PREFORMED LINE PRODUCTS CO
Form 10-K
April 07, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
Annual report pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2007
Commission file number 0-31164
Preformed Line Products Company
(Exact Name of Registrant as Specified in Its Charter)

Ohio	34-0676895
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
660 Beta Drive Mayfield Village, Ohio	44143
(Address of Principal Executive Office)	(Zip Code)

(440) 461-5200

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, $2 par value per share	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: (None)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange act.

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

The aggregate market value of voting and non-voting common shares held by non-affiliates of the registrant as of June 30, 2007 was $129,439,665, based on the closing price of such common shares, as reported on the NASDAQ National Market System. As of March 12, 2008 there were 5,382,006 common shares of the Company ($2 par value) outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement for the Annual Meeting of Shareholders to be held April 28, 2008 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14.

Table of Contents

Table of Contents

Forward-Looking Statements

This Form 10-K and other documents we file with the Securities and Exchange Commission contain forward-looking statements regarding the Company s and management s beliefs and expectations. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance (as opposed to historical items) and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements are subject to uncertainties and factors relating to the Company s operations and business environment, all of which are difficult to predict and many of which are beyond the Company s control. Such uncertainties and factors could cause the Company s actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

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

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

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

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

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

The rate of progress in continuing to reduce costs and in modifying the Company s cost structure to maintain and enhance the Company s competitiveness;

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

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

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

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

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

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

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

Changes in significant government regulations affecting environmental compliances;

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

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

Those factors described under the heading Risk Factors on page 12.

Table of Contents

Part I

Item 1. *Business*

Background

Preformed Line Products Company and its subsidiaries (the Company) is 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. The Company s primary products support, protect, connect, terminate and secure cables and wires. The Company also manufactures a line of products serving the voice and data transmission markets. The Company also provides solar hardware systems and mounting hardware for a variety of solar power applications. The Company s goal is to continue to achieve profitable growth as a leader in the 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.

The Company serves a worldwide market through strategically located domestic and international manufacturing facilities. Each of the Company s domestic and international manufacturing facilities have obtained an International Organization of Standardization (ISO) 9001:2000 Certification for our Management System, with the exception of Direct Power and Water Corporation (DPW), which was newly acquired during 2007. The ISO 9001:2000 certified management system is a globally recognized quality standard for manufacturing and assists the Company in marketing its products throughout the world. The Company s customers include public and private energy utilities and communication companies, cable operators, financial institutions, governmental agencies, original equipment manufacturers, contractors and subcontractors, distributors and value-added resellers. The Company is not dependent on a single customer or a few customers. No single customer accounts for more than ten percent of the Company s consolidated revenues.

The Company s products include:

Formed Wire and Related Hardware Products

Protective Closures

Data Communication Interconnection Devices

Plastic Products

Other Products

Formed Wire Products and Related Hardware Products are used in the energy, communications, cable and non-utility industries to support, protect, terminate and secure both power conductor and communication cables and to control cable dynamics (e.g., vibration). Formed wire products are based on the principle of forming a variety of stiff wire materials into a helical (spiral) shape. Advantages of using the Company s helical formed wire products are that they are economical, dependable and easy to use. The Company introduced formed wire products to the power industry 60 years ago and such products enjoy an almost universal acceptance in the Company s markets. Related hardware products include hardware for supporting and protecting transmission conductors, spacers, spacer-dampers, stockbridge dampers, corona suppression devices and various compression fittings for dead-end applications. Formed wire and related hardware products are approximately 55% of the Company s revenues in 2007, 54% in 2006 and 49% in 2005.

Protective Closures, including splice cases, are used to protect fixed line communication networks, such as copper cable or fiber optic cable, from moisture, environmental hazards and other potential contaminants. Protective closures are approximately 25% of the Company s revenues in 2007, 26% in 2006 and 29% in 2005.

Data Communication Interconnection Devices are products used in high-speed data systems to connect electronic equipment. Data communication interconnection devices are approximately 13% of the Company s revenues in 2007 and 2006 and 15% in 2005.

Table of Contents

Plastic Products, including guy markers, tree guards, fiber optic cable markers and pedestal markers are used in energy, communications, cable television and non-utility industries to identify power conductors, communication cables and guy wires. Plastic products are approximately 2% of the Company s revenues in 2007, 2006 and 2005.

Other Products include hardware assemblies, pole line hardware, resale products, underground connectors, solar hardware systems and urethane products. They are used by energy, renewable energy, communications, cable and non-utility industries for various applications and are defined as products that compliment the Company s core line offerings. Other products are approximately 5% of the Company s revenues in 2007, 2006 and 2005.

Corporate History

The Company was incorporated in Ohio in 1947 to manufacture and sell helically shaped armor rods, which are sets of stiff helically shaped wires applied on an electrical conductor at the point where it is suspended or held. Thomas F. Peterson, the Company s founder, developed and patented a unique method to manufacture and apply these armor rods to protect electrical conductors on overhead power lines. Over a period of years Mr. Peterson and the Company developed, tested, patented, manufactured and marketed a variety of helically shaped products for use by the electrical and telephone industries. Although all of Mr. Peterson s patents have now expired, those patents served as the nucleus for licensing the Company s formed wire products abroad.

The success of the Company s formed wire products in the United States led to expansion abroad. The first international license agreement was established in the mid-1950s in Canada. In the late 1950s the Company s products were being sold through joint ventures and licensees in Canada, England, Germany, Spain and Australia. Additionally, the Company began export operations and promoted products into other selected offshore markets. The Company continued its expansion program, bought out most of the original licensees, and, by the mid-1990s, had complete ownership of operations in Australia, Brazil, Canada, Great Britain, South Africa and Spain and held a minority interest in two joint ventures in Japan. The Company s international subsidiaries have the necessary infrastructure (i.e. manufacturing, engineering, marketing and general management) to support local business activities. Each is staffed with local personnel to ensure that the Company is well versed in local business practices, cultural constraints, technical requirements and the intricacies of local client relationships.

In 1968, the Company expanded into the underground telecommunications field by its acquisition of the Smith Company located in California. The Smith Company had a patented line of buried closures and pressurized splice cases. These closures and splice cases protect copper cable openings from environmental damage and degradation. The Company continued to build on expertise acquired through the acquisition of the Smith Company and in 1995 introduced the highly successful COYOTEâ Closure line of products. Since 1995 thirteen domestic and three international patents have been granted to the Company on the COYOTE Closure. None of the COYOTE Closure patents have expired. The earliest COYOTE Closure patent was filed in April 1995 and will not expire until April 2015.

In 1993, the Company purchased the assets of Superior Modular Products Company. Located in Asheville, North Carolina, Superior Modular Products is a technical leader in the development and manufacture of high-speed interconnection devices for voice, data and video applications. This acquisition was the catalyst to expand the Company s range of communication products to components for structuring cabling systems used inside a customer s premises.

Recognizing the need for a stronger presence in the fast growing Asian market, in 1996 the Company formed a joint venture in China and, in 2000, became sole owner of this venture.

In 2000, the Company acquired Rack Technologies Pty. Ltd, headquartered in Sydney, Australia. Rack Technologies is a specialist manufacturer of rack system enclosures for the communications, electronics and securities industries. This acquisition complements and broadens the Company s existing line of data communication products used inside a customer s premises.

In 2002, the Company acquired the remaining 2.6% minority interest in its operations in Mexico. The 97.4% interest was acquired in 1969.

In 2003, the Company acquired the assets of Richardson Pacific Ltd located in Sydney, Australia. This acquisition complements the existing product lines manufactured at Rack Technologies for the data communication industry.

In 2003, the Company sold its 24% interest in Toshin Denko Kabushiki Kaisha in Osaka, Japan. The Company s investment in Toshin Denko dates back to 1961 when the joint venture company was founded.

In 2004, the Company acquired the assets of Union Electric Manufacturing Co. Ltd, located in Bangkok, Thailand.

In 2004, the Company sold its 49% interest in Japan PLP Co. Ltd., a joint venture in Japan.

In 2007, the Company acquired the shares of DPW, located in New Mexico, United States. This acquisition broadens the Company s product lines and manufactures mounting hardware for a variety of solar power applications and provides designs and installations of solar power systems.

In 2007, the Company acquired 83.74% of Belos SA (Belos), located in Bielsko-Biala, Poland. Belos is a manufacturer and supplier of fittings for various voltage power networks. This acquisition complements the Company s existing line of energy products.

The Company s World headquarters is located at 660 Beta Drive, Mayfield Village, Ohio 44143.

Business

The demand for the Company s products comes primarily from new, maintenance and repair construction for the energy, telecommunication and data communication industries. The Company s customers use many of the Company s products, including formed wire products, to revitalize the aging outside plant infrastructure. Many of the Company s products are used on a proactive basis by the Company s customers to reduce and prevent lost revenue. A single malfunctioning line could cause the loss of thousands of dollars per hour for a power or communication customer. A malfunctioning fiber cable could also result in substantial revenue loss. Repair construction by the Company s customers generally occurs in the case of emergencies or natural disasters, such as hurricanes, tornadoes, earthquakes, floods or ice storms. Under these circumstances, the Company provides 24-hour service to provide the repair products to customers as quickly as possible.

The Company has adapted the formed wire products helical technology for use in a wide variety of fiber optic cable applications that have special requirements. The Company s formed wire products are uniquely qualified for these applications due to the gentle gripping over a greater length of the fiber cable. This is an advantage over traditional pole line hardware clamps that compress the cable to the point of possible fatigue and optical signal deterioration.

The Company s protective closures and splice cases are used to protect cable from moisture, environmental hazards and other potential contaminants. The Company s splice cases are easily re-enterable closures that allow utility maintenance workers access to the cables located inside the closure to repair or add communications services. Over the years, the Company has made many significant improvements in the splice case that have greatly increased their versatility and application in the market place. The Company also designs and markets custom splice cases to satisfy specific customer requirements. This has allowed the Company to remain a strong partner with several primary customers and has earned the Company the reputation as a responsive and reliable supplier.

Fiber optic cable was first deployed in the outside plant environment in the early 1980 s. Through fiber optic technologies, a much greater amount of both voice and data communication can be transmitted reliably. In addition, this technology solved the cable congestion problem that the large count copper cable was causing in underground, buried and aerial applications. The Company developed and adapted copper closures for use in the emerging fiber optic world. In the late 1980 s, the Company developed a series of splice cases designed specifically for fiber application. In the mid-1990 s, the Company developed its plastic COYOTE Closure, and has since expanded the product line to address emerging Fiber-to-the-Premise (FTTP) applications. The COYOTE Closure is an example of the Company developing a new line of proprietary products to meet the changing needs of its customers.

The Company also designs and manufactures data communication interconnect devices and enclosures for data communication networks, offering a comprehensive line of copper and fiber optic cross-connect systems. The product line enables reliable, high-speed transmission of data over customers local area networks.

With the acquisition of DPW in 2007, the Company expanded into the fast growing renewable energy sector. DPW provides a comprehensive line of mounting hardware for a variety of solar power applications including residential roof mounting, commercial roofing systems, top of pole mounting and customized solutions. DPW also provides design and installation services for residential and commercial solar power systems primarily in the western United States.

License Agreements

The Company receives royalties under thirteen separate license agreements. The Company does not believe that its business is materially dependent on any individual license agreement.

Markets

The Company markets its products to the energy, telecommunication, cable, data communication and non-utility industries. While rapid changes in technology have blurred the distinctions between telephone, cable, and data communication, the energy industry is clearly distinct. The Company s role in the energy industry is to supply formed wire products and related hardware used with the electrical conductors, cables and wires that transfer power from the generating facility to the ultimate user of that power. Formed wire products are used to support, protect, terminate and secure both power conductor and communication cables and to control cable dynamics.

Electric Utilities Transmission. The electric transmission grid is the interconnected network of high voltage aluminum conductors used to transport large blocks of electric power from generating facilities to distribution networks. Currently, there are three major power grids in the United States: the Eastern Interconnect, the Western Interconnect and the Texas Interconnect. Virtually all electrical energy utilities are connected with at least one other utility by one of these major grids. The Company believes that the transmission grid has been neglected throughout much of the United States for more than a decade. Additionally, because of deregulation, some electric utilities have turned this responsibility over to Independent System Operators (ISOs), who have also been slow to add transmission lines. With demand for power now exceeding supply in some areas, the need for the movement of bulk power from the energy-rich states to the energy-deficient areas means that new transmission lines will likely be built and many existing lines will likely be refurbished. In addition, passage of The Energy Policy Act of 2005 has attracted new investment into the industry through the requirements it establishes for enforceable reliability standards, incentives for transmission grid improvements and reform of the transmission line construction approval process. The Company believes that this will generate growth for the Company s products in this market over at least the next several years. In addition, increased construction of international transmission grids is occurring in many regions of the world. However, consolidation in the markets that the Company services may also have an adverse impact on the Company s revenues.

Electric Utilities Distribution. The distribution market includes those utilities that distribute power from a substation where voltage is reduced to levels appropriate for the consumer. Unlike the transmission market, distribution is still handled primarily by local electric utilities. These utilities are motivated to reduce cost in order to maintain and enhance their profitability. The Company believes that its growth in the distribution market will be achieved primarily as a result of incremental gains in market share driven by emphasizing the Company s quality products and service over price. Internationally, particularly in the developing regions, there is increasing political pressure to extend the availability of electricity to additional populations. Through its global network of factories and sales offices, the Company is prepared to take advantage of this new growth in construction.

Renewable Energy. The renewable energy market includes residential consumers, commercial businesses and off-grid operators that have an interest in alternative energy sources. Environmental concerns along with federal, state, and local utility incentives have fueled demand for renewable energy systems including solar, wind, and biofuel. The industry continues to grow rapidly as advancements in technology lead to greater efficiencies which drive down overall system costs. The Company currently provides hardware solutions, system design and installation services for solar power applications. The Company markets and sells these products and services to end-users, distributors, installers and integrators.

Communication and Cable. Major developments, including growing competition between the cable and communications industries and increasing overall demand for high-speed communication services, have led to a changing regulatory and competitive environment in many markets throughout the world. The deployment of new access networks and improvements to existing networks for advanced applications continues to gain momentum.

Cable operators, local communication operators and power utilities are building, rebuilding or upgrading signal delivery networks in developed countries. These networks are designed to deliver video and voice transmissions and provide Internet connectivity to individual residences and businesses. Operators deploy a variety of network technologies and architectures to carry broadband and narrowband signals. These architectures are constructed of electronic hardware connected via coaxial cables, copper wires or optical fibers. The Company manufactures closures that these industries use to securely connect and protect these vital networks.

As critical components of the outdoor infrastructure, closures provide protection against weather and vandalism and permit technicians who maintain and manage the system ready access to the devices. Cable operators and local telephone network operators place great reliance on manufacturers of protective closures because any material damage to the signal delivery networks is likely to disrupt communication services. In addition to closures, the Company supplies the communication and cable industry with its formed wire products to hold, support, protect and terminate the copper wires and cables and the fiber optic cables used by that industry to transfer voice, video or data signals.

The industry has developed new technological methods to increase the usage of copper-based plant through high-speed digital subscriber lines (DSLs). The popularity of these services, the regulatory environment and the increasingly fierce competition between communications and cable operators has driven the recent move toward building out the last mile in fiber networks. FTTP is expected to be the next wave in broadband innovation by carrying fiber optic technology into homes and businesses. The Company has been actively developing products that address this market.

Data Communication. The data communication market is being driven by the continual demand for increased bandwidth. Growing Internet Service Providers (ISPs), construction in Wide Area Networks (WANs) and demand for data communication in the workplace are all key elements to the increased demand for the connecting devices made by the Company. This market will increasingly be focused on the systems that provide the highest speed and highest quality signal, such as fiber optic and copper networks. The Company s connecting devices are sold to a number of categories of customers including (i) original equipment manufacturers (OEMs), which incorporate the Company s connector technology in their product offering, (ii) ISPs, (iii) large companies and organizations which have their own local area network for data communication, and (iv) national and international distributors of structured cabling systems and components for use in the above markets.

Non-Utility Industries. The Company s formed wire products can also be used in other industries which require a method of securing or terminating cables, including the metal building, tower and antenna industries, the arborist industry, and various applications within the marine systems industry. Products other than formed wire products are also marketed to other industries. For example, the Company s urethane capabilities allow it to market products to the light rail industry. The Company continues to explore new and innovative uses of its manufacturing capabilities; however, these markets remain a small portion of overall consolidated sales.

International Operations

The international operations of the Company are essentially the same as its domestic (PLP-USA) business, except for location. The Company manufactures similar types of products in its international plants as are sold domestically, it sells to similar types of customers and faces similar types of competition (and in some cases the same competitors). Sources of supply of raw materials are not significantly different internationally. See Note J in

Table of Contents

the Notes To Consolidated Financial Statements for information and financial data relating to the Company s international operations that represent reportable segments.

While a number of the Company s international plants are in developed countries, the Company believes it has strong market opportunities in developing countries where the need for the transmission and distribution of electrical power is significant. The Company is now serving the Far East market, other than China and Japan, primarily from Thailand. In addition, as the need arises, the Company is prepared to establish new manufacturing facilities abroad.

Sales and Marketing

Domestically and internationally, the Company markets its products through a direct sales force and manufacturing representatives. The direct sales force is employed by the Company and works with the manufacturer s representatives, as well as, key direct accounts and distributors, who also buy and resell the Company s products. The manufacturer s representatives are independent organizations that represent the Company as well as other complimentary product lines. These organizations are paid a commission based on the sales amount.

Research and Development

The Company is committed to providing technical leadership through scientific research and product development in order to continue to expand the Company s position as a supplier to the communications and power industries. Research is conducted on a continuous basis using internal experience in conjunction with outside professional expertise to develop state-of-the-art materials for several of the Company s products. These products capitalize on cost-efficiency while offering exacting mechanical performance that meets or exceeds industry standards. The Company s research and development activities have resulted in numerous patents being issued to the Company (see Patents and Trademarks below).

Early in its history the Company recognized the need to understand the performance of its products and the needs of its customers. To that end, the Company developed its own Research and Engineering Center in Cleveland, Ohio. Using the Research and Engineering Center, engineers and technicians simulate a wide range of external conditions encountered by the Company s products to ensure quality, durability and performance. The work performed in the Research and Engineering Center includes advanced studies and experimentation with various forms of vibration. This work has contributed significantly to the collective knowledge base of the industries the Company serves and is the subject matter of many papers and seminars presented to these industries.

In 1979, the Company relocated and expanded its Research and Engineering Center as a 29,000-square-foot addition to its World Headquarters in Mayfield Village, Ohio. The Company believes that this facility is one of the most sophisticated in the world in its specialized field. The expanded Research and Engineering Center also has an advanced prototyping technology machine on-site to develop models of new designs where intricate part details are studied prior to the construction of expensive production tooling. Today, the Company s reputation for vibration testing, tensile testing, fiber optic cable testing, environmental testing, field vibration monitoring and third-party contract testing is a competitive advantage. In addition to testing, the work done at the Company s Research and Development Center continues to fuel product development efforts. For example, the Company estimates that approximately 25% of 2007 revenues were attributed to products developed by the Company in the past five years. In addition, the Company s position in the industry is further reinforced by its long-standing leadership role in many key international technical organizations which are charged with the responsibility of establishing industry wide specifications and performance criteria, including IEEE (Institute of Electrical and Electronics Engineers), CIGRE (Counsiel Internationale des Grands Reseaux Electriques a Haute Tension), and IEC (International Electromechanical Commission). Research and development costs are expensed as incurred. Research and development costs for new products were $2.8 million in 2007, $3.2 million in 2006 and $2.6 million in 2005.

Patents and Trademarks

The Company applies for patents in the United States and other countries, as appropriate, to protect its significant patentable developments. As of December 31, 2007, the Company had in force 48 U.S. patents and 50

Table of Contents

international patents in eight countries and had pending 21 U.S. patent applications and 25 international applications. While such domestic and international patents expire from time to time, the Company continues to apply for and obtain patent protection on a regular basis. Patents held by the Company in the aggregate are of material importance in the operation of the Company s business. The Company, however, does not believe that any single patent, or group of related patents, is essential to the Company s business as a whole or to any of its businesses. Additionally, the Company owns and uses a substantial body of proprietary information and numerous trademarks. The Company relies on nondisclosure agreements to protect trade secrets and other proprietary data and technology. As of December 31, 2007, the Company had obtained U.S. registration on 33 trademarks and three trademark applications remained pending. International registrations amounted to 197 registrations in 37 countries, with 11 pending international registrations.

Since June 8, 1995, United States patents have been issued for terms of 20 years beginning with the date of filing of the patent application. Prior to that time, a U.S. patent had a term of 17 years from the date of its issuance. Patents issued by international countries generally expire 20 years after filing. U.S. and international patents are not renewable after expiration of their initial term. U.S. and international trademarks are generally perpetual, renewable in 10-year increments upon a showing of continued use. To the knowledge of management, the Company has not been subject to any significant allegation or charges of infringement of intellectual property rights by any organization.

In the normal course of business, the Company occasionally makes and receives inquiries with regard to possible patent and trademark infringement. The extent of such inquiries from third parties has been limited generally to verbal remarks to Company representatives. The Company believes that it is unlikely that the outcome of these inquiries will have a material adverse effect on the Company s financial position.

Competition

All of the markets that the Company serves are highly competitive. In each market the principal methods of competition are price, performance, and service. The Company believes, however, that several factors (described below) provide the Company with a competitive advantage.

The Company has a strong and stable workforce. This consistent and continuous knowledge base has afforded the Company the ability to provide superior service to the Company s customers and representatives.

The Company s Research and Engineering Center in Mayfield Village, Ohio and departments of subsidiary locations maintain a strong technical support function to develop unique solutions to customer problems.

The Company is vertically integrated both in manufacturing and distribution and is continually upgrading equipment and processes.

The Company is sensitive to the marketplace and provides an extra measure of service in cases of emergency, storm damage and other rush situations. This high level of customer service and customer responsiveness has become a hallmark of the Company.

The Company s 15 manufacturing locations ensure close support and proximity to customers worldwide.

Domestically, there are several competitors for formed wire products. Although it has other competitors in many of the countries where it has plants, the Company has leveraged its expertise and is very strong in the global market. The Company believes that it is the world s largest manufacturer of formed wire products for energy and communications markets. However, the Company s formed wire products compete against other pole line hardware products manufactured by other companies.

Minnesota Manufacturing and Mining Company (3M) is the primary domestic competitor of the Company for pressurized copper closures. Based on its experience in the industry, the Company believes it maintains a strong market share position.

The fiber optic closure market is one of the most competitive product areas for the Company, with the Company competing against, among others, Tyco International Ltd., 3M and Corning Cable Systems. There are a number of primary competitors and several smaller niche competitors that compete at all levels in the marketplace. The Company believes that it is one of four leading suppliers of fiber optic closures.

The Company s data communication competitors range from assemblers of low cost, low quality components, to well-established multinational corporations. The Company s competitive strength is its technological leadership and manufacturing expertise. Additionally, the Company provides product to its licensees and other companies on a privately branded basis. Patented technology developed by the Company is currently licensed to many of its largest competitors. Low-cost Asian competitors, however, keep pressure on prices and will continue to do so.

Sources and Availability of Raw Materials

The principal raw materials used by the Company are galvanized wire, stainless steel, aluminum covered steel wire, aluminum re-draw rod, plastic resins, glass-filled plastic compounds, neoprene rubbers and aluminum castings. The Company also uses certain other materials such as fasteners, packaging materials and communications cable. The Company believes that it has adequate sources of supply for the raw materials used in its manufacturing processes and it regularly attempts to develop and maintain sources of supply in order to extend availability and encourage competitive pricing of these products.

Most plastic resins are purchased under contracts to stabilize costs and improve delivery performance and are available from a number of reliable suppliers. Wire and re-draw rod are purchased in standard stock diameters and coils under contracts available from a number of reliable suppliers. Contracts have firm prices except for fluctuations of base metals and petroleum prices, which result in surcharges when global demand is greater than the available supply.

The Company also relies on certain other manufacturers to supply products that complement the Company s product lines, such as aluminum and ferrous castings, fiber optic cable and connectors, circuit boards and various metal racks and cabinets. The Company believes there are multiple sources of supply for these products.

Due to increasing worldwide demand for carbon steel, stainless steel and zinc, costs of raw materials have continued to escalate in 2007. The Company anticipates further increases in 2008. Prices for stainless steel have increased to five-year highs and increased costs have been passed along in the supply chain. Worldwide demand in these commodities continues to exceed supply and price pressure will continue as the demand outpaces the supply.

Backlog Orders

The Company s backlog was approximately $26.5 million at the end of 2007. The Company s order backlog generally represents four to six weeks of sales. All customer orders entered are firm at the time of entry. Substantially all orders are shipped within a two to four week period unless the customer requests an alternative date.

Seasonality

The Company markets products that are used by utility maintenance and construction crews worldwide. The products are marketed through distributors and directly to end users, who maintain stock to ensure adequate supply for their customers or construction crews. As a result, the Company does not have a wide variation in sales from quarter to quarter.

Environmental

The Company is subject to extensive and changing federal, state, and local environmental laws, including laws and regulations that (i) relate to air and water quality, (ii) impose limitations on the discharge of pollutants into the environment, (iii) establish standards for the treatment, storage and disposal of toxic and hazardous waste, and (iv) require proper storage, handling, packaging, labeling, and transporting of products and components classified as hazardous materials. Stringent fines and penalties may be imposed for noncompliance with these environmental laws. In addition, environmental laws could impose liability for costs associated with investigating and remediating contamination at the Company s facilities or at third-party facilities at which the Company has arranged for the disposal treatment of hazardous materials.

Although no assurances can be given, the Company believes it is in compliance in all material respects, with all applicable environmental laws and the Company is not aware of any noncompliance or obligation to investigate or remediate contamination that could reasonably be expected to result in a material liability. The Company does not expect to make any material capital expenditure during 2008 for environmental control facilities. The environmental laws continue to be amended and revised to impose stricter obligations, and compliance with future additional environmental requirements could necessitate capital outlays. However, the Company does not believe that these expenditures should ultimately result in a material adverse effect on its financial position or results of operations. The Company cannot predict the precise effect such future requirements, if enacted, would have on the Company. The Company believes that such regulations would be enacted over time and would affect the industry as a whole.

Employees

At December 31, 2007, the Company and its consolidated subsidiaries had 1,936 employees. Approximately 40% of the Company s employees are located in the United States.

Available Information

The Company maintains an Internet site at http://www.preformed.com, on which, the Company makes available, free of charge, the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. The Company s SEC reports can be accessed through the investor relations section of its Internet site. The information found on the Company s Internet site is not part of this or any other report that is filed or furnished to the SEC.

The public may read and copy any materials the Company files with or furnishes to the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW., Washington, DC 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements, and other information filed with the SEC by electronic filers. The SEC s Internet site is http://www.sec.gov. The Company also has a link from its Internet site to the SEC s Internet site, this link can be found on the investor relations page of the Company s Internet site.

Item 1A. Risk Factors

Due to the Company s dependency on the energy, telecommunication and data communication industries, the Company is susceptible to negative trends relating to those industries that could adversely affect the Company s operating results.

The Company s sales to the energy, telecommunication and data communication industries represent a substantial portion of the Company s historical sales. The concentration of revenue in such industries is expected to continue into the foreseeable future. Demand for products to these industries depends primarily on capital spending by customers for constructing, rebuilding, maintaining or upgrading their systems. The amount of capital spending and, therefore, the Company s sales and profitability are affected by a variety of factors, including general economic conditions, access by customers to financing, government regulation, demand for energy and cable services, and technological factors. As a result, some customers may not continue as going concerns, which could have a material

Table of Contents

adverse effect on the Company s business, operating results and financial condition. Consolidation and deregulation present the additional risk to the Company that combined or deregulated customers will rely on relationships with a source other than the Company. Consolidation and deregulation may also increase the pressure on suppliers, such as the Company, to sell product at lower prices.

The Company s business will suffer if the Company fails to develop and successfully introduce new and enhanced products that meet the changing needs of the Company s customers.

The Company s ability to anticipate changes in technology and industry standards and to successfully develop and introduce new products on a timely basis will be a significant factor in the Company s ability to grow and remain competitive. New product development often requires long-term forecasting of market trends, development and implementation of new designs and processes and a substantial capital commitment. The trend toward consolidation of the energy, telecommunication and data communication industries may require the Company to quickly adapt to rapidly changing market conditions and customer requirements. Any failure by the Company to anticipate or respond in a cost-effective and timely manner to technological developments or changes in industry standards or customer requirements, or any significant delays in product development or introduction or any failure of new products to be widely accepted by the Company s customers, could have a material adverse effect on the Company s business, operating results and financial condition as a result of reduced net sales.

The intense competition in the Company s markets, particularly telecommunication and data communication markets, may lead to a reduction in sales and profits.

The markets in which the Company operates are highly competitive. The level of intensity of competition may increase in the foreseeable future due to anticipated growth in the telecommunication and data communication industries. The Company s competitors in the telecommunication and data communication markets are larger companies with significant influence over the distribution network. The product lines within the data communication market have thin profit margins. Success in these product lines depends upon the Company s ability to increase volume and reduce the cost structure. There can be no assurance that the Company will be able to compete successfully against its competitors, many of which may have access to greater financial resources than the Company. In addition, the pace of technological development in the telecommunication and data communication markets is rapid and the Company cannot assure that these advances (i.e., wireless, fiber optic network infrastructure, etc.) will not adversely affect the Company s ability to compete in this market.

The introduction of products embodying new technologies or the emergence of new industry standards can render existing products or products under development obsolete or unmarketable.

The energy, telecommunication and data communication industries are characterized by rapid technological change. Satellite, wireless and other communication technologies currently being deployed may represent a threat to copper, coaxial and fiber optic-based systems by reducing the need for wire-line networks. There can be no assurance that future advances or further development of these or other new technologies will not have a material adverse effect on the Company s business, operating results and financial condition as a result of lost sales.

Price increases of raw materials could result in lower earnings.

The Company s cost of sales may be materially adversely affected by increases in the market prices of the raw materials used in the Company s manufacturing processes. There can be no assurance that price increases in raw materials can be passed onto the Company s customers through increases in product prices. As a result, the Company s operating results could be adversely affected.

The Company s international operations subject the Company to additional business risks.

International sales account for a substantial portion of the Company s net sales (48%, 49% and 44% in 2007, 2006, and 2005, respectively) and the Company expects these sales will increase as a percentage of net sales in the future. Due to its international sales, the Company is subject to the risks of conducting business internationally, including unexpected changes in, or impositions of, legislative or regulatory requirements, fluctuations in the U.S. dollar which could materially adversely affect U.S. dollar revenues or operating expenses, tariffs and other barriers and restrictions, potentially longer payment cycles, greater difficulty in accounts receivable collection, reduced or limited protection of intellectual property rights, potentially adverse taxes and the burdens of complying with a variety of international laws and communications standards. The Company is also subject to general geopolitical risks, such as political and economic instability and changes in diplomatic and trade relationships, in connection with its international operations. There can be no assurance that these risks of conducting business internationally will not have a material adverse effect on the Company s business, operating results and financial condition.

The Company may not be able to successfully integrate businesses that it may acquire in the future.

A portion of the Company s growth in sales and earnings has been generated from acquisitions. The Company expects to continue a strategy of identifying and acquiring businesses with complementary products. In connection with this strategy, the Company faces certain risks and uncertainties relating to acquisitions. The factors affecting this exposure are in addition to the risks faced in the Company s day-to-day operations. Acquisitions involve a number of special risks, including the risks pertaining to integrating acquired businesses. In addition, the Company may incur debt to finance future acquisitions, and the Company may issue securities in connection with future acquisitions that may dilute the holdings of current and future shareholders. Covenant restrictions relating to additional indebtedness could restrict the Company s ability to pay dividends, fund capital expenditures, consummate additional acquisitions and significantly increase the Company s interest expense. Any failure to successfully complete acquisitions or to successfully integrate such strategic acquisitions could have a material adverse effect on the Company s business, operating results and financial condition.

Item 1B. Unresolved Staff Comments

The Company does not have any unresolved staff comments.

Item 2. Properties

The Company currently owns or leases 17 facilities, which together contain approximately 1.7 million square feet of manufacturing, warehouse, research and development, sales and office space worldwide. Most of the Company s international facilities contain space for offices, research and engineering (R&E), warehousing and manufacturing with manufacturing using a majority of the space. The following table provides information regarding the Company s principal facilities:

Location	Use	Owned/Leased	Square Feet	Reportable Segment
1. Mayfield Village, Ohio	Corporate Headquarters Research and Engineering (R&E) Center	Owned	62,000	PLP-USA
2. Rogers, Arkansas	Manufacturing Warehouse Office	Owned	310,000	PLP-USA
3. Albemarle, North Carolina	Manufacturing Warehouse Office	Owned	261,000	PLP-USA
4. Asheville, North Carolina	Manufacturing R&E Warehouse Office	Owned	64,100	SMP

Table of Contents

Location	Use	Owned/Leased	Square Feet	Reportable Segment
5. Sydney, Australia	Manufacturing R&E Warehouse Office	Owned	123,000	Australia
6. São Paulo, Brazil	Manufacturing R&E Warehouse Office	Owned	148,500	Brazil
7. Cambridge, Ontario, Canada	Manufacturing Warehouse Office	Owned	73,300	Canada
8. Andover, Hampshire, England	Manufacturing R&E Warehouse Office	Building Owned; Land Leased	89,400	All Other
9. Queretaro, Mexico	Manufacturing Warehouse Office	Owned	52,900	All Other
10. Beijing, China	Manufacturing Warehouse Office	Building Owned; Land Leased	123,300	All Other
11. Pietermaritzburg, South Africa	Manufacturing R&E Warehouse Office	Owned	73,100	South Africa
12. Sevilla, Spain	Manufacturing R&E Warehouse Office	Owned	63,300	All Other
13. Bangkok, Thailand	Manufacturing Warehouse Office	Owned	60,400	All Other
14. Albuquerque, New Mexico	Manufacturing Warehouse Office	Leased	14,400	All Other
15. Bielsko-Biala, Poland			174,400	All Other

Manufacturing Warehouse Office	Buildings Owned; Land Leased

Item 3. Legal Proceedings

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

Table of Contents

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of the security holders of the Registrant during the quarter ended December 31, 2007.

Executive Officers of the Registrant

Each executive officer is elected by the Board of Directors, serves at its pleasure and holds office until a successor is appointed, or until the earliest of death, resignation or removal.

Name	Age	Position
Robert G. Ruhlman	51	Chairman, President and Chief Executive Officer
Eric R. Graef	55	Vice President - Finance and Treasurer
William H. Haag	44	Vice President - International Operations
J. Cecil Curlee Jr.	51	Vice President - Human Resources
Dennis F. McKenna	41	Vice President - Marketing and Business Development
Michael A. Fout	49	Vice President - Manufacturing
David C. Sunkle	49	Vice President - Research and Engineerng
Caroline S. Vaccariello	41	General Counsel and Corporate Secretary

The following sets forth the name and recent business experience for each person who is an executive officer of the Company at March 1, 2008.

Robert G. Ruhlman was elected Chairman in July 2004. Mr. Ruhlman has served as Chief Executive Officer since July 2000 and as President since 1995 (positions he continues to hold). He had served as Chief Operating Officer from 1995 until July 2000. Mr. Ruhlman is the brother of Randall M. Ruhlman and son of Barbara P. Ruhlman, both Directors of the Company.

Eric R. Graef was elected Vice President Finance and Treasurer in December 1999.

William H. Haag was elected Vice President International Operations in April 1999.

J. Cecil Curlee Jr. was hired in 1982 in the position of Personnel Manager at the Albemarle, North Carolina facility. He was promoted to Director of Employee Relations in September 2002 and was elected Vice President Human Resources in January 2003.

Dennis F. McKenna was elected Vice President Marketing and Business Development in April 2004. Mr. McKenna joined the Company in 1993 as a sales engineer and has served in various international and domestic product management, operations, and general management roles within the Company.

Michael A. Fout was elected Vice President Manufacturing in April 2005. Mr. Fout joined the Company in 2000 as Manager Manufacturing Engineering and has led the Company s Lean Manufacturing initiatives since that time.

David C. Sunkle was elected Vice President-Research and Engineering in January 2007. Mr. Sunkle joined the Company in 1978. He has served a variety of positions in Research and Engineering until 2002 when he became Director of International Operations. In 2006, Mr. Sunkle rejoined Research and Engineering as the Director of Engineering.

Caroline S. Vaccariello was elected General Counsel and Corporate Secretary in January 2007. Ms. Vaccariello joined the Company in 2005 as General Counsel and has led the Company s legal affairs since that time. Prior to that time, Ms. Vaccariello worked as an attorney for The Timken Company from 2003 to 2005, and in the litigation department of Calfee, Halter and Griswold from 2000 to 2003.

Table of Contents

Part II

Item 5. Market for Registrant s Common Stock and Related Shareholder Matters

The Company s Common Shares are traded on NASDAQ under the trading symbol PLPC . As of March 12, 2008, the Company had approximately 718 shareholders of record. The following table sets forth for the periods indicated (i) the high and low closing sale prices per share of the Company s Common Shares as reported by the NASDAQ and (ii) the amount per share of cash dividends paid by the Company.

While the Company expects to continue to pay dividends of a comparable amount in the near term, the declaration and payment of future dividends will be made at the discretion of the Company s Board of Directors in light of then current needs of the Company. Therefore, there can be no assurance that the Company will continue to make such dividend payments in the future.

	Year ended December 31					
	2007			2006		
Quarter	High	Low	Dividend	High	Low	Dividend
First	$36.67	$33.40	$0.20	$45.58	$31.74	$0.20
Second	54.32	36.11	0.20	37.90	30.75	0.20
Third	58.26	42.82	0.20	39.70	34.43	0.20
Fourth	61.08	49.04	0.20	36.97	30.93	0.20

Equity Compensation Plan Information

The information required by Item 201(d) of Regulation S-K is set forth in Note G to the Notes to Consolidated Financial Statements.

Performance Graph

Set forth below is a line graph comparing the cumulative total return of a hypothetical investment in the Company s Common Shares with the cumulative total return of hypothetical investments in the NASDAQ Market Index and the Hemscott Industry Group 627 (Industrial Electrical Equipment) Index based on the respective market price of each investment at December 31, 2002, December 31, 2003, December 31, 2004, December 31, 2005, December 31, 2006, and December 31, 2007, assuming in each case an initial investment of $100 on December 31, 2002, and reinvestment of dividends.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG PREFORMED LINE PRODUCTS CO.,
NASDAQ MARKET INDEX AND HEMSCOTT GROUP INDEX
ASSUMES $100 INVESTED ON JAN. 01, 2002
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2007

COMPANY / INDEX / MARKET	2002	2003	2004	2005	2006	2007
PREFORMED LINE PRODUCTS CO	100.00	193.39	187.24	282.16	237.98	411.84
HEMSCOTT GROUP INDEX	100.00	139.87	155.28	186.88	250.12	345.64
NASDAQ MARKET INDEX	100.00	150.36	163.00	166.58	183.68	201.91

Table of Contents

Purchases of Equity Securities

Period (2007)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs
October			8,022	191,978
November			8,022	191,978
December			8,022	191,978
Total				

On February 15, 2007, the Board of Directors authorized a plan to repurchase up to 200,000 shares of Preformed Line Products Company Common Shares, superseding any previously authorized plan, including the December 2004 plan. There were no repurchases for the three-month period ended December 31, 2007.

Item 6. Selected Financial Data

	2007	2006	2005	2004	2003
	(Thousands of dollars, except per share data)				
Net Sales and Income					
Net sales	$254,607	$216,937	$205,804	$183,112	$153,333
Operating income	21,719	16,782	17,958	15,914	5,503
Income before income taxes, equity in net income of joint ventures and minority interests	21,969	17,641	18,573	16,036	5,273
Net income	14,159	12,103	12,030	13,094	4,396
Per Share Amounts					
Net income basic	$ 2.64	$ 2.16	$ 2.10	$ 2.28	$ 0.76
Net income diluted	2.61	2.14	2.08	2.26	0.76
Dividends declared	0.80	0.80	0.80	0.80	0.80
Shareholders equity	27.82	24.47	23.32	22.51	20.78
Other Financial Information					
Current assets	$119,188	$100,374	$110,304	$101,537	$ 88,943
Total assets	203,866	170,852	168,458	158,742	148,934
Current liabilities	42,349	32,372	33,900	27,251	24,093
Long-term debt	4,959	4,361	4,928	3,634	4,399
Capital leases	373	478	305	574	
Shareholders equity	149,721	131,148	133,715	128,464	120,801

In 2007 the Company adopted FASB Staff Position No. AUG AIR 1 Accounting for Planned Major Maintenance Activities . As of December 31, 2007, the Company changed the classification of the portion of inventories not expected to be sold within one year to noncurrent and included the amount in Other assets. As of December 31, 2007, the Company changed the classification of the Supplemental Profit Sharing Plan not expected to be paid out within one year to Other noncurrent liabilities. The financial information for the prior years noted above has been restated to provide comparable information.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related Notes To Consolidated Financial Statements included in Item 8 in this report. The reportable segments are

PLP-USA, Superior Modular Products (SMP), Australia, Brazil, South Africa, Canada, and All Other. Our PLP-USA segment is comprised of our U.S. operations primarily supporting our domestic energy and telecommunications products. The SMP segment is comprised of our U.S. operations supporting our data communication products. The Australia segment is comprised of all of our operations in Australia supporting energy, telecommunications and data communications products. As a result of completing our integration of the data communications products into our Australian facility those products are included in our Australian segment beginning in 2007. Prior periods have been restated accordingly. Our Brazil and Canada segments are comprised of the manufacturing and sales operations from those locations which meet at least one of the criteria of a reportable segment. Our final segment is South Africa, which is comprised of a manufacturing and sales operation, and has been included as a segment to comply with reporting segments for 75% of consolidated sales. Our remaining operations are included in All Other as none of these operations meet the criteria for a reportable segment and individually represent less that 10% for each of our combined net sales, consolidated net income, and consolidated assets.

Market Overview

Our business continues to be concentrated in the energy and communications markets. During 2007, industry consolidation continued as distributors and service provider consolidations took place in all of our major markets. This trend is expected to continue in 2008. We have a growing concern that a slowing economy coupled with an already depressed U.S. housing market could further affect construction projects and negatively impact growth opportunities in our core markets going forward.

In 2007, we experienced growth in our energy markets. We continued to see the investment in new transmission grids, new technologies, and upgrading and maintenance of the existing energy infrastructure. We expect the distribution energy market to slow in 2008 but anticipate continued growth in demand for transmission and fiber optic products.

Our international business is more concentrated in the energy markets. Historically, our international sales were primarily to the distribution portion of the energy market. We continued to increase our energy distribution sales while also experiencing significant sales growth in the energy transmission market. In 2007, we acquired approximately 84% of Belos SA (Belos), located in Bielsko-Biala, Poland, broadening our transmission product offering for the energy markets. We expect that growth in the international energy markets will continue for the foreseeable future as new construction projects are added in developing markets and there is a need to rebuild and refurbish the international energy transmission and distribution infrastructure. We believe that we are well positioned to supply the needs of the world s diverse energy market requirements as a result of our strategically located operations and array of product designs and technologies.

In our communications markets, telecommunication companies continued to curtail their investment in the construction and maintenance of copper networks while diverting some of these resources into Fiber-to-the-Premise (FTTP) projects. We anticipate the investment in the copper network will continue to decline. The large communications carriers are rationalizing their vendor base. This results in downward pressure on prices.

In 2007, we saw an improvement in the U.S. investment spending on infrastructure by the telephone companies, the cable television (CATVs) providers and by municipalities and we expect growth opportunities in these markets to continue assuming the economy stabilizes. Additionally, many of our new product offerings which are presently in the approval process and undergoing third party testing should provide an opportunity to enhance our product offerings to the large communication carriers. In 2007, we continued to develop our brand and product awareness internationally as part of a concentrated effort in FTTP. As a result, several international carriers are conducting field trials of our products to be used on future FTTP projects.

Preface

Sales increased 17% in 2007 compared to 2006. The increase in sales coupled with an improvement in labor and overhead cost resulted in a 18% increase in gross profit. Costs and expenses increased 14%, partially offsetting the gross profit improvement, with the result being an increase in operating income of $4.9 million, or 29%, from 2006. However, a less favorable effective tax rate in 2007 resulted in net income only increasing 17% or $2.1 million compared to 2006. Earnings per share increased 22% compared to 2006 due to the impact of share repurchases.

Table of Contents

Our consolidated financial results for the year ended December 31, 2007 incorporated the financial results of our solar energy operation, Direct Power and Water Corporation (DPW), acquired on March 22, 2007 as well as the results of Belos acquired on September 6, 2007. The results of these two operations are included in our All Other segment.

2007 Results of Operations compared to 2006

In 2007, net sales were $254.6 million, an increase of $37.7 million, or 17%, from 2006 as summarized in the following table:

	Year ended December 31,					
thousands of dollars	2007	2006	Change	Change due to currency conversion rate changes	Net change	% Net change
Net sales						
PLP-USA	$ 103,173	$ 91,412	$ 11,761	$	$ 11,761	13%
SMP	21,318	20,027	1,291		1,291	6
Australia	29,855	25,867	3,988	3,093	895	3
Brazil	26,236	20,990	5,246	2,887	2,359	11
South Africa	8,049	8,244	(195)	(244)	49	1
Canada	10,620	9,824	796	618	178	2
All Other	55,356	40,573	14,783	2,982	11,801	29
Consolidated	$ 254,607	$ 216,937	$ 37,670	$ 9,336	$ 28,334	13%

PLP-USA net sales of $103.2 million increased $11.8 million, or 13%, compared to 2006. Approximately 60% of the increase in net sales was due to an increase in volume. We anticipate a slight increase in sales in 2008, although we believe PLP-USA sales for the year may be impacted by a slowing economy and housing market. SMP net sales of $21.3 million increased $1.3 million, or 6%, compared to 2006 due primarily to increased volume in export sales. International net sales in 2007 were favorably impacted by $9.4 million when converted to U.S. dollars, as a result of a weaker U.S. dollar to certain foreign currencies. Excluding the effect of currency conversion, Australia net sales increased $.9 million, or 3%, Canada net sales increased $.2 million, or 2% and South Africa net sales increased less than $.1 million, or 1%, all due primarily to volume. Brazil net sales increased $2.4 million, or 11%, compared to 2006 due primarily to volume in transmission products. Excluding the effects of currency conversion, All Other net sales increased $11.8 million, or 29%, compared to 2006. The inclusion of DPW and Belos net sales accounted for all the 2007 increase in All Other net sales. We continue to see competitive pricing pressures globally but believe that our international sales will continue to grow in 2008 but at a slower rate of increase than we experienced in 2007.

Table of Contents

Gross profit of $82.1 million for 2007 increased $12.3 million, or 18%, compared to 2006 as summarized in the following table:

	Year ended December 31,					
thousands of dollars	2007	2006	Change	Change due to currency conversion rate changes	Net change	% Net change
Gross profit						
PLP-USA	$ 33,680	$ 27,914	$ 5,766	$	$ 5,766	21%
SMP	4,201	5,080	(879)		(879)	(17)
Australia	9,911	8,349	1,562	1,031	531	6
Brazil	8,048	6,020	2,028	856	1,172	19
South Africa	3,258	3,515	(257)	(140)	(117)	(3)
Canada	4,812	4,330	482	301	181	4
All Other	18,192	14,597	3,595	1,027	2,568	18
Consolidated	$ 82,102	$ 69,805	$ 12,297	$ 3,075	$ 9,222	13%

PLP-USA gross profit of $33.7 million increased $5.8 million, or 21%, due primarily to $6 million related to higher net sales partially offset by a $.2 million increase in production and shipping costs. SMP gross profit of $4.2 million decreased $.9 million, or 17%, primarily due to increased export sales which carry a lower margin than domestic distribution and OEM sales. The conversion of local currency to U.S. dollars favorably impacted gross profit by $3.1 million. Excluding the impact of currency conversion, Australia gross profit increased $.5 million and Canada gross profit increased $.2 million due primarily to increased sales and improved product margins. Excluding the effect of currency conversion, Brazil gross profit increased $1.2 million due to the excess and obsolescence reserve adjustment. During 2007, management s comprehensive review of the components of the Company s Brazil operation s excess and obsolescence reserve calculation discovered that the details of the reserve account included an inappropriate reserve of $.6 million at December 31, 2006. Based on the timing of the completion of certain aspects of this review, the Company recorded a $.4 million adjustment in the first quarter of 2007 and an additional adjustment of $.2 million in the second quarter of 2007 related to the excess and obsolete reserve at December 31, 2006. During the 2007 year-end closing process, management s detailed review of the calculation of the Company s elimination of intercompany profit in ending inventory identified an adjustment of $.9 million in additional profit in ending inventory of which $.5 million related to profit in ending inventory at December 31, 2006. Management has determined that the 2006 amounts, which were recorded in 2007, were not material quantitatively or qualitatively, either individually or on a net basis, to 2006 and 2007 results of operations. Excluding the effect of currency conversion, South Africa gross profit decreased $.1 million primarily as a result of higher product costs and All Other gross profit increased $2.6 million. The inclusion of DPW and Belos in 2007 results accounted for 85% of the increase in All Other gross profit. We anticipate an increase in the cost of many of our raw material commodities throughout 2008 putting pressure on maintaining gross profit percentages achieved in 2007.

Table of Contents

Costs and expenses increased $7.9 million, or 14%, compared to 2006 as summarized in the following table:

	Year ended December 31,					
thousands of dollars	2007	2006	Change	Change due to currency conversion rate changes	Net change	% Net change
Costs and expenses						
PLP-USA	$ 31,747	$ 27,436	$ 4,311	$	$ 4,311	16%
SMP	5,480	5,991	(511)		(511)	(9)
Australia	5,819	4,891	928	605	323	7
Brazil	4,735	4,508	227	505	(278)	(6)
South Africa	1,270	1,357	(87)	(44)	(43)	(3)
Canada	1,586	1,428	158	81	77	5
All Other	11,571	8,746	2,825	675	2,150	25
Consolidated	$ 62,208	$ 54,357	$ 7,851	$ 1,822	$ 6,029	11%

PLP-USA costs and expenses increased $4.3 million primarily as a result of a $.8 million increase in commission expense, a $2.3 million increase in personnel expenses, a $1 million increase in auditing fees, one-half of which is nonrecurring, and a $.2 million increase in travel related expenses compared to 2006. SMP costs and expenses decreased $.5 million primarily as a result of a $.2 million decrease in personnel expenses, a $.2 million decrease in related travel expenses and a $.1 million decrease in professional services. The weaker dollar unfavorably impacted costs and expenses by $1.8 million when international costs in local currency were translated to U.S. dollars compared to the same period in 2006. Excluding the effects of currency exchange rate change compared to 2006, Australia costs and expenses increased $.3 million due primarily to an increase in personnel related expenses. Brazil costs and expenses decreased $.3 million net of the effects of currency exchange rate change due primarily to lower Sarbanes-Oxley consulting and auditing fees. South Africa decreased costs and expenses of less than $.1 million were primarily a result of lower personnel related expenses and auditing fees. Excluding the effects of currency exchange rate change, Canada costs and expenses increased $.1 million primarily as a result of an increase in professional fees. Excluding the effects of the currency exchange rate change compared to 2006, All Other costs and expenses increased $2.2 million. This increase was primarily a result of including DPW and Belos costs and expenses of $1.9 million in 2007 results and recording a $.2 million goodwill impairment charge in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* in 2007.

Royalty income of $1.8 million increased $.5 million as a result of higher SMP royalties compared to 2006.

Operating income of $21.7 million for the year ended December 31, 2007 increased $4.9 million, or 29%, compared to 2006. This increase was primarily the result of the $12.3 million increase in gross profit and the $.5 million increase in royalty income being partially offset by the $7.9 million increase in costs and expenses. PLP-USA operating income increased $1.5 million primarily as a result of the $5.8 million increase in gross profit offset by the $4.3 million increase in costs and expenses. SMP operating income increased $.2 million primarily as a result of the $.5 million increase in royalty income and the $.5 million decrease in costs and expenses being partially offset by the $.9 million reduction in gross profit compared to 2006. Australia operating income increased $.4 million as a result of the $1.6 million increase in gross profit partially offset by the $.9 million increase in costs and expenses and a $.2 million increase in intercompany royalty expense. Brazil operating income increased $2 million as a result of the $2 million increase in gross profit and a $.2 million reduction in intercompany royalty expense partially offset by the $.2 million increase in costs and expenses. South Africa operating income decreased $.2 million as a result of the $.3 million decrease in gross profit being partially offset by the decrease in costs and expenses. Canada operating income of $2.7 million increased $.3 million primarily as a result of the $.5 million increase in gross profit partially offset by the $.2 million increase in costs and expenses. All Other operating income of $4.6 million increased $.7 million as a result of the $3.6 million increase in gross profit partially offset by the $2.8 million increase in cost and expenses and a $.1 million increase in intercompany royalty expense.

Other income for the year ended December 31, 2007 of $.2 million decreased $.6 million compared to 2006 as a result of a $.4 million decrease in interest income net of interest expense and a $.2 million increase in miscellaneous non-operating expenses.

Income taxes for the year ended December 31, 2007 of $7.8 million were $2.2 million higher than the previous year. The effective tax rate in 2007 on income before income taxes was 35.3% compared to 31.4% in 2006. The 2007 effective tax rate is higher than the 34% statutory rate primarily as a result of a provision for a valuation allowance against foreign net operating loss carryforwards. The 2006 effective tax rate is lower than the 34% statutory rate primarily as a result of a reduction in the valuation allowance related to foreign tax credit carryforwards.

Net income for the year ended December 31, 2007 was $14.2 million, or $2.61 per diluted share, compared to net income of $12.1 million, or $2.14 per diluted share, in 2006. This represents an increase of $2.1 million, or $.47 per diluted share. PLP-USA net income of $4 million increased $.1 million compared to 2006 as a result of a $1.5 million increase in operating income partially offset by a $.3 million decrease in interest income, a $.3 million increase in other expense and a $.8 million increase in income taxes. SMP net income of $.4 million increased $.1 million compared to 2006 primarily as a result of a $.1 million increase in operating income. Australia net income of $1.7 million in 2007 increased $.3 million compared to 2006 due primarily to a $.4 million increase in operating income partially offset by a $.1 million increase in income taxes. Brazil net income of $2.3 million increased $1.4 million compared to 2006 due to a $2 million increase in operating income partially offset by a $.1 million increase in interest expense and a $.5 million increase in income taxes. South Africa net income of $1.2 million decreased $.1 million compared to 2006 primarily due to a $.2 million decrease in operating income partially offset by a $.1 million increase in interest income. Canada net income of $1.8 million increased $.1 million from 2006 due primarily to a $.3 million increase in operating income partially offset by a $.1 million reduction in interest income and a $.1 million increase in income taxes. All Other net income of $2.7 million increased $.1 million compared to 2006 primarily as a result of a $.7 million increase in operating income partially offset by a $.6 million increase in income taxes.

2006 Results of Operations compared to 2005

In 2006, net sales were $216.9 million, an increase of $11.1 million, or 5%, from 2005 as summarized in the following table:

	Year ended December 31,					
thousands of dollars	2006	2005	Change	Change due to currency conversion rate changes	Net change	% Net change
Net sales						
PLP-USA	$ 91,412	$ 95,776	$ (4,364)	$	$ (4,364)	(5)%
SMP	20,027	19,572	455		455	2
Australia	25,867	22,607	3,260	(284)	3,544	16
Brazil	20,990	16,510	4,480	2,287	2,193	13
South Africa	8,244	7,319	925	(474)	1,399	19
Canada	9,824	9,027	797	629	168	2
All Other	40,573	34,993	5,580	311	5,269	15
Consolidated	$ 216,937	$ 205,804	$ 11,133	$ 2,469	$ 8,664	4%

PLP-USA net sales of $91.4 million decreased $4.4 million, or 5%, compared to 2005 due primarily to a volume decrease. SMP net sales of $20 million increased $.5 million, or 2%, compared to 2005 due primarily to volume. International net sales in 2006 were favorably impacted by $2.5 million, or 2.4%, when converted to U.S. dollars, as a result of a weaker U.S. dollar to certain foreign currencies. Excluding the effect of currency conversion, Australia net sales increased $3.5 million, Brazil net sales increased $2.2 million and South Africa net sales increased $1.4 million due primarily to volume. Canada net sales increased $.2 million, or 2% compared to 2005. Excluding the effects of currency conversion, All Other net sales increased $5.3 million, or 15%, compared to 2005 due primarily to volume.

Table of Contents

Gross profit of $69.8 million for 2006 decreased $2.4 million, or 4%, compared to 2005 as summarized in the following table:

	Year ended December 31,					
thousands of dollars	2006	2005	Change	Change due to currency conversion rate changes	Net change	% Net change
Gross profit						
PLP-USA	$ 27,914	$ 31,236	$ (3,322)	$	$ (3,322)	(11)%
SMP	5,080	5,249	(169)		(169)	(3)
Australia	8,349	6,735	1,614	(74)	1,688	25
Brazil	6,020	4,541	1,479	659	820	18
South Africa	3,515	3,188	327	(212)	539	17
Canada	4,330	4,297	33	276	(243)	(6)
All Other	14,597	12,174	2,423	131	2,292	19
Consolidated	$ 69,805	$ 67,420	$ 2,385	$ 780	$ 1,605	2%

The conversion of local currency to U.S. dollars favorably impacted gross profit by $.8 million. PLP-USA gross profit of $27.9 million decreased $3.3 million, or 11%, due primarily to a $1.4 million decrease related to lower net sales, a $1.1 million increase in product cost and mix coupled with a $.8 million increase in freight and depreciation expenses. SMP gross profit of $5.1 million decreased $.2 million, or 3%, primarily due to a $.3 million increase in product cost and mix partially offset by a $.1 million increase on increased sales. Excluding the impact of currency conversion, Australia gross profit increased $1.7 million, Brazil gross profit increased $.8 million and South Africa gross profit increased $.5 million due primarily to increased sales. Excluding the effect of currency conversion, Canada gross profit decreased $.2 million primarily as a result of higher product costs and All Other gross profit increased $2.3 million primarily due to increased sales.

Costs and expenses increased $3.4 million, or 7%, compared to 2005 as summarized in the following table:

	Year ended December 31,					
thousands of dollars	2006	2005	Change	Change due to currency conversion rate changes	Net change	% Net change
Costs and expenses						
PLP-USA	$ 27,436	$ 26,881	$ 555	$	$ 555	2%
SMP	5,991	5,411	580		580	11
Australia	4,891	4,457	434	(61)	495	11
Brazil	4,508	3,731	777	434	343	9
South Africa	1,357	1,014	343	(83)	426	42
Canada	1,428	1,469	(41)	90	(131)	(9)
All Other	8,746	7,946	800	85	715	9
Consolidated	$ 54,357	$ 50,909	$ 3,448	$ 465	$ 2,983	6%

PLP-USA costs and expenses increased $.6 million primarily as a result of a $1.3 million increase in personnel expenses partially offset by a $.4 million reduction in commission expense on lower sales, a $.2 million gain on the sale of land and a $.1 million decrease in bad debt expense primarily as a result of a $.1 million recovery in 2006 of accounts previously written off. SMP costs and expenses increased $.6 million primarily as a result of a $.4 million increase in personnel expenses, a $.1 million increase in commission expense and a $.1 million increase in travel related expenses. The weaker dollar unfavorably impacted costs and expenses by $.5 million when foreign costs in local currency were translated to U.S. dollars compared to the same period in 2005. Excluding the effects of currency exchange rate change compared to 2005, Australia costs and expenses increased $.5 million due primarily to an increase in personnel expenses and audit fees. Brazil costs and expenses increased $.3 million net of the effects of currency exchange rate change due primarily to increased personnel expenses. South Africa increased costs and expenses of $.4 million was primarily a result of a $.2 million increase in personnel expenses and a $.2 million increase in repair and maintenance and a loss on foreign currency transactions. Excluding the effects of currency exchange rate change, Canada costs and expenses decreased $.1 million primarily as a result of $.1 million decrease in sales promotional expenses. All Other costs and expenses increased $.7 million primarily as a result of a $.5 million increase in personnel expenses and a $.3 million increase in a loss on foreign currency transactions.

Royalty income of $1.3 million decreased $.1 million as a result of lower SMP data communications royalties compared to 2005.

Operating income of $16.8 million for the year ended December 31, 2006 decreased $1.2 million, or 7%, compared to 2005. This decrease was primarily a result of the $2.4 million increase in gross profit being more than offset by the $3.4 million increase in costs and expenses and the $.1 million reduction in royalty income. PLP-USA operating income decreased $3.1 million primarily as a result of the $3.3 million decrease in gross profit and the $.6 million increase in costs and expenses being partially offset by an increase in intercompany royalty income. SMP operating income decreased $.9 million primarily as a result of the $.2 million decrease in gross profit, the $.6 million increase in costs and expenses and a $.1 million decrease in royalty income. Australia operating income increased $1 million as a result of the $1.6 million increase in gross profit partially offset by the $.5 million increase in costs and expenses and a $.1 million increase in intercompany royalty expense. Brazil operating income increased $.6 million as a result of the $1.5 million increase in gross profit partially offset by the $.8 million increase in costs and expenses and a $.1 million increase in intercompany royalty expense. South Africa operating income decreased $.1 million as a result of the increase in costs and expenses and intercompany royalties being slightly greater than the $.3 million increase in gross profit. Canada operating income of $2.4 million remained relatively unchanged compared to 2005. All Other operating income of $3.9 million increased $1.3 million as a result of the $2.4 million increase in gross profit partially offset by the $.8 million increase in cost and expenses and a $.3 increase in intercompany royalty expense.