

**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, 2004
31164

Commission file number 0-

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 to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of common shares outstanding as of August 13, 2004: 5,716,933.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**PREFORMED LINE PRODUCTS COMPANY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

| <i>Thousands of dollars, except share data</i> | June 30, 2004 | December 31, 2003 |
|---|-------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 23,493 | \$ 28,209 |
| Accounts receivable, less allowance of \$2,373 (\$2,463 in 2003) | 30,819 | 24,225 |
| Inventories - net | 30,763 | 31,113 |
| Deferred income taxes | 3,086 | 3,740 |
| Prepays and other | 2,874 | 1,692 |
| TOTAL CURRENT ASSETS | 91,035 | 88,979 |
| Property and equipment - net | 45,679 | 47,888 |
| Investments in foreign joint venture | 3,387 | 2,826 |
| Deferred income taxes | 335 | 434 |
| Goodwill - net | 2,029 | 1,929 |
| Patents and other intangibles - net | 3,434 | 3,624 |
| Other | 2,439 | 3,290 |
| TOTAL ASSETS | \$ 148,338 | \$ 148,970 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Notes payable to banks | \$ 1,017 | \$ 1,019 |
| Current portion of long-term debt | 1,628 | 1,884 |
| Trade accounts payable | 10,568 | 7,648 |
| Accrued compensation and amounts withheld from employees | 4,646 | 3,749 |
| Accrued expenses and other liabilities | 4,032 | 4,356 |
| Accrued profit-sharing and pension contributions | 2,994 | 3,850 |
| Dividends payable | 1,143 | 1,163 |
| Income taxes | 1,248 | 1,650 |
| TOTAL CURRENT LIABILITIES | 27,276 | 25,319 |
| Long-term debt, less current portion | 2,087 | 2,515 |
| Deferred income taxes - long-term | 130 | 97 |
| Minimum pension liability | - | 309 |
| SHAREHOLDERS' EQUITY | | |
| Common shares - \$2 par value, 15,000,000 shares authorized, 5,716,933 and 5,814,269 outstanding, net of 477,404 and 377,404 treasury shares at par | 11,434 | 11,629 |
| Paid in capital | 503 | 472 |
| Retained earnings | 122,089 | 123,022 |
| Accumulated other comprehensive loss | (15,181) | (14,393) |
| TOTAL SHAREHOLDERS' EQUITY | 118,845 | 120,730 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 148,338 | \$ 148,970 |

See notes to consolidated financial statements.

**PREFORMED LINE PRODUCTS COMPANY
STATEMENTS OF CONSOLIDATED INCOME
(UNAUDITED)**

Thousands of dollars, except per share data

| | Three month periods ended June 30, | | Six month periods ended June 30, | |
|---|------------------------------------|----------------|----------------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | \$ 45,884 | \$ 39,972 | \$ 85,414 | \$ 75,181 |
| Cost of products sold | <u>30,785</u> | <u>28,743</u> | <u>58,245</u> | <u>52,285</u> |
| GROSS PROFIT | 15,099 | 11,229 | 27,169 | 22,896 |
| Costs and expenses | | | | |
| Selling | 4,550 | 4,415 | 9,037 | 8,330 |
| General and administrative | 5,272 | 5,193 | 9,789 | 10,264 |
| Research and engineering | 1,457 | 1,288 | 2,934 | 2,661 |
| Other operating expenses (income) - net | <u>256</u> | <u>(447)</u> | <u>128</u> | <u>(331)</u> |
| | 11,535 | 10,449 | 21,888 | 20,924 |
| Royalty income - net | <u>321</u> | <u>364</u> | <u>747</u> | <u>712</u> |
| OPERATING INCOME | 3,885 | 1,144 | 6,028 | 2,684 |
| Other income (expense) | | | | |
| Equity in net income (loss) of foreign joint ventures | (37) | 17 | 21 | 216 |
| Interest income | 116 | 107 | 243 | 182 |
| Interest expense | (117) | (130) | (203) | (238) |
| Other expense | <u>(37)</u> | <u>(41)</u> | <u>(73)</u> | <u>(81)</u> |
| | <u>(75)</u> | <u>(47)</u> | <u>(12)</u> | <u>79</u> |
| INCOME BEFORE INCOME TAXES | 3,810 | 1,097 | 6,016 | 2,763 |
| Income taxes | <u>1,439</u> | <u>264</u> | <u>2,281</u> | <u>846</u> |
| NET INCOME | <u>\$ 2,371</u> | <u>\$ 833</u> | <u>\$ 3,735</u> | <u>\$ 1,917</u> |
| Net income per share - basic | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.65</u> | <u>\$ 0.33</u> |
| Net income per share - diluted | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.64</u> | <u>\$ 0.33</u> |
| Cash dividends declared per share | <u>\$ 0.20</u> | <u>\$ 0.20</u> | <u>\$ 0.40</u> | <u>\$ 0.40</u> |
| Average number of shares outstanding - basic | <u>5,715</u> | <u>5,781</u> | <u>5,748</u> | <u>5,777</u> |
| Average number of shares outstanding - diluted | <u>5,764</u> | <u>5,781</u> | <u>5,802</u> | <u>5,778</u> |

See notes to consolidated financial statements.

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

| <i>Thousands of dollars</i> | Six Month Periods Ended June 30, | |
|---|---|------------------|
| | 2004 | 2003 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 3,735 | \$ 1,917 |
| Adjustments to reconcile net income to net cash provided by operations: | | |
| Depreciation and amortization | 3,579 | 4,251 |
| Deferred income taxes | 786 | 543 |
| Cash surrender value of life insurance | 274 | (143) |
| Cumulative translation adjustment | (40) | (9) |
| Earnings of joint ventures | (21) | (216) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (7,744) | (901) |
| Inventories | 330 | 1,971 |
| Trade accounts payables and accrued liabilities | 2,768 | 1,530 |
| Income taxes | (414) | 1,168 |
| Other - net | (378) | (450) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 2,875 | 9,661 |
| INVESTING ACTIVITIES | | |
| Capital expenditures | (1,777) | (2,211) |
| Business acquisitions | (514) | (447) |
| Proceeds from the sale of property and equipment | 39 | 45 |
| NET CASH USED IN INVESTING ACTIVITIES | (2,252) | (2,613) |
| FINANCING ACTIVITIES | | |
| Increase (decrease) in notes payable to banks | - | (234) |
| Proceeds from the issuance of debt | 6 | 8,007 |
| Payments of long-term debt | (385) | (10,979) |
| Dividends paid | (2,307) | (2,311) |
| Issuance (purchase) of common shares | (2,546) | 169 |
| NET CASH USED IN FINANCING ACTIVITIES | (5,232) | (5,348) |
| Effects of exchange rate changes on cash and cash equivalents | (107) | 673 |
| Increase (decrease) in cash and cash equivalents | (4,716) | 2,373 |
| Cash and cash equivalents at beginning of year | 28,209 | 11,629 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 23,493 | \$ 14,002 |

See notes to consolidated financial statements.

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

Tables in thousands, except per share data

NOTE A – BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these consolidated financial statements do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. However, in the opinion of management, these consolidated financial statements contain all estimates and adjustments required to fairly present the financial position, results of operations, and cash flows for the interim periods. Operating results for the three and six month periods ended June 30, 2004 are not necessarily indicative of the results to be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and notes to consolidated financial statements included in the Company's Form 10-K for 2003 filed with the Securities and Exchange Commission.

The consolidated balance sheet at December 31, 2003 has been derived from the audited consolidated financial statements, but does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements.

Certain amounts in the prior year's financial statements have been reclassified to conform to the presentation of 2004.

NOTE B – SUPPLEMENTAL INFORMATION

INVENTORIES

| | June 30, <u>2004</u> | December 31, <u>2003</u> |
|-----------------|-------------------------|-----------------------------|
| Finished goods | \$ 11,423 | \$ 12,330 |
| Work-in-process | 1,697 | 1,414 |
| Raw material | <u>17,643</u> | <u>17,369</u> |
| | <u>\$ 30,763</u> | <u>\$ 31,113</u> |

COMPREHENSIVE INCOME

The components of comprehensive income are as follows:

| | <u>Three month periods ended June 30,</u> | | <u>Six month periods ended June 30,</u> | |
|------------------------------------|---|-----------------|---|-----------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Net income | \$ 2,371 | \$ 833 | \$ 3,735 | \$ 1,917 |
| Other comprehensive income (loss): | | | | |
| Foreign currency adjustment | (650) | 3,234 | (788) | 4,348 |
| Comprehensive income | <u>\$ 1,721</u> | <u>\$ 4,067</u> | <u>\$ 2,947</u> | <u>\$ 6,265</u> |

GUARANTEES

| | | |
|---|----|------------|
| Product warranty balance at December 31, 2003 | \$ | 202 |
| Deductions | | (9) |
| Product warranty balance at June 30, 2004 | \$ | <u>193</u> |

The Company has certain indemnification clauses in its credit facility agreements, which are considered to be guarantees under the provisions of FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others*. The Company has not recorded any amounts related to such guarantees, as the fair values are immaterial. The maximum exposure under these guarantees cannot be determined by the Company because it is contingent upon certain future changes in governmental regulations and tax laws that could occur but cannot be predicted or anticipated.

NOTE C – STOCK OPTIONS

As permitted under SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company applies the intrinsic value based method prescribed in APB Opinion No. 25, *Accounting for Stock Issued to Employees*, to account for stock options granted to employees to purchase common shares. Under this method, compensation expense is measured as the excess, if any, of the market price at the date of grant over the exercise price of the options. No compensation expense has been recorded because the exercise price is equal to market value at the date of grant.

SFAS 123 requires pro forma disclosure of the effect on net income and earnings per share when applying the fair value method of valuing stock-based compensation. For purposes of this pro forma disclosure, the estimated fair value of the options is recognized ratably over the vesting period.

| | Three month periods ended June 30, | | Six month periods ended June 30, | |
|---|------------------------------------|----------------|----------------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net income, as reported | \$ 2,371 | \$ 833 | \$ 3,735 | \$ 1,917 |
| Deduct: | | | | |
| Total stock-based employee compensation expense determined under fair value based method for all awards | <u>9</u> | <u>32</u> | <u>24</u> | <u>101</u> |
| Pro forma net income | <u>\$ 2,362</u> | <u>\$ 801</u> | <u>\$ 3,711</u> | <u>\$ 1,816</u> |
| Earnings per share: | | | | |
| Basic - as reported | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.65</u> | <u>\$ 0.33</u> |
| Basic - pro forma | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.65</u> | <u>\$ 0.31</u> |
| Diluted - as reported | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.64</u> | <u>\$ 0.33</u> |
| Diluted - pro forma | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.64</u> | <u>\$ 0.30</u> |

NOTE D – PENSION PLANS

Net periodic benefit cost for the Company's domestic plan included the following components:

| | Three month periods ended June 30, | | Six month periods ended June 30, | |
|--------------------------------|------------------------------------|---------------|----------------------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| Service cost | \$ 144 | \$ 98 | \$ 280 | \$ 234 |
| Interest cost | 181 | 147 | 351 | 306 |
| Expected return on plan assets | (154) | (115) | (307) | (230) |
| Recognized net actuarial loss | 33 | 18 | 53 | 46 |
| Net periodic benefit cost | <u>\$ 204</u> | <u>\$ 148</u> | <u>\$ 377</u> | <u>\$ 356</u> |

As of June 30, 2004, \$.4 million of contributions have been made. The Company presently anticipates contributing an additional \$.5 million to fund its pension plan in 2004 for a total of \$.9 million.

NOTE E – COMPUTATION OF EARNINGS PER SHARE

| | Three month periods ended June 30, | | Six month periods ended June 30, | |
|--|------------------------------------|----------------|----------------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Numerator | | | | |
| Net income | <u>\$ 2,371</u> | <u>\$ 833</u> | <u>\$ 3,735</u> | <u>\$ 1,917</u> |
| Denominator | | | | |
| Determination of shares | | | | |
| Weighted average common shares outstanding | 5,715 | 5,781 | 5,748 | 5,777 |
| Dilutive effect - employee stock options | 49 | - | 54 | 1 |
| Diluted weighted average common shares outstanding | <u>5,764</u> | <u>5,781</u> | <u>5,802</u> | <u>5,778</u> |
| Earnings per common share | | | | |
| Basic | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.65</u> | <u>\$ 0.33</u> |
| Diluted | <u>\$ 0.41</u> | <u>\$ 0.14</u> | <u>\$ 0.64</u> | <u>\$ 0.33</u> |

NOTE F – GOODWILL AND OTHER INTANGIBLES

The Company performed its annual impairment test for goodwill pursuant to SFAS No. 142, *Goodwill and Intangible Assets*, as of January 2004 and had determined that no adjustment to the carrying value of goodwill was required. The Company's only intangible asset with an indefinite life is goodwill. The aggregate amortization expense for other intangibles with finite lives for each of the three and six-month periods ended June 30, 2004 and 2003 was \$.1 million and \$.2 million, respectively. Amortization expense is estimated to be \$.4 million annually for 2004 and 2005 and \$.3 million for 2006, 2007 and 2008. The following table sets forth the carrying value and accumulated amortization of intangibles by segment at June 30, 2004:

| | As of June 30, 2004 | | |
|---|---------------------|--------------|-----------------|
| | Domestic | Foreign | Total |
| Amortized intangible assets, including effect of foreign currency translation | | | |
| Gross carrying amount - patents and other intangibles | \$ 4,947 | \$ 74 | \$ 5,021 |
| Accumulated amortization - patents and other intangibles | (1,556) | (31) | (1,587) |
| Total | <u>\$ 3,391</u> | <u>\$ 43</u> | <u>\$ 3,434</u> |

The changes in the carrying amount of goodwill for the six-month period ended June 30, 2004, by segment, is as follows:

| | <u>December 31, 2003</u> | Currency Translation | <u>Additions</u> | <u>June 30, 2004</u> |
|----------|--------------------------|-------------------------|------------------|----------------------|
| Domestic | \$ 648 | \$ - | \$ - | \$ 648 |
| Foreign | 1,281 | (96) | 196 | 1,381 |
| Total | <u>\$ 1,929</u> | <u>\$ (96)</u> | <u>\$ 196</u> | <u>\$ 2,029</u> |

NOTE G – NEW ACCOUNTING PRONOUNCEMENTS

During January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* an interpretation of ARB No. 51, *Consolidated Financial Statements* (FIN 46). FIN 46 clarifies the accounting for certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, the FASB released a revised version of FIN 46 (FIN 46R). The revision slightly modified the variable interest model contained in FIN 46. However, FIN 46R adopted certain scope exceptions and clarified definitions and calculations underlying the model. FIN 46R required the application of either FIN 46 or FIN 46R for Special Purpose Entities ("SPE") in the annual reporting period ending after December 15, 2003. The application of FIN 46R for non-SPEs was deferred until the quarter ending March 31, 2004. The Company has adopted the applicable disclosure provisions of FIN 46 and FIN 46R in the financial statements.

The Company has invested in qualified affordable housing projects as a limited partner. The Company receives affordable housing federal tax credits for these limited partnership investments. The Company's maximum potential exposure to these partnerships is \$.3 million, consisting of the limited partnership investments plus unfunded commitments. The Company has determined its investment should not be consolidated in accordance with FIN 46R.

The Company has an equity investment in a Japanese joint venture. The Company has determined that the investment should not be consolidated in accordance with FIN 46R. The maximum exposure of the Company's investment is \$3.4 million as of June 30, 2004, which is equal to its recorded investment.

NOTE H – BUSINESS SEGMENTS

| | Three month periods ended June 30, | | Six month periods ended June 30, | |
|---|------------------------------------|-------------------|----------------------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | | | | |
| Domestic | \$ 26,832 | \$ 23,268 | \$ 50,221 | \$ 44,561 |
| Foreign | <u>19,052</u> | <u>16,704</u> | <u>35,193</u> | <u>30,620</u> |
| Total net sales | <u>\$ 45,884</u> | <u>\$ 39,972</u> | <u>\$ 85,414</u> | <u>\$ 75,181</u> |
| Intersegment sales | | | | |
| Domestic | \$ 49 | \$ 40 | \$ 201 | \$ 61 |
| Foreign | <u>833</u> | <u>174</u> | <u>1,211</u> | <u>206</u> |
| Total intersegment sales | <u>\$ 882</u> | <u>\$ 214</u> | <u>\$ 1,412</u> | <u>\$ 267</u> |
| Operating income (loss) | | | | |
| Domestic | \$ 1,883 | \$ (743) | \$ 3,064 | \$ (4,540) |
| Foreign | <u>2,002</u> | <u>1,887</u> | <u>2,964</u> | <u>7,224</u> |
| | 3,885 | 1,144 | 6,028 | 2,684 |
| Equity in net income (loss) of joint ventures | (37) | 17 | 21 | 216 |
| Interest income | | | | |
| Domestic | 18 | - | 44 | - |
| Foreign | <u>98</u> | <u>107</u> | <u>199</u> | <u>182</u> |
| | 116 | 107 | 243 | 182 |
| Interest expense | | | | |
| Domestic | (9) | (37) | (19) | (67) |
| Foreign | <u>(108)</u> | <u>(93)</u> | <u>(184)</u> | <u>(171)</u> |
| | (117) | (130) | (203) | (238) |
| Other expense | <u>(37)</u> | <u>(41)</u> | <u>(73)</u> | <u>(81)</u> |
| Income before income taxes | <u>\$ 3,810</u> | <u>\$ 1,097</u> | <u>\$ 6,016</u> | <u>\$ 2,763</u> |
| | | | | |
| | June 30, | December 31, | | |
| | <u>2004</u> | <u>2003</u> | | |
| Identifiable assets | | | | |
| Domestic | \$ 74,863 | \$ 77,007 | | |
| Foreign | <u>70,088</u> | <u>69,137</u> | | |
| | 144,951 | 146,144 | | |
| Corporate | <u>3,387</u> | <u>2,826</u> | | |
| Total assets | <u>\$ 148,338</u> | <u>\$ 148,970</u> | | |

The domestic business segment operating loss for the six months ended June 30, 2003 includes an expense for forgiveness of intercompany receivables related to the abandoned European data communications operations in the amount of \$4.5 million from the foreign business segment, while the foreign business segment includes a similar amount as income related to this transaction.

NOTE I – INCOME TAXES

In accordance with the applicable tax laws in China, the Company is entitled to a preferential tax rate of a 50% reduction for the three years beginning in 2003. The favorable aggregate tax and per share effect was thirteen thousand dollars, or less than \$.01 per share, for the three-month period and eleven thousand dollars, or less than \$.01 per share for the six-month period ended June 30, 2004, while the favorable aggregate tax was twenty thousand dollars, or less

than \$.01 per share, for the three-month period and fifty-four thousand dollars, or \$.01 per share, for the six-month period ended June 30, 2003.

NOTE J – BUSINESS ABANDONMENT CHARGES

During the third quarter of 2002, the Company recorded a charge to write-off certain assets and to record severance payments related to closing its data communications operations in Europe. This entailed winding down a manufacturing operation, closing five sales offices, terminating leases and reducing personnel by approximately 130. This action was taken as a result of the continuing decline in the global telecommunication and data communication markets and after failing to reach agreement on an acceptable selling price on product supplied to a significant foreign customer. The Company incurred a pre-tax charge of \$4.7 million for these activities in the third quarter of 2002. Approximately \$3.3 million of the charge was related to asset write-downs, of which \$2.1 million of inventory write-offs were recorded in Cost of products sold and \$1.2 million of write-offs related to receivables was included in Costs and expenses on the Statements of Consolidated Operations in the third quarter of 2002. The remaining \$1.4 million of the charge that was included in Cost of products sold and Costs and expenses primarily related to cash outlays for employee severance cost, cost of exiting leased facilities and termination of other contractual obligations. The cash outlays of the later category are substantially complete as of June 30, 2004. An analysis of the amount accrued in the Consolidated Balance Sheet at June 30, 2004 is as follows:

| | December 31, 2003 | | Activity and | June 30, 2004 |
|--|-------------------|----------|-----------------|---------------|
| | Accrual | Cash | Adjustments | Accrual |
| | Balance | Payments | | Balance |
| Write-off of inventories, net of currency translation effect, included in Cost of products sold | \$ 910 | \$ - | \$ (901) | \$ 9 |
| Write-off of receivables, net of currency translation effect, included in Costs and expenses | 741 | - | 9 | 750 |
| Severance and other related expenses included in Cost of products sold and cost and expenses | 98 | (35) | (4) | 59 |
| | <u>\$ 1,749</u> | | | <u>\$ 818</u> |

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

EXECUTIVE SUMMARY

For the quarter ended June 30, 2004 the Company's net sales increased 15% and gross profit increased 34% compared to the same period in 2003. Net sales increased primarily from volume increases in the America and European markets coupled with the favorable impact of the conversion of local currencies to U.S. dollars as a result of the continued weakness of the U.S. dollar compared to most foreign currencies. The larger increase in the gross profit percentage is primarily due to relatively stable fixed manufacturing costs being spread over increased sales volume. The increase in gross profit and minimal increases in costs and expenses resulted in an increase in net income of 185% when compared to the quarter ended June 30, 2003.

For the six months ended June 30, 2004 the Company's net sales increased 14% and gross profit increased 19% compared to the same period in 2003. Net sales and gross profit increased for the same reasons as indicated for the quarter. The increase in gross profit and minimal increases in costs and expenses resulted in an increase in net income of 95% when compared to the same period in 2003.

THREE MONTHS ENDED JUNE 30, 2004 COMPARED TO THREE MONTHS ENDED JUNE 30, 2003

For the three months ended June 30, 2004 consolidated net sales were \$45.9 million, an increase of \$5.9 million, or 15%, from the same period in 2003. Domestic net sales increased \$3.6 million, or 15%, and foreign sales increased \$2.3 million, or 14%. The increase in domestic net sales was due to volume increases in the telecommunications and energy markets. The Company benefited from increased spending by its energy customers who are believed to be

undertaking previously deferred projects. The Company also benefited from telecommunication companies activities in expanding fiber to the home. The Company believes that continued stability and strengthening of the U.S. economy should allow spending on new construction and maintenance projects in the energy and communications markets to outpace business levels of 2003. Foreign net sales were favorably impacted by \$1.1 million when converting local currencies to U.S. dollars as a result of the continued weakness of the U.S. dollar compared to most foreign currencies. Excluding the foreign currency impact, foreign sales increased \$1.2 million compared to the same period in 2003 primarily due to stronger sales in the North American, South American and European markets. The Company expects the improvement in 2004 in most of its foreign markets to continue for the remainder of 2004.

Gross profit of \$15.1 million for the three months ended June 30, 2004 was an increase of \$3.9 million, or 34%, compared to last year. The increase in gross profit is primarily a result of higher net sales and relatively unchanged manufacturing costs. Domestic gross profit increased \$3.2 million compared to the second quarter 2003 primarily as a result of higher net sales and relatively stable manufacturing expenses compared to the same period in 2003 partially offset by increased material cost for steel and aluminum. Foreign gross profit increased \$.7 million primarily due to the increase in net sales and a \$.4 million favorable impact of converting foreign currencies to U.S. dollars. The Company expects its raw material costs to continue to increase primarily for steel wire and aluminum. However, the Company believes its future pricing will enable it to recover most of the future increases in raw material costs.

Consolidated costs and expenses of \$11.5 million for the three months ended June 30, 2004 increased \$1.1 million, or 10%, compared to the previous year as summarized in the following table:

| <i>thousands of dollars</i> | Three month periods ended June 30, | | | |
|---------------------------------------|------------------------------------|------------------|------------------------|------------------------|
| | 2004 | 2003 | Increase (decrease) | Increase (decrease) |
| Cost and expenses | | | | |
| Domestic: | | | | |
| Selling | \$ 2,944 | \$ 2,923 | \$ 21 | 1 % |
| General and administrative | 3,274 | 3,237 | 37 | 1 |
| Research and engineering | 1,035 | 885 | 150 | 17 |
| Other operating (income) expense- net | 201 | (305) | 506 | NM * |
| | <u>7,454</u> | <u>6,740</u> | <u>714</u> | <u>11</u> |
| Foreign: | | | | |
| Selling | 1,606 | 1,492 | 114 | 8 |
| General and administrative | 1,998 | 1,956 | 42 | 2 |
| Research and engineering | 422 | 403 | 19 | 5 |
| Other operating (income) expense- net | 55 | (142) | 197 | NM * |
| | <u>4,081</u> | <u>3,709</u> | <u>372</u> | <u>10</u> |
| Total | <u>\$ 11,535</u> | <u>\$ 10,449</u> | <u>\$ 1,086</u> | <u>10 %</u> |

*NM - Not meaningful

Domestic costs and expenses of \$7.5 million for the three-month period ended June 30, 2004 increased \$.7 million, or 11%, compared to the same period in 2003. Selling expenses of \$2.9 million and general and administrative of \$3.3 million remained relatively unchanged compared to the same period in 2003. Research and engineering costs of \$1 million increased \$.2 million primarily as a result of an increase in employees and development resources. Other operating expense increased \$.5 million due to a \$.4 million increase in the costs related to officers' split dollar life insurance policies and a \$.1 million increase in foreign currency transaction expense.

Foreign costs and expenses of \$4.1 million for the three months ended June 30, 2004 increased \$.4 million, or 10%, compared to the same period in 2003. The weaker dollar unfavorably impacted costs and expenses by \$.2 million when foreign costs in local currency were translated to U.S. dollars. Foreign selling, general and administrative and research and engineering costs net of currency translation remained relatively unchanged compared to 2003. Other operating income net of currency translation decreased \$.2 million primarily due to foreign currency transaction expense.

Royalty income for the quarter ended June 30, 2004 of \$.3 million remained relatively unchanged compared to 2003.

Operating income of \$3.9 million for the quarter ended June 30, 2004 increased \$2.7 million, or 240%, compared to \$1.1 million in the previous year. This increase was a result of the \$3.9 million increase in gross profit partially offset by the \$1.1 million increase in costs and expenses. Domestic operating income increased \$2.6 million, compared to the same period in 2003, primarily as a result of the \$3.2 million increase in gross profit on higher net sales partially offset by the \$.7 million increase in costs and expenses. Foreign operating income of \$2 million increased \$.1 million compared to the same period in 2003, primarily due to the \$.7 million increase in gross profit partially offset by the increase in cost and expenses of \$.4 million and the \$.2 million increase in intercompany royalty expense.

Other expense for the three months ended June 30, 2004 remained relatively unchanged from the same period in 2003.

Income taxes for the three months ended June 30, 2004 of \$1.4 million increased \$1.2 million compared to the same period in 2003. The effective tax rate in 2004 was 37.8% compared to 24.1% in 2003 primarily as a result of a domestic pretax loss in 2003. In accordance with the applicable tax laws in China, the Company is entitled to a preferential tax rate of a 50% reduction for the three years beginning in 2003. The favorable aggregate tax and per share effect was thirteen thousand dollars, or less than \$.01 per share, for the three-month period ended June 30, 2004, while the favorable aggregate tax was twenty thousand dollars, or less than \$.01 per share, for the three-month period ended June 30, 2003.

As a result of the preceeding, net income for the three month period ended June 30, 2004 was \$2.4 million, which represents an increase of \$1.5 million, or 185%, compared to 2003.

SIX MONTHS ENDED JUNE 30, 2004 COMPARED TO SIX MONTHS ENDED JUNE 30, 2003

For the six months ended June 30, 2004 consolidated net sales were \$85.4 million, an increase of \$10.2 million, or 14%, from the same period in 2003. Domestic net sales increased \$5.6 million, or 13%, and foreign sales increased \$4.6 million, or 15%. The increase in domestic net sales was primarily due to volume increases in the telecommunications and energy markets. Foreign net sales were favorably impacted by \$3.7 million when converting local currencies to U.S. dollars as a result of the continued weakness of the U.S. dollar compared to most foreign currencies. Excluding the foreign currency impact, foreign net sales increased \$.9 million when compared to the same period in 2003 as stronger sales in the America and European markets were partially offset by lower sales in the Asia Pacific market.

Gross profit of \$27.2 million for the six months ended June 30, 2004 was an increase of \$4.3 million, or 19%, compared to the prior year. The increase in gross profit is primarily a result of higher net sales while manufacturing costs remained at relatively the same level as the previous year. Domestic gross profit increased \$2.8 million compared to the same period in 2003 primarily as a result of higher domestic net sales and relatively stable manufacturing costs partially offset by higher material costs for steel and aluminum. Foreign gross profit increased \$1.5 million primarily due to the increase in net sales and the \$1.2 million favorable impact of converting foreign currencies to U.S. dollars.

During the quarter ended March 31, 2003 the domestic business segment forgave foreign intercompany debt of \$4.5 million related to the abandoned European data communications operations. This amount was included as expense for the domestic business segment and as income for the foreign business segment. Consolidated costs and expenses of \$21.9 million for the six months ended June 30, 2004 increased \$1 million, or 5%, compared to the previous year, excluding intercompany debt forgiveness, as summarized in the following table:

| <i>thousands of dollars</i> | Six month periods ended June 30, | | | |
|---------------------------------------|----------------------------------|------------------|------------------------|------------------------|
| | 2004 | 2003 | Increase (decrease) | Increase (decrease) |
| Cost and expenses | | | | |
| Domestic: | | | | |
| Selling | \$ 5,919 | \$ 5,599 | \$ 320 | 6 % |
| General and administrative | 5,915 | 6,537 | (622) | (10) |
| Research and engineering | 2,065 | 1,910 | 155 | 8 |
| Other operating (income) expense- net | 122 | (82) | 204 | NM * |
| | <u>14,021</u> | <u>13,964</u> | <u>57</u> | <u>0</u> |
| Foreign: | | | | |
| Selling | 3,118 | 2,731 | 387 | 14 |
| General and administrative | 3,874 | 3,727 | 147 | 4 |
| Research and engineering | 869 | 751 | 118 | 16 |
| Other operating (income) expense- net | 6 | (249) | 255 | NM * |
| | <u>7,867</u> | <u>6,960</u> | <u>907</u> | <u>13</u> |
| Total | <u>\$ 21,888</u> | <u>\$ 20,924</u> | <u>\$ 964</u> | <u>5 %</u> |

*NM - Not meaningful

Domestic costs and expenses of \$14 million for the six-month period ended June 30, 2004 increased \$.1 million compared to the same period in 2003. Selling expenses of \$5.9 million increased \$.3 million as a result of a \$.2 million increase in commission expense on increased net sales and a \$.1 million increase in advertising and sales promotion expense. General and administrative expenses decreased \$.6 million primarily due to a \$.2 million reduction in bad debt expense, a \$.1 million reduction in professional fees and a \$.3 million reduction in employee and wage related expenses. Research and engineering costs remained relatively unchanged from 2003. Other operating expense increased \$.2 million due primarily to a \$.2 million increase in the costs related to officers' split dollar life insurance policies.

Foreign costs and expenses of \$7.9 million for the six months ended June 30, 2004 increased \$.9 million, or 13%, compared to the same period in 2003. The weaker dollar unfavorably impacted costs and expenses by \$.7 million when foreign costs in local currency were translated to U.S. dollars. Foreign selling expense net of currency translation increased \$.1 million due to an increase in employment. General and administrative expense net of currency translation decreased \$.2 million due to a reduction in administrative expenses incurred in 2003 related to the abandonment of the European data communication operations. Research and engineering costs net of currency translation remained relatively unchanged from the same period in 2003. Other operating income decreased \$.3 million primarily due to the increase in foreign currency transaction expense.

Royalty income for the six months ended June 30, 2004 of \$.7 million remained relatively unchanged compared to 2003.

Operating income of \$6 million for the six months ended June 30, 2004 increased \$3.3 million, or 125%, from \$2.7 million in the previous year. This increase was a result of the \$4.3 million increase in gross profit partially offset by the \$1 million increase in costs and expenses. Domestic operating income increased \$7.6 million, compared to the same period in 2003, primarily as a result of the forgiveness of intercompany debt of \$4.5 million in 2003, the \$2.8 million increase in gross profit and the increase in intercompany royalties of \$.3 million. Foreign operating income of \$3 million decreased \$4.3 million, compared to the same period in 2003, primarily due to the \$4.5 million forgiveness of intercompany debt in 2003, the increase in cost and expenses of \$.9 million, the \$.3 million increase in intercompany royalty expense partially offset by the increase in gross profit of \$1.5 million.

Other expense for the six months ended June 30, 2004 increased \$.2 million from the same period in 2003 as a result of the decrease in equity earnings from foreign joint ventures.

Income taxes for the six months ended June 30, 2004 of \$2.3 million increased \$1.4 million compared to the same period in 2003. The effective tax rate in 2004 was 37.9% compared to 30.6% in 2003 as a result of tax refunds

received in the first quarter of 2003. In accordance with the applicable tax laws in China, the Company is entitled to a preferential tax rate of a 50% reduction for the three years beginning in 2003. The favorable aggregate tax and per share effect was eleven thousand dollars, or less than \$.01 per share for the six-month period ended June 30, 2004, while the favorable aggregate tax was fifty-four thousand dollars, or \$.01 per share, for the six-month period ended June 30, 2003.

As a result of the preceding, net income for the six months ended June 30, 2004 was \$3.7 million which represents an increase of \$1.8 million, or 95%, compared to 2003.

WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$2.9 million for the first six months of 2004, a decrease of \$6.8 million when compared to the same period in 2003. An increase in net income of \$1.8 million and an increase in non-cash expenses of \$.6 million was offset by an increase in working capital of \$8.5 million, primarily accounts receivable as a result of higher net sales, when compared to 2003.

Net cash used in investing activities of \$2.2 million represents a decrease of \$.4 million when compared to 2003. This decrease is primarily a result of lower capital expenditures in 2004 compared to 2003. On April 2, 2004, the Company acquired the assets of Union Electric Manufacturing Co. LTD, located in Bangkok, Thailand for \$.5 million. This acquisition did not have a material impact on the financial position or results of operations of the Company. The Company is continually analyzing potential acquisition candidates and business alternatives but has no commitments that would materially impact the Company's operations or results.

Cash used in financing activities was \$5.2 million compared to \$5.3 million in the previous year. During 2004 approximately \$2.6 million in cash was used to repurchase 100,000 common shares, which was offset by the Company receiving \$.1 million for the exercise of stock options. Approximately \$.4 million of cash was used for debt repayments during 2004 compared to \$3.2 million used for debt repayments in 2003. The Company's current portion of debt outstanding was approximately \$1.4 million greater at June 30, 2003 when compared to June 30, 2004.

The Company's current ratio was 3.3 to 1 at June 30, 2004 compared to 3.5 to 1 at December 31, 2003. Working capital of \$63.8 million remains consistent with December 31, 2003 of \$63.6 million. At June 30, 2004, the Company's unused balance under its credit facility was \$20 million and its bank debt to equity percentage was 4%. The revolving credit agreement contains, among other provisions, requirements for maintaining levels of working capital, net worth, and profitability. At June 30, 2004 the Company was in compliance with these covenants. The Company believes its future operating cash flows will be more than sufficient to cover debt repayments, other contractual obligations, capital expenditures and dividends. In addition, the Company believes its existing cash position, together with its untapped borrowing capacity, provides substantial financial resources. If the Company were to incur significant additional indebtedness it expects to be able to continue to meet liquidity needs under the credit facilities but at an increased cost for interest and commitment fees. The Company does not believe it would increase its debt to a level that would have a material adverse impact upon results of operations or financial condition.

NEW ACCOUNTING PRONOUNCEMENTS

During January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* an interpretation of ARB No. 51, *Consolidated Financial Statements* (FIN 46). FIN 46 clarifies the accounting for certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. In December 2003, the FASB released a revised version of FIN 46 (FIN 46R). The revision slightly modified the variable interest model contained in FIN 46. However, FIN 46R adopted certain scope exceptions and clarified definitions and calculations underlying the model. FIN 46R required the application of either FIN 46 or FIN 46R for Special Purpose Entities ("SPE") in the annual reporting period ending after December 15, 2003. The application of FIN 46R for non-SPEs was deferred until the quarter ending March 31, 2004. The Company has adopted the applicable disclosure provisions of FIN 46 and FIN 46R in the financial statements.

The Company has invested in qualified affordable housing projects as a limited partner. The Company receives affordable housing federal tax credits for these limited partnership investments. The Company's maximum potential exposure to these partnerships is \$.3 million, consisting of the limited partnership investments plus unfunded commitments. The Company has determined its investment should not be consolidated in accordance with FIN 46R.

The Company has an equity investment in a Japanese joint venture. The Company has determined that the investment should not be consolidated in accordance with FIN 46R. The maximum exposure of the Company's investment is \$3.4 million as of June 30, 2004, which is equal to its recorded investment.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company has foreign currency forward exchange contracts outstanding at June 30, 2004 whose fair values and carrying values are approximately \$1.3 million and mature in less than one year. A 10% change in the foreign currency rates would have resulted in a favorable/unfavorable impact on expense of less than \$.1 million for the six-month period ended June 30, 2004. The Company does not hold derivatives for trading purposes.

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, which consisted of borrowings of \$4.7 million at June 30, 2004. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately \$.1 million for the six-month period ended June 30, 2004.

The Company's primary currency rate exposures are related to foreign denominated debt, intercompany debt, forward exchange contracts and cash and short-term investments. A hypothetical 10% change in currency rates would have a favorable/unfavorable impact on fair values of \$2.1 million and on income before tax of less than \$.1 million.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures (as defined in Securities and Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2004. Based on the evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2004. There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2004 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Preformed Line Products Company held its annual meeting of shareholders on April 26, 2004 at its principal executive offices in Mayfield Village, Ohio. At the meeting, the shareholders voted to fix the number of directors at eight with two classes composed of four members each, both serving a staggered term; to elect one person to the

Board of Directors for a term expiring at the 2005 annual meeting of the shareholders and to re-elect certain persons to the Board of Directors for terms expiring at the 2006 annual meeting of shareholders. The individuals listed below were elected to the Company's Board of Directors, each to hold office until the designated annual meeting or until his successor is elected and qualified, or until his earlier resignation. The table below indicates the votes for, votes withheld, as well as the abstentions and shares not voted for the proposal to fix the number of directors at eight and the election of the five nominees.

| | <u>Term Expiration</u> | <u>Votes For</u> | <u>Votes Withheld</u> | <u>Abstention</u> | <u>Shares not Voted</u> |
|--|------------------------|------------------|-----------------------|-------------------|-------------------------|
| Proposal to fix number of directors at eight | | 4,919,867 | 121,274 | 1,880 | 671,412 |
| John P. O'Brien | 2005 | 5,002,384 | 40,637 | - | 671,412 |
| John D. Drinko | 2006 | 4,943,838 | 99,183 | - | 671,412 |
| Wilber C. Nordstrom | 2006 | 4,972,667 | 70,354 | - | 671,412 |
| Jon R. Ruhlman* | 2006 | 4,974,525 | 68,496 | - | 671,412 |
| Randall M. Ruhlman | 2006 | 4,941,483 | 101,538 | - | 671,412 |

* Jon R. Ruhlman passed away in May 2004.

The following are the names of each other director whose term of office as a director continued after the 2004 annual meeting of shareholders (in this case, for terms expiring at the 2006 annual meeting of shareholders):

Robert G. Ruhlman
 Frank B. Carr
 Barbara P. Ruhlman

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) Exhibits

- 31.1 Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certifications of the Principal Financial Officer, Eric R. Graef, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.1 Certification of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
- 32.2 Certification of the Principal Accounting Officer, Eric R. Graef, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.

(b) Reports on Form 8-K

On April 7, 2004, the Company filed a Current Report Form 8-K for a change in registrant's certifying accountant dismissing PricewaterhouseCoopers LLP as its independent accountant.

On April 26, 2004, the Company filed a Current Report Form 8-K for a press release announcing first quarter of 2004 earnings.

On April 28, 2004, the Company filed a Current Report Form 8-K for a change in registrant's certifying accountant announcing the engagement of Deloitte & Touche LLP as its independent accountant.

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 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, Japan and Western Europe;
- The effect on the Company’s business resulting from economic uncertainty within Latin American regions;
- Technology developments that affect longer-term trends for communication lines such as wireless communication;
- The Company’s success at continuing to develop proprietary technology to meet or exceed new industry performance standards and individual customer expectations;
- The rate of progress in continuing to reduce costs and in modifying the Company’s cost structure to maintain and enhance the Company’s competitiveness;
- The Company’s success in strengthening and retaining relationships with the Company’s customers, growing sales at targeted accounts and expanding geographically;
- The extent to which the Company is successful in expanding the Company’s product line into new areas for inside plant;
- The Company’s ability to identify, complete and integrate acquisitions for profitable growth;
- The potential impact of consolidation, deregulation and bankruptcy among the Company’s suppliers, competitors and customers;
- The relative degree of competitive and customer price pressure on the Company’s products;
- The cost, availability and quality of raw materials required for the manufacture of products;
- The effects of fluctuation in currency exchange rates upon the Company’s reported results from international operations, together with non-currency risks of investing in and conducting significant operations in foreign countries, including those relating to political, social, economic and regulatory factors;
- Changes in significant government regulations affecting environmental compliance;
- The Company’s ability to continue to compete with larger companies who have acquired a substantial number of the Company’s former competitors;
- The Company’s ability to compete in the domestic data communications market;
- The Company’s ability to recover sales in the telecommunication markets;
- The Company’s ability to have continued success in emerging markets such as China;

- The Company's ability to internally develop new products;
- The Company's successful wind-down of the European data communications operations including the successful collection of accounts receivable; and
- Other factors disclosed previously and from time to time in the Company's filings with the Securities and Exchange Commission. These filings can be found on the Securities and Exchange Commission's website at www.sec.gov.

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 13, 2004

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

August 13, 2004

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

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