

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

Commission file number: 0-31164

Preformed Line Products Company
(Exact Name of Registrant as Specified in Its Charter)

Ohio _____ (State or Other Jurisdiction of Incorporation or Organization)	34-0676895 _____ (I.R.S. Employer Identification No.)
660 Beta Drive Mayfield Village, Ohio _____ (Address of Principal Executive Office)	44143 _____ (Zip Code)
(440) 461-5200 _____ (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

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

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

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

The number of common shares outstanding as of August 1, 2016: 5,170,214.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**PERFORMED LINE PRODUCTS COMPANY
CONSOLIDATED BALANCE SHEETS**

	June 30, 2016	December 31, 2015
	(Unaudited)	
<i>(Thousands of dollars, except share and per share data)</i>		
ASSETS		
Cash and cash equivalents	\$ 28,143	\$ 30,393
Accounts receivable, less allowances of \$2,485 (\$2,326 in 2015)	65,060	63,626
Inventories - net	72,139	69,912
Prepays	4,686	4,030
Prepaid taxes	6,394	5,585
Other current assets	6,209	6,343
TOTAL CURRENT ASSETS	182,631	179,889
Property, plant and equipment - net	107,235	91,965
Patents and other intangibles - net	11,400	11,288
Goodwill	16,282	15,821
Deferred income taxes	13,642	12,704
Other assets	11,055	11,703
TOTAL ASSETS	\$ 342,245	\$ 323,370
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable to banks	\$ 826	\$ 413
Current portion of long-term debt	1,564	110
Trade accounts payable	20,677	20,377
Accrued compensation and amounts withheld from employees	11,338	9,306
Accrued expenses and other liabilities	13,990	13,334
Accrued profit-sharing and other benefits	4,028	5,648
Dividends payable	1,059	1,057
Income taxes payable	907	1,423
TOTAL CURRENT LIABILITIES	54,389	51,668
Long-term debt, less current portion	44,593	31,754
Unfunded pension obligation	11,567	11,627
Income taxes payable	200	195
Deferred income taxes	2,529	2,467
Other noncurrent liabilities	5,950	6,675
SHAREHOLDERS' EQUITY		
Shareholders' equity:		
Common shares - \$2 par value per share, 15,000,000 shares authorized, 5,170,214 and 5,221,062 issued and outstanding, at June 30, 2016 and December 31, 2015, respectively	12,484	12,478
Common shares issued to rabbi trust, 296,817 and 296,635 shares at June 30, 2016 and December 31, 2015, respectively	(12,034)	(12,052)
Deferred compensation liability	12,034	12,052
Paid-in capital	23,536	22,916
Retained earnings	295,618	292,311
Treasury shares, at cost, 1,071,589 and 1,018,013 shares at June 30, 2016 and December 31, 2015, respectively	(56,635)	(54,570)
Accumulated other comprehensive loss	(51,986)	(54,151)
TOTAL SHAREHOLDERS' EQUITY	223,017	218,984
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 342,245	\$ 323,370

See notes to consolidated financial statements (unaudited).

PREFORMED LINE PRODUCTS COMPANY
STATEMENTS OF CONSOLIDATED OPERATIONS
(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
<i>(Thousands of dollars, except per share data)</i>				
Net sales	\$ 83,220	\$ 87,869	\$ 161,903	\$ 173,659
Cost of products sold	56,414	61,425	110,807	122,455
GROSS PROFIT	26,806	26,444	51,096	51,204
Costs and expenses				
Selling	8,183	7,752	15,814	14,960
General and administrative	10,962	9,391	21,049	19,577
Research and engineering	3,609	3,864	7,347	7,585
Other operating (income) expense - net	(27)	252	(880)	3,983
	22,727	21,259	43,330	46,105
OPERATING INCOME	4,079	5,185	7,766	5,099
Other income (expense)				
Interest income	68	112	143	214
Interest expense	(166)	(149)	(324)	(282)
Other expense - net	(208)	(682)	(156)	(625)
	(306)	(719)	(337)	(693)
INCOME BEFORE INCOME TAXES	3,773	4,466	7,429	4,406
Income taxes	1,018	786	2,016	982
NET INCOME	\$ 2,755	\$ 3,680	\$ 5,413	\$ 3,424
BASIC EARNINGS PER SHARE				
Net income	\$ 0.53	\$ 0.68	\$ 1.04	\$ 0.63
DILUTED EARNINGS PER SHARE				
Net income	\$ 0.53	\$ 0.68	\$ 1.04	\$ 0.63
Cash dividends declared per share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40
Weighted-average number of shares outstanding - basic	5,186	5,392	5,198	5,394
Weighted-average number of shares outstanding - diluted	5,208	5,393	5,218	5,396

See notes to consolidated financial statements (unaudited).

PREFORMED LINE PRODUCTS COMPANY
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
<i>(Thousands of dollars)</i>				
Net income	\$ 2,755	\$ 3,680	\$ 5,413	\$ 3,424
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(1,855)	(431)	2,012	(9,045)
Recognized net actuarial loss (net of tax provision of \$46 and \$52 for the three months ended June 30, 2016 and 2015, respectively, and net provision \$92 and \$104 for the six months ended June 30, 2016 and 2015, respectively)	76	88	153	174
Other comprehensive income (loss), net of tax	(1,779)	(343)	2,165	(8,871)
Comprehensive income (loss)	\$ 976	\$ 3,337	\$ 7,578	\$ (5,447)

See notes to consolidated financial statements (unaudited).

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

	Six Months Ended June 30	
	2016	2015
<i>(Thousands of dollars)</i>		
OPERATING ACTIVITIES		
Net income	\$ 5,413	\$ 3,424
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	5,602	6,196
Provision for accounts receivable allowances	132	320
Provision for inventory reserves	864	784
Deferred income taxes	(815)	(1,109)
Share-based compensation expense	506	436
Excess tax benefits from share-based awards	(8)	(20)
Other - net	412	96
Changes in operating assets and liabilities		
Accounts receivable	116	2,648
Inventories	(1,585)	(2,043)
Trade accounts payable and accrued liabilities	887	2,699
Income taxes payable	(1,695)	(2,883)
Other - net	207	(2,892)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,036	7,656
INVESTING ACTIVITIES		
Capital expenditures	(19,677)	(4,640)
Proceeds from the sale of property and equipment	61	526
Restricted cash and purchase of fixed-term deposits	(1,314)	(1,195)
NET CASH USED IN INVESTING ACTIVITIES	(20,930)	(5,309)
FINANCING ACTIVITIES		
Increase in notes payable to banks	337	883
Proceeds from the issuance of long-term debt	43,132	26,623
Payments of long-term debt	(28,862)	(27,608)
Dividends paid	(2,102)	(2,331)
Excess tax benefits from share-based awards	8	20
Proceeds from issuance of common shares	110	60
Purchase of common shares for treasury	(2,032)	(204)
Purchase of common shares for treasury from related parties	(33)	(140)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	10,558	(2,697)
Effects of exchange rate changes on cash and cash equivalents	(1,914)	1,437
Net increase in cash and cash equivalents	(2,250)	1,087
Cash and cash equivalents at beginning of year	30,393	29,643
CASH AND CASHEQUIVALENTS AT END OF PERIOD	\$ 28,143	\$ 30,730

See notes to consolidated financial statements (unaudited).

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

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

NOTE A – BASIS OF PRESENTATION

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

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from these estimates. In the opinion of management, these consolidated financial statements contain all estimates and adjustments, consisting of normal recurring accruals, required to fairly present the financial position, results of operations, and cash flows for the interim periods. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results to be expected for the full-year ending December 31, 2016.

The Consolidated Balance Sheet at December 31, 2015 has been derived from the audited consolidated financial statements, but does not include all of the information and notes required by U.S. GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes to consolidated financial statements included in the Company’s 2015 Annual Report on Form 10-K filed on March 11, 2016 with the Securities and Exchange Commission.

Reclassifications

Certain prior period amounts have been reclassified to conform to current year presentation, as discussed in Note K segment information.

NOTE B – OTHER FINANCIAL STATEMENT INFORMATION

Inventories – net

	June 30, 2016	December 31, 2015
Finished products	\$ 35,442	\$ 37,812
Work-in-process	8,003	6,902
Raw materials	37,691	34,854
	<u>81,136</u>	<u>79,568</u>
Excess of current cost over LIFO cost	(3,402)	(3,538)
Noncurrent portion of inventory	(5,595)	(6,118)
	<u>\$ 72,139</u>	<u>\$ 69,912</u>

Cost of inventories for certain material is determined using the last-in-first-out (LIFO) method and totaled approximately \$27.9 million at June 30, 2016 and \$26.8 million at December 31, 2015. An actual valuation of inventories under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management’s estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory

valuation. During the three and six months ended June 30, 2016, the net change in LIFO inventories resulted in a \$.5 million and \$.1 million benefit to Income before income taxes, respectively. During the three and six months ended June 30, 2015, the net change in LIFO inventories resulted in a \$.1 million charge to Income before income taxes and less than \$.1 million benefit to Income before income taxes, respectively.

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

Property, plant and equipment - net

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

	June 30, 2016	December 31, 2015
Land and improvements	\$ 12,860	\$ 12,260
Buildings and improvements	72,307	71,711
Machinery and equipment	157,009	137,599
Construction in progress	4,088	3,369
	<u>246,264</u>	<u>224,939</u>
Less accumulated depreciation	139,029	132,974
	<u>\$ 107,235</u>	<u>\$ 91,965</u>

Legal proceedings

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

NOTE C – PENSION PLANS

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

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Service cost	\$ 55	\$ 27	\$ 110	\$ 54
Interest cost	364	358	729	716
Expected return on plan assets	(449)	(465)	(899)	(930)
Recognized net actuarial loss	123	139	246	278
Net periodic benefit cost	<u>\$ 93</u>	<u>\$ 59</u>	<u>\$ 186</u>	<u>\$ 118</u>

No contributions were made to the Plan during the six months ended June 30, 2016. The Company does not anticipate contributing to the Plan in 2016.

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

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

	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
	Defined benefit pension plan activity	Currency Translation Adjustment	Total	Defined benefit pension plan activity	Currency Translation Adjustment	Total
Balance at April 1	\$ (6,158)	\$ (44,049)	\$ (50,207)	\$ (6,921)	\$ (36,741)	\$ (43,662)
Other comprehensive income (loss) before reclassifications:						
Loss on foreign currency translation adjustment	0	(1,855)	(1,855)	0	(431)	(431)
Amounts reclassified from AOCI:						
Amortization of defined benefit pension actuarial loss (a)	76	0	76	88	0	88
Net current period other comprehensive income (loss)	76	(1,855)	(1,779)	88	(431)	(343)
Balance at June 30	<u>\$ (6,082)</u>	<u>\$ (45,904)</u>	<u>\$ (51,986)</u>	<u>\$ (6,833)</u>	<u>\$ (37,172)</u>	<u>\$ (44,005)</u>

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
	Defined benefit pension plan activity	Currency Translation Adjustment	Total	Defined benefit pension plan activity	Currency Translation Adjustment	Total
Balance at January 1	\$ (6,235)	\$ (47,916)	\$ (54,151)	\$ (7,007)	\$ (28,127)	\$ (35,134)
Other comprehensive income before reclassifications:						
Gain (loss) on foreign currency translation adjustment	0	2,012	2,012	0	(9,045)	(9,045)
Amounts reclassified from AOCI:						
Amortization of defined benefit pension actuarial loss (a)	153	0	153	174	0	174
Net current period other comprehensive income (loss)	153	2,012	2,165	174	(9,045)	(8,871)
Balance at June 30	<u>\$ (6,082)</u>	<u>\$ (45,904)</u>	<u>\$ (51,986)</u>	<u>\$ (6,833)</u>	<u>\$ (37,172)</u>	<u>\$ (44,005)</u>

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

NOTE E – COMPUTATION OF EARNINGS PER SHARE

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

The calculation of basic and diluted earnings per share for the three and six months ended June 30, 2016 and 2015 was as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Numerator				
Net income	<u>\$ 2,755</u>	<u>\$ 3,680</u>	<u>\$ 5,413</u>	<u>\$ 3,424</u>
Denominator				
Determination of shares				
Weighted-average common shares outstanding	5,186	5,392	5,198	5,394
Dilutive effect - share-based awards	22	1	20	2
Diluted weighted-average common shares outstanding	<u>5,208</u>	<u>5,393</u>	<u>5,218</u>	<u>5,396</u>
Earnings per common share				
Basic	<u>\$ 0.53</u>	<u>\$ 0.68</u>	<u>\$ 1.04</u>	<u>\$ 0.63</u>
Diluted	<u>\$ 0.53</u>	<u>\$ 0.68</u>	<u>\$ 1.04</u>	<u>\$ 0.63</u>

For the three and six months ended June 30, 2016, 60,350 and 61,800 stock options, respectively, were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive. For the three and six months ended June 30, 2015, 53,100 and 51,650 stock options, respectively, were excluded from the calculation of diluted loss per share as the effect would have been anti-dilutive.

For the three and six months ended June 30, 2016, there were no restricted share units excluded from the calculation of diluted earnings per share. For the three and six months ended June 30, 2015, 16,486 and 14,641 restricted share units, respectively, were excluded from the calculation of diluted earnings per share as the effect of the settlement in common shares would have been anti-dilutive.

NOTE F – GOODWILL AND OTHER INTANGIBLES

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

	June 30, 2016		December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets				
Patents	\$ 4,818	\$ (4,802)	\$ 4,815	\$ (4,799)
Land use rights	1,125	(179)	1,155	(173)
Trademarks	1,758	(976)	1,713	(899)
Technology	3,130	(968)	3,021	(860)
Customer relationships	12,390	(4,896)	11,816	(4,501)
	\$ 23,221	\$ (11,821)	\$ 22,520	\$ (11,232)
Indefinite-lived intangible assets				
Goodwill	\$ 16,282		\$ 15,821	

The aggregate amortization expense for other intangibles with finite lives for the three and six months ended June 30, 2016 was \$.2 million and \$.5 million, respectively. The aggregate amortization expense for the other intangibles with finite lives for the three and six months ended June 30, 2015 was \$.3 million and \$.6 million, respectively. Amortization expense is estimated to be \$.6 million for the remaining period of 2016, \$1.0 million annually for 2017, 2018 and 2019 and \$.9 million for 2020. The weighted-average remaining amortization period is approximately 17.7 years. The weighted-average remaining amortization period by intangible asset class is as follows: patents, 9.5 years; land use rights, 58.6 years; trademarks, 9.8 years; technology, 15.4 years; and customer relationships, 13.3 years.

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

The Company's only intangible asset with an indefinite life is goodwill. The changes in the carrying amount of goodwill, by segment, for the six months ended June 30, 2016, are as follows:

	USA	The Americas	EMEA	Asia-Pacific	Total
Balance at January 1, 2016	\$ 3,078	\$ 3,918	\$ 1,301	\$ 7,524	\$ 15,821
Currency translation	0	259	(13)	215	461
Balance at June 30, 2016	\$ 3,078	\$ 4,177	\$ 1,288	\$ 7,739	\$ 16,282

NOTE G – SHARE-BASED COMPENSATION

The 1999 Stock Option Plan

Activity in the Company's 1999 Stock Option Plan for the six months ended June 30, 2016 was as follows:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2016	12,000	\$41.44		
Granted	0	\$0.00		
Exercised	0	\$0.00		
Forfeited	0	\$0.00		
Outstanding (exercisable and vested) at June 30, 2016	<u>12,000</u>	\$41.44	1.3	\$33

There were no stock options exercised during the six months ended June 30, 2016 or 2015.

The Company recorded no compensation expense related to stock options for the six months ended June 30, 2016 and 2015 as all options were fully vested.

Long Term Incentive Plan of 2008 and 2016 Incentive Plan

The Company maintains an equity award program to give the Company a competitive advantage in attracting, retaining, and motivating officers, employees and directors and to provide an incentive to those individuals to increase shareholder value through long-term incentives directly linked to the Company's performance. Under the Preformed Line Products Company Long Term Incentive Plan of 2008 (the "LTIP"), certain employees, officers, and directors were eligible to receive awards of options, restricted shares and restricted share units (RSUs). The total number of Company common shares reserved for awards under the LTIP was 900,000, of which 800,000 common shares were reserved for RSUs and 100,000 common shares have been reserved for share options. The LTIP was terminated and replaced with the Preformed Line Products Company 2016 Incentive Plan (the "Incentive Plan") in May 2016 upon approval by the Company's Shareholders at the 2016 Annual Meeting of Shareholders on May 10, 2016. No further awards will be made under the LTIP and previously granted awards remain outstanding in accordance with their terms. Under the Incentive Plan, certain employees, officers, and directors will be eligible to receive awards of options, restricted shares and RSUs. The total number of Company common shares reserved for awards under the Incentive Plan is 1,000,000. Of the 1,000,000 common shares, 900,000 common shares have been reserved for restricted share awards and 100,000 common shares have been reserved for share options. As of June 30, 2016, no options or restricted shares have been granted under the Incentive Plan. The Incentive Plan expires on May 10, 2026.

Restricted Share Units

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

The RSUs are offered at no cost to the employees; however, the participant must remain employed with the Company until the restrictions on the RSUs lapse. The fair value of RSUs is based on the market price of a common share on the grant date. The Company currently estimates that no time-based RSUs will be forfeited. Dividends declared are accrued in cash.

A summary of the RSUs outstanding under the LTIP for the six months ended June 30, 2016 is as follows:

	Restricted Share Units			Weighted-Average Grant-Date Fair Value
	Performance and Service Required	Service Required	Total Restricted Share Units	
Nonvested as of January 1, 2016	91,603	10,872	102,475	\$ 53.88
Granted	79,241	9,901	89,142	33.73
Vested	0	0	0	0.00
Forfeited	0	0	0	0.00
Nonvested as of June 30, 2016	<u>170,844</u>	<u>20,773</u>	<u>191,617</u>	<u>\$ 44.51</u>

For time-based RSUs, the Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award in General and administrative expense in the accompanying Statements of Consolidated Income. Compensation expense related to the time-based RSUs for the three and six months ended June 30, 2016 was \$.1 million and \$.2 million, respectively. Compensation expense related to the time-based RSUs for the three and six months ended June 30, 2015 was \$.1 million and \$.2 million, respectively. As of June 30, 2016, there was \$.5 million of total unrecognized compensation cost related to time-based RSUs that is expected to be recognized over the weighted-average remaining period of approximately 2 years.

For the performance-based RSUs, the number of RSUs in which the participants will vest depends on the Company's level of performance measured by growth in pre-tax income and sales growth over a requisite performance period. Depending on the extent to which the performance criteria are satisfied under the LTIP, the participants are eligible to earn common shares over the vesting period. Performance-based compensation expense for the three and six months ended June 30, 2016 was \$.1 million and \$.3 million, respectively. During the three and six months ended June 30, 2016, a \$.3 million and \$.3 million reduction in performance-based compensation expense was recorded related to the 2015 performance-based RSU grant, due to changes in estimates for growth in sales and operating income. Performance-based compensation expense for the three months ended June 30, 2015 was income of \$.2 million. Performance-based compensation expense for the six months ended June 30, 2015 was expense of \$.2 million. During the three and six months ended June 30, 2015, a \$.5 million and \$.1 million reduction, respectively, in performance-based compensation expense was recorded related to the 2013 performance-based RSU grant, due to changes in estimates for growth in sales. During the three and six months ended June 30, 2015, a \$.4 million and \$.6 million reduction, respectively, in performance-based compensation expense was recorded related to the 2014 performance-based RSU grant, due to changes in estimates for growth in sales and pre-tax income. As of June 30, 2016, the remaining performance-based RSUs compensation expense of \$2.6 million is expected to be recognized over a period of approximately 2.4 years.

The excess tax benefits from time and performance-based RSUs for the six months ended June 30, 2016 and 2015, was less than \$.1 million for each period, as reported on the Statements of Consolidated Cash Flows in financing activities, and represents the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for RSUs vested in the current period.

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

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

Share Option Awards

The LTIP plan permitted the grant of 100,000 options to buy common shares of the Company to certain employees at not less than fair market value of the shares on the date of grant. Options issued to date under the LTIP vest 50% after one year following the date of the grant, 75% after two years, and 100% after three years, and expire from five to ten years from the date of grant. Shares issued as a result of stock option exercises will be funded with the issuance of new shares.

The Company utilizes the Black-Scholes option pricing model for estimating fair values of options. The Black-Scholes model requires assumptions regarding the volatility of the Company's stock, the expected life of the stock award and the Company's dividend yield. The Company utilizes historical data in determining these assumptions. The risk-free rate for periods within the contractual life of the option is based on the U.S. zero coupon Treasury yield in effect at the time of grant. Forfeitures have been estimated to be zero.

There were no options granted for the six months ended June 30, 2016 and 2015, respectively.

Activity in the Company's LTIP plan for six months ended June 30, 2016 was as follows:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2016	56,250	\$55.30		
Granted	0	\$0.00		
Exercised	0	\$0.00		
Forfeited	<u>(3,000)</u>	\$71.62		
Outstanding (vested and expected to vest) at June 30, 2016	<u>53,250</u>	\$54.38	6.3	\$5
Exercisable at June 30, 2016	<u>30,500</u>	\$58.24	7	\$0

For the three and six months ended June 30, 2016, the Company recorded compensation expense related to the stock options currently vesting of less than \$.1 million and \$.1 million, respectively. For the three and six months ended June 30, 2015, the Company recorded compensation expense related to the stock options currently vesting of less than \$.1 million and \$.1 million, respectively. The total compensation cost related to nonvested awards not yet recognized at June 30, 2016 is expected to be \$.2 million over a weighted-average period of approximately 1.6 years.

Deferred Compensation Plan

The Company maintains a trust, commonly referred to as a rabbi trust, in connection with the Company's deferred compensation plan. This plan allows for two deferrals. First, Directors make elective deferrals of Director fees payable and held in the rabbi trust. The deferred compensation plan allows the Directors to elect to receive Director fees in common shares of the Company at a later date instead of fees paid each quarter in cash. Second, this plan allows certain Company employees to defer LTIP restricted shares or RSUs for future distribution in the form of common shares. Assets of the rabbi trust are consolidated, and the value of the Company's stock held in the rabbi trust is classified in Shareholders' equity and generally accounted for in a manner similar to treasury stock. The Company recognizes the original amount of the deferred compensation (fair value of the deferred stock award at the date of grant) as the basis for recognition in common shares issued to the rabbi trust. Changes in the fair value of amounts owed to certain employees or Directors are not recognized as the Company's deferred compensation plan does not permit diversification and must be settled by the delivery of a fixed number of the Company's common shares. As of June 30, 2016, 296,817 shares have been deferred and are being held by the rabbi trust.

NOTE H – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of the Company's current financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, notes payable, and short-term debt, approximates its fair value because of the short-term maturity of these instruments. At June 30, 2016, the fair value of the Company's long-term debt was estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowing arrangements which are considered to be Level 2 inputs. There have been no transfers in or out of Level 2 for the six months ended June 30, 2016. Based on the analysis performed, the carrying value of the Company's long-term debt approximates fair value at June 30, 2016 and December 31, 2015.

NOTE I – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, "Income Taxes - Balance Sheet Classification of Deferred Taxes" which requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. Prior to the issuance of the standard, deferred tax liabilities and assets were required to be separately classified into a current amount and a noncurrent amount in the balance sheet. The new accounting guidance represents a change in accounting principle and the standard is required to be adopted in annual periods beginning after December 15, 2016. Early adoption is permitted and the Company elected to early adopt this guidance as of March 31, 2016 and to apply the guidance retrospectively to all periods presented. Accordingly, as of December 31, 2015, the Company reclassified the prior period amount of \$8.6 million related to its deferred tax assets and \$.2 million related to its deferred tax liabilities from current to noncurrent, resulting in an increase of \$7.4 million to its noncurrent deferred tax assets and a decrease of \$1.0 million to the noncurrent deferred income tax liabilities. Because the application of this guidance affects classification only, such reclassifications did not have a material effect on the Company's consolidated financial position or results of its operations.

NOTE J – NEW ACCOUNTING STANDARDS TO BE ADOPTED

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 provides guidance in GAAP for the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is required to adopt ASU 2016-09 for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating what impact, if any, its adoption will have to the presentation of the Company's consolidated financial statements.

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

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update are effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating what impact, if any, its adoption will have to the presentation of the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," or ASU 2014-09. ASU 2014-09 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods

or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the amendment provides five steps that an entity should apply when recognizing revenue. The amendment also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with cumulative effect of initially applying the update recognized at the date of initial application. In August 2015, the FASB issued ASU No. 2015-14 deferring the effective date of the amendment to annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. The Company is currently evaluating what impact, if any, its adoption will have to the presentation of the Company's consolidated financial statements.

NOTE K – SEGMENT INFORMATION

The following tables present a summary of the Company's reportable segments for the three and six months ended June 30, 2016 and 2015. Financial results for the PLP-USA segment include the elimination of all segments' intercompany profit in inventory. During the fourth quarter of 2015, the Company reconfigured a product line in The Americas segment and consolidated its manufacturing processes into the PLP-USA segment. As such, prior year amounts have been reclassified to conform to the current year presentation.

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Net sales				
PLP-USA	\$ 34,183	\$ 38,283	\$ 68,830	\$ 72,413
The Americas	14,515	14,656	26,969	28,632
EMEA	14,660	12,811	28,578	27,007
Asia-Pacific	19,862	22,119	37,526	45,607
Total net sales	<u>\$ 83,220</u>	<u>\$ 87,869</u>	<u>\$ 161,903</u>	<u>\$ 173,659</u>
Intersegment sales				
PLP-USA	\$ 1,965	\$ 2,029	\$ 4,178	\$ 4,859
The Americas	1,274	1,321	2,566	2,696
EMEA	257	219	656	642
Asia-Pacific	2,311	2,042	4,059	3,934
Total intersegment sales	<u>\$ 5,807</u>	<u>\$ 5,611</u>	<u>\$ 11,459</u>	<u>\$ 12,131</u>
Income taxes				
PLP-USA	\$ 126	\$ 1,314	\$ 106	\$ 1,094
The Americas	694	222	1,240	134
EMEA	674	206	1,180	734
Asia-Pacific	(476)	(956)	(510)	(980)
Total income taxes	<u>\$ 1,018</u>	<u>\$ 786</u>	<u>\$ 2,016</u>	<u>\$ 982</u>
Net income (loss)				
PLP-USA	\$ (37)	\$ 2,796	\$ (157)	\$ 1,560
The Americas	1,107	499	2,188	313
EMEA	1,933	570	3,632	2,369
Asia-Pacific	(248)	(185)	(250)	(818)
Total net income (loss)	<u>\$ 2,755</u>	<u>\$ 3,680</u>	<u>\$ 5,413</u>	<u>\$ 3,424</u>
	June 30,	December 31,		
	2016	2015		
Assets				
PLP-USA	\$ 122,966	\$ 106,854		
The Americas	64,075	60,010		
EMEA	52,788	50,755		
Asia-Pacific	102,416	105,437		
	<u>342,245</u>	<u>323,056</u>		
Corporate assets	0	314		
Total assets	<u>\$ 342,245</u>	<u>\$ 323,370</u>		

NOTE L – INCOME TAXES

The Company's effective tax rate was 27% and 18% for the three months ended June 30, 2016 and 2015, respectively, and 27% and 22% for the six months ended June 30, 2016 and 2015, respectively. The lower effective tax rate for the three and six months ended June 30, 2016 compared to the U.S. federal statutory tax rate of 35% was primarily due to an increase in earnings in jurisdictions with lower tax rates than the U.S. federal statutory tax rate, where such earnings are permanently reinvested coupled with a \$.4 million release of valuation allowance in the Asia Pacific region. The higher effective tax rate for the three and six months ended June 30, 2016 compared with the same periods for 2015 was primarily due to a favorable resolution of a foreign tax audit in the Asia Pacific region in 2015.

As described in Note I, the Company elected to early adopt FASB guidance ASU 2015-17 "Income Taxes – Balance Sheet Classification of Deferred Taxes" as of March 31, 2016 and to apply the guidance retrospectively to all periods presented related to the classification of current and noncurrent deferred tax assets and liabilities. Accordingly, as of December 31, 2015, the Company reclassified the prior period amount of \$8.6 million related to its deferred tax asset and \$.2 million related to its deferred tax liability from current to noncurrent, resulting in an increase of \$7.4 million to the Company's noncurrent deferred tax asset and a decrease of \$1.0 million to the noncurrent deferred income tax liability.

The Company provides valuation allowances against deferred tax assets when it is more likely than not that some portion or all of its deferred tax assets will not be realized. The Company recognized a \$.4 million benefit for the three and six months ended June 30, 2016 due to the release of valuation allowance in the Asia Pacific Region.

As of June 30, 2016, the Company had gross unrecognized tax benefits of approximately \$.2 million with no significant changes during this period. The Company may decrease its unrecognized tax benefits by \$.2 million within the next twelve months.

NOTE M – PRODUCT WARRANTY RESERVE

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

The following is a rollforward of the product warranty reserve:

	Six Months Ended June 30	
	2016	2015
Beginning of period balance	\$ 714	\$ 892
Additions charged to income	310	42
Warranty usage	(28)	(139)
Currency translation	(18)	(44)
End of period balance	<u>\$ 978</u>	<u>\$ 751</u>

NOTE N – CHARGES RELATED TO RESTRUCTURING ACTIVITIES

During the year ended December 2015, the Company reconfigured one of its operations within its Asia Pacific segment by reducing its workforce and manufacturing facilities while outsourcing production predominantly to its locations with lower cost operations. This was done in response to a slowdown in economic activity in the region as well as continued downward market pressure on prices. Additionally, the Company reduced the number of personnel and facilities in the PLP-USA segment in response to downward market pressure on prices. Both of these actions reduced infrastructure and manufacturing costs. There was \$.1 million and \$.5 million of expense recognized in the six months ended June 30, 2016 and 2015, respectively, for these restructuring activities. The restructuring liability remaining at June 30, 2016 of \$.6 million was recorded in Accrued expenses.

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

	Severance	Lease Termination Costs	Other	Total
December 31, 2015 Balance				
PLP-USA	\$ 150	\$ 304	\$ 5	\$ 459
Asia-Pacific	0	604	0	604
Total	<u>\$ 150</u>	<u>\$ 908</u>	<u>\$ 5</u>	<u>\$ 1,063</u>
Charges				
PLP-USA	59	0	0	59
Asia-Pacific	0	0	0	0
Total	<u>59</u>	<u>0</u>	<u>0</u>	<u>59</u>
Payments and other adjustments				
PLP-USA	(209)	(205)	(5)	(419)
Asia-Pacific	0	(91)	0	(91)
Total	<u>(209)</u>	<u>(296)</u>	<u>(5)</u>	<u>(510)</u>
June 30, 2016 Balance				
PLP-USA	0	99	0	99
Asia-Pacific	0	513	0	513
Total	<u>\$ 0</u>	<u>\$ 612</u>	<u>\$ 0</u>	<u>\$ 612</u>

NOTE O – DEBT ARRANGEMENTS

At June 27, 2016, the Company borrowed \$14.5 million at a fixed rate of 2.71%, due July 1, 2026 to finance the purchase of a Company aircraft. The loan is secured by the newly purchased aircraft and fees related to the new debt were immaterial and expensed as of June 30, 2016. The net worth and profitability requirements are calculated based on the line of credit agreement. At June 30, 2016, the Company was in compliance with these covenants.

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

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

The MD&A is organized as follows:

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

OVERVIEW

Preformed Line Products Company (the “Company”, “PLPC”, “we”, “us”, or “our”) was incorporated in Ohio in 1947. We are an international designer and manufacturer of products and systems employed in the construction and

maintenance of overhead and underground networks for the energy, telecommunication, cable operators, information (data communication), and other similar industries. Our primary products support, protect, connect, terminate, and secure cables and wires. We also provide solar hardware systems, mounting hardware for a variety of solar power applications, and fiber optic and copper splice closures. PLPC is respected around the world for quality, dependability and market-leading customer service. Our goal is to continue to achieve profitable growth as a leader in the research, innovation, development, manufacture, and marketing of technically advanced products and services related to energy, communications and cable systems and to take advantage of this leadership position to sell additional quality products in familiar markets. We have 29 sales and manufacturing operations in 17 different countries.

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

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

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

RECENT DEVELOPMENTS

In the fourth quarter of 2015, we reconfigured a product line in The Americas segment and consolidated its manufacturing processes into the PLP-USA segment operations. This action reduced infrastructure and manufacturing costs for the product line. As a result, certain reclassifications have been made to the 2015 financial results to be comparable to the 2016 financial results for The Americas and PLP-USA reporting segments.

PREFACE

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

Our consolidated financial statements are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. As foreign currencies weaken against the U.S. dollar, our sales and costs decrease as the foreign currency-denominated financial statements translate into fewer U.S. dollars. On average, foreign currencies weakened against the U.S. dollar in the second quarter and first six months of 2016; however, they did not weaken as significantly as they did in the first six months of 2015. The fluctuations of foreign currencies during the three and six months ended June 30, 2016 had an unfavorable impact on net sales of \$4.6 million and \$10.6 million, respectively, compared to the same periods in 2015. On a reportable segment basis, the favorable (unfavorable) impact of foreign currency on net sales and net income for the three and six months ended June 30, 2016, was as follows:

(Thousands of dollars)	Foreign Currency Translation Impact			
	Net Sales		Net Income	
	Three Months	Six Months	Three Months	Six Months
The Americas	\$ (2,259)	\$ (5,463)	\$ (254)	\$ (499)
EMEA	(1,204)	(2,555)	(233)	(439)
Asia-Pacific	(1,112)	(2,567)	3	22
Total	\$ (4,575)	\$ (10,585)	\$ (484)	\$ (916)

The operating results for the three months ended June 30, 2016 are compared to the same period in 2015. Net sales for the three months ended June 30, 2016 of \$83.2 million decreased \$4.6 million, or 5%, compared to 2015. Excluding the unfavorable effect of currency translation, net sales were constant at \$87.8 million for the three months ended June 30, 2016 and June 30, 2015. As a percentage of net sales, gross profit increased to 32.2% in 2016 from 30.1% in 2015. Gross profit for the three months ended June 30, 2016 of \$26.8 million increased \$.4 million compared to 2015. Excluding the unfavorable effect of currency translation, gross profit increased \$2.0 million, or 8%, compared to 2015. Costs and expenses of \$22.7 million increased \$1.5 million compared to 2015. Excluding the favorable effect of currency translation, costs and expenses increased \$2.5 million compared to 2015. Operating income for the three months ended June 30, 2016 was \$4.1 million, a decrease of \$1.1 million compared to 2015. Net income for the three months ended June 30, 2016 of \$2.8 million was a decrease of \$.9 million compared to the net income in 2015. The effect of currency translation decreased operating income \$.6 million and decreased net income \$.5 million.

The operating results for the six months ended June 30, 2016 are compared to the same period in 2015. For the six months ended June 30, 2016, net sales of \$161.9 million decreased \$11.8 million, or 7%, compared to 2015. The fluctuations of foreign currencies during the six months ended June 30, 2016 had an unfavorable impact on net sales of \$10.6 million as compared to 2015. Excluding the unfavorable impact of currency translation, sales decreased 1% compared to 2015. As a percentage of net sales, gross profit was 31.6% and 29.5% for the six months ended June 30, 2016 and 2015, respectively. Gross profit of \$51.1 million decreased \$.1 million as compared to 2015. Excluding the unfavorable effect of currency translation of \$3.7 million, gross profit increased \$3.6 million, or 7% compared to 2015. Costs and expenses of \$43.3 million decreased \$2.8 million compared to 2015. Excluding the favorable effect of currency translation, costs and expenses decreased \$.3 million compared to 2015. Operating income for the six months ended June 30, 2016 of \$7.8 million increased \$2.7 million compared to 2015. Net income for the six months ended June 30, 2016 of \$5.4 million increased \$2.0 million compared to 2015. The unfavorable effect of currency translation decreased operating income \$1.2 million and net income \$.9 million.

The following table reflects the impact of foreign currency fluctuations on operating income for the three and six months ended June 30, 2016 and 2015:

(Thousands of dollars)	Foreign Currency Translation Impact			
	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	2016	2015
Operating income (loss)	\$ 4,079	\$ 5,185	\$ 7,766	\$ 5,099
Translation loss	639	0	1,247	0
Transaction (gain) loss	(317)	23	(1,358)	3,376
Operating income excluding currency impact	\$ 4,401	\$ 5,208	\$ 7,655	\$ 8,475

Despite the current global economy, we believe our business fundamentals and our financial position are sound and that we are strategically well-positioned. We remain focused on assessing our business structure, global facilities and overall capacity in conjunction with the requirements of local manufacturing in the markets that we serve. If necessary, we will modify redundant processes and utilize our global manufacturing network to manage costs, while driving increased sales volumes and delivering value to our customers. We have continued to invest in the business to improve efficiency, develop new products, increase our capacity and become an even stronger supplier to our customers. We currently have a bank debt to equity ratio of 21.1% and can borrow needed funds at an attractive interest rate under our credit facility.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2016 COMPARED TO THREE MONTHS ENDED JUNE 30, 2015

The following table sets forth a summary of the Company's Statement of Consolidated Income and the percentage of net sales for the three months ended June 30, 2016 and 2015. The Company's past operating results are not necessarily indicative of future operating results.

(Thousands of dollars)	Three Months Ended June 30					
	2016		2015		Change	
Net sales	\$ 83,220	100.0 %	\$ 87,869	100.0 %	\$ (4,649)	
Cost of products sold	56,414	67.8	61,425	69.9	(5,011)	
GROSS PROFIT	26,806	32.2	26,444	30.1	362	
Costs and expenses	22,727	27.3	21,259	24.2	1,468	
OPERATING INCOME	4,079	4.9	5,185	5.9	(1,106)	
Other income (expense)	(306)	(0.4)	(719)	(0.8)	413	
INCOME BEFORE INCOME TAXES	3,773	4.5	4,466	5.1	(693)	
Income taxes	1,018	1.2	786	0.9	232	
NET INCOME	\$ 2,755	3.3 %	\$ 3,680	4.2 %	\$ (925)	

Net sales. For the three months ended June 30, 2016, net sales were \$83.2 million, a decrease of \$4.6 million, or 5%, from the three months ended June 30, 2015. Excluding the effect of currency translation, the change in net sales for the three months ended June 30, 2016 remained relatively flat with the three months ended June 30, 2015 as summarized in the following table:

(Thousands of dollars)	Three Months Ended June 30					
	2016	2015	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% Change
Net sales						
PLP-USA	\$ 34,183	\$ 38,283	\$ (4,100)	\$ 0	\$ (4,100)	(11) %
The Americas	14,515	14,656	(141)	(2,259)	2,118	14
EMEA	14,660	12,811	1,849	(1,204)	3,053	24
Asia-Pacific	19,862	22,119	(2,257)	(1,112)	(1,145)	(5)
Consolidated	\$ 83,220	\$ 87,869	\$ (4,649)	\$ (4,575)	\$ (74)	- %

The decrease in PLP-USA net sales of \$4.1 million, or 11%, was primarily due to a volume decrease in transmission sales. International net sales for the three months ended June 30, 2016 were unfavorably affected by \$4.6 million when local currencies were converted to U.S. dollars. The following discussion of net sales excludes the effect of currency translation. The Americas net sales of \$14.5 million increased \$2.1 million, or 14%, primarily due to a volume increase in transmission sales. EMEA net sales of \$14.7 million increased \$3.1 million, or 24%, primarily due to an increase in telecommunications sales and transmission projects in the region. In Asia-Pacific, net sales of \$19.9 million decreased \$1.1 million, or 5%, compared to 2015. The decrease in net sales was primarily due to a sales volume decline in solar products.

Gross profit. Gross profit of \$26.8 million for the three months ended June 30, 2016 increased \$.4 million, or 1%, compared to the three months ended June 30, 2015. Excluding the effect of currency translation, gross profit increased \$2.0 million, or 8%, as summarized in the following table:

Three Months Ended June 30						
(Thousands of dollars)	2016	2015	Change	Change	Change	% Change
				Due to	Excluding	
				Currency	Currency	
				Translation	Translation	
Gross profit						
PLP-USA	\$ 11,736	\$ 13,643	\$ (1,907)	\$ 0	\$ (1,907)	(14) %
The Americas	4,749	3,970	779	(836)	1,615	41
EMEA	5,812	4,030	1,782	(528)	2,310	57
Asia-Pacific	4,509	4,801	(292)	(272)	(20)	-
Consolidated	\$ 26,806	\$ 26,444	\$ 362	\$ (1,636)	\$ 1,998	8 %

PLP-USA gross profit of \$11.7 million decreased \$1.9 million compared to the same period in 2015. PLP-USA's decrease in gross profit was related to the decrease in sales volume coupled with a shift in sales mix toward products with lower margins for 2016 as compared to 2015. International gross profit for the three months ended June 30, 2016 was unfavorably impacted by \$1.6 million when local currencies were translated to U.S. dollars. The following discussion of gross profit excludes the effects of currency translation. The Americas gross profit increase of \$1.6 million was primarily the result of the sales increase of \$2.1 combined with product margin improvement in the region due to sales mix. The EMEA gross profit increased \$2.3 million as a result of a \$3.1 million sales increase along with product margin improvement in the region due to a shift in sales mix. While Asia-Pacific experienced a \$1.1 million reduction in sales, gross profit remained flat primarily due to a shift in product sales mix along with cost savings associated with the 2015 reconfiguration of the operations of one of its locations within the segment.

Costs and expenses. Costs and expenses of \$22.7 million for the three months ended June 30, 2016 increased \$1.5 million, or 7%, compared to 2015. Excluding the favorable effect of currency translation, costs and expenses increased \$2.5 million, or 12%, as summarized in the following table:

Three Months Ended June 30						
(Thousands of dollars)	2016	2015	Change	Change	Change	% Change
				Due to	Excluding	
				Currency	Currency	
				Translation	Translation	
Costs and expenses						
PLP-USA	\$ 11,194	\$ 9,435	\$ 1,759	\$ 0	\$ 1,759	19 %
The Americas	3,023	3,321	(298)	(470)	172	5
EMEA	3,261	3,323	(62)	(212)	150	5
Asia-Pacific	5,250	5,180	70	(311)	381	7
Consolidated	\$ 22,728	\$ 21,259	\$ 1,469	\$ (993)	\$ 2,462	12 %

PLP-USA costs and expenses of \$11.2 million for the three months ended June 30, 2016 increased \$1.8 million, or 19%, compared to 2015 mainly due to a \$1.0 million charge related to the expiring lease of the Company aircraft along with increased marketing and advertising expenses of \$.6 million and a decrease in foreign currency exchange gains of \$.2 million. International costs and expenses for the three months ended June 30, 2016 were favorably impacted by \$1.0 million when local currencies were translated to U.S. dollars. Excluding the favorable impact of currency translation, international costs and expenses increased \$.7 million. The following discussion of costs and expenses excludes the effect of currency translation. The Americas costs and expenses of \$3.0 million increased \$.2 million mainly due to higher personnel related, commission expense and professional services costs of \$.5 million, partially offset by a \$.4 million increase in transactional currency gains. EMEA costs and expenses of \$3.3 million increased \$.2 million mainly due to increased personnel related cost. Asia-Pacific costs and expenses of \$5.3 million increased \$.4 million. This increase was primarily due to higher personnel related expenses.

Other income (expense). Other expense for the three months ended June 30, 2016 decreased \$.4 million compared to 2015. This decrease was due to the 2015 reversal of a receivable recorded at the opening balance sheet date of a previous acquisition. The receivable represented the indemnification by the prior owner for unrecognized tax benefits. The resolution of a foreign income tax audit resulted in a tax liability for less than the previously recorded accrual. The difference was recorded as a tax benefit in income tax expense and the corresponding receivable, after receipt of the indemnified tax related amount, was recognized as other expense in the three months ended June 30, 2015.

Income taxes. Income taxes for the three months ended June 30, 2016 and 2015 were \$1.0 million and \$.8 million, respectively, based on pre-tax income of \$3.8 million and \$4.5 million, respectively. The effective tax rate for the three months ended June 30, 2016 and 2015 was 27% and 18%, respectively, compared to the U.S. federal statutory rate of 35%. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions, which differ from the U.S., federal statutory income tax rate, and the relative amount of income earned in those jurisdictions. It is also affected by discrete items that may occur in any given period but are not consistent from year to year. In addition to the impact of state and local income taxes, the following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 35% and our effective tax rate:

2016

1. A \$.1 million, or 2%, decrease resulting from U.S. permanent items, primarily related to the repatriation of foreign earnings.
2. A \$.3 million, or 7%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.
3. A \$.3 million, or 7%, decrease resulting from the recognition of various discrete items, primarily from the release of valuation allowance in the Asia Pacific Region.
4. A \$.2 million, or 6%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.

2015

1. A \$.1 million, or 3%, increase resulting from U.S. permanent items, primarily related to the repatriation of foreign earnings.
2. A \$.2 million, or 4%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.
3. A \$.3 million, or 6%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.
4. A \$.8 million, or 18%, decrease resulting from a favorable resolution of a foreign audit in our Asia- Pacific segment for which a larger tax liability had previously been accrued.

Net income. As a result of the preceding items, net income for the three months ended June 30, 2016 was \$2.8 million, compared to net income of \$3.7 million for the three months ended June 30, 2015. Excluding the effect of currency translation, net income decreased \$.4 million as summarized in the following table:

	Three Months Ended June 30					
	2016	2015	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% Change
Net income (loss)						
PLP-USA	\$ (37)	\$ 2,796	\$ (2,833)	\$ 0	\$ (2,833)	(101) %
The Americas	1,107	499	608	(254)	862	173
EMEA	1,933	570	1,363	(233)	1,596	280
Asia-Pacific	(248)	(185)	(63)	3	(66)	(36)
Consolidated	<u>\$ 2,755</u>	<u>\$ 3,680</u>	<u>\$ (925)</u>	<u>\$ (484)</u>	<u>\$ (441)</u>	<u>(12) %</u>

PLP-USA net income decreased \$2.8 million compared to 2015 due to a \$3.7 million decrease in operating income, partially offset by a decrease in income taxes of \$1.2 million. International net income for the three months ended June 30, 2016 incurred an unfavorable change of \$.5 million when local currencies were converted to U.S. dollars. The following discussion of net income excludes the effect of currency translation. The Americas net income increased \$.9 million as a result of a \$1.5 million increase in operating income partially offset by an increase in income taxes of \$.6 million. EMEA net income increased \$1.6 million as a result of an increase in operating income of \$2.2 million partially offset with an increase in income taxes of \$.6 million. Asia-Pacific net loss increased less than \$.1 million as a result of a \$.4 million increase in operating loss partially offset by a decrease in income tax benefit of \$.4 million.

SIX MONTHS ENDED JUNE 30, 2016 COMPARED TO SIX MONTHS ENDED JUNE 30, 2015

The following table sets forth a summary of the Company's Statements of Consolidated Income and the percentage of net sales for the six months ended June 30, 2016 and 2015. The Company's past operating results are not necessarily indicative of future operating results.

<i>(Thousands of dollars)</i>	Six Months Ended June 30					
	2016		2015		Change	
Net sales	\$ 161,903	100.0 %	\$ 173,659	100.0 %	\$	(11,756)
Cost of products sold	110,807	68.4	122,455	70.5		(11,648)
GROSS PROFIT	51,096	31.6	51,204	29.5		(108)
Costs and expenses	43,330	26.8	46,105	26.5		(2,775)
OPERATING INCOME	7,766	4.8	5,099	2.9		2,667
Other income (expense)	(337)	(0.2)	(693)	(0.4)		356
INCOME BEFORE INCOME TAXES	7,429	4.6	4,406	2.5		3,023
Income taxes	2,016	1.2	982	0.6		1,034
NET INCOME	\$ 5,413	3.3 %	\$ 3,424	2.0 %	\$	1,989

Net sales. For the six months ended June 30, 2016, net sales were \$161.9 million, a decrease of \$11.8 million, or 7%, from the six months ended June 30, 2015. Excluding the unfavorable effect of currency translation, net sales decreased \$1.2 million, or 1%, as summarized in the following table:

<i>(Thousands of dollars)</i>	Six Months Ended June 30					
	2016	2015	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% Change
Net sales						
PLP-USA	\$ 68,830	\$ 72,413	\$ (3,583)	\$ 0	\$ (3,583)	(5) %
The Americas	26,969	28,632	(1,663)	(5,463)	3,800	13
EMEA	28,578	27,007	1,571	(2,555)	4,126	15
Asia-Pacific	37,526	45,607	(8,081)	(2,567)	(5,514)	(12)
Consolidated	\$ 161,903	\$ 173,659	\$ (11,756)	\$ (10,585)	\$ (1,171)	(1) %

PLP-USA net sales of \$68.8 million decreased \$3.6 million, or 5%. The decrease was primarily due to a decrease in solar and transmission sales. International net sales of \$93.1 million for the six months ended June 30, 2016 were unfavorably affected by \$10.6 million when local currencies were converted to U.S. dollars. The following discussion of changes in net sales excludes the unfavorable effect of currency translation. The Americas net sales of \$27.0 million increased \$3.8 million, or 13%, primarily due to higher volume in transmission and telecommunications sales. EMEA net sales of \$28.6 million increased \$4.1 million, or 15%, primarily due to increased volume in transmission and distribution sales, offset by decreased volume in telecommunications sales. Asia-Pacific net sales of \$37.5 million decreased \$5.5 million, or 12%, compared to the same period in 2015. The decrease in net sales was directly related to volume decreases in solar and transmission sales.

Gross profit. Gross profit of \$51.1 million for the six months ended June 30, 2016 decreased \$.1 million compared to the six months ended June 30, 2015. Excluding the effect of currency translation, gross profit increased \$3.6 million, or 7%, as summarized in the following table:

Six Months Ended June 30						
(Thousands of dollars)	2016	2015	Change	Change	Change	% Change
				Due to	Excluding	
				Currency	Currency	
				Translation	Translation	
Gross profit						
PLP-USA	\$ 21,674	\$ 24,758	\$ (3,084)	\$ 0	\$ (3,084)	(12) %
The Americas	9,119	7,526	1,593	(1,991)	3,584	48
EMEA	11,246	9,397	1,849	(1,065)	2,914	31
Asia-Pacific	9,057	9,523	(466)	(634)	168	2
Consolidated	\$ 51,096	\$ 51,204	\$ (108)	\$ (3,690)	\$ 3,582	7 %

PLP-USA gross profit of \$21.7 million decreased \$3.1 million compared to the same period in 2015. PLP-USA's decrease in gross profit was related to the decrease in sales volume along with a shift in sales mix. International gross profit of \$29.4 million for the six months ended June 30, 2016 was unfavorably impacted by \$3.7 million when local currencies were translated to U.S. dollars. The following discussion of gross profit changes excludes the effects of currency translation. The Americas gross profit increase of \$3.6 million was primarily the result of a \$3.8 million increase in net sales accompanied by improved product margins in the region along with positive results from cost savings initiatives. The EMEA gross profit increased \$2.9 million as a result of increased net sales of \$4.1 million in the region combined with a favorable product sales mix. Although sales decreased \$5.5 million, Asia-Pacific gross profit increased \$.2 million as the overall sales increase was in higher margin products, along with cost savings associated with the consolidation of facilities and personnel reductions net of savings from prior year personnel reductions.

Costs and expenses. Costs and expenses of \$43.3 million for the six months ended June 30, 2016 decreased \$2.8 million, or 7%, compared to the six months ended June 30, 2015. Excluding the favorable effect of currency translation, costs and expenses decreased 1% as summarized in the following table:

Six Months Ended June 30						
(Thousands of dollars)	2016	2015	Change	Change	Change	% Change
				Due to	Excluding	
				Currency	Currency	
				Translation	Translation	
Costs and expenses						
PLP-USA	\$ 21,155	\$ 21,913	\$ (758)	\$ 0	\$ (758)	(3) %
The Americas	5,800	7,190	(1,390)	(1,264)	(126)	(2)
EMEA	6,538	6,418	120	(484)	604	9
Asia-Pacific	9,837	10,584	(747)	(693)	(54)	(1)
Consolidated	\$ 43,330	\$ 46,105	\$ (2,775)	\$ (2,441)	\$ (334)	(1) %

PLP-USA costs and expenses decreased \$.8 million primarily due to a \$2.8 million improvement in net foreign currency exchange. In the six months ended June 30, 2016, there was a gain recognized on foreign currency transactions while there was a loss for the same period in 2015. The foreign currency exchange gains were primarily related to translating into U.S. dollars its foreign denominated loans, trade receivables and royalty receivables from its foreign subsidiaries at the June 30, 2016 exchange rates. These decreases in currency expenses were partially offset with a \$1.0 million charge related to the expiring lease of the Company aircraft along with a \$1.0 million increase in various expenses primarily in personnel costs. International costs and expenses for the six months ended June 30, 2016 were unfavorably impacted by \$2.4 million when local currencies were translated to U.S. dollars. The following discussions of costs and expenses exclude the effect of currency translation. The Americas costs and expenses decrease of \$.1 million was primarily due to foreign currency exchange gains of \$1.4 million, mostly offset by increased personnel related costs. EMEA costs and expenses increased \$.6 million as a result of higher personnel related expenses predominantly from continued infrastructure expansion. Asia-Pacific costs and expenses decreased \$.1 million primarily due to \$.5 million of net foreign currency exchange gains across the region in the six months ended June 30, 2016 compared to net losses for the same period in 2015. The gains were predominantly offset by higher personnel related costs.

Other income (expense). Other expense for the six months ended June 30, 2016 of \$.3 million decreased \$.4 million

compared to 2015. This decrease was due to the 2015 reversal of a receivable recorded at the opening balance sheet date of a previous acquisition. The receivable represented the indemnification by the prior owner for unrecognized tax benefits. The resolution of a foreign income tax audit resulted in a tax liability for less than the previously recorded accrual. The difference was recorded as a tax benefit in income tax expense and the corresponding receivable, after receipt of the indemnified tax related amount, was recognized as other expense in the six months ended June 30, 2015.

Income taxes. Income taxes for the six months ended June 30, 2016 and 2015 were \$2.0 million and \$1.0 million, respectively, based on pre-tax income of \$7.4 million and \$4.4 million, respectively. The effective tax rate for the six months ended June 30, 2016 and 2015 was 27% and 22%, respectively, compared to the U.S. federal statutory rate of 35%. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions, which differ from the U.S. federal statutory income tax rate, and the relative amount of income earned in those jurisdictions. It is also affected by discrete items that may occur in any given period but are not consistent from year to year. In addition to the impact of state and local income taxes, the following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 35% and our effective tax rate:

2016

1. A \$.3 million, or 4%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.
2. A \$.6 million, or 7%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.
3. A \$.3 million, or 5%, decrease resulting from the recognition of various discrete items, primarily from the release of valuation allowance in the Asia-Pacific Region.

2015

1. A \$.5 million, or 12%, increase resulting from losses in certain jurisdictions where no tax benefit is recognized.
2. A \$.4 million, or 8%, decrease resulting from earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.
3. A \$.8 million, or 18%, decrease resulting from a favorable resolution of a foreign audit in our Asia-Pacific segment for which a larger tax liability had previously been accrued.

Net income. As a result of the preceding items, net income for the six months ended June 30, 2016 was \$5.4 million, compared to \$3.4 million for the six months ended June 30, 2015. Excluding the unfavorable effect of currency translation, net income increased \$2.9 million as summarized in the following table:

(Thousands of dollars)	Six Months Ended June 30					
	2016	2015	Change	Change	Change	% Change
				Due to	Excluding	
				Currency	Currency	
				Translation	Translation	
Net income (loss)						
PLP-USA	\$ (157)	\$ 1,560	\$ (1,717)	\$ 0	\$ (1,717)	(110) %
The Americas	2,188	313	1,875	(499)	2,374	758
EMEA	3,632	2,369	1,263	(439)	1,702	72
Asia-Pacific	(250)	(818)	568	22	546	67
Consolidated	\$ 5,413	\$ 3,424	\$ 1,989	\$ (916)	\$ 2,905	85 %

PLP-USA net income decreased \$1.7 million due to a \$2.3 million decrease in operating income partially offset by lower income taxes of \$1.0 million. International net income for the six months ended June 30, 2016 increased \$3.7 million on a consolidated basis when local currencies were converted to U.S. dollars. The following discussion of net income excludes the effect of currency translation. The Americas net income increased \$2.4 million as a result of a \$3.7 million increase in operating income partially offset by a \$1.3 million increase in income tax expense. EMEA net income increased \$1.7 million due to a \$2.3 million increase in operating income offset by higher income tax expense of \$.6 million. Asia-Pacific net loss decreased \$.5 million. The operating loss decreased \$.2 million, and the net tax benefit for the region was \$.4 million lower in the six months ended June 30, 2016 as compared to the same period in 2015.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies are consistent with the information set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Form 10-K for the year ended December 31, 2015 and are, therefore, not presented herein.

WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

Management Assessment of Liquidity

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

Our investments include expenditures required for equipment and facilities as well as expenditures in support of our strategic initiatives. In 2016, we used cash of \$19.7 million for capital expenditures. We ended the first six months of 2016 with \$28.1 million of cash and cash equivalents. Our cash and cash equivalents are held in various locations throughout the world. At June 30, 2016, the majority of our cash and cash equivalents were held outside the U.S. We expect accumulated non-U.S. cash balances will remain outside of the U.S. and that we will meet U.S. liquidity needs through future cash flows, use of U.S. cash balances, external borrowings, or some combination of these sources. We complete comprehensive reviews of our significant customers and their creditworthiness by analyzing financial statements for customers where we have identified a measure of increased risk. We closely monitor payments and developments which may signal possible customer credit issues. We currently have not identified any potential material impact on our liquidity from customer credit issues.

Our financial position remains strong and our current ratio was 3.4 to 1 at June 30, 2016. Total debt at June 30, 2016 was \$47.0 million. At June 30, 2016, our unused availability under our line of credit was \$15.5 million and our bank debt to equity percentage was 21.1%. The term of our credit facility extends through August 2017 at an interest rate of LIBOR plus 1.125%. The line of credit agreement contains, among other provisions, requirements for maintaining levels of net worth and funded debt-to-earnings before interest taxes depreciation amortization along with an interest coverage ratio. At June 27, 2016, we entered into a promissory note with PNC Bank, NA, pursuant to which we borrowed \$14.5 million at a fixed rate of 2.71%, due July 1, 2026, which was used to purchase a corporate aircraft to replace the expiring lease of the previous aircraft. The loan is secured by the aircraft and fees related to the new debt were immaterial and expensed as of June 30, 2016. The net worth and profitability requirements are calculated based on the line of credit agreement. At June 30, 2016 and December 31, 2015, we were in compliance with these covenants

We expect that our major source of funding for 2016 and beyond will be our operating cash flows, our existing cash and cash equivalents as well as our line of credit agreement. We earn a significant amount of our operating income outside the United States, which, except for current earnings in certain jurisdictions, is deemed to be indefinitely reinvested in foreign jurisdictions. We currently do not intend nor foresee a need to repatriate these funds. We believe our future operating cash flows will be more than sufficient to cover debt repayments, other contractual obligations, capital expenditures and dividends for the next 12 months and thereafter for the foreseeable future. In addition, we believe our borrowing capacity provides substantial financial resources, if needed, to supplement funding of capital expenditures and/or acquisitions. We also believe that we can expand our borrowing capacity, if necessary; however, we do not believe we would increase our debt to a level that would have a material adverse impact upon results of operations or financial condition.

Sources and Uses of Cash

Cash decreased \$2.3 million for the six months ended June 30, 2016. Net cash provided by operating activities was \$10.0 million. The major investing and financing uses of cash were capital expenditures of \$19.7 million, repurchase and issuance of common shares of \$2.0 million and dividends of \$2.1 million. Currency had a negative \$1.9 million impact on cash and cash equivalents when translating foreign denominated financial statements to U.S. dollars.

Net cash provided by operating activities for the six months ended June 30, 2016 increased \$2.4 million compared to

the six months ended June 30, 2015. The increase was primarily a result of an increase in net income of \$2.0 million and a decrease in operating assets (net of operating liabilities) of \$.4 million.

Net cash used by investing activities for the six months ended June 30, 2016 of \$20.9 million represents an increase of \$15.6 million when compared to the six months ended June 30, 2015. The increase is related to increased capital expenditures of \$15.0 million primarily related to the purchase of a corporate aircraft to replace the expiring lease of the previous aircraft.

Cash provided by financing activities for the six months ended June 30, 2016 was \$10.6 million compared to \$2.7 million cash used in financing activities for the six months ended June 30, 2015. The \$13.3 million increase was primarily a result of an increase in net debt borrowings in 2016 compared to 2015 of \$14.7 million. This increase in cash was partially offset with a net increase in cash used in stock repurchases of \$1.7 million. The 2016 borrowings were used primarily to purchase a corporate aircraft.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In November 2015, the FASB issued Accounting Standards update (ASU) No. 2015-17, “Income Taxes - Balance Sheet Classification of Deferred Taxes” which requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. Prior to the issuance of the standard, deferred tax liabilities and assets were required to be separately classified into a current amount and a noncurrent amount in the balance sheet. The new accounting guidance represents a change in accounting principle and the standard is required to be adopted in annual periods beginning after December 15, 2016. Early adoption is permitted and we elected to early adopt this guidance as of March 31, 2016 and to apply the guidance retrospectively to all periods presented. Accordingly, we reclassified the prior period amount of \$8.6 million related to our deferred tax assets and \$.2 million related to our deferred tax liabilities from current to noncurrent. The reclassification resulted in an increase of \$7.4 million to our noncurrent deferred tax assets and a decrease of \$1.0 million to our noncurrent deferred income tax liabilities. Because the application of this guidance affects classification only, such reclassifications did not have a material effect on our consolidated financial position or results of our operations.

NEW ACCOUNTING STANDARDS TO BE ADOPTED

In March 2016, the FASB issued ASU 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 provides guidance in GAAP for the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is required to adopt ASU 2016 – 09 for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any entity in any interim or annual period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. We are currently evaluating what impact, if any, its adoption will have to the presentation of our consolidated financial statements.

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

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330): Simplifying the Measurement of Inventory.” The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments in this Update are effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We are currently evaluating what impact, if any, its adoption will have to the presentation of our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” or ASU 2014-09. ASU 2014-09 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, the amendment provides five steps that an entity should apply when recognizing revenue. The amendment also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. An entity can either adopt this amendment retrospectively to each prior reporting period presented or retrospectively with cumulative effect of initially applying the update recognized at the date of initial application. In August 2015, the FASB issued ASU No. 2015-14 deferring the effective date of the amendment to annual reporting periods beginning after December 15, 2017. Early adoption is not permitted. We are currently evaluating what impact, if any, its adoption will have to the presentation of our consolidated financial statements.

FORWARD LOOKING STATEMENTS

Cautionary Statement for “Safe Harbor” Purposes Under The Private Securities Litigation Reform Act of 1995

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

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

- The overall demand for cable anchoring and control hardware for electrical transmission and distribution lines on a worldwide basis, which has a slow growth rate in mature markets such as the United States (U.S.), Canada, Australia and Western Europe and may grow slowly or experience prolonged delay in developing regions despite expanding power needs;
- The potential impact of the global economic condition on the Company’s ongoing profitability and future growth opportunities in our core markets in the U.S. and other foreign countries where the financial situation is expected to be similar going forward;
- Decrease in infrastructure spending globally as a result of worldwide depressed spending;
- The impact of low oil and other commodity prices on our growth opportunities, particularly with respect to energy projects;
- The ability of our customers to raise funds needed to build the facilities their customers require;
- Technological developments that affect longer-term trends for communication lines, such as wireless communication;

- The decreasing demand for product supporting copper-based infrastructure due to the introduction of products using new technologies or adoption of new industry standards;
- The Company's success at continuing to develop proprietary technology and maintaining high quality products and customer service to meet or exceed new industry performance standards and individual customer expectations;
- The Company's success in strengthening and retaining relationships with the Company's customers, growing sales at targeted accounts and expanding geographically;
- The extent to which the Company is successful at expanding the Company's product line or production facilities into new areas or implementing efficiency measures at existing facilities;
- The effects of fluctuation in currency exchange rates upon the Company's foreign subsidiaries' operations and reported results from international operations, together with non-currency risks of investing in and conducting significant operations in foreign countries, including those relating to political, social, economic and regulatory factors;
- The Company's ability to identify, complete, obtain funding for and integrate acquisitions for profitable growth;
- The potential impact of consolidation, deregulation and bankruptcy among the Company's suppliers, competitors and customers;
- The relative degree of competitive and customer price pressure on the Company's products;
- The cost, availability and quality of raw materials required for the manufacture of products;
- Strikes and other labor disruptions;
- Changes in significant government regulations affecting environmental compliances;
- The telecommunication market's continued deployment of Fiber-to-the-Premises; and
- Those factors described under the heading "Risk Factors" on page 12 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed on March 11, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

As of June 30, 2016, the Company had no foreign currency forward exchange contracts outstanding. The Company does not hold derivatives for trading purposes.

The Company's primary currency rate exposures are related to foreign denominated debt, intercompany debt, forward exchange contracts, foreign denominated receivables and payables and cash and short-term investments. A hypothetical 10% change in currency rates would have a favorable/unfavorable impact on fair values on such instruments of \$5.2 million and on income before taxes of \$2.0 million.

The Company is exposed to market risk, including changes in interest rates. The Company is subject to interest rate risk on its variable rate revolving credit facilities and term notes, which consisted of borrowings of \$47.0 million at

June 30, 2016. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately \$.4 million for the six months ended June 30, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended, were effective as of June 30, 2016.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) during the quarter ended June 30, 2016 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission on March 11, 2016.

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

On February 3, 2016, the Company announced that the Board of Directors authorized a plan to repurchase up to an additional 214,620 of Preformed Line Products Company common shares, resulting in a total of 250,000 shares available for repurchase with no expiration date. The following table includes repurchases for the three months ended June 30, 2016:

<u>Period (2016)</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that may yet be Purchased under the Plans or Programs</u>
April	15,065	\$38.81	21,496	228,504
May	11,474	\$41.49	32,970	217,030
June	<u>8,688</u>	\$41.72	41,658	208,342
Total	<u><u>35,227</u></u>			

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

- 10.1 Preformed Line Products Company 2016 Incentive Plan (incorporated by reference to the Company's Definitive Proxy Statement on Schedule 14A filed March 17, 2016.)
- 10.2 Promissory Note dated June 27, 2016, between the Company and PNC Bank, National Association, filed herewith.
- 31.1 Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certifications of the Principal Accounting Officer, Eric R. Graef, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.1 Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
- 32.2 Certifications of the Principal Accounting Officer, Eric R. Graef, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 5, 2016

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

August 5, 2016

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

EXHIBIT INDEX

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**PREFORMED LINE PRODUCTS COMPANY
2016 INCENTIVE PLAN**

SECTION 1. Purpose; Definitions

The purpose of this Plan is to give the Company and its Subsidiaries a competitive advantage in attracting, retaining and motivating officers, employees, directors and consultants and to incentivize those individuals to increase shareholder value through incentives directly linked to the Company's performance. Certain capitalized terms are defined in the first section in which they are used. In addition, for purposes of this Plan, the following terms are defined as set forth below:

"Applicable Exchange" means The Nasdaq Stock Market or such securities exchange as at the applicable time is the principal market for the Common Stock.

"Award" means an Option, Restricted Stock, RSU, Other Stock-Based Award or cash-based Qualified Performance-Based Award, granted pursuant to the terms of this Plan.

"Award Agreement" means a written document or agreement setting forth the terms and conditions of a specific Award.

"Board" means the Board of Directors of the Company.

"Cause" means, unless otherwise provided in an Award Agreement, (i) conviction of the Participant for committing a felony under federal law or the law of the state in which such action (or failure to act) occurred, (ii) dishonesty in the course of fulfilling the Participant's Company (and Company-related) employment duties, (iii) failure on the part of the Participant to perform such Participant's Company (and Company-related) duties in any material respect, (iv) a material violation by the Participant of the Company's ethics and compliance program.

"Change in Control" has the meaning set forth in Section 8(b).

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the United States Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor section.

"Commission" means the Securities and Exchange Commission, or any successor agency.

"Committee" has the meaning set forth in Section 2(a).

"Common Stock" means common share, par value \$2 per share, of the Company.

"Company" means Preformed Line Products Company, an Ohio corporation, and any other entity that succeeds to that company's rights and obligations hereunder, whether by law or by contract.

"Consultant" means an individual providing personal services to the Company or any one or more of its Subsidiaries (or all of them) while classified for federal tax purposes as an independent contractor, so long as such individual (i) provides bona fide services that are not in connection with the offer and sale of the Company's securities in a capital-raising transaction, (ii) does not directly or indirectly promote or maintain a market for the Company's securities, and (iii) otherwise qualifies as a consultant under the applicable rules of the Commission for registration of securities on Form S-8 under the Securities Act of 1933, as amended, and any successor thereto.

"Conversion Awards" has the meaning set forth in Section 3(c)(iii).

"Disability" means any illness or other physical or mental condition of a Participant that renders the Participant incapable of performing his usual and customary duties for the Company, or any medically determinable illness or other physical or mental condition resulting from a bodily injury, disease or mental disorder which, in the judgment of the Committee, is permanent and likely to be continuous in nature. The Committee may require such medical or other evidence as it deems necessary to determine the nature and permanency of the Participant's condition. Notwithstanding the standard described in the preceding two

sentences, Disability shall mean “permanent and total disability” as defined in Section 22(e)(3) of the Code when used with respect to an Incentive Stock Option and, if and to the extent required to avoid adverse taxation under Section 409A of the Code, “disability” within the meaning of Section 409A of the Code.

“*Disaffiliation*” means a Subsidiary’s ceasing to be a Subsidiary for any reason (including, without limitation, as a result of a public offering, or a spinoff or sale by the Company, of the stock of the Subsidiary) or a sale of a division of the Company and its Subsidiary.

“*Eligible Individual*” means an individual who is either a director, officer or employee of the Company or any of its Subsidiaries, or a Consultant, and shall specifically include any individual who has accepted an offer of employment from the Company or any one of its Subsidiaries.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

“*Fair Market Value*” means, unless otherwise specified by the Committee in an Award Agreement, the closing price of a share of Common Stock on the Applicable Exchange on the date of measurement, or if Shares were not traded on the Applicable Exchange on such measurement date, then on the next preceding date on which Shares were traded. If the Common Stock is not listed on a national securities exchange, Fair Market Value shall be determined by application of a reasonable valuation method by the Committee. Without limiting the generality of the preceding two sentences, where necessary to ensure that a given Award is exempt from and not subject to the provisions of Section 409A of the Code, “Fair Market Value” shall be determined in a manner consistent with the definition of “fair market value” found in Section 409A of the Code and related regulations; and where necessary to ensure that a given Award consisting in whole or in part of Incentive Stock Options satisfies the criteria for granting such Options, “Fair Market Value” shall be determined in a manner consistent with the definition of “fair market value” found in Sections 422 and 424 of the Code and related regulations.

“*Grant Date*” means the date on which the Board or Committee, or the Committee’s delegate as permitted hereby, adopts a resolution, or takes other appropriate and definitive action, expressly granting a given Award to a Participant that specifies the key terms and conditions of such Award or, if a later date is set forth in such resolution, then such date as is set forth in such resolution.

“*Incentive Stock Option*” means any Option that is designated in the applicable Award Agreement as an “incentive stock option” within the meaning of Section 422 of the Code.

“*Nonqualified Option*” means any Option that is not an Incentive Stock Option.

“*Option*” means an Award granted under Section 5.

“*Other Stock-Based Award*” means any Award that is valued in whole or in part by reference to, or is otherwise based upon, Common Stock or the price thereof (including, subject to the limitations set forth in Section 7, grants of unrestricted Common Stock), and that is granted under Section 7.

“*Outside Director*” means an individual who is a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act, an “outside director” with the meaning of Section 162(m) of the Code, and an “independent director” or the like under the Applicable Exchange’s rules (or, in each case, any successor terms or definitions).

“*Participant*” means an Eligible Individual to whom an Award is or has been granted, but only while such Award remains in effect and has not expired, lapsed or otherwise been terminated; where the context requires, “Participant” shall be deemed to include such Eligible Individual’s guardian, legal representative or permissible transferee.

“*Performance Goals*” means any performance goals established by the Committee in connection with the grant of Restricted Stock, RSUs, Other Stock-Based Awards or cash-based Qualified Performance-Based Awards. In the case of Qualified Performance-Based Awards, Performance Goals shall be based on the attainment of specified levels of one or more of the following measures: overall sales growth; market share; return on net assets; economic value added; shareholder value added; expense ratio; revenues; revenue growth; earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization); earnings per share; operating income; pre- or after-tax income; net income; cash flow (before or after dividends); cash flow per share (before or after dividends); gross margin; operating margin or profit margin; pre- or after-tax return on equity; pre- or after-

tax return on capital (including return on total capital or return on invested capital); cash flow return on investment; return on assets or operating assets; stock price appreciation; total shareholder return (measured in terms of stock price appreciation and dividend growth); cost control; gross profit; operating profit; cash generation; stock price; and core non-interest income, or change in working capital with respect to the Company or any one or more Subsidiaries, divisions, business units or business segments of the Company either in absolute terms or relative to the performance of one or more other companies or an index covering multiple companies. The actual Performance Goals used to determine Qualified Performance-Based Awards shall be established by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations.

“*Plan*” means this Preformed Line Products Company 2016 Incentive Plan, as set forth herein and as may be amended from time to time hereafter.

“*Qualified Performance-Based Award*” means an Award intended to qualify for the Section 162(m) Exemption, as defined herein and as provided in Section 9.

“*Restricted Stock*” means an Award of restricted Shares granted under Section 6.

“*Retirement*” means the Participant’s Termination of Employment, under circumstances that the Committee determines, in its sole discretion, are consistent with a retirement, after the earlier of: (i) attainment of age 65; or (ii) attainment of age 50 with at least 15 years of continuous service as an employee of the Company or any one or more Subsidiaries.

“*RSU*” means an Award granted under Section 6 that is an unsecured and unfunded promise to deliver a Share in the future subject to the terms and conditions specified in the Award Agreement.

“*Section 162(m) Exemption*” means the performance-based compensation exemption from the limitation on deductibility imposed by Section 162(m) of the Code described in Section 162(m)(4)(C) of the Code and related regulations.

“*Share*” means a share of Common Stock.

“*Stock Appreciation Right*” has the meaning set forth in Section 7.

“*Subsidiary*” means any corporation, partnership, joint venture, limited liability company or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company; provided, however, that where “*Subsidiary*” is used with respect to Incentive Stock Options, the term shall be limited to a subsidiary corporation within the meaning of Section 424(f) of the Code.

“*Term*” means the maximum period during which an Option may remain outstanding, subject to earlier termination upon Termination of Employment or otherwise, as specified in the applicable Award Agreement.

“*Termination of Employment*” means the termination of the applicable Participant’s employment with, or performance of services for, the Company and its Subsidiaries. Unless otherwise determined by the Committee, (i) if a Participant’s employment with the Company terminates but such Participant continues to provide material services to the Company or one or more of its Subsidiaries in a non-employee capacity, such change in status shall not be deemed a Termination of Employment and (ii) a Participant employed by, or performing services for, a Subsidiary or a division of the Company shall be deemed to incur a Termination of Employment if, as a result of a Disaffiliation, such Subsidiary or division ceases to be a Subsidiary or division, as the case may be, and such Participant does not immediately thereafter become an employee of, or service provider for, the Company or another Subsidiary. Temporary, short-term absences from the workplace because of illness or vacation, leaves of absence which are approved by the Committee and transfers among the Company and its Subsidiaries shall not be considered Terminations of Employment.

SECTION 2. Administration

(a) *Committee*. The Plan shall be administered by the Compensation Committee of the Board, or such other committee of the Board as the Board may from time to time designate (the “*Committee*”); the Committee in any event shall be composed of not fewer than two Outside Directors, and shall be appointed by and serve at the pleasure of the Board. The Committee shall, subject to Section 9, have plenary authority to grant Awards pursuant to the terms of the Plan to Eligible Individuals. Among other things, the Committee shall have the discretionary authority:

- (i) to select the Eligible Individuals to whom Awards may from time to time be granted;
- (ii) to determine whether and to what extent Incentive Stock Options, Nonqualified Options, Restricted Stock, RSUs, Other Stock-Based Awards and cash-based Qualified Performance-Based Awards, or any combination thereof, are to be granted hereunder;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to determine the terms and conditions of each Award granted hereunder, based on such factors as the Committee shall determine;
- (v) subject to Section 10, to modify, amend or adjust the terms and conditions of any Award;
- (vi) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;
- (vii) to interpret the terms and provisions of the Plan, Awards and any related documents;
- (viii) to accelerate the vesting or lapse of restrictions of any outstanding Award, based in each case on such considerations as the Committee in its sole discretion determines;
- (ix) to decide all other matters that must be determined in connection with an Award; and
- (x) to otherwise administer the Plan.

(b) *Procedures.*

(i) The Committee may act only by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Applicable Exchange, and subject to Section 9(c) and (d), allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it.

(ii) Subject to Section 9(c), any authority granted to the Committee not required to be exercised exclusively by the Committee may also be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

(c) *Discretion of Committee.* Any determination made by the Committee, or by an appropriately designated member or officer pursuant to delegated authority under the provisions of the Plan, with respect to any Award shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately designated member or officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company, Participants, and Eligible Individuals.

(d) *Award Agreements.* The terms and conditions of each Award, as determined by the Committee, shall be set forth in a written (or electronic) Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. Notwithstanding the foregoing, a cash-based Qualified Performance-Based Award granted pursuant to Section 9 that otherwise complies with this Plan may be granted without an Award Agreement.

SECTION 3. Common Stock Subject to Plan

(a) *Plan Maximums.* The maximum number of Shares subject to Awards of any type under the Plan shall be 1,000,000. The maximum number of Shares subject to Incentive Stock Options shall be 100,000 Shares. Shares subject to an Award under the Plan may be treasury or authorized and unissued Shares. If any Awards or portions thereof are settled, cancelled, forfeited or expire without the issuance of Shares, the Shares underlying such Awards or portions thereof, to the extent of such settlement, cancellation, forfeiture or expiration, shall not counted against the foregoing limits and shall be again available for issuance under the Plan; *provided, however*, that for the foregoing purposes, Shares tendered to, or withheld by, the Company in payment of the exercise price of an Option or in satisfaction of tax withholding obligations in connection with any type of Award shall be considered to have been issued and thus not available for future issuance under the Plan. Conversion Awards shall not count against the foregoing limits, provided that the settlement, cancellation, forfeiture or expiration of any Conversion Awards without the issuance of Shares shall not result in the underlying Shares becoming available for grant under the Plan.

(b) *Individual Limits.* No Participant may be granted Options (whether Incentive Stock Options or Nonqualified Options) or Stock Appreciation Rights covering in excess of 75,000 Shares in the aggregate during any calendar year or other 12-month period, and no Participant may be granted Awards of Restricted Stock, RSUs or Other Stock-Based Awards that are not Stock Appreciation Rights covering in excess of 75,000 Shares in the aggregate during any calendar year or other 12-month period, regardless in each case of whether such Awards are thereafter canceled, forfeited or terminated. In addition, no Participant may be granted a cash-based Qualified Performance-Based Award under which more than \$2,000,000 may be earned for any calendar year or other 12-month period.

(c) *Corporate Transactions; Capitalization Changes; Conversion Awards.*

(i) In the event of a merger, consolidation, acquisition of property or shares, stock rights offering, liquidation, separation, spinoff, Disaffiliation or similar event affecting the Company or any of its Subsidiaries (each, a "Corporate Transaction"), regardless of whether or not such Corporate Transaction constitutes a Change in Control, the Committee or the Board may in its discretion make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under the Plan, (B) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of Shares or other securities subject to outstanding Awards; and (D) the exercise price of outstanding Awards. In the case of any Corporate Transaction, such adjustments may include, without limitation, (A) the cancellation of outstanding Awards in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value, if any, of such Awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which shareholders of Common Stock receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of an Option shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Option shall conclusively be deemed valid and, if there is no excess, such Options may be cancelled without consideration); (B) the substitution of other property (including, without limitation, cash or other securities of the Company or securities of entities other than the Company) for the Shares subject to outstanding Awards; and (C) in connection with any Disaffiliation, arranging for the assumption of Awards, or replacement of Awards with new awards based on other property or other securities (including, without limitation, other securities of the Company and securities of entities other than the Company), by the affected Subsidiary or division or by the entity that controls such Subsidiary or division following such Disaffiliation (as well as any corresponding adjustments to Awards that remain based upon Company securities).

(ii) In the event of a stock dividend, stock split, reverse stock split, reorganization, share combination, recapitalization, extraordinary dividend of cash or other property, or similar event affecting the capital structure of the Company, the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable to (A) the aggregate number and kind of Shares or other securities reserved for issuance and delivery under the Plan, (B) the various maximum limitations set forth in Sections 3(a) and 3(b) upon certain types of Awards and upon the grants to individuals of certain types of Awards, (C) the number and kind of Shares or other securities subject to outstanding Awards; and (D) the exercise price of outstanding Awards.

(iii) In the event the Company acquires any entity or business, the Committee may grant conversion or substitution awards under the Plan to holders of awards granted under the acquired entity or business's equity compensation plan to the extent permitted under the listing standards of any Applicable Exchange ("Conversion Awards").

(d) *Section 409A.* Notwithstanding anything in this Plan to the contrary, any substitutions or adjustments made pursuant to Section 3(c) shall be made: (i) in compliance with, or in a manner consistent with exemption from, Section 409A of the Code; and (ii) with respect to Options, in a manner consistent with the relevant rules under Section 424 of the Code.

SECTION 4. Eligibility

Awards may be granted under the Plan to Eligible Individuals; *provided, however,* that Incentive Stock Options may be granted only to employees of the Company or its Subsidiaries.

SECTION 5. Options

(a) *Types of Options.* Options may be of two types: Incentive Stock Options and Nonqualified Options. The Award Agreement for an Option shall indicate if an Option is intended to be an Incentive Stock Option.

(b) *Exercise Price.* The exercise price per Share subject to an Option shall be determined by the Committee and set forth in the applicable Award Agreement, and shall not be less than the Fair Market Value of a Share on the applicable Grant Date (other than in the case of a Conversion Award). In no event may any Option granted under this Plan be amended, other than pursuant to Section 3(c) and (d), to decrease the exercise price thereof, be cancelled in conjunction with the grant of any new Option with a lower exercise price, or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such Option, unless such amendment, cancellation, or action is approved by the Company's shareholders.

(c) *Term.* The Term of each Option shall be fixed by the Committee, but shall not exceed ten (10) years from the applicable Grant Date.

(d) *Vesting and Exercisability.* Except as otherwise provided herein, Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee, provided that in no event shall the vesting schedule of an Option provide that such Option shall fully vest prior to the first anniversary of the applicable Grant Date (other than, to the extent provided in the Award Agreement, in the case of death, Disability, Retirement or Change in Control).

(e) *Method of Exercise.* Subject to the provisions of this Section 5, Options may be exercised, in whole or in part, at any time during the applicable Term when the Options are vested and exercisable, by giving written notice of exercise to the Company, specifying the number of Shares as to which the Option is being exercised, and complying with such other procedures as the Committee may establish. Such notice shall be accompanied by payment in full of the purchase price (which shall equal the product of such number of Shares multiplied by the applicable exercise price) by certified or bank check or such other instrument or method as the Company may accept. If approved by the Committee, payment of the exercise price, in full or in part, may also be made as follows:

(i) Payment may be made in the form of previously acquired unrestricted Shares that have been held for longer than six (6) months (by delivery of such Shares or by attestation, with their value based on the Fair Market Value of the Common Stock on the date the Option is exercised).

(ii) Payment may be made pursuant a broker-assisted sale and remittance program acceptable to the Committee and in compliance with applicable law.

(iii) Payment may be made by instructing the Company to withhold a number of shares of Common Stock having a Fair Market Value (based on the Fair Market Value of the Common Stock on the date the Option is exercised) equal to: (A) the exercise price, multiplied by (B) the number of Shares in respect of which the Option shall have been exercised.

(f) *Delivery.* No Shares shall be delivered pursuant to the exercise of an Option until the exercise price therefor has been fully paid and applicable taxes have been withheld, to the extent necessary.

(g) *Nontransferability of Options.* No Option shall be transferable by a Participant other than, for no value or consideration, (i) by will or by the laws of descent and distribution, or (ii) in the case of a

Nonqualified Option, if and to the extent expressly permitted by the Committee, pursuant to a transfer to such Participant's "family member" as defined in General Instructions A.1(a)(5) to Form S-8 under the Securities Act of 1933, as amended, and any successor thereto. Subject to the terms of the Plan, any Option shall be exercisable only by the applicable Participant or his or her guardian or legal representative, or any person to whom such Option is permissibly transferred pursuant to this Section 5(g);

(h) *Termination of Employment.* A Participant's unvested Options shall be forfeited in their entirety upon his or her Termination of Employment, unless accelerated in connection with such Termination of Employment as provided in the Award Agreement or as determined by the Committee. With respect to vested Options:

(i) Upon a Participant's Termination of Employment for any reason other than death, Disability or Retirement or for Cause, any Option held by the Participant that was vested and exercisable immediately before the Termination of Employment shall be exercisable until the earlier of (A) the 90th day following such Termination of Employment, or (B) the last day of the Term thereof;

(ii) Upon a Participant's death, any Option held by the Participant that was vested and exercisable immediately prior to such Participant's death shall be exercisable until the earlier of (A) the first anniversary of the date of death, or (B) the last day of the Term thereof;

(iii) Upon a Participant's Termination of Employment by reason of Disability, any Option held by the Participant that was vested and exercisable immediately before the Termination of Employment shall be exercisable until the earlier of (A) the first anniversary of such date of Disability, or (B) the last day of the Term thereof;

(iv) Upon a Participant's Termination of Employment due to Retirement, any Incentive Stock Option held by the Participant that was vested and exercisable immediately before the Termination of Employment shall be exercisable until the earlier of (A) the 90th day following such Termination of Employment and (B) the last day of the Term thereof, and any Nonqualified Option held by such Participant that was vested and exercisable immediately before the Termination of Employment shall be exercisable until the earlier of (A) the fifth anniversary of such Termination of Employment, or (B) the last day of the Term thereof; and

(v) Upon a Participant's Termination of Employment for Cause, any Options held by the Participant at the time of Termination of Employment, whether vested or not, shall be forfeited in their entirety.

Notwithstanding the foregoing, the Committee shall have the power, in its discretion, to establish different rules concerning the consequences of a Termination of Employment in an applicable Award Agreement.

(i) *Special Rules for Incentive Stock Options.* Notwithstanding anything in this Plan to the contrary, Incentive Stock Options shall be subject to the following additional rules and restrictions:

(i) No Participant may be granted an Incentive Stock Option if, at the time of the Award, he or she owns (after application of the rules in Section 424(d) of the Code) equity securities possessing more than 10% of the total combined voting power of all classes of equity securities of the Company or any Subsidiary unless: (A) the exercise price is at least 110% of the Fair Market Value of the underlying Shares as of the Grant Date; and (B) the Incentive Stock Option is not exercisable on or after the fifth anniversary of the Grant Date.

(ii) The aggregate Fair Market Value (determined with respect to each Incentive Stock Option at the time such Option is granted) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a grantee during any calendar year (under this Plan or any other plan adopted by the Company or any Subsidiary) shall not exceed \$100,000. If such aggregate Fair Market Value exceeds \$250,000, such number of Incentive Stock Options with an aggregate Fair Market Value equal to the amount in excess of \$100,000 shall be treated as Nonqualified Options.

(iii) Incentive Stock Options may only be granted to employees of the Company or a Subsidiary. A Termination of Employment shall not occur unless and until an employee ceases employment with the Company and all Subsidiaries.

(iv) The foregoing provisions are designed to comply with the requirements of Section 422 of the Code and shall be automatically amended or modified to comply with amendments or modifications to Section 422 or any successor provisions. Any Incentive Stock Option which fails to comply with Section 422

of the Code is automatically treated as a Nonqualified Option appropriately granted under this Plan, provided that it otherwise meets the Plan's requirements for Nonqualified Options.

(v) No Incentive Stock Option shall be granted on or after the tenth (10th) anniversary of the date this Plan was adopted by the Board.

SECTION 6. Restricted Stock and RSUs

(a) *Nature of Awards.* Shares of Restricted Stock are actual Shares issued to a Participant, subject to stated restrictions on transferability and subject to forfeiture, and shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any book-entry registration or certificate issued in respect of Restricted Stock shall be registered in the name of the applicable Participant and shall bear an appropriate legend or restriction referring to the terms, conditions, and restrictions applicable to such Award, in such form as the Committee may prescribe. The Committee may require that certificates evidencing such Shares be held in escrow by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the applicable Participant shall have delivered one or more stock powers, endorsed in blank and in such form as the Committee may prescribe, relating to the Common Stock covered by such Award. RSUs are not actual Shares issued to a Participant, but are unsecured and unfunded promises to deliver a Share (or cash or its equivalent in value) in the future, subject to the terms and conditions specified in the Award Agreement, and shall be evidenced by the Award Agreement and in such other manner as the Committee may deem appropriate.

(b) *Terms and Conditions.* Shares of Restricted Stock and RSUs shall be subject to the following terms and conditions:

(i) The Committee shall, prior to or at the time of grant, condition the vesting of an Award of Restricted Stock or RSUs upon: (A) the continued service of the applicable Participant for a prescribed period or periods, (B) attainment of Performance Goals or (C) both. If the Committee conditions the vesting of an Award of Restricted Stock or RSUs upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, an Award of Restricted Stock or RSUs may be a Qualified Performance-Based Award in accordance with Section 9 hereof.

(ii) Subject to the provisions of the Plan and the applicable Award Agreement, during the period vesting restrictions apply (the "Restriction Period"), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Restricted Stock or RSUs (and any purported sale, assignment, transfer, pledge or encumbrance shall be null and void). In no event shall the vesting schedule of a Restricted Stock or RSU Award provide that such Award fully vest prior to the first anniversary of the applicable Grant Date (other than, to the extent provided in the Award Agreement, in the case of death, Disability, Retirement or Change in Control); *provided* that an Award may vest incrementally throughout a Restriction Period that lasts at least one year.

(iii) Except as provided in this Section 6 and the applicable Award Agreement, and except to the extent necessary to maintain a Section 162(m) Exemption, the applicable Participant shall have, with respect to Restricted Stock (but not RSUs), all of the rights of a shareholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the Shares. Unless otherwise determined by the Committee in the applicable Award Agreement or otherwise to avoid adverse taxation under Section 409A of the Code, and subject to Section 12(e), (A) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock or RSU Award shall be reinvested in additional Restricted Stock or credited as additional RSUs, as applicable, and held subject to the same vesting requirements applicable to the underlying Restricted Stock or RSUs, as applicable, and (B) subject to any adjustment pursuant to Section 3(c), dividends payable in Common Stock shall be paid in the form of Restricted Stock or RSUs, as applicable, of the same class as the Common Stock with which such dividend was paid and held subject to the same vesting requirements applicable to the underlying Restricted Stock or RSUs, as applicable.

(iv) If and when all applicable Performance Goals have been satisfied and the Restriction Period has expired without a prior forfeiture of the Shares of Restricted Stock, unlegended certificates (*i.e.*, bearing only those legends which may appear on Common Stock certificates generally) or unrestricted book-entry registrations for such Shares shall be issued to Participant. Subject to Section 12(a), RSUs will be settled by issuance of Shares as soon as practicable following the time if and when all applicable Performance

Goals have been satisfied and the Restriction Period has expired without prior forfeiture.

SECTION 7. Other Stock-Based Awards

Other Stock-Based Awards may be granted under the Plan on such terms and conditions as the Committee may determine and may be settled in Shares, property or cash, or a combination thereof, as determined by the Committee. Any Other Stock-Based Awards that constitute Awards of unrestricted Common Stock shall only be granted (a) in lieu of other compensation which has become due and payable to the Participant in the then-current fiscal year of the Company or (b) otherwise in an amount not to exceed five percent 7.5% of the total Shares authorized pursuant to the Plan. With respect to Other Stock-Based Awards that are not Awards of unrestricted Common Stock, the Committee shall, prior to or at the time of grant, condition the vesting of an Other Stock-Based Award upon: (a) the continued service of the applicable Participant for a prescribed period or periods, (b) attainment of Performance Goals or (c) both. If the Committee conditions the vesting of an Other Stock-Based Award upon the attainment of Performance Goals or the attainment of Performance Goals and the continued service of the applicable Participant, an Other Stock-Based Award may be a Qualified Performance-Based Award in accordance with Section 9 hereof. If the Committee grants any Other Stock-Based Award that constitutes a stock appreciation right or similar award the value of which is determined based on the increase, if any, in the Company's Share price over the term of the Award ("Stock Appreciation Right"), then such Stock Appreciation Right shall have a grant price that is not less than the Fair Market Value of a Share on the applicable Grant Date (other than in the case of a Conversion Award) and shall have a term not exceeding ten (10) years. Other than with respect to an Other Stock-Based Award that is an Award of unrestricted Common Stock as permitted by this paragraph, in no event shall the vesting schedule provide that an Other Stock-Based Award fully vest prior to the first anniversary of the applicable Grant Date (other than, to the extent provided in the Award Agreement, in the case of death, Disability, Retirement or Change in Control).

SECTION 8. Change in Control Provisions

(a) *Impact of Event.* In the event of a Change in Control (as defined below), except to the extent the Committee specifically provides otherwise in an Award Agreement or, in its discretion as provided in Section 3(c), grants or authorizes a substitute award, immediately upon the occurrence of a Change in Control:

(i) any Options outstanding which are not then exercisable and vested shall become fully exercisable and vested;

(ii) any Restricted Stock, RSUs and Other Stock-Based Awards that are subject only to service-based vesting conditions shall become fully vested.

The treatment upon the occurrence of a Change in Control of any Award subject to performance-based vesting conditions, whether alone or together with service-based conditions, shall be as provided in the applicable Award Agreement or, if not so provided, determined by the Committee in its discretion.

The Committee may also make additional adjustments and/or settlements of outstanding Awards as it deems appropriate, provided that such adjustments and settlements are consistent with the Plan's purposes and do not result in adverse taxation under Section 409A of the Code and related regulations.

(b) *Definition of Change in Control.* For purposes of the Plan, a "Change in Control" shall mean any of the following events:

(i) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director and whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; *provided, however,* that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest (as described in Rule 14a-11 under the Exchange Act) ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any "person" (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director;

(ii) any person becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of the Board (the “Company Voting Securities”); *provided, however*, that the event described in this paragraph (ii) shall not be deemed to be a Change in Control of the Company by virtue of any of the following acquisitions: (A) by the Company or any subsidiary, (B) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary, (C) by an underwriter temporarily holding securities pursuant to an offering of such securities, (D) pursuant to a Non-Qualifying Transaction (as defined in paragraph (iii)), (E) by a transfer from a family member or from a trust for the benefit of a family member; (F) a transaction (other than one described in (iii) below) in which Company Voting Securities are acquired from the Company, if a majority of the Incumbent Directors approve a resolution providing expressly that the acquisition pursuant to this clause (F) does not constitute a Change in Control of the Company under this paragraph (ii); or (G) resulting, directly or indirectly, from the sale or sales by members of the family of Barbara P. Ruhlman, including, but not limited to, the lineal descendants of Thomas F. Peterson and their spouses and trusts for the benefit of any of the foregoing, with the prior consent of the Board;

(iii) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of the Company’s shareholders, whether for such transaction or the issuance of securities in the transaction (a “Reorganization”), or sale or other disposition of all or substantially all of the Company’s assets to an entity that is not an affiliate of the Company (a “Sale”), unless immediately following such Reorganization or Sale: (A) more than 50% of the total voting power of (x) the corporation resulting from such Reorganization or the corporation which has acquired all or substantially all of the assets of the Company (in either case, the “Surviving Corporation”), or (y) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the “Parent Corporation”), is represented by the Company Voting Securities that were outstanding immediately prior to such Reorganization or Sale (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Reorganization or Sale), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Reorganization or Sale, (B) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 20% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Reorganization or Sale were Incumbent Directors at the time of the Board’s approval of the execution of the initial agreement providing for such Reorganization or Sale (any Reorganization or Sale which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a “Non-Qualifying Transaction”); or

(iv) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to occur solely because any person acquires beneficial ownership of more than 20% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; *provided*, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

(c) Notwithstanding the foregoing, if any Award is subject to Section 409A of the Code, as determined by the Committee in its sole discretion, this Section 8 shall be applicable only in a manner and to the extent the Committee determines that its application would not trigger adverse tax consequences under Section 409A of the Code and related regulations.

SECTION 9. Qualified Performance-Based Awards; Section 16(b); Section 409A

(a) The Committee may grant Qualified Performance-Based Awards, based upon a determination that (i) the recipient is or may be, or may become, a “covered employee” (within the meaning of

Section 162(m)(3) of the Code) with respect to such Award, and (ii) the Committee intends such Award to qualify for the Section 162(m) Exemption; and the terms and administration of any such Award (and of the grant thereof) shall be consistent with such exemption. In addition to Restricted Stock Awards, RSUs and Other Stock-Based Awards that may be Qualified Performance-Based Awards as provided herein, the Committee may also grant cash-based Qualified Performance-Based Awards that may be earned, in whole or in part, based on the achievement of Performance Goals. Cash-based Qualified Performance-Based Awards shall have terms and conditions not inconsistent herewith as the Committee may determine. The provisions of this Plan are intended to ensure that all Awards, granted hereunder to any Participant who is or may be, or may become, a “covered employee” (within the meaning of Section 162(m)(3) of the Code) in the tax year in which such Award otherwise is expected to be deductible to the Company, qualify for the Section 162(m) Exemption, and all such Awards shall therefore be considered Qualified Performance-Based Awards. This Plan shall be interpreted and operated consistent with that intention (including, without limitation, the requirement that all such Awards be granted by a committee composed solely of Outside Directors). By the earliest of: (A) 90 days after the commencement of a Performance Period, (B) the expiration of 25% of such Performance Period, and (C) the time that the outcome is no longer substantially uncertain, the Committee will establish the Performance Goals for such Performance Period.

(b) Each Qualified Performance-Based Award shall be earned, vested and/or payable (as applicable) upon the achievement of one or more Performance Goals, together with the satisfaction of any other conditions, such as continued employment, that the Committee may impose. To the extent the Committee determines it is consistent with any applicable Qualified Performance-Based Award status, if a Participant experiences a Termination of Employment by reason of his or her death, Disability or Retirement, the Committee in its discretion may determine, notwithstanding any vesting requirements or restrictions hereunder, that such Participant (or the heir, legatee or legal representative of such Participant’s estate) will receive a distribution of a portion of such Participant’s then-outstanding Awards in an amount which is not more than an amount which would have been earned by such Participant if 100% of the Performance Goals for the current Performance Period had been achieved prorated based on the ratio of the number of months of active employment in the Performance Period to the total number of months in the Performance Period. However, with respect to Qualified Performance-Based Awards, distribution shall not be made prior to attainment of the relevant Performance Goals. The Committee shall adjust the Performance Goals applicable to any Awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations, and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in the Company’s financial statements, notes to the financial statements, management’s discussion and analysis or consistent with exemption from, the Company’s SEC filings, *provided* that in the case of Performance Goals applicable to any Qualified Performance-Based Awards, such adjustment shall not be inconsistent with favorable tax treatment under Section 162(m) of the Code.

(c) The full Board shall not be permitted to exercise authority granted to the Committee to the extent that exercise of such authority would cause a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption.

(d) The provisions of this Plan are intended to ensure that no transaction under the Plan be subject to (as opposed to being exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act (“Section 16(b)"). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3 promulgated under the Exchange Act) from Section 16(b), and no delegation of authority by the Committee shall be permitted if such delegation would cause any such transaction to be subject to Section 16(b).

(e) It is the intention of the Company that no Award shall be “nonqualified deferred compensation” subject to Section 409A of the Code, and the Plan and all Award Agreements shall be interpreted and administered accordingly.

SECTION 10. Term, Amendment and Termination

(a) *Effectiveness.* The Plan was approved by the Board on March 2, 2016, subject to and contingent upon approval by the shareholders of the Company. The Plan will become effective as of the date of such approval by the Company’s shareholders (the “Effective Date”). Following the Effective Date, no further awards will be made pursuant to the Company’s Amended and Restated Long-Term Incentive Plan of 2008.

(b) *Termination.* The Plan will terminate on the date immediately preceding the tenth anniversary of the Effective Date. Awards outstanding as of such date shall not be affected or impaired by the termination of the Plan.

(c) *Amendment of Plan.* The Board or the Committee may amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially and adversely affect the rights of a Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable rules of law or to avoid adverse taxation, including without limitation Section 409A of the Code, stock exchange rules or accounting rules. In addition, no amendment shall be made without the approval of the Company's shareholders (a) to the extent such approval is required by applicable law or the listing standards of the Applicable Exchange, (b) to the extent such amendment would materially increase the benefits accruing to Participants under the Plan, (c) to the extent such amendment would increase the number of Shares which may be subject to Awards under the Plan, other than as permitted by Section 3(c), or (d) to the extent such amendment would materially modify the requirements for participation in the Plan.

(d) *Amendment of Awards.* Subject to Section 5(b) and the requirements of applicable law, the Committee may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall, without such Participant's consent, materially and adversely affect the rights of such Participant with respect to such Award, except such an amendment made to cause the Plan or Award to comply with or avoid penalties under applicable law, stock exchange rules or accounting rules.

SECTION 11. Unfunded Status of Plan

It is intended that the Plan constitute an "unfunded" plan under the Code. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; *provided, however*, that the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan. Notwithstanding the foregoing, no trust or other funding which shall be transferred or located outside of the United States if the assets would be treated as property transferred in connection with the performance of services for purposes of Section 83 of the Code.

SECTION 12. General Provisions

(a) *Conditions for Issuance.* The Committee may require each person purchasing or receiving Shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the Shares without a view to the distribution thereof. The certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. Notwithstanding any other provision of the Plan or Award Agreements made pursuant thereto, the Company shall not be required to issue any Shares or deliver any certificate or certificates for Shares under the Plan prior to fulfillment of all of the following conditions: (i) listing, or approval for listing upon notice of issuance, of such Shares on the Applicable Exchange; (ii) any registration or other qualification of such Shares by the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion with the benefit of the advice of counsel, deem necessary or advisable; and (iii) obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion with the benefit of the advice of counsel, determine to be necessary or advisable.

(b) *Additional Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Subsidiary from adopting other or additional compensation arrangements for its employees, officers, directors or consultants.

(c) *No Contract of Employment.* The Plan shall not constitute a contract of employment, and adoption of the Plan shall not confer upon any employee any right to continued employment or service, nor shall it interfere in any way with the right of the Company or any Subsidiary to terminate the employment of any employee or the services to be provided by any independent contractor at any time.

(d) *No Shareholder Rights.* Except as otherwise provided in the Plan or an Award Agreement, no Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Shares subject to such Award unless and until such Shares are issued to the Participant.

(e) *Required Taxes.* No later than the date as of which an amount first becomes includible in the gross

income of a Participant for federal, state, local or foreign income or employment or other tax purposes with respect to any Award under the Plan, such Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise provided in an Award Agreement or by the Committee, withholding obligations may be satisfied by the withholding or surrender of Shares that are part of the Award that gives rise to the withholding obligation having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(f) *Designation of Death Beneficiary.* The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom, or to which, any amounts payable in the event of such Participant's death are to be paid or by whom any rights of such Participant after his or her death, may be exercised.

(g) *Subsidiary Employees.* In the case of a grant of an Award to any employee of a Subsidiary, the Company may, if the Committee so directs, enlist the assistance of such Subsidiary with the administration of such Award pursuant to the provisions of the Plan.

(h) *Governing Law and Interpretation.* The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with federal law and the laws of the State of Ohio, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.

(i) *Non-Transferability.* Except as otherwise provided in Section 5(g) or by the Committee, Awards under the Plan are not transferable except by will or by laws of descent and distribution.

(j) *Foreign Employees and Foreign Law Considerations.* Notwithstanding anything in this Plan to the contrary, the Committee may grant Awards to Eligible Individuals who are foreign nationals, who are located outside the United States or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause the Company to be subject to) legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan, and, in furtherance of such purposes, the Committee may make such modifications, amendments, procedures, or subplans as may be necessary or advisable to comply with such legal or regulatory provisions.

(k) *Forfeiture; Recoupment.* The Committee hereby reserves the right to repayment or recovery of any Award, including any Shares subject to or issued under any Award or the value received pursuant to any Award, as appropriate, notwithstanding any contrary provision of the Plan, in accordance with any recovery, recoupment, clawback and/or other forfeiture policy maintained by the Company from time to time or as required by any applicable law or regulation or the standards of any Applicable Exchange. The Committee may also specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a termination of the Participant's employment for Cause or other conduct by the Participant that is materially detrimental to the business or reputation of the Company

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert G. Ruhlman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Preformed Line Products Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2016

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

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric R. Graef, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Preformed Line Products Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2016

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

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert G. Ruhlman, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Quarterly Report on Form 10-Q of Preformed Line Products Company for the period ended June 30, 2016 which this certification accompanies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Preformed Line Products Company.

August 5, 2016

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

A signed original of this written statement required by Section 906 has been provided to Preformed Line Products Company and will be retained by Preformed Line Products Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric R. Graef, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Quarterly Report on Form 10-Q of Preformed Line Products Company for the period ended June 30, 2016 which this certification accompanies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Preformed Line Products Company.

August 5, 2016

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

A signed original of this written statement required by Section 906 has been provided to Preformed Line Products Company and will be retained by Preformed Line Products Company and furnished to the Securities and Exchange Commission or its staff upon request.