

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal quarter ended June 30, 2023

or

Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
for the Transition Period From _____ To _____
Commission file number 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)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, \$2 par value per share	PLPC	NASDAQ

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller Reporting Company

Emerging Growth Company

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

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

The number of shares outstanding as of July 24, 2023: 4,915,501

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PREFORMED LINE PRODUCTS COMPANY
CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except share and per share data)	June 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Cash, cash equivalents and restricted cash	\$ 43,160	\$ 37,239
Accounts receivable, less allowances of \$6,709 (\$5,600 in 2022)	144,593	125,261
Inventories, net	148,481	147,458
Prepaid expenses	8,749	13,283
Other current assets	8,440	4,929
TOTAL CURRENT ASSETS	353,423	328,170
Property, plant and equipment, net	200,325	175,011
Operating lease, right-of-use assets	10,862	10,752
Goodwill	29,530	28,004
Other intangible assets, net	13,682	14,082
Deferred income taxes	6,415	5,320
Pension asset	836	619
Other assets	6,869	6,521
TOTAL ASSETS	\$ 621,942	\$ 568,479
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 50,033	\$ 46,839
Notes payable to banks	13,701	18,098
Operating lease liabilities, current	1,188	1,606
Current portion of long-term debt	6,889	3,018
Accrued compensation	19,919	14,962
Accrued expenses and other liabilities	22,727	17,635
Accrued profit-sharing and other benefits	5,291	9,394
Dividends payable	1,228	1,318
Income taxes payable	5,794	2,465
TOTAL CURRENT LIABILITIES	126,770	115,335
Long-term debt, less current portion	68,944	68,420
Operating lease liabilities, noncurrent	7,496	7,023
Deferred income taxes	3,305	4,165
Other noncurrent liabilities	16,978	14,912
SHAREHOLDERS' EQUITY		
Common shares – \$2 par value per share, 15,000,000 shares authorized, 4,917,501 and 4,917,020 issued and outstanding, at June 30, 2023 and December 31, 2022	13,509	13,351
Common shares issued to rabbi trust, 241,343 and 245,386 shares at June 30, 2023 and December 31, 2022, respectively	(10,039)	(10,261)
Deferred compensation liability	10,039	10,261
Paid-in capital	56,943	53,646
Retained earnings	500,726	460,930
Treasury shares, at cost, 1,840,552 and 1,758,901 shares at June 30, 2023 and December 31, 2022, respectively	(109,143)	(99,303)
Accumulated other comprehensive loss	(63,586)	(69,987)
TOTAL PREFORMED LINE PRODUCTS COMPANY SHAREHOLDERS' EQUITY	398,449	358,637
Noncontrolling interest	-	(13)
TOTAL SHAREHOLDERS' EQUITY	398,449	358,624
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 621,942	\$ 568,479

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30, 2023	2022	Six Months Ended June 30, 2023	2022
<i>(Thousands of dollars, except share and per share data)</i>				
Net sales	\$ 181,813	\$ 163,471	\$ 363,637	\$ 301,694
Cost of products sold	115,486	110,765	231,026	207,037
GROSS PROFIT	66,327	52,706	132,611	94,657
Costs and expenses				
Selling	13,013	11,668	25,401	22,328
General and administrative	18,220	16,948	36,830	33,256
Research and engineering	5,760	5,363	10,953	10,137
Other operating expense, net	1,186	778	2,298	1,536
	38,179	34,757	75,482	67,257
OPERATING INCOME	28,148	17,949	57,129	27,400
Other (expense) income				
Interest income	419	104	723	216
Interest expense	(1,134)	(784)	(2,199)	(1,310)
Other income, net	108	495	147	5,599
	(607)	(185)	(1,329)	4,505
INCOME BEFORE INCOME TAXES	27,541	17,764	55,800	31,905
Income tax expense	7,077	4,043	13,917	5,883
NET INCOME	\$ 20,464	\$ 13,721	\$ 41,883	\$ 26,022
Net loss (income) attributable to noncontrolling interests	<u>8</u>	<u>(9)</u>	<u>(13)</u>	<u>(25)</u>
NET INCOME ATTRIBUTABLE TO PREFORMED LINE PRODUCTS COMPANY SHAREHOLDERS	\$ 20,472	\$ 13,712	\$ 41,870	\$ 25,997
AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING:				
Basic	4,944	4,940	4,940	4,934
Diluted	5,024	4,955	5,013	4,954
EARNINGS PER SHARE OF COMMON STOCK ATTRIBUTABLE TO PREFORMED LINE PRODUCTS COMPANY SHAREHOLDERS:				
Basic	<u>\$ 4.14</u>	<u>\$ 2.78</u>	<u>\$ 8.48</u>	<u>\$ 5.27</u>
Diluted	<u>\$ 4.08</u>	<u>\$ 2.77</u>	<u>\$ 8.35</u>	<u>\$ 5.25</u>

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
	2023	2022	2023	2022
<i>(Thousands of dollars)</i>				
Net income	\$ 20,464	\$ 13,721	\$ 41,883	\$ 26,022
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	2,301	(10,190)	6,223	(8,089)
Recognized net actuarial gain	89	90	178	179
Other comprehensive income, net of tax	2,390	(10,100)	6,401	(7,910)
Comprehensive loss (income) attributable to noncontrolling interests	8	(9)	(13)	(25)
COMPREHENSIVE INCOME ATTRIBUTABLE TO PREFORMED LINE PRODUCTS COMPANY SHAREHOLDERS	\$ 22,862	\$ 3,612	\$ 48,271	\$ 18,087

See notes to consolidated financial statements (unaudited).

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

	Six Months Ended June 30, 2023		2022
<i>(Thousands of dollars)</i>			
OPERATING ACTIVITIES			
Net income	\$ 41,883	\$ 26,022	
Adjustments to reconcile net income to net cash provided by (used in) operations:			
Depreciation and amortization	8,964	6,874	
Deferred income taxes	(2,011)	(2,591)	
Share-based compensation expense	2,791	1,913	
Loss on exit of business	—	1,196	
Loss (gain) on sale of property and equipment	44	(842)	
Gain from company owned life insurance policy	—	(4,364)	
Other, net	4,096	659	
Changes in operating assets and liabilities:			
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	45,850	(6,177)	
INVESTING ACTIVITIES			
Capital expenditures	(17,177)	(13,809)	
Proceeds from the sale of property and equipment	129	3,157	
Proceeds from company owned life insurance policy	—	6,909	
Acquisition of businesses, net of cash	(12,089)	(12,990)	
NET CASH USED IN INVESTING ACTIVITIES	(29,137)	(16,733)	
FINANCING ACTIVITIES			
(Payments) proceeds of notes payable to banks	(4,243)	856	
Proceeds from long-term debt	104,183	83,352	
Payments of long-term debt	(100,283)	(64,940)	
Dividends paid	(2,143)	(2,061)	
Proceeds from issuance of common shares	664	117	
Purchase of common shares for treasury	(116)	(66)	
Purchase of common shares for treasury from related parties	(9,724)	(1,729)	
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(11,662)	15,529	
Effects of exchange rate changes on cash, cash equivalents and restricted cash	870	1,078	
Net increase (decrease) in cash, cash equivalents and restricted cash	5,921	(6,303)	
Cash, cash equivalents and restricted cash at beginning of year	37,239	36,406	
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	\$ 43,160	\$ 30,103	

See notes to consolidated financial statements (unaudited).

PREFORMED LINE PRODUCTS COMPANY
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

	Common Shares	Common Shares Issued to Rabbi Trust	Deferred Compensation Liability	Paid in Capital	Retained Earnings	Treasury Shares	Cumulative Translation Adjustment	Unrecognized Pension Benefit Cost	Total Preferred Line Products Company Equity	Noncontrolling Interests	Accumulated Other Comprehensive Income (Loss)	Total Equity
(In thousands, except share and per share data)												
Balance at December 31, 2022	\$ 13,351	\$ (10,261)	\$ 10,261	\$ 53,646	\$ 460,930	\$ (99,303)	\$ (65,495)	\$ (4,492)	\$ 358,637	\$ (13)	\$ 358,624	
Net income					21,398				21,398	21	21,419	
Foreign currency translation adjustment							3,922		3,922		3,922	
Recognized net actuarial gain, net of tax provision of \$28								89	89		89	
Total comprehensive income									25,409	21	25,430	
Share-based compensation				1,066					1,066		1,066	
Purchase of 41,573 common shares					(3,740)				(3,740)		(3,740)	
Issuance of 72,477 common shares	140			244					384		384	
Common shares distributed from rabbi trust of 3,541, net		185	(185)						—		—	
Cash dividends declared – \$0.20 per share				(1,050)					(1,050)		(1,050)	
Balance at March 31, 2023 (unaudited)	\$ 13,491	\$ (10,076)	\$ 10,076	\$ 54,956	\$ 481,278	\$ 3	\$ (61,573)	\$ (4,403)	\$ 380,706	\$ 8	\$ 380,714	
Net income					20,472				20,472	(8)	20,464	
Foreign currency translation adjustment							2,301		2,301		2,301	
Recognized net actuarial gain, net of tax provision of \$28							89	89			89	
Total comprehensive income									22,862	(8)	22,854	
Share-based compensation				1,725					1,725		1,725	
Purchase of 40,078 common shares					(6,100)				(6,100)		(6,100)	
Issuance of 9,655 common shares	18			262					280		280	
Common shares distributed from rabbi trust of 502, net		37	(37)						(0)		(0)	
Cash dividends declared – \$0.20 per share				(1,024)					(1,024)		(1,024)	
Balance at June 30, 2023	\$ 13,509	\$ (10,039)	\$ 10,039	\$ 56,943	\$ 500,726	\$ 3	\$ (59,272)	\$ (4,314)	\$ 398,449	\$ -	\$ 398,449	
(In thousands, except share and per share data)												
	Common Shares	Common Shares Issued to Rabbi Trust	Deferred Compensation Liability	Paid in Capital	Retained Earnings	Treasury Shares	Cumulative Translation Adjustment	Unrecognized Pension Benefit Cost	Total Preferred Line Products Company Equity	Noncontrolling Interests	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at December 31, 2021	\$ 13,185	\$ (10,102)	\$ 10,102	\$ 47,814	\$ 410,673	\$ (93,836)	\$ (56,223)	\$ (5,496)	\$ 316,117	\$ (17)	\$ 316,100	
Net income					12,285				12,285	16	12,301	
Foreign currency translation adjustment							2,101		2,101		2,101	
Recognized net actuarial gain, net of tax provision of \$28							89	89			89	
Total comprehensive income									14,475	16	14,491	
Share-based compensation				871					871		871	
Purchase of 29,436 common shares					(1,795)				(1,795)		(1,795)	
Issuance of 62,387 common shares	117			162					279		279	
Common shares issued to rabbi trust of 1,347, net		(99)	99						—		—	
Cash dividends declared – \$0.20 per share				(1,037)					(1,037)		(1,037)	
Balance at March 31, 2022	\$ 13,302	\$ (10,201)	\$ 10,201	\$ 48,847	\$ 421,921	\$ (95,631)	\$ (54,122)	\$ (5,407)	\$ 328,910	\$ (1)	\$ 328,909	
Net income					13,712				13,712	9	13,721	
Foreign currency translation adjustment							(10,190)		(10,190)		(10,190)	
Recognized net actuarial gain, net of tax provision of \$28							90	90			90	
Total comprehensive income									3,612	9	3,621	
Share-based compensation				1,042					1,042		1,042	
Issuance of 484 common shares	1			29					30		30	
Common shares issued to rabbi trust of 484, net		(30)	30						—		—	
Cash dividends declared – \$0.20 per share				(915)					(915)		(915)	
Balance at June 30, 2022	\$ 13,303	\$ (10,231)	\$ 10,231	\$ 49,918	\$ 434,718	\$ (95,631)	\$ (64,312)	\$ (5,317)	\$ 332,679	\$ 8	\$ 332,687	

See notes to consolidated financial statements (unaudited).

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

(Tables in thousands of dollars, except share and per share data, unless specifically noted)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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 (“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. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. This Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Form 10-K for the year ended December 31, 2022, filed on March 3, 2023 with the Securities and Exchange Commission. The interim period results are not necessarily indicative of the results to be expected for the full year. Management has evaluated subsequent events through the date this Form 10-Q was filed with the Securities and Exchange Commission.

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, 2023, are not necessarily indicative of the results to be expected for the full-year ending December 31, 2023.

Noncontrolling interests are presented in the Company’s consolidated financial statements as if parent company investors (controlling interests) and other minority investors (noncontrolling interests) in partially-owned subsidiaries have similar economic interests in a single entity. As a result, investments in noncontrolling interests are reported as equity in the Company’s consolidated financial statements. Additionally, the Company’s consolidated financial statements include 100% of a controlled subsidiary’s earnings, rather than only its share. Transactions between the parent company and noncontrolling interests are reported in equity as transactions between stockholders, provided that these transactions do not create a change in control.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Adopted Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates (“ASU”). In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Liabilities from Contracts with Customers.” This ASU requires an acquiring entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The ASU is effective for fiscal years and interim periods beginning after December 15, 2022. The adoption of this new standard did not have a material impact on the consolidated financial statements and related disclosures.

No other recently issued or effective ASUs had, or are expected to have, a material impact on the Company’s results of operations, financial condition or liquidity.

NOTE 2 – REVENUE

Revenue Recognition

Sales are recognized when obligations under the terms of the contract are satisfied and control of promised goods or services have transferred to our customers. Control is transferred when the customer has the ability to direct the use of and obtain benefits from the goods or services and is primarily based on shipping terms. Sales are measured as the amount of consideration the Company expects to receive in exchange for transferring products.

Disaggregated Revenue

The Company's revenues by segment and product type are as follows:

Product Type	PLP-USA	Three Months Ended June 30, 2023			
		The Americas	EMEA	Asia-Pacific	Consolidated
Energy	60 %	70 %	46 %	72 %	60 %
Communications	36 %	28 %	51 %	3 %	33 %
Special Industries	4 %	2 %	3 %	25 %	7 %
Total	100 %	100 %	100 %	100 %	100 %

Product Type	PLP-USA	Three Months Ended June 30, 2022			
		The Americas	EMEA	Asia-Pacific	Consolidated
Energy	58 %	69 %	51 %	73 %	60 %
Communications	38 %	29 %	43 %	3 %	32 %
Special Industries	4 %	2 %	6 %	24 %	8 %
Total	100 %	100 %	100 %	100 %	100 %

Product Type	PLP-USA	Six Months Ended June 30, 2023			
		The Americas	EMEA	Asia-Pacific	Consolidated
Energy	59 %	69 %	40 %	71 %	58 %
Communications	37 %	29 %	57 %	3 %	35 %
Special Industries	4 %	2 %	3 %	26 %	7 %
Total	100 %	100 %	100 %	100 %	100 %

Product Type	PLP-USA	Six Months Ended June 30, 2022			
		The Americas	EMEA	Asia-Pacific	Consolidated
Energy	57 %	71 %	53 %	70 %	60 %
Communications	39 %	27 %	40 %	2 %	32 %
Special Industries	4 %	2 %	7 %	28 %	8 %
Total	100 %	100 %	100 %	100 %	100 %

Credit Losses for Receivables

The Company maintains an allowance for credit losses for estimated losses resulting from the inability of its customers to make required payments. The Company uses a current expected credit loss model in order to immediately recognize an estimate of credit losses that are expected to occur over the life of the financial instruments, mainly trade receivables. Additionally, the allowance is based upon identified delinquent accounts, customer payment patterns and other analyses of historical data trends. Receivable balances are written off against an allowance for credit losses after a final determination has been made. The change in the allowance for credit losses includes expense and net write-offs, which are identified in the following table:

	Six Months Ended June 30,	
	2023	2022
Allowance for credit losses, beginning of period	\$ 5,021	\$ 3,091
Additions charged to costs and expenses	1,132	1,341
Write-offs	(21)	(237)
Foreign exchange and other	80	(24)
Allowance for credit losses, end of period	\$ 6,212	\$ 4,171

NOTE 3 – INVENTORIES, NET

Inventories, net

	June 30, 2023	December 31, 2022
Raw materials	\$ 102,449	\$ 104,872
Work-in-process	15,915	14,450
Finished products	44,430	41,295
Inventories, net of excess and obsolete inventory reserve	162,795	160,617
Excess of current cost over LIFO cost	(14,314)	(13,159)
Inventories at LIFO cost	\$ 148,481	\$ 147,458

Costs for inventories of certain material, mainly in the U.S., are determined using the LIFO method and totaled approximately \$70.3 million at June 30, 2023 and \$68.3 million at December 31, 2022. An actual valuation of inventories under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation. During the three-month periods ended June 30, 2023 and 2022, the net change in LIFO inventories resulted in expense of \$0.6 million and \$2.1 million, respectively, to Cost of products sold. During the six-month periods ended June 30, 2023 and 2022, the net change in LIFO inventories resulted in expense of \$1.2 million and of \$3.4 million, respectively, to Cost of products sold. The Company's reserves for excess and obsolete inventory was \$13.7 million at June 30, 2023 and \$10.8 million at December 31, 2022.

NOTE 4 – PROPERTY AND EQUIPMENT, NET

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

	June 30, 2023	December 31, 2022
Land and improvements	\$ 20,961	\$ 19,609
Buildings and improvements	113,227	102,245
Machinery, equipment and aircraft	221,861	218,549
Construction in progress	40,540	31,076
Property, plant and equipment, gross	396,588	371,479
Less accumulated depreciation	(196,263)	(196,468)
Property, plant and equipment, net	\$ 200,325	\$ 175,011

NOTE 5 – CONTINGENT LIABILITIES

The Company can be party to a variety of pending legal proceedings and claims arising in the normal course of business, including, but not limited to, litigation relating to employment, workers' compensation, product liability, environmental and intellectual property. The Company has liability insurance to cover many of these claims.

Although the outcomes of these matters are not predictable with certainty, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In the event the Company determines that a loss is not probable, but is reasonably possible, and the likelihood to develop what the Company believes to be a reasonable range of potential loss exists, the Company will include disclosure related to such matters. To the extent that there is a reasonable possibility the losses could exceed amounts already accrued, the Company will adjust the accrual in the period in which the determination is made, disclose an estimate of the additional loss or range of loss and if the amount of such adjustment cannot be reasonably estimated, disclose that an estimate cannot be made. As of June 30, 2023 and December 31, 2022, the Company maintained a reserve of approximately \$2.1 million and \$1.8 million, respectively, representing its best estimate for losses to be incurred on global legal matters.

The Company and its subsidiaries Helix Uniformed Ltd. ("Helix") and Preformed Line Products (Canada) Limited ("PLPC Canada"), were each named, jointly and severally, with each of SNC-Lavalin ATP, Inc. ("SNC ATP"), HD Supply Canada Inc., by its trade names HD Supply Power Solutions and HD Supply Utilities ("HD Supply"), and Anixter Power Solutions Canada Inc. (the corporate successor to HD Supply, "Anixter") and, together with the Company, PLPC Canada, Helix, SNC ATP and HD Supply (the "Defendants"), in a

complaint filed by Altalink, L.P. (the "Plaintiff") in the Court of Queen's Bench of Alberta in Alberta, Canada in November 2016 (the "Complaint").

The Complaint states that the Plaintiff engaged SNC ATP to design, engineer, procure and construct numerous power distribution and transmission facilities in Alberta (the "Projects") and that through SNC ATP and HD Supply (now Anixter), spacer dampers manufactured by Helix were procured and installed in the Projects. The Complaint alleges that the spacer dampers have and may continue to become loose, open and detach from the conductors, resulting in damage and potential injury and a failure to perform the intended function of providing spacing and damping to the Project. The Plaintiff is seeking an estimated \$56.0 million Canadian dollars in damages jointly and severally from the Defendants, representing the costs of monitoring and replacing the spacer dampers and remediating property damage, due to alleged defects in the design and construction of, and supply of materials for, the Projects by SNC ATP and HD Supply/Anixter and in the design of the spacer dampers by Helix.

The Company believes the claims against it are without merit and intends to vigorously defend against such claims. The Company is unable to predict the outcome of this case, however, it has recorded a reserve for the low end of the range for potential loss associated with this matter. If this matter is concluded in a manner adverse to the Company, it could have a material effect on the Company's financial results. A preliminary trial date for this complaint has been scheduled for January 2024.

The Company is not a party to any other pending legal proceedings that the Company believes would, individually or in the aggregate, have a material adverse effect on its financial condition, results of operations or cash flow.

NOTE 6 – PENSION PLANS

The Company uses a December 31 measurement date for the Preformed Line Products Company Employees' Retirement Plan (the "U.S. Plan"). Net periodic pension expense (income) for the U.S. Plan for the three and six month periods ended June 30, 2023 and 2022, respectively, follows:

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
Interest cost	392		297	\$ 785	\$ 594	
Expected return on plan assets	(501)		(601)	(1,001)	(1,202)	
Recognized net actuarial loss	117		117	233	234	
Net periodic pension expense (income)	\$ 8	\$ (187)	\$ 17	\$ (374)		

There were no contributions to the U.S. Plan during the six months ended June 30, 2023 and 2022. The Company is currently evaluating the option to contribute to the U.S. Plan during 2023. Components of retirement benefits expense (income) are included in Other (expense) income, net in the Consolidated Statements of Income.

NOTE 7 – 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, 2023			Three Months Ended June 30, 2022		
	Unrecognized Benefit Cost	Cumulative	Total	Unrecognized Benefit Cost	Cumulative	Total
		Translation Adjustment			Translation Adjustment	
Balance at April 1	\$ (4,403)	\$ (61,573)	\$ (65,976)	\$ (5,407)	\$ (54,122)	\$ (59,529)
Other comprehensive income before reclassifications:						
Gain on foreign currency translation adjustment	—	2,301	2,301	—	(10,190)	(10,190)
Amounts reclassified from AOCI:						
Amortization of defined benefit pension actuarial gain (a)	89	—	89	90	—	90
Net current period other comprehensive income (loss)	89	2,301	2,390	90	(10,190)	(10,100)
Balance at June 30	<u>\$ (4,314)</u>	<u>\$ (59,272)</u>	<u>\$ (63,586)</u>	<u>\$ (5,317)</u>	<u>\$ (64,312)</u>	<u>\$ (69,629)</u>
	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Unrecognized Benefit Cost	Cumulative	Total	Unrecognized Benefit Cost	Cumulative	Total
		Translation Adjustment			Translation Adjustment	
Balance at January 1	\$ (4,492)	\$ (65,495)	\$ (69,987)	\$ (5,496)	\$ (56,223)	\$ (61,719)
Other comprehensive income before reclassifications:						
Gain on foreign currency translation adjustment	—	6,223	6,223	—	(8,089)	(8,089)
Amounts reclassified from AOCI:						
Amortization of defined benefit pension actuarial gain (a)	178	—	178	179	—	179
Net current period other comprehensive income (loss)	178	6,223	6,401	179	(8,089)	(7,910)
Balance at June 30	<u>\$ (4,314)</u>	<u>\$ (59,272)</u>	<u>\$ (63,586)</u>	<u>\$ (5,317)</u>	<u>\$ (64,312)</u>	<u>\$ (69,629)</u>

(a)This AOCI component is included in the computation of net periodic pension expense (income) as noted in Note 6 – Pension Plans.

NOTE 8 – DEBT AND CREDIT ARRANGEMENTS

On March 2, 2022, the Company amended its credit facility (the “Facility”) to increase the capacity from \$65.0 million to \$90.0 million. As part of this amendment, the index used to determine the interest rate changed from LIBOR to the Bloomberg Short Term Bank Yield Index (“BSBY”). The interest rate is defined as BSBY plus 1.125% unless the Company’s funded debt to Earnings before Interest, Taxes and Depreciation ratio exceeds 2.25 to 1, at which point the BSBY spread becomes 1.500%. The amendment also allows the Company to change its rate from BSBY to the Secured Overnight Financing Rate (“SOFR”) at the Company’s discretion. The amendment extended the maturity from June 30, 2024 to March 2, 2026. On August 31, 2022, the Company amended the Facility and elected to change its rate from BSBY to SOFR, and added its New Zealand subsidiary as a co-borrower. All other terms remain the same. At June 30, 2023, the Company had utilized \$53.0 million with \$37.0 million available on the Facility, net of long-term outstanding letters of credit of \$0.1 million. Our bank debt to equity percentage was 22.5%. The Facility contains, among other provisions, requirements for maintaining levels of net worth and profitability. At June 30, 2023, the Company was in compliance with these covenants.

On January 19, 2021, the Company purchased a new aircraft for \$20.5 million and received funding for a term loan from PNC Equipment Finance, LLC for the full amount of the purchase price. The term of the loan is 120 months at a fixed interest rate of 2.744%. The loan is payable in 119 equal monthly installments, which commenced on March 1, 2021 with a final payment of any outstanding principal and accrued interest due and payable on the final monthly payment date. Of the \$15.7 million outstanding on this debt facility at June 30, 2023, \$2.1 million was classified as current. The loan is secured by the aircraft.

The Company has borrowing facilities at certain of its foreign subsidiaries, which consist of overdraft lines, working capital credit lines, and facilities for the issuance of letters of credit and short-term borrowing needs. At June 30, 2023, and December 31, 2022, \$21.0

million and \$26.1 million was outstanding, of which \$18.5 million and \$19.1 million were classified as current, respectively. These facilities support commitments made in the ordinary course of business.

For both periods ended June 30, 2023 and December 31, 2022, the Company's Asia-Pacific segment had \$0.2 million in restricted cash used to secure bank debt. The restricted cash is shown on the Company's Consolidated Balance Sheets in Cash, cash equivalents and restricted cash.

NOTE 9 – INCOME TAXES

For the three-month period ended June 30, 2023 and 2022, the Company's effective tax rate was 26% and 23%, respectively. The higher effective tax rate for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 was primarily due to the unfavorable impact from the mix of earned income in certain foreign jurisdictions, as well as an increase in the limitations on the deductibility of executive compensation. For the six-month period ended June 30, 2023 and 2022, the Company's effective tax rate was 25% and 18%, respectively. The higher effective tax rate for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 was primarily due to non-taxable benefit of \$4.4 million related to the proceeds from a settlement of a Company-owned life insurance policy in 2022, an increase in the limitation on the deductibility of executive compensation as well an unfavorable impact from the mix of earned income in certain foreign jurisdictions.

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. During the period ended June 30, 2023, the Company did not record any additional valuation allowances in various jurisdictions on their deferred tax assets.

For the six-month periods ending June 30, 2023, the Company did not record any new uncertain tax positions.

NOTE 10 – 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 shares that were outstanding during the periods presented.

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

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
Numerator				
Net income	\$ 20,472	\$ 13,712	\$ 41,870	\$ 25,997
Denominator				
Determination of shares (in thousands)				
Weighted-average common shares outstanding	4,944	4,940	4,940	4,934
Dilutive effect – share-based awards	80	15	73	20
Diluted weighted-average common shares outstanding	5,024	4,955	5,013	4,954
Earnings per common share				
Basic	\$ 4.14	\$ 2.78	\$ 8.48	\$ 5.27
Diluted	\$ 4.08	\$ 2.77	\$ 8.35	\$ 5.25

For the three months ended June 30, 2023 and 2022, there were zero and 18,000 stock options, respectively, which were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive. For the six months ended June 30, 2023 and 2022, there were zero and 23,000 stock options, respectively, which were excluded from the calculation of diluted earnings per share as the effect would have been anti-dilutive.

NOTE 11 – GOODWILL AND OTHER INTANGIBLES

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

	June 30, 2023		December 31, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets				
Patents	\$ 4,806	\$ (4,806)	\$ 4,806	\$ (4,806)
Land use rights	998	(287)	1,175	(414)
Trademark	1,985	(1,634)	1,963	(1,576)
Technology	7,040	(3,450)	6,950	(3,189)
Customer relationships	19,104	(10,074)	18,637	(9,464)
	<u>\$ 33,933</u>	<u>\$ (20,251)</u>	<u>\$ 33,531</u>	<u>\$ (19,449)</u>
Indefinite-lived intangible assets				
Goodwill	<u>\$ 29,530</u>		<u>\$ 28,004</u>	

The aggregate amortization expense for other intangibles with finite lives for the three and six months ended June 30, 2023 was \$0.5 million and \$1.0 million, respectively. The aggregate amortization expense for other intangibles with finite lives for the three and six months ended June 30, 2022 was \$0.5 million and \$1.1 million, respectively. Amortization expense is estimated to be \$0.9 million for the remainder of 2023, \$1.7 million for 2024, \$1.5 million for 2025, and \$1.4 million for 2026 and 2027. The weighted-average remaining amortization period is approximately 11.8 years. The weighted-average remaining amortization period by intangible asset class; land use rights, 52.0 years; trademark, 13.1 years; technology, 7.6 years and customer relationships, 10.0 years.

The Company's measurement date for its annual impairment test for goodwill is October 1st of each year. The Company performs additional interim impairment assessments as circumstances warrant. There were no indicators of impairment noted for the period ending June 30, 2023.

The Company may use both quantitative and qualitative approaches when testing goodwill for impairment. For selected reporting units where the qualitative approach is utilized, a qualitative evaluation of events and circumstances impacting the reporting unit is performed to determine if it is more likely than not that the fair value of the reporting unit exceeds its carrying amount. If that determination is made, no further evaluation is necessary. Otherwise, the Company performs a quantitative impairment test on the reporting unit.

For the quantitative approach, the Company uses a combination of the income approach, which uses a discounted cash flow methodology, and the market approach, which uses comparable market multiples 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. The fair value estimates are subjective and sensitive to significant assumptions, such as revenue growth rates, operating margins, the weighted average cost of capital, and estimated market multiples, of which are affected by expectations of future market or economic conditions. The Company believes that the methodologies, significant assumptions, 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 Company's goodwill is not deductible for tax purposes. Changes in the carrying amount of goodwill by reporting unit are shown in the following table:

	PLP-USA	The Americas	EMEA	Asia-Pacific	Total
Balance at January 1, 2023	\$ 3,078	\$ 9,597	\$ 15,329	\$ —	\$ 28,004
		387	20		407
Acquisitions	—			—	
Currency translation	—	628	491	—	1,119
Balance at June 30, 2023	<u>\$ 3,078</u>	<u>\$ 10,612</u>	<u>\$ 15,840</u>	<u>\$ —</u>	<u>\$ 29,530</u>

See note 14 for additional information about acquisitions of businesses.

NOTE 12 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company measures and records certain assets and liabilities at fair value. A fair value hierarchy is used for those assets and liabilities measured at fair value that distinguishes between assumptions based on market data (observable inputs), and the Company's assumptions (unobservable inputs). The hierarchy consists of the following three levels:

- Level 1 Inputs – Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Inputs – Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Inputs – Unobservable inputs that are not corroborated by market data.

The following table summarizes the Company's assets and liabilities, recorded and measured at fair value, in the Consolidated Balance Sheets as of June 30, 2023 and December 31, 2022:

Description	Balance as of June 30, 2023	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		\$	—		
Assets:					
Foreign currency forward contracts	\$ 217	\$	—	\$ 217	\$ —
Total assets	<u>\$ 217</u>	<u>\$ —</u>		<u>\$ 217</u>	<u>\$ —</u>
Liabilities:					
Foreign currency forward contracts	\$ —	\$	—	\$ —	\$ —
Supplemental profit sharing plan	7,688			7,688	—
Total liabilities	<u>\$ 7,688</u>	<u>\$ —</u>		<u>\$ 7,688</u>	<u>\$ —</u>

Description	Balance as of December 31, 2022	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		\$	—		
Assets:					
Foreign currency forward contracts	\$ 548	\$	—	\$ 548	\$ —
Total assets	<u>\$ 548</u>	<u>\$ —</u>		<u>\$ 548</u>	<u>\$ —</u>
Liabilities:					
Foreign currency forward contracts	\$ 81	\$	—	\$ 81	\$ —
Supplemental profit sharing plan	7,299			7,299	—
Total liabilities	<u>\$ 7,380</u>	<u>\$ —</u>		<u>\$ 7,380</u>	<u>\$ —</u>

The Company operates internationally and enters into intercompany transactions denominated in foreign currencies. Consequently, the Company is subject to market risk arising from exchange rate movements between the dates foreign currency transactions occur and the dates they are settled. The Company currently uses foreign currency forward contracts to reduce the risk related to some of these transactions. These contracts usually have maturities of 90 days or less and generally require an exchange of foreign currencies for U.S. dollars at maturity at rates stated in the contracts. These contracts are not designated as hedging instruments under U.S. GAAP. Accordingly, the changes in the fair value of the foreign currency forward contracts are recognized in each accounting period in Other operating expense, net on the Consolidated Statements of Income together with the transaction gain or loss from the related balance sheet position. For the three and six months ended June 30, 2023, the Company recognized net losses of \$0.5 million and \$0.4 million, respectively, on foreign currency forward contracts. For the three and six months ended June 30, 2022, the Company recognized net gains of \$3.1 million and \$1.0 million, respectively, on foreign currency forward contracts. The derivative financial instrument contracts are with major investment grade financial institutions, and we do not anticipate any material non-performance by any of the counterparties.

The Company has a non-qualified Supplemental Profit Sharing Plan for its executives. The liability for this unfunded Supplemental Profit Sharing Plan was \$7.7 million at June 30, 2023 and was \$7.3 million at December 31, 2022. These amounts are recorded within Other noncurrent liabilities on the Company's Consolidated Balance Sheets. The Supplemental Profit Sharing Plan allows participants the ability to hypothetically invest their proportionate award into various investment options, which primarily includes mutual funds. The Company credits earnings, gains and losses to the participants' deferred compensation account balances based on the investments selected by the participants. The Company measures the fair value of the Supplemental Profit Sharing Plan liability using the market values of the participants' underlying investment accounts.

The carrying value of the Company's current financial instruments, which include cash, cash equivalents and restricted cash, accounts receivable, accounts payable and short-term debt, approximates fair value because of the short-term maturity of these instruments.

At June 30, 2023 and December 31, 2022, the fair value of the Company's long-term debt was estimated using a discounted cash flows analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements that are considered to be Level 2 inputs. Based on the analysis performed, the fair value and the carrying value of the Company's long-term debt are as follows:

	June 30, 2023		December 31, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt and related current maturities	\$ 69,939	\$ 71,166	\$ 68,054	\$ 71,438

NOTE 13 – SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance.

The following tables present a summary of the Company's reportable operating segments for the three and six months ended June 30, 2023 and 2022. Financial results for the PLP-USA segment include the elimination of all segments' intercompany profit in inventory.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales				
PLP-USA	\$ 96,977	\$ 83,422	\$ 194,155	\$ 159,347
The Americas	21,494	22,436	44,061	41,399
EMEA	37,306	32,845	76,340	60,317
Asia-Pacific	26,036	24,768	49,081	40,631
Total net sales	\$ 181,813	\$ 163,471	\$ 363,637	\$ 301,694
Intersegment sales				
PLP-USA	9,013	6,830	20,975	10,950
The Americas	4,296	4,142	8,509	6,857
EMEA	1,423	884	2,956	1,570
Asia-Pacific	6,094	8,064	13,103	14,748
Total intersegment sales	\$ 20,826	\$ 19,920	\$ 45,543	\$ 34,125
Gross profit				
PLP-USA	\$ 41,234	\$ 29,940	\$ 83,341	\$ 56,204
The Americas	8,198	7,967	16,185	13,332
EMEA	9,518	7,958	18,765	14,332
Asia-Pacific	7,377	6,841	14,320	10,789
Total gross profit	\$ 66,327	\$ 52,706	\$ 132,611	\$ 94,657
Net income attributable to Preformed Line Products Company shareholders				
PLP-USA	\$ 14,887	\$ 9,360	\$ 31,683	\$ 22,602
The Americas	2,750	2,637	4,639	2,566
EMEA	1,876	1,293	3,537	1,576
Asia-Pacific	959	422	2,011	(747)
Total net income attributable to Preformed Line Products Company shareholders	\$ 20,472	\$ 13,712	\$ 41,870	\$ 25,997

NOTE 14 – ACQUISITIONS OF BUSINESSES

Acquisition of Pilot Plastics

On February 1, 2023, the Company acquired substantially all of the assets of Pilot Plastics, headquartered in Akron, Ohio. Pilot Plastics is an injection molding manufacturer and the acquisition will expand the Company's injection molding capabilities and further enhance the Company's domestic manufacturing footprint. The purchase price was approximately \$13.8 million, net of cash as of the closing date. The purchase price is subject to a holdback of approximately \$1.7 million. To fund the Pilot Plastics acquisition, the Company borrowed on the Facility.

The acquisition of Pilot Plastics is accounted for using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recognized at their respective fair values on the acquisition date. The process of estimating the fair values of certain tangible assets, and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates.

The table below summarizes the fair values of the assets acquired and liabilities assumed on the acquisition date, inclusive of the preliminary measurement period adjustments recorded as of June 30, 2023, which were not material. The measurement period remains open and future adjustments are not expected to have a material impact to the Consolidated Statements of Income.

	Adjusted Preliminary Allocation
Accounts receivable	\$ 970
Inventory	585
Property, plant and equipment and other assets	13,628
Accounts payable	(1,299)
Other current liabilities	(71)
Total identifiable net assets	13,813
Total consideration, net of cash received	\$ 13,813

Due to the consideration transferred equaling the fair value of the assets acquired, no residual goodwill was recognized. From the date of the acquisition through June 30, 2023, the Company's consolidated financial statements included Pilot Plastics sales of approximately \$3.3 million and are reported in the PLP-USA segment.

Acquisition of Delta Conectores, S.A. de C.V.

On October 3, 2022, the Company acquired Delta Conectores, S.A. de C.V. ("Delta"), a Mexico entity headquartered in Aguascalientes, Mexico, from its shareholders. Delta designs and manufactures substation connector systems and accessory hardware for high voltage AC systems in Mexico. The acquisition of Delta will expand the Company's operational and technical capabilities in the region while supporting its overall substation strategy. The purchase price was approximately \$3.8 million, net of cash received, subject to a holdback of \$0.6 million.

The acquisition of Delta has been accounted for using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recognized at their respective fair values on the acquisition date. The process of estimating the fair values of certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. The fair value of the net assets acquired was \$3.4 million and the measurement period adjustments did not have a material impact to the consolidated Statements of Income. The measurement period remains open and future adjustments are not expected to have a material impact to the Consolidated Statements of Income.

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the anticipated synergies of acquiring Delta. The goodwill recognized of \$0.4 million is not expected to be deductible for tax purposes. From the date of the acquisition through June 30, 2023, the Company's consolidated financial statements included Delta sales of approximately \$5.2 million and is reported in The Americas segment.

Acquisition of Holplast, s.r.o.

On March 1, 2022, the Company acquired all issued and outstanding shares of Holplast, s.r.o ("Holplast"), an entity headquartered in Prostějov, Czech Republic, from its shareholder. Holplast specializes in injection molding and expands the Company's operational capabilities in the region and strengthens the Company's position in the global communications market. The purchase price was approximately \$5.3 million with a holdback of \$0.8 million, inclusive of cash and debt.

The acquisition of Holplast has been accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed to be recognized at their respective fair values on the acquisition date. The process of estimating the fair values of certain tangible assets, identifiable intangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. During the measurement period, opening balance sheet adjustments were made to finalize the fair value estimates based on the final valuations received, which are summarized in the table below. The final measurement period adjustments did not have a material impact to the Consolidated Statements of Income.

	Preliminary Allocation	Measurement Period Adjustments	Final Allocation
Cash	\$ 907	\$ —	\$ 907
Accounts receivable	452	—	452
Inventory	285	23	308
Prepaid expenses and other current assets	7	—	7
Property, plant and equipment and other assets	1,221	1,760	2,981
Accounts payable	(283)	(13)	(296)
Other current liabilities	(95)	—	(95)
Other noncurrent liabilities	(1,119)	(333)	(1,452)
Total identifiable net assets	1,375	1,437	2,812
Goodwill	3,912	(1,437)	2,475
Total consideration, inclusive of cash and debt	\$ 5,287	\$ —	\$ 5,287

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the anticipated synergies of acquiring Holoplast. Other noncurrent liabilities assumed is mainly comprised of long-term debt totaling approximately \$1.1 million at a rate of 3.21% with terms expiring between May 2023 and December 2030.

All measurement period adjustments were completed within a year from the acquisition date, and such adjustments did not have a material impact on the Company's results of operations and financial position.

Acquisition of Maxxweld Conectores Electricos Ltda.

On January 4, 2022, the Company acquired Maxxweld Conectores Electricos Ltda. ("Maxxweld"), a Brazilian entity headquartered in Curitiba, Brazil, from its shareholders. Maxxweld designs and manufactures substation connector systems and accessory hardware for high voltage AC systems. The acquisition of Maxxweld expands and strengthens the Company's operational and technical capabilities in the region while supporting its overall substation strategy. The purchase price was approximately \$11.2 million, net of cash received, as of the closing date. The purchase price is subject to a holdback of approximately \$1.8 million.

The acquisition of Maxxweld has been accounted for using the acquisition method of accounting which requires the assets acquired and liabilities assumed to be recognized at their respective fair values on the acquisition date. The process of estimating the fair values of certain tangible assets, identifiable intangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. During the measurement period opening balance sheet adjustments were made to finalize the fair value estimates based on the final valuations received, which are summarized in the table below. The final measurement period adjustments did not have a material impact to the Consolidated Statements of Income.

	Preliminary Allocation	Measurement Period Adjustments	Final Allocation
Accounts receivable	\$ 2,080	\$ 52	\$ 2,132
Inventory	1,291	76	1,367
Prepaid expenses and other current assets	41	—	41
Equipment and other assets	725	—	725
Other intangible assets	4,359	—	4,359
Accounts payable	(599)	—	(599)
Other current liabilities	(322)	—	(322)
Other noncurrent liabilities	(1,560)	(1)	(1,561)
Total identifiable net assets	6,015	127	6,142
Goodwill	5,195	(127)	5,068
Total consideration, net of cash received	\$ 11,210	\$ —	\$ 11,210

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the anticipated synergies of acquiring Maxxweld. As a result of the acquisition, goodwill of \$5.1 million recognized is not expected to be deductible for tax purposes. Other intangible assets of \$4.4 million include customer relationships, tradenames and backlog. The fair values of the customer relationships, trademarks and backlog were \$4.0 million, \$0.2 million and \$0.2 million, respectively. These fair values were determined using either the relief-from-royalty model or the multi-period excess earnings model, which are discounted cash flow models that rely on the Company's estimates. These estimates require judgment of future revenue growth rates, future margins, and the applicable weighted average cost of capital used to discount those estimated cash flows. The weighted average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. The estimated useful lives for customer

relationships, trademarks and backlog were 15 years, 20 years, and 1 year, respectively. See Note 11 for additional information about goodwill and other intangible assets.

All measurement period adjustments were completed within a year from the acquisition date, and such adjustments did not have a material impact on the Company's results of operations and financial position.

NOTE 15 – EXIT OF RUSSIAN OPERATIONS

Due to the ongoing conflict in Ukraine and overt hostilities shown by Russia in the conflict, the Company decided to exit its Russian operations in March 2022, which was completed during the third quarter of 2022. The Russian operations did not have a material impact to the consolidated financial statements with net sales of \$0.3 million for the twelve months ended December 31, 2022. As a result of the decision to exit operations, net charges of approximately \$1.0 million were recorded for the twelve months ended December 31, 2022, mainly as a result of asset impairments and one-time termination benefits. These impacts were included in Cost of products sold, General and administrative expense, or Other income, net, as appropriate. In Note 13 – Segment Information, these charges were recorded in the EMEA segment.

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 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.

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 provide helical solutions, connectors, fiber optic and copper splice closures, solar hardware mounting applications, and electric vehicle charging station foundations. We also provide aerial drone inspection services for utility assets including transmission and distribution power lines, substations, and generation facilities. We are 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, manufacturing, 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 sales and manufacturing operations in 20 different countries.

We report our segments in four geographic regions: PLP-USA (including corporate), The Americas (includes operations in North and South America, excluding PLP-USA), EMEA (Europe, Middle East & Africa) and Asia-Pacific, in accordance with accounting standards codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 280, "Segment Reporting". Each segment distributes a full range of our primary products. Our PLP-USA segment is comprised of our U.S. operations manufacturing our traditional products primarily supporting our domestic energy, telecommunications, solar framing products and inspection services. Our other three segments, The Americas, EMEA and Asia-Pacific, support our energy, telecommunications, data communication, solar and other 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 the Company rather than the results of any individual business component of the segment.

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

PREFACE

The following discussion describes our results of operations for the three and six months ended June 30, 2023 and 2022. Our consolidated financial statements are prepared in conformity with United States ("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 financial statements in the assessment of our performance and operating trends.

Net sales of \$181.8 million for the three months ended June 30, 2023, was an increase of \$18.3 million year-over-year and net sales of \$363.6 million for the six months ended June 30, 2023, was an increase of \$61.9 million year-over-year. In the three and six months ended June 30, 2023, the inflationary headwinds we experienced related to raw materials, specifically plastic resins, aluminum and sand (grit), have partially subsided. Costs related to shipping and freight have similarly fallen from their 2022 peak. The decreases in these underlying costs along with the impacts of our previous price increases have benefited gross margins. For PLP-USA, our largest business segment, we saw a year-over-year benefit for the three and six month periods of \$5.4 million and \$8.4 million, respectively related to the reduction in these costs. Given the uncertainties in the macro-economic environment, we cannot determine if these trends will continue. If inflationary pressures increase again, it may require further price adjustments to maintain profit margin and any price increases may have a negative effect on demand.

Our consolidated financial statements are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. PLPC's foreign currency exchange losses were primarily related to translating into U.S. dollars its foreign currency denominated loans, trade receivables and royalty receivables from its foreign subsidiaries at the June 30, 2023 exchange rates. The fluctuations of foreign currencies during the three and six months ended June 30, 2023 had an unfavorable impact on net sales of \$2.5 million and \$7.1 million, respectively. The fluctuations on foreign currencies during the three and six months ended June 30, 2023 had an unfavorable impact on net income of \$0.4 million and \$0.6 million, respectively. On a reportable segment basis, the impact of foreign currency translation on net sales and net income for the three and six months ended June 30, 2023 and 2022, was as follows:

(Thousands of dollars)	Foreign Currency Translation Impact					
	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023			
	Net Sales	Net Income	Net Sales	Net Income		
The Americas	\$ (1,280)	\$ (178)	\$ (2,437)	\$ (242)		
EMEA	18	(127)	(2,147)	(218)		
Asia-Pacific	(1,201)	(53)	(2,473)	(116)		
Total	<u>\$ (2,463)</u>	<u>\$ (358)</u>	<u>\$ (7,057)</u>	<u>\$ (576)</u>		

As shown in our strong financial results, we believe our business portfolio and our financial position are sound and strategically well-positioned. We remain focused on assessing our global market opportunities and overall manufacturing capacity in conjunction with the requirements of local manufacturing in the markets that we serve. The growth in PLP-USA net sales required additional investment within our PLP-USA facilities, both in the form of operational capacity as well as increased warehouse space. These investments in our U.S. operations will allow us to further enhance the service we provide to our U.S. customers in 2023. If necessary, we will modify redundant processes and further utilize our global manufacturing network to manage costs, increase sales volume and deliver value to our customers. We have continued to invest in the business to expand into new markets for the Company, evaluate strategic mergers and acquisitions, improve efficiency, develop new products and increase our capacity. Our liquidity remains strong, and we currently have a bank debt to equity percentage of 22.5%. We can borrow needed funds at a competitive interest rate under our credit facility.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2023 COMPARED TO THREE MONTHS ENDED JUNE 30, 2022

The following table sets forth a summary of the Company's Statements of Consolidated Income and the percentage of net sales for the three months ended June 30, 2023 and 2022. The Company's past operating results are not necessarily indicative of future operating results.

(Thousands of dollars)	Three Months Ended June 30,					
	2023		2022		Change	
Net sales	\$ 181,813	100.0 %	\$ 163,471	100.0 %	\$ 18,342	18,342
Cost of products sold	115,486	63.5	110,765	67.8	4,721	4,721
GROSS PROFIT	66,327	36.5	52,706	32.2	13,621	13,621
Costs and expenses	38,179	21.0	34,757	21.3	3,423	3,423
OPERATING INCOME	28,148	15.5	17,949	11.0	10,199	10,199
Other (expense) income, net	(607)	(0.3)	(185)	(0.1)	(422)	(422)
INCOME BEFORE INCOME TAXES	27,541	15.1	17,764	10.9	9,777	9,777
Income taxes	7,077	3.9	4,043	2.5	3,034	3,034
NET INCOME	20,464	11.3	13,721	8.4	6,743	6,743
Net loss (income) attributable to noncontrolling interests	8	0.0	(9)	(0.0)	17	17
NET INCOME ATTRIBUTABLE TO PREFORMED LINE PRODUCTS COMPANY SHAREHOLDERS	\$ 20,472	11.3 %	\$ 13,712	8.4 %	\$ 6,760	6,760

Net sales. In 2023, net sales were \$181.8 million, an increase of \$18.3 million, or 11%, compared to 2022. Excluding the effect of currency translation, net sales increased 13% as summarized in the following table:

(Thousands of dollars)	Three Months Ended June 30,					
	2023			2022		
	Change	Currency	Change	Change	Currency	Change
Net sales						
PLP-USA	\$ 96,977	\$ 83,422	\$ 13,555	\$ —	\$ 13,555	16 %
The Americas	21,494	22,436	(942)	(1,280)	338	2
EMEA	37,306	32,845	4,461	18	4,443	14
Asia-Pacific	26,036	24,768	1,268	(1,201)	2,469	10
Consolidated	<u>\$ 181,813</u>	<u>\$ 163,471</u>	<u>\$ 18,342</u>	<u>\$ (2,463)</u>	<u>\$ 20,805</u>	<u>13 %</u>

The increase in PLP-USA net sales of \$13.6 million, or 16%, was primarily due to a volume increase in energy product and communication sales as well as the impact from price increases. International net sales for the three months ended June 30, 2023 were unfavorably affected by \$2.5 million when local currencies were converted to U.S. dollars. The following discussion of changes in net sales excludes the effect of currency translation. The Americas net sales of \$21.5 million increased \$0.3 million, or 2%, primarily due

to volume increases from the October 2022 Delta acquisition, partially offset by volume decreases in the region. EMEA net sales of \$37.3 million increased \$4.4 million, or 14%, primarily due to volume increases in communication sales. Asia-Pacific net sales of \$26.0 million increased \$2.5 million, or 10%, due to volume increases in special industries and energy products.

Gross profit. Gross profit of \$66.3 million for 2023 increased \$13.6 million, or 26%, compared to 2022. Excluding the effect of currency translation, gross profit increased \$14.5 million, or 27%, as summarized in the following table:

(Thousands of dollars)				Three Months Ended June 30,			Change Due to Currency Translation	Change Excluding Currency Translation	% Change
	2023	2022	Change						
Gross profit									
PLP-USA	\$ 41,234	\$ 29,940	\$ 11,294	\$ —	\$ 11,294				38 %
The Americas	8,198	7,967	231	(315)	546				7
EMEA	9,518	7,958	1,560	(171)	1,731				22
Asia-Pacific	7,377	6,840	537	(365)	902				13
Consolidated	\$ 66,327	\$ 52,706	\$ 13,621	\$ (851)	\$ 14,472				27 %

PLP-USA gross profit of \$41.2 million increased by \$11.3 million, or 38%, compared to the same period in 2022, primarily due to the incremental margins from the increased sales volumes, price increases and lower material costs. International gross profit for the period ended June 30, 2023 was unfavorably impacted by \$0.9 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 increased \$0.5 million, or 7%, which was primarily the result of higher margin from lower material costs. EMEA gross profit increased \$1.7 million, or 22%, primarily due to the incremental margins from the increased sales volumes and lower manufacturing expenses. Asia-Pacific's gross profit increased \$0.9 million, or 13%, which was primarily driven by the incremental margins on the increased sales volume and lower manufacturing costs.

Costs and expenses. Costs and expenses of \$38.2 million for the three months ended June 30, 2023 increased \$3.4 million, or 10%, when compared to 2022. Excluding the effect of currency translation, costs and expenses increased \$3.9 million, or 11%, as summarized in the following table:

(Thousands of dollars)				Three Months Ended June 30,			Change Due to Currency Translation	Change Excluding Currency Translation	% Change
	2023	2022	Change						
Costs and expenses									
PLP-USA	\$ 20,459	\$ 17,701	\$ 2,758	\$ —	\$ 2,758				16 %
The Americas	5,001	4,130	871	(188)	1,059				26
EMEA	6,819	6,488	331	3	328				5
Asia-Pacific	5,900	6,438	(538)	(284)	(254)				(4)
Consolidated	\$ 38,179	\$ 34,757	\$ 3,422	\$ (469)	\$ 3,891				11 %

PLP-USA costs and expenses of \$20.5 million increased \$2.8 million, or 16% year-over-year. PLP-USA's increase was primarily attributable to increased salary-related expenses, sales, personnel and insurance costs. PLPC's costs and expenses for the three months ended June 30, 2023 were favorably impacted by \$0.5 million when local currencies were translated to U.S. dollars. The following discussion of costs and expenses excludes the effect of currency translation. The Americas costs and expenses of \$5.0 million increased \$1.1 million primarily due to increased salary-related and professional services costs. EMEA costs and expenses of \$6.8 million increased by \$0.3 million primarily due to increased salary-related costs. Asia-Pacific costs and expenses of \$5.9 million decreased \$0.3 million primarily due to one-time expenses to streamline operations recorded in the second quarter of 2022 that did not recur.

Other (expense) income, net. Other expense, net of \$0.6 million for the three months ended June 30, 2023 was unfavorable by \$0.4 million when compared to Other expense, net of \$0.2 million for the three months ended June 30, 2022. The unfavorable movement was due to higher interest expense.

Income taxes. Income taxes for the three months ended June 30, 2023 and 2022 were \$7.1 million and \$4.0 million based on pre-tax income of \$27.5 million and \$17.8 million, respectively. The tax rate for the three months ended June 30, 2023 and 2022 was 26% and 23%, respectively. The effective tax rate for the three months ended June 30, 2023 was higher than the effective tax rate for the same period in 2022 mainly due to higher levels of income earned in higher tax jurisdictions as well as an increase in the limitation on the deductibility of executive compensation.

Net income. As a result of the preceding items, net income for the three months ended June 30, 2023 was \$20.5 million, compared to \$13.7 million for 2022. Excluding the effect of currency translation, net income increased \$7.1 million as summarized in the following

table. In all regions, the increase in net income was due to increases in operating income described above, partially offset by higher interest expense and higher tax expense:

(Thousands of dollars)				Three Months Ended June 30,			Change Due to Currency Translation	Change Excluding Currency Translation	% Change
	2023	2022	Change						
Net income (loss)									
PLP-USA	\$ 14,887	\$ 10,387	\$ 4,500	\$ —	\$ 4,500				43 %
The Americas	2,750	2,637	113	(178)	291				11
EMEA	1,876	269	1,607	(127)	1,734				>100
Asia-Pacific	959	419	540	(53)	593				>100
Consolidated	\$ 20,472	\$ 13,712	\$ 6,760	\$ (358)	\$ 7,118				52 %

SIX MONTHS ENDED JUNE 30, 2023 COMPARED TO SIX MONTHS ENDED JUNE 30, 2022

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, 2023 and 2022. The Company's past operating results are not necessarily indicative of future operating results.

(Thousands of dollars)	Six Months Ended June 30,			Change
	2023	2022		
Net sales	\$ 363,637	\$ 301,694	100.0 %	\$ 61,943
Cost of products sold	231,026	207,037	63.5	23,990
GROSS PROFIT	132,611	94,657	36.5	37,954
Costs and expenses	75,482	67,257	20.8	8,225
OPERATING INCOME	57,129	27,400	15.7	29,729
Other (expense) income, net	(1,329)	4,505	(0.4)	(5,835)
INCOME BEFORE INCOME TAXES	55,800	31,905	15.3	23,895
Income taxes	13,917	5,883	3.8	8,034
NET INCOME	41,883	26,022	11.5	15,860
Net income attributable to noncontrolling interests	(13)	(25)	(0.0)	12
NET INCOME ATTRIBUTABLE TO PREFORMED LINE PRODUCTS COMPANY SHAREHOLDERS	\$ 41,870	\$ 25,997	11.5 %	\$ 15,872

Net sales. Net sales were \$363.6 million for the six months ended June 30, 2023, an increase of \$61.9 million, or 21%, compared to 2022. Excluding the effect of currency translation, net sales increased 23% as summarized in the following table:

(Thousands of dollars)	Six Months Ended June 30,			Change Due to Currency Translation	Change Excluding Currency Translation	% Change
	2023	2022	Change			
Net sales						
PLP-USA	\$ 194,155	\$ 159,347	\$ 34,808	\$ —	\$ 34,808	22 %
The Americas	44,061	41,399	2,662	(2,437)	5,099	12
EMEA	76,340	60,317	16,023	(2,147)	18,170	30
Asia-Pacific	49,081	40,631	8,450	(2,473)	10,923	27
Consolidated	\$ 363,637	\$ 301,694	\$ 61,943	\$ (7,057)	\$ 69,000	23 %

The increase in PLP-USA net sales of \$34.8 million, or 22%, was primarily due to a volume increase in energy products and communication sales as well as the impact from price increases. International net sales for the six months ended June 30, 2023 were unfavorably affected by \$7.1 million when local currencies were converted to U.S. dollars. The following discussion of changes in net sales excludes the effect of currency translation. The Americas net sales of \$44.1 million increased \$5.1 million, or 12%, primarily due to the volume increases from the October 2022 acquisition of Delta. EMEA net sales of \$76.3 million increased \$18.2 million, or 30%, primarily due to volume increases in communication sales. Asia-Pacific net sales of \$49.1 million increased \$10.9 million, or 27%, primarily due to volume increases in energy product sales.

Gross profit. Gross profit of \$132.6 million for 2023 increased \$38.0 million, or 40%, compared to 2022. Excluding the effect of currency translation, gross profit increased \$40.1 million, or 42%, as summarized in the following table:

(Thousands of dollars)	Six Months Ended June 30,						Change Due to Currency Translation	Change Excluding Currency Translation	% Change
	2023	2022	Change						
Gross profit									
PLP-USA	\$ 83,340	\$ 56,204	\$ 27,136	\$ —	\$ 27,136	\$ —			48 %
The Americas	16,185	13,332	2,853	(643)	3,496				26
EMEA	18,765	14,332	4,433	(729)	5,162				36
Asia-Pacific	14,320	10,788	3,532	(754)	4,286				40
Consolidated	\$ 132,611	\$ 94,657	\$ 37,954	\$ (2,126)	\$ 40,080				42 %

PLP-USA gross profit of \$83.3 million increased by \$27.1 million, or 48%, compared to the same period in 2022, primarily due to the incremental margins from the increased sales volumes and tailwinds from operational efficiencies, price increases and lower material costs. International gross profit for the period ended June 30, 2023 was unfavorably impacted by \$2.1 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 increased \$3.5 million, or 26%, which was primarily the result of the incremental margin from the increased sales volumes, and contributions from the October 2022 Delta acquisition. EMEA gross profit increased \$5.2 million, or 36%, primarily due to the incremental margins from the increased sales volumes and the non-recurring charges recorded in 2022 related to the exit of our Russia operations. Asia-Pacific's gross profit increased \$4.3 million, or 40%, which was primarily driven by the incremental margins on the increased sales volume and cost containment measures.

Costs and expenses. Costs and expenses of \$75.5 million for the six months ended June 30, 2023 increased \$8.2 million, or 12%, when compared to 2022. Excluding the effect of currency translation, costs and expenses increased \$9.7 million, or 14%, as summarized in the following table:

(Thousands of dollars)	Six Months Ended June 30,						Change Due to Currency Translation	Change Excluding Currency Translation	% Change
	2023	2022	Change						
Costs and expenses									
PLP-USA	\$ 40,365	\$ 33,450	\$ 6,915	\$ —	\$ 6,915	\$ —			21 %
The Americas	10,458	9,261	1,197	(469)	1,666				18
EMEA	13,512	13,229	283	(414)	697				5
Asia-Pacific	11,147	11,317	(170)	(579)	409				4
Consolidated	\$ 75,482	\$ 67,257	\$ 8,225	\$ (1,462)	\$ 9,687				14 %

PLP-USA costs and expenses of \$40.4 million increased \$6.9 million, or 21% year-over-year. PLP-USA's increase was primarily attributable to increased salary-related, sales, personnel and insurance costs. PLPC's costs and expenses for the six months ended June 30, 2023 were favorably impacted by \$1.5 million when local currencies were translated to U.S. dollars. The following discussion of costs and expenses excludes the effect of currency translation. The Americas costs and expenses of \$10.5 million increased \$1.7 million primarily due to increased salary-related costs, and bad debt expense. EMEA costs and expenses of \$13.5 million increased by \$0.7 million primarily due to increased salary-related, professional services, travel and marketing-related costs, partially offset by Russia closure costs that did not recur. Asia-Pacific costs and expenses of \$11.1 million increased \$0.4 million primarily due to increased sales and professional services, offset by one-time expenses to streamline operations recorded in the second quarter of 2022 that did not recur.

Other (expense) income, net. Other expense, net of \$1.3 million for the six months ended June 30, 2023 was unfavorable by \$5.8 million when compared to Other income, net of \$4.5 million for the six months ended June 30, 2022. The unfavorable movement was primarily due to a nonrecurring gain of \$4.4 million that was recorded in March 2022 related to a settlement of a Company-owned life insurance policy, and higher interest expense for the six months ended June 30, 2023.

Income taxes. Income taxes for the six months ended June 30, 2023 and 2022 were \$13.9 million and \$5.9 million based on pre-tax income of \$55.8 million and \$31.9 million, respectively. The tax rate for the six months ended June 30, 2023 and 2022 was 25% and 18%, respectively. The effective tax rate for the six months ended June 30, 2023 was higher than the effective tax rate for the same period in 2022 mainly due to a non-taxable benefit of \$4.4 million related to the proceeds from the settlement of a Company-owned life insurance policy in 2022 in addition to an increase in unfavorable permanent adjustments.

Net income. As a result of the preceding items, net income for the six months ended June 30, 2023 was \$41.9 million, compared to \$26.0 million for 2022. Excluding the effect of currency translation, net income increased \$16.4 million as summarized in the following table.

In all regions, the increase in net income was due to increases in operating income described above, partially offset by higher interest expense and higher tax expense:

(Thousands of dollars)	Six Months Ended June 30,						% Change
	2023	2022	Change	Change Due to Currency Translation	Change Excluding Currency Translation		
Net income (loss)							
PLP-USA	\$ 31,682	\$ 23,626	\$ 8,056	\$ —	\$ 8,056		34 %
The Americas	4,639	2,566	2,073	(242)	2,315		90
EMEA	3,537	551	2,986	(218)	3,204		>100
Asia-Pacific	2,011	(746)	2,757	(116)	2,873		>100
Consolidated	\$ 41,870	\$ 25,997	\$ 15,872	\$ (576)	\$ 16,448		63 %

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, 2022 filed on March 3, 2023 with the Securities and Exchange Commission and are, therefore, not presented herein.

WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES

Management Assessment of Liquidity

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

Our investments include expenditures required for equipment and facilities as well as expenditures in support of our strategic initiatives. During the first six months of 2023, we used cash of \$17.2 million for capital expenditures and \$12.1 million for a business acquisition. We ended the first six months of 2023 with \$43.2 million of cash, cash equivalents and restricted cash (collectively, "Cash"). Our Cash is held in various locations throughout the world. At June 30, 2023, the majority of our Cash was held outside the U.S. We expect most accumulated non-U.S. Cash balances will remain outside of the U.S. and that we will meet U.S. liquidity needs through future operating cash flows, use of U.S. Cash balances, external borrowings, or some combination of these sources. We complete comprehensive reviews of our significant customers and their creditworthiness by analyzing financial statements for customers where we have identified a measure of increased risk. We closely monitor payments and developments which may signal possible customer credit issues. We currently have not identified any potential material impact on our liquidity from customer credit issues.

Total debt, including notes payable, at June 30, 2023 was \$89.5 million. At June 30, 2023, our unused availability under our credit facility (the "Facility") was \$37.0 million and our bank debt to equity percentage was 22.5%. On March 2, 2022, the Company amended the Facility to increase the capacity from \$65.0 million to \$90.0 million. As part of this amendment, the index used to determine the interest rate changed from LIBOR to the Bloomberg Short Term Bank Yield Index ("BSBY"). The interest rate is defined as BSBY plus 1.125% unless the Company's funded debt to Earnings before Interest, Taxes and Depreciation ratio exceeds 2.25 to 1, at which point the BSBY spread becomes 1.500%. The amendment also allows the Company to change its rate from BSBY to the Secured Overnight Financing Rate ("SOFR") at the Company's discretion. The amendment extended the maturity from June 30, 2024 to March 2, 2026. On August 31, 2022, the Company amended the Facility and elected to change its rate from BSBY to SOFR, and added its New Zealand subsidiary as a co-borrower, all other terms remain the same. The Facility contains, among other provisions, requirements for maintaining levels of net worth and profitability. At June 30, 2023, the Company was in compliance with these covenants.

Our Asia-Pacific segment had \$0.2 million in restricted cash for both periods ended June 30, 2023 and December 31, 2022. The restricted cash was used to secure bank debt and is included in Cash, cash equivalents and restricted cash on the Consolidated Balance Sheets.

On January 19, 2021, the Company purchased a new aircraft for \$20.5 million and received funding for a term loan from PNC Equipment Finance, LLC for the full amount of the purchase price. The term of the loan is 120 months at a fixed interest rate of 2.744%. The loan is payable in 119 equal monthly installments, which commenced on March 1, 2021 with a final payment of any outstanding principal and accrued interest due and payable on the final monthly payment date. Of the \$15.7 million outstanding on this debt facility at June 30, 2023, \$2.1 million was classified as current. The loan is secured by the aircraft.

We expect that our major source of funding for 2023 and beyond will be our operating cash flows, our existing Cash as well as our Facility agreement. Except for current earnings in certain jurisdictions, our operating income 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 further 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

Net cash provided by operating activities for the six months ended June 30, 2023 was \$45.9 million compared to \$6.2 million used in operating activities in the comparable prior year six-month period. The \$52.1 million increase was primarily a result of increases in net income and changes in operating assets and liabilities.

Net cash used in investing activities for the six months ended June 30, 2023 was \$29.1 million compared to \$16.7 million in the comparable prior year six-month period. The \$12.4 million change was primarily a result of an increase in capital expenditures and decreases in proceeds from the settlement of a Company-owned life insurance policy and sale of property and equipment in 2022 that did not recur.

Net cash used in financing activities for the six months ended June 30, 2023 was \$11.7 million compared to cash provided by financing activities of \$15.5 million in the comparable prior year six-month period. The \$27.2 million change was primarily the result of an increase in payments on long-term debt and share repurchases.

We have commitments under operating leases primarily for office and manufacturing space, transportation equipment, office and computer equipment and finance leases primarily for equipment. At June 30, 2023, we had \$1.2 million of current operating lease liabilities and \$7.5 million of noncurrent operating lease liabilities. Total liabilities related to finance lease obligations were less than \$1 million at June 30, 2023.

As of June 30, 2023, the Company had total outstanding guarantees of \$13.9 million. Additionally, certain domestic and foreign customers require the Company to issue letters of credit or performance bonds as a condition of placing an order. As of June 30, 2023, the Company had total outstanding letters of credit of \$1.0 million.

The Company has borrowing facilities at certain of its foreign subsidiaries, which consist of overdraft lines, working capital credit lines, and facilities for the issuance of letters of credit and short-term borrowing needs. At June 30, 2023 and December 31, 2022, \$21.0 million and \$26.1 million was outstanding, of which \$18.5 million and \$19.1 million were classified as current, respectively. These facilities support commitments made in the ordinary course of business.

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 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 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 global economic conditions, including the impact of inflation and rising interest rates, on the Company's ongoing profitability and future growth opportunities in the Company's core markets in the U.S. and other foreign countries, which may experience continued or further instability due to political and economic conditions, social unrest, acts of war, military conflict (including the ongoing conflict between Russia and Ukraine), international hostilities or the perception that hostilities may be imminent, terrorism, changes in diplomatic and trade relationships and public health concerns (including viral outbreaks such as COVID-19);
- The ability of the Company's customers to raise funds needed to build the infrastructure projects their customers require;
- Technological developments that affect longer-term trends for communication lines, such as wireless communication;

- The decreasing demand for product supporting copper-based infrastructure due to the introduction of products using new technologies or adoption of new industry standards;
- The Company's success at continuing to develop proprietary technology and maintaining high quality products and customer service to meet or exceed new industry performance standards and individual customer expectations;
- The Company's success in strengthening and retaining relationships with the Company's customers, growing sales at targeted accounts and expanding geographically;
- The extent to which the Company is successful at expanding the Company's product line or production facilities into new areas or implementing efficiency measures at existing facilities;
- The effects of fluctuation in currency exchange rates upon the Company's foreign subsidiaries' operations and reported results from international operations, together with non-currency risks of investing in and conducting significant operations in foreign countries, including those relating to political, social, economic and regulatory factors;
- The Company's ability to identify, complete, obtain funding for and integrate acquisitions for profitable growth;
- The potential impact of consolidation, deregulation and bankruptcy among the Company's suppliers, competitors and customers and of any legal or regulatory claims;
- The relative degree of competitive and customer price pressure on the Company's products;
- The cost, availability and quality of raw materials required for the manufacture of products and any tariffs that may be associated with the purchase of these products. The Company's supply chain could continue to be disrupted by the COVID-19 pandemic which could have a material, adverse effect on the ability to secure raw materials and supplies;
- Strikes, labor disruptions and other fluctuations in labor costs;
- Changes in significant government regulations affecting environmental compliance or other litigation matters;
- Security breaches or other disruptions to the Company's information technology structure;
- The telecommunication market's continued deployment of Fiber-to-the-Premises;
- The effects of the U.S. Inflation Reduction Act which could affect our U.S. federal corporate income tax rate and the tax credits we could receive from foreign income;
- The impact of any failure to timely implement and maintain adequate financial, information technology and management processes and controls and procedures; and
- Those factors described under the heading "Risk Factors" in Item 1A of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 which was filed on March 3, 2023.

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.

Effective July 1, 2018, Argentina was designated as a highly inflationary economy as the projected three-year cumulative inflation rate exceeded 100%. As such, beginning July 1, 2018, the functional currency for the Company's Argentina subsidiary became the U.S. dollar. Revenue from operations in Argentina represented less than 1% of total consolidated net sales for the six-month periods ended June 30, 2023 and 2022.

As of June 30, 2023, the Company had \$0.2 million in assets related to 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, foreign denominated receivables and payables and cash and short-term investments. A hypothetical 10% change in currency rates would have an impact on fair values on such instruments of \$6.5 million and a \$2.0 million impact on income before income taxes at June 30, 2023.

The Company is exposed to market risk, including changes in interest rates and foreign exchange rates since we conduct business in a variety of foreign currencies. The Company is subject to interest rate risk on its variable rate revolving credit facilities, which consisted of long-term borrowings of \$55.1 million at June 30, 2023. A 100-basis point increase in the interest rate would have resulted in an increase in interest expense of approximately \$0.3 million for the six months ended June 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES**Evaluation of Disclosure Controls and Procedures**

The Company's Principal Executive Officer and Principal Accounting Officer have concluded that the Company's disclosure controls and procedures as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended, were effective as of June 30, 2023.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) of the Securities and Exchange Act of 1934, as amended, during the six-month period ended June 30, 2023 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

Information regarding the Company's current legal proceedings is presented in Note 5 of the Notes to the Consolidated Financial Statements.

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, 2022 filed with the SEC on March 3, 2023. In addition, the impact of COVID-19 and ongoing conflict between Russia and Ukraine could potentially exacerbate other risks discussed, any of which could have a material adverse effect on the Company. The situation continues to change, and additional impacts may arise that the Company is not aware of currently.

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

On July 28, 2021, the Board of Directors authorized a plan to repurchase up to an additional 191,163 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 reflects repurchases for the three-month period ended June 30, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs
April	—	—	122,157	127,843
May	4,143	128.64	126,300	123,700
June	35,935	154.75	162,235	87,765
Total	<u>40,078</u>			

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Exhibit
31.1	Certification of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of the Principal Accounting Officer, Andrew S. Klaus, 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, Andrew S. Klaus, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.

101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
104	Cover Page Interactive Data File (embedded within the inline XBRL document)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Preformed Line Products Company

August 3, 2023

/s/ Robert G. Ruhlman
Robert G. Ruhlman
Chairman, President and Chief Executive Officer
(principal executive officer)

August 3, 2023

/s/ Andrew S. Klaus
Andrew S. Klaus
Chief Financial Officer
(principal financial and accounting officer)

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 3, 2023

/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, Andrew S. Klaus, 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 3, 2023

/s/ Andrew S. Klaus
Andrew S. Klaus
Chief Financial Officer
(Principal Financial and 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, 2023 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 3, 2023

/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, Andrew S. Klaus, 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, 2023 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 3, 2023

/s/ Andrew S. Klaus
Andrew S. Klaus
Chief Financial Officer
(Principal Financial and 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.
