by approximately three to four percent compared to 2014, with acquisitions contributing approximately four percent, foreign currency translation to reduce net sales by approximately one percent, and aggregate growth of our end markets to be flat.

Within our end markets, we expect the non-residential and residential markets each to grow by five to six percent. Transmission and distribution products in the utility market are anticipated to grow by one to two percent. We anticipate our net sales could benefit from growth in these end markets, but could also be dampened by slowing growth in the industrial market, which is expected to be flat or to grow by up to two percent, as well as a twenty to twenty-five percent decline in the markets for our Harsh and Hazardous products in 2015, with each reflecting an expectation of continued weakness in industrial and energy-related markets.

In response to these end market conditions, we continue to work on productivity initiatives and to make other strategic investments aimed at improving our cost structure and operating efficiency, including improved sourcing, product redesign and lean projects focused on both factory and back office efficiencies. In the second half of 2015, we plan to continue to initiate new restructuring and related actions. In 2015 we expect our earnings per diluted share to include approximately \$0.45 cents of restructuring and related costs. We anticipate restructuring and related activities will generate incremental savings in 2015 of approximately \$0.10 cents per diluted share and incremental savings in 2016 of approximately \$0.30 cents per diluted share. We also anticipate continued cost increases from certain materials,

healthcare and other inflationary costs, including higher pension costs.

From a profitability standpoint, we expect our operating margins in 2015 may be impacted by growth in sales of lower margin products and lower sales of our higher margin Harsh and Hazardous products as well as by lower net sales in the industrial market. We anticipate that our 2015 acquisitions will contribute incremental earnings, but will reduce operating margin by approximately 30 basis points in 2015. Additionally, foreign exchange could continue to be a headwind in the second half of 2015 driven primarily by a strong U.S. dollar.

We anticipate that our full year diluted earnings per share in 2015 will be in the range of \$4.95 to \$5.15, including approximately \$0.45 cents of restructuring and related costs. Our expectation for full year diluted earnings per share in 2015 reflects our outlook for end market conditions, the impact of expected sales mix, and continued spending on cost reduction initiatives.

In 2015, we anticipate free cash flow (defined as cash flows from operations less capital expenditures) to be approximately 90% of net income and to include the impact of increased spending in 2015 on restructuring and related activities as well as higher capital spending on new product development.

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Finally, with our strong financial position, we expect to continue to enhance shareholder value through capital deployment including both share repurchases and acquisitions. We are increasing our expectation for full year 2015 share repurchases to approximately \$150 million.

Financial Condition, Liquidity and Capital Resources

Cash Flow

(In millions)

Net cash provided by (used in):

Six Months Ended June 30,	
2015	2014