PREFORMED LINE PRODUCTS

MAKING THE BEST CONNECTIONS WORLDWIDE

ANNUAL REPORT >> 1999

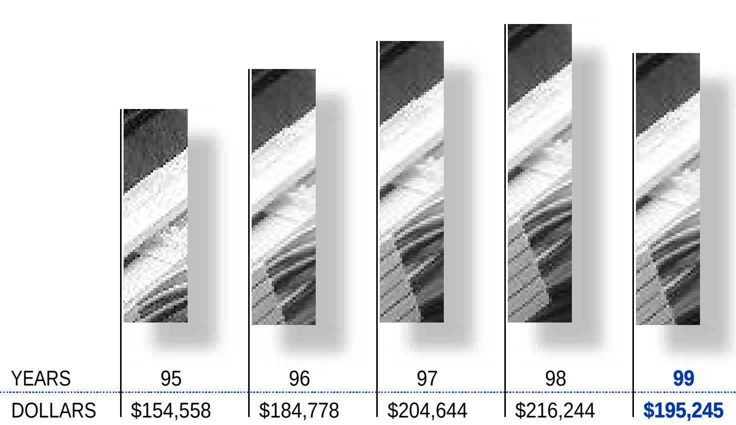
Preformed Line Products is a leading supplier of high quality cable anchoring and control hardware and systems, overhead and underground splice cases and related products, and high speed cross connect devices. It serves energy, communications and cable television industry customers in the U.S. and worldwide through strategically located manufacturing facilities in all major markets. It also provides products for special industries applications that are in addition to its primary customer base.

FINANCIAL HIGHLIGHTS >>

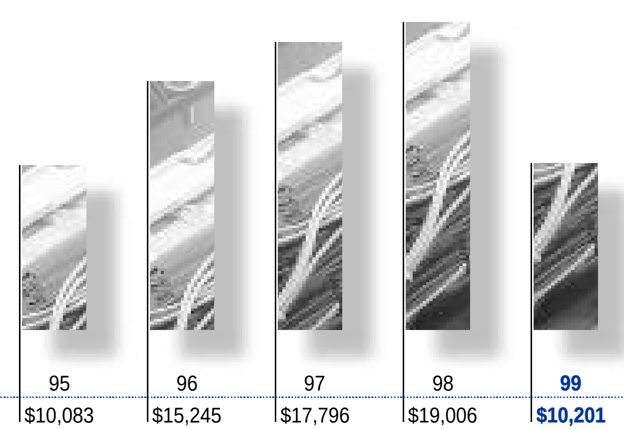
Thousands of dollars, except per share data

	Years ended December 31	
	1999	1998
Net sales	**$ 195,245**	$ 216,244
Income before income taxes	**14,729**	28,464
Net income	**10,201**	19,006
Net income per share	**1.71**	3.10
Shareholders' equity	**119,194**	121,776
Shareholders' equity per share	**$ 20.45**	$ 19.91

CONSOLIDATED NET SALES



CONSOLIDATED NET INCOME



TO OUR SHAREHOLDERS >>

Preformed Line Products dealt with a challenging year in 1999, recording a decline in sales and earnings over the previous year. While disappointing, this was not unexpected. Our wholly owned subsidiary, Superior Modular Products (SMP), lost a key piece of business in late 1998 when a major OEM customer elected to internally manufacture products previously provided by SMP. In addition, our Birmingham operation was not profitable. Finally, we experienced reduced margins on the PLP® Splice Case line. We are pleased to report that we have implemented new strategies that address these issues and will provide details later in this report. Additionally, our unit sales have increased in almost every product category.

Net income for the year totaled $10,201,000, down 46% from the record $19,006,000 earned in 1998. On a per share basis, earnings totaled $1.71, versus a record $3.10 in 1998. The earnings decline was due mainly to a 10% decrease in sales to $195,245,000, versus the record $216,244,000 in the prior year.

Jon R. Ruhlman
Chairman and
Chief Executive Officer

Robert G. Ruhlman
President and
Chief Operating Officer

Financial Position

Our financial position remained strong in 1999. Working capital at year-end totaled $60.9 million. Current assets of $86.1 million were 3.4-1 to current liabilities of $25.2 million. Shareholders' equity totaled $119.2 million, or $20.45 per share, versus $121.8 million, or $19.91 per share recorded in 1998. We continued to maintain our regular quarterly dividend rate.

PLP - A Recognized Leader because of Quality People and Quality Product

As we have reported for the past several years, deregulation in our Energy and Communications marketplaces has proved to be a major influence over all who serve those markets. In reviewing a year filled with many market changes, and increased emphasis on cost and pricing pressures, it's important to reflect on the contribution and dedication of our people. The PLP name has tremendous brand recognition and we've established an exceptional reputation due to the efforts of our people, who are keenly aware of how vitally important it is to stay customer focused. What truly separates PLP from many other suppliers is how we react to our customers' expectations and needs. With that in mind, we have taken this opportunity to feature PLP people in this report who are representative of the approximately 1,500 who serve our customers worldwide and whose skill and experience have made PLP a recognized global leader in the markets we serve.

Regardless of the product price point, our customers now expect high quality products. We at PLP are committed to providing our customers with superior products backed by exceptional services. Everyone works as a team at PLP to apply the principles of total quality management, continuous improvement, and ISO-9000. PLP has been a leader in this important area. We believe this strategy adds value to our product offering as evidenced by the "Partner in Quality" recognition PLP has received for almost ten years from the largest independent telephone company in the U.S.

ISO 9001 PLP CERTIFIED

Jim Sarosy
Export Sales Manager

Bob Shear
Production Control Coordinator

Linda Slotta
Customer Service Supervisor

Communications

1999 represented continued success in both the Communications and Special Industries markets. The only area of disappointment was in the PLP Splice Case series. We experienced pricing pressures on this product line; however, unit sales remained almost as strong as 1998. We've moved from a period where our Splice Case line was defined by its performance to a period where price is more important with many of our customers. This was anticipated and, as a result, almost $4 million has been invested in a new "clean sheet" design product that offers unique features and customer benefits. We call this new product the ARMADILLO™ Closure. It will better position us with a cost-competitive product, while offering us the prospect of increased margins due to reduced manufacturing costs.

Part of our sales strategy involves growing our business in the copper based outside plant. There is a massive imbedded base of copper based plant installed with traditional telephone companies. Also, considerable copper cable is scheduled to be installed in the years ahead – this is in addition to anticipated fiber optic cable growth. A technology called Digital Subscriber Line (DSL) is being employed to electronically enhance the copper cables so that more information can be passed over them. Many in the industry consider this option a more cost-effective alternative to installing fiber optic cable to homes. For example, a Regional Bell Operating Company (RBOC) spent about $700 million in each of the last several years installing copper cable. Further, the industry as a whole will spend about $8 billion annually well into the future. That figure includes 26.4 million miles of copper cable that will be laid this year in the U.S., as reported in the Wall Street Journal. Our strategy is to continue serving those long-term customers, while at the same time expanding our fiber optic capabilities to meet the demands of the future. We expect the ARMADILLO Closure Series will position us to achieve strong growth in this market segment.

This action also complements our strategy of expanding our injection molding capabilities at our Rogers, Arkansas plant. We anticipate increased manufacturing efficiencies due to an increased utilization of our in-house capabilities.

Sales of our products designed for fiber based communications systems continue to exceed our expectations. Although a fairly new product, the COYOTE® Closure is well established in the targeted market segments. The COYOTE Closure Series was selected as a system standard by several important accounts here and abroad last year. We've enjoyed significant sales growth of the COYOTE Product Family with the addition of the COYOTE PUP and COYOTE RUNT Closures. We are also developing an enhanced COYOTE Closure, based on the ARMADILLO technology, to be introduced later this year. The COYOTE Series will continue to use our existing COYOTE fiber management systems, but will use the new, more cost-effective technology developed for the ARMADILLO shell. We will also be unveiling another new product series, the GECKO™ Closure, a domed fiber closure that will fill out our fiber closure product lines late this year. Our strategy is to be a global "one-stop shop" for both copper based and fiber optic based closure products. We are confident our new product introductions will better position us for future growth in these important market segments.

Special Industries

We continued to be a leading supplier in the Tower/Antenna, Metal Building, and Urethane areas. The Tower/Antenna industry continues to develop in the domestic markets with the deployment of additional broadcast and various communication towers (such as cellular towers). With a strong economy, corporations, schools, municipalities and the private sectors continue to use pre-engineered metal buildings as the preferred choice for their construction requirements. Lastly, the Urethane product line showed continued growth with new customers to whom we were able to offer both cast and liquid system urethane materials on an OEM basis. In fact, we just signed a new supply agreement with a major closure supplier to provide urethane end plates for its unique applications.

Despite a challenging and competitive Communications and Cable Television environment, we saw double-digit sales growth in 1999 in both the CATV and Data Communications market segments with both the COYOTE Closure and PLP formed wire products. We've made good inroads with Competitive Local Exchange Carriers (CLEC's) this past year as well. With the continued demand for high-speed voice, data and Internet services, PLP will continue to provide CLEC's with cost-competitive solutions for their fiber, coax, and aerial outside plant construction needs. Our sales staff has developed strong relationships with many of these accounts and will continue to provide exceptional service that meets or exceeds our customers' expectations.

A major cable company just selected the COYOTE Closure Series as a new system standard. This long-term agreement will result in several million dollars in sales revenue over the next couple of years. The PLP product was selected over several very strong product offerings from our competitors. We should continue to see sales growth in this important market segment. With the addition of the COYOTE RUNT Closure, we were able to offer the CATV operators a complete product line to uniquely meet all of their splicing requirements at a cost-competitive price.

Dave Sunkle
Manager Product Engineering & Technical Services

Mary Kay Anderson
Buyer

Craig Bean
Product Demonstrator

The Energy Market

Unit sales of Energy products were up, bookings in dollars were up strongly throughout the year, and we clearly gained market share. In fact, we realized the best growth in Energy product sales in the past decade.

Transmission

After several years of stagnant demand for Transmission products, sales to that segment revived in

Jim Davis
Chief Production Control Planner

Dan Levac
Sales Manager Communications & Special Industries Markets

Sharon O'Flanagan
Financial Services Supervisor

Barb Daniels
Contract Administration Supervisor

Lan-Ping Ling
Product Development Engineer

Russell Redman
Product Line Sales Manager
Urethane Products

1999. Utility companies had deferred their spending on transmission systems for a very long time as a result of little growth in power demand. More recently, spending had been curtailed as the utilities awaited the outcome of deregulation and its effect on the restructuring of the Energy industry. Now, finally, the nationwide system is beginning to be upgraded to handle what will soon be required. While there weren't many new transmission construction projects in 1999, several significant projects are scheduled to begin in 2000.

Distribution

Our Distribution products business was strong with bookings up almost 10%, reflecting real dollar growth. Again, this resulted from the need for customers to upgrade their systems to handle peak load requirements, and avoid power outages and brownouts such as those which occurred in the Midwest during the heat wave last summer. Line maintenance had been deferred by many customers because of reduced budgets, personnel cutbacks, and the pressures under deregulation to become more cost-effective and profitable. We expect funding for these maintenance programs to continue at a healthy level in the coming year.

Our marketing thrust to the Energy markets during the year 2000 will re-emphasize and refocus on our traditional brand names such as GUY-GRIP® Dead-ends, ARMOR-GRIP® Suspensions, and WRAPLOCK® Ties with a strong promotional program that reintroduces PLP as the originator and leading producer worldwide of the helical product concept. This part of our business has steadily contributed to results for many years and continues to be a core part of PLP.

Ed Kiernozek
Quality Assurance Supervisor

Rosalyn Harris
Marketing Systems Coordinator

Geoff Mason
Financial Controller
PLP-Great Britain

Sale of the Birmingham Plant

Sales for the cast hardware and fiberglass products produced at the Birmingham plant increased significantly in 1999. However, high manufacturing costs and low margins at the prevailing market price levels were serious impediments to profitability. As a result, in February of 2000, we divested ourselves of this operation in order to redeploy our monetary and personnel resources in more profitable and higher growth areas. This will allow us to

Marian Lawson
Personnel Manager

Dave Moore
Network Technician

Dennis Theis
General Manager of Sales
Energy Markets

eliminate a significant drain on our earnings that was experienced in 1999.

Building for the Future . . . Albemarle Plant Expansion

In anticipation of future growth in our urethane product line, extruded plastics, and formed wire products, we have expanded our manufacturing and warehousing space at our Albemarle facility. This $4 million construction is nearly complete and expands the site to more than 260,000 square feet. This facility is ideally situated to take full advantage of raw material resources, transportation, labor and other economic benefits.

Investments of this kind are evidence that PLP is committed to the markets we serve. It also indicates our optimism for the future and the continuing demand for quality products of the best possible value, backed by dedicated and available service and supply.

Superior Modular Products

Due to the previously noted loss of a major OEM account, sales for 1999 were 30% lower than 1998. At the same time European and SMP "brand-name" sales increased by 4%, and would have exceeded 10% were it not for large scale market postponement of data network construction in the second half of the year because of Y2K uncertainties.

1999 was a repositioning year for SMP. Through aggressive new product development efforts, SMP gained positions in major new market segments including power utilities, multiple service operators or MSO's (up 78% over 1998), and Interexchange carriers (IXC's). SMP has continued to enhance its position with CLEC's, incumbent local exchange carriers (ILEC's) and commercial LAN data distribution.

SMP has positioned itself for future technological and marketplace trends by greatly expanding its product offerings in the fiber optic data termination, Small Office Home Office (SOHO), and Multiple Service Distribution Enclosure (MSDE) product families. In addition, SMP continues to enhance its system integration capabilities through additional development of electronic data communication products at its GTI Division. This will greatly improve its position in the governmental, large institution and power utility segments of its industry.

Year 2000 sales of SMP private branded products should continue to increase. However, we do not expect those sales to be sufficient to equal SMP's record profit contribution in 1998 due to increased selling expenses and lower margins than were enjoyed on the sales to the former OEM customer.

International Operations

The 1999 international subsidiary earnings were down from the record results in 1998. The decline was amplified because of the significant gain in 1998 from the sale of a plant in Australia versus a substantial 1999 currency devaluation in Brazil. The 50% devaluation had both an asset revaluation impact, as well as a reduction in the U.S. Dollar recognition of the local currency earnings. Regardless, PLP-Brazil had very good year-to-year unit growth and is currently producing at maximum capacity. We expect the Brazilian market to continue its rapid expansion. The benefits of tax loss carry forwards had a positive impact on PLP-Canada operations prior to 1999.

Softer sales and earnings in Europe and South Africa were the result of a less robust market combined with the same competitive pressure for communications closures seen in the United States. Although the worldwide Communications market continues to grow, so does the competitive presence. The need to capitalize on our own global infrastructure and to provide the very best products at the most effective pricing becomes increasingly important.

New opportunities are driving the product development effort and the future mix of our international business, which is increasingly focused on Communications, much like it is domestically. To build the worldwide PLP brand, we are hiring and training Communications engineers for key areas, including recent new hires in China, Spain, England, and Brazil. International Operations is being integrated with the rest of the company to meet customers' needs worldwide while achieving company wide marketing goals. Our international customers are being provided new products developed by our foreign subsidiaries especially for them, as opposed to our standard domestic products. These new products are then passed to the parent company and our other foreign subsidiaries.

David Woodard
Network Administrator

Joanne Cash
International Sales Service Supervisor

John Hofstetter
General Manager of Sales Communications & Special Industries Markets

Expected growth in England, Spain, and Mexico has necessitated the expansion of their manufacturing facilities. During 1999 we continued to invest even more resources to fully integrate SMP's Communications product line into all of our international operations. PLP-Australia has now joined PLP-Brazil in locally manufacturing SMP Local Area Network products, while PLP-Mexico continues to distribute the complete SMP product line throughout their markets. Actual and anticipated demand for our products in Mexico has led us to a decision to build a new, larger plant in that country.

Organization Changes

Two important management changes occurred over the past twelve months. Eric R. Graef returned to PLP after a twelve-year absence during which he held a number of key financial positions for The Lubrizol Corporation. In his new post, Eric serves as Vice President of Finance and Treasurer, succeeding John J. Herda who served PLP well for eight years. A Certified Public Accountant, Eric holds a Bachelors and Masters in Business Administration from Ohio University and John Carroll University, respectively.

William H. Haag III, a 14-year veteran of PLP, was named Vice President - International Operations. Bill was most recently Director of International Operations following the retirement of Gordon Meldrum. Both men made innumerable contributions to the strengthening of our many overseas operations. Bill served as interim General Manager for several years each at our Brazilian and Australian subsidiaries and most recently was closely involved with the start-up of Beijing-PLP.

The Outlook

We expect SMP's revamped marketing focus, along with the aforementioned emphasis on international sales, will begin showing results this year. Our core businesses, Communications and Energy, remain very strong. Our resources are being directed toward not only improving our margins, but also achieving the next level of growth—primarily in the global Communications market. Communications remains our largest growth market and we are, therefore, pursuing appropriate acquisition opportunities to further expand our potential. We are confident that the steps we have taken internally to adjust to the rapid changes in our markets will produce positive results in the year underway.

Sincerely,

Jon R. Ruhlman
Chairman and CEO

Robert G. Ruhlman
President and COO

FIVE YEAR SUMMARY >>

Thousands of dollars, except per share data

Years ended December 31	1999	1998	1997	1996	1995
NET SALES AND INCOME					
Net sales	**$195,245**	$216,244	$204,644	$184,778	$154,558
Income before income taxes	**14,729**	28,464	27,060	22,340	15,399
Net income	**10,201**	19,006	17,796	15,245	10,083
Net income to net sales	**5.2%**	8.8%	8.7%	8.3%	6.5%
PER SHARE AMOUNTS					
Net income	**1.71**	3.10	2.90	2.48	1.63
Dividends declared	**0.600**	0.575	0.500	0.485	0.440
Shareholders' equity	**20.45**	19.91	17.78	15.88	14.20
OTHER FINANCIAL INFORMATION					
Current assets	**$ 86,089**	$ 84,250	$ 75,217	$ 65,610	$ 54,941
Current liabilities	**25,181**	24,002	21,711	20,961	17,350
Working capital	**60,908**	60,248	53,506	44,649	37,591
Long-term debt	**14,507**	11,110	13,077	15,102	16,645
Shareholders' equity	**119,194**	121,776	109,079	97,388	87,709
Property, plant and equipment - net	**53,999**	51,595	46,259	41,908	41,849
Capital additions - net	**13,136**	14,980	11,573	7,914	5,240
Depreciation	**7,984**	7,521	5,739	5,249	5,378
Average number (in thousands) of shares outstanding	**5,975**	6,125	6,133	6,149	6,178

CONSOLIDATED BALANCE SHEETS >>

Thousands of dollars, except per share data

December 31	1999	1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,907	$ 10,475
Trade receivables, less allowance of $690 ($586 in 1998)	29,672	30,261
Inventories:		
Finished products	19,317	16,393
Work-in-process	2,223	1,661
Raw materials	24,068	22,490
Total Inventories	45,608	40,544
Other	3,902	2,970
TOTAL CURRENT ASSETS	86,089	84,250
PROPERTY AND EQUIPMENT - at cost		
Land and improvements	5,989	5,717
Buildings and improvements	32,168	32,733
Machinery and equipment	66,967	62,681
Construction in progress	5,873	4,119
Total Property and Equipment - at cost	110,997	105,250
Less allowances for depreciation and amortization	56,998	53,655
Property and Equipment - net	53,999	51,595
INVESTMENTS AND OTHER ASSETS		
Investments in foreign joint ventures	9,235	9,205
Goodwill	4,556	5,915
Patents and other intangibles	1,342	1,785
Other	4,443	4,967
Total Investments and Other Assets	19,576	21,872
	$159,664	$157,717

December 31	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable to banks	$ 2,608	$ 2,052
Trade accounts payable	8,114	8,246
Accrued salaries, wages, and other compensation	3,237	3,365
Accrued expenses and other liabilities	4,637	5,083
Profit-sharing contributions	2,343	2,204
Dividends	874	918
Income taxes	2,113	1,959
Current portion of long-term debt	1,255	175
TOTAL CURRENT LIABILITIES	25,181	24,002
LONG-TERM DEBT, less current portion	14,507	11,110
MINORITY INTERESTS	782	829
SHAREHOLDERS' EQUITY		
Common stock - $2 par value, authorized - 15,000,000 shares: Issued and outstanding - 5,829,308 shares in 1999 and 6,117,326 shares in 1998	11,659	12,235
Retained earnings	121,223	119,506
Accumulated foreign currency translation adjustment	(13,688)	(9,965)
TOTAL SHAREHOLDERS' EQUITY	119,194	121,776
	$ 159,664	$ 157,717

See notes to consolidated financial statements

CONSOLIDATED INCOME >>

Thousands of dollars, except per share data

Years ended December 31	**1999**	1998
Net sales	**$ 195,245**	$ 216,244
Cost of products sold	**131,615**	139,101
Gross profit	**63,630**	77,143
Expenses		
Selling	**25,030**	26,042
General and administrative	**20,343**	20,566
Research and engineering	**5,514**	5,542
Total expenses	**50,887**	52,150
Operating income	**12,743**	24,993
Other income (expense)		
Equity in net income of foreign joint ventures	**928**	771
Interest income	**713**	729
Interest expense	**(1,067)**	(988)
Other income - net	**1,412**	2,959
Total other income	**1,986**	3,471
Income before income taxes	**14,729**	28,464
Income taxes	**4,528**	9,458
Net income	**$ 10,201**	$ 19,006
Net income per share	**$ 1.71**	$ 3.10
Average number (in thousands) of shares outstanding	**5,975**	6,125

See notes to consolidated financial statements

CONSOLIDATED SHAREHOLDERS' EQUITY >>

Thousands of dollars, except per share data

	Common Stock	Retained Earnings	Accumulated Foreign Currency Translation Adjustment	Total
Balance at January 1, 1998	$ 6,133	$110,644	$ (7,698)	$109,079
Net income for the year		19,006		19,006
Foreign currency translation adjustment-net			(2,267)	(2,267)
Total comprehensive income for the year				16,739
Purchase of 15,922 treasury shares	(32)	(490)		(522)
Stock split effected as a dividend	6,134	(6,134)		
Cash dividends declared—$.575 per share		(3,520)		(3,520)
Balance at December 31, 1998	12,235	119,506	(9,965)	121,776
Net income for the year		10,201		10,201
Foreign currency translation adjustment-net			(3,723)	(3,723)
Total comprehensive income for the year				6,478
Purchase of 288,018 treasury shares	(576)	(4,906)		(5,482)
Cash dividends declared—$.60 per share		(3,578)		(3,578)
Balance at December 31, 1999	$11,659	$121,223	$(13,688)	$119,194

See notes to consolidated financial statements

CONSOLIDATED CASH FLOWS >>

Thousands of dollars

Years ended December 31	1999	1998
OPERATING ACTIVITIES		
Net income	$10,201	$19,006
Adjustments to reconcile net income to net cash provided by operations		
Depreciation and amortization	9,786	8,754
Deferred income taxes	325	(1,650)
Equity in earnings of foreign joint ventures - net of dividends received	309	484
Loss (gain) on sale of property and equipment	1,034	(2,275)
Changes in operating assets and liabilities		
Trade receivables	589	(1,132)
Inventories	(5,064)	(6,743)
Trade payables and accrued expenses	(567)	(1,329)
Income taxes	154	1,959
Other	(1,086)	(720)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,681	16,354
INVESTING ACTIVITIES		
Purchases of property and equipment	(13,136)	(14,980)
Proceeds from the sale of property and equipment	79	3,298
Other	—	(248)
NET CASH USED IN INVESTING ACTIVITIES	(13,057)	(11,930)
FINANCING ACTIVITIES		
Increase in notes payable to banks	556	1,668
Proceeds from issuance of long-term debt	4,645	3,716
Payments of long-term debt	(168)	(5,841)
Dividends paid	(3,622)	(3,369)
Purchase of treasury stock	(5,482)	(522)
NET CASH USED IN FINANCING ACTIVITIES	(4,071)	(4,348)
Effects of exchange rate changes on cash and cash equivalents	(2,121)	(741)
Decrease in cash and cash equivalents	(3,568)	(665)
Cash and cash equivalents at beginning of year	10,475	11,140
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,907	$10,475

See notes to consolidated financial statements

Thousands of dollars, except per share data

>> NOTE A SIGNIFICANT ACCOUNTING POLICIES

On June 10, 1998 the Company distributed a two-for-one stock split effected in the form of a 100% stock dividend. Accordingly, all per share amounts and average shares outstanding used in the calculation of per share amounts have been adjusted retroactively to reflect the stock split.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated upon consolidation. Investments in joint ventures are accounted for by the equity method.

CASH EQUIVALENTS

Cash equivalents are stated at fair value and consist of highly liquid investments with remaining maturities of three months or less at the time of acquisition.

INVENTORIES

Inventories are carried at the lower of cost or market. The Company uses the last-in, first-out (LIFO) method of determining the cost for the majority (approximately $23.2 million in 1999 and $21.1 million in 1998) of its inventories in the United States. All other inventory costs are determined by the FIFO method. Had the cost of all inventories been determined by the FIFO method (which approximates current cost), the amounts thereof would have been greater by $2.2 million in 1999 and 1998.

DEPRECIATION AND AMORTIZATION

Depreciation for the majority of the Company's assets is computed using accelerated methods over the estimated useful lives. Goodwill is amortized by the straight-line method, principally, over ten years. Patents and other intangible assets represent the value assigned to patents acquired with purchased businesses and are amortized using the straight-line method over their remaining useful lives. Goodwill and other long lived assets are evaluated periodically to determine that their fair value is greater than their recorded value.

COMPREHENSIVE INCOME

Foreign currency translation adjustments are the only element of other comprehensive income.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue is recognized when products are shipped to unaffiliated customers.

>> NOTE B SEGMENT REPORTING

Preformed Line Products designs, manufactures and sells hardware employed in the construction and maintenance of telecommunications and other utility networks. Principal products include cable anchoring and control hardware, splice enclosures and devices which are sold primarily to customers in North and South America, Europe and Asia.

The Company's segments are based on the way management aggregates business units for making operating decisions and assessing performance. The Company's reportable operating segments are domestic and foreign operations. The accounting policies of the operating segments are the same as those described in Note A.

	1999	1998
Net Sales		
Domestic	$142,343	$161,781
Foreign	57,107	62,780
Eliminations	(4,205)	(8,317)
Total Net Sales	$195,245	$216,244
Operating Profit		
Domestic	$ 4,653	$ 15,820
Foreign	8,090	9,173
	12,743	24,993
Equity in net income of joint ventures	928	771
Interest income	713	729
Interest expense	(1,067)	(988)
Other income - net	1,412	2,959
Income before income taxes	$ 14,729	$ 28,464
Identifiable Assets		
Domestic	$105,576	$ 97,215
Foreign	44,853	51,297
	150,429	148,512
Corporate	9,235	9,205
Total assets	$159,664	$157,717
Long-lived Assets		
Domestic	$ 35,491	$ 33,302
Foreign	18,508	18,293
	$ 53,999	$ 51,595

Transfers between geographic areas are generally above cost and consistent with rules and regulations of governing tax authorities. Such transfers are eliminated in preparation of consolidated financial statements. Corporate assets are equity investments in joint ventures.

> > NOTE C PENSIONS

Hourly employees of the Company and certain employees of foreign subsidiaries who meet specific requirements as to age and service are covered by pension plans. Net periodic benefit cost for the Company's domestic plan included the following components:

	1999	1998
Service cost	$ 568	$ 520
Interest cost	498	435
Expected return on plan assets	(516)	(428)
Recognized losses	—	4
Amortization of the unrecognized transition asset	13	13
Net periodic benefit cost	$ 563	$ 544

The following table sets forth benefit obligations, assets and the prepaid benefit asset of the Company's domestic defined benefit plan at December 31:

	1999	1998
Projected benefit obligation at beginning of the year	$ 7,112	$ 6,242
Service cost	568	520
Interest cost	498	435
Actuarial gain	(1,097)	—
Benefits paid	114	85
Projected benefit obligation at end of the year	$ 6,967	$ 7,112
Fair value of plan assets at beginning of the year	$ 7,192	$ 5,840
Actual returns on plan assets	(96)	886
Employer contributions	463	551
Benefits paid	114	85
Fair value of plan assets at end of the year	$ 7,445	$ 7,192
Plan assets in excess of benefit obligations	$ 478	$ 80
Unamortized:		
Net (gain) loss	(257)	227
Transition asset	38	51
Prepaid benefit asset	$ 259	$ 358

In determining the projected benefit obligation at each December 31 and the net periodic benefit cost for the year then ended, the assumed discount rate was 7.5% in 1999 and 7.0% in 1998, the rate of increase in future compensation levels was 4.0% in 1999 and 5.0% in 1998, and the expected long-term rate of return on plan assets was 7.0%.

The Company's policy is to fund amounts deductible for federal income tax purposes. Expense for defined contribution plans was $2.5 million in 1999 and 1998.

> > NOTE D LONG-TERM DEBT

Long-term debt consists of:

	December 31	
	1999	1998
Revolving credit agreement	**$ 12,500**	$ 8,000
Other notes payable	**3,262**	3,285
	15,762	11,285
Less current portion	**1,255**	175
Total long-term debt	**$ 14,507**	$ 11,110

The revolving credit agreement makes $40,000,000 available through December 31, 2001 at an interest rate at the lower of the lender's prime rate, 1/2% above the London interbank rate (LIBOR) or the lender's cost of funds plus 1/2%. The effective interest rate at December 31, 1999 was 6.0%. The revolving credit agreement contains, among other provisions, requirements for maintaining levels of working capital and net worth. Under the most restrictive of these covenants approximately $61.2 million of retained earnings was available for payment of dividends as of December 31, 1999.

Aggregate maturities of long-term debt during the next five years are as follows: 2000, $1.3 million; 2001, $13.0 million; 2002, $0.4 million; 2003, $0.4 million and 2004, $0.4 million.

Interest paid was $1.1 million in 1999 and $1.0 million in 1998.

The fair value of long-term debt approximates the amounts recorded.

> > NOTE E INCOME TAXES

The provision for income taxes is as follows:

	1999	1998
Federal and foreign		
Current	**$ 3,213**	$ 9,687
Deferred	**325**	(1,650)
State and local	**990**	1,421
Total income taxes	**$ 4,528**	$ 9,458

The effective income tax rate differs from the statutory rate, principally, due to state and local taxes, capital gains rates, net operating losses, low income housing and foreign tax credits.

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets arise primarily from allowances and other accruals which do not meet the criteria for deduction from taxable income until a future period, while deferred tax liabilities arise principally from differences in depreciation methods and lives.

The Company has foreign tax credits (approximately $0.4 million) which are available to reduce future income taxes should certain conditions be met.

For financial reporting purposes a valuation allowance was recorded in 1998 to offset the related deferred tax assets, due to the uncertainty of realizing the benefit of the carryforwards, which reflected management's estimate of their net realizable value. Such amounts were realized in 1999.

The Company's deferred tax assets and liabilities at December 31 are set forth below:

	1999	1998
Deferred tax assets	**$ 3,120**	$ 3,499
Valuation allowances	**—**	(580)
Deferred tax liabilities	**621**	95
Net deferred tax assets	**$ 2,499**	$ 2,824

The Company has not provided for income taxes on the undistributed earnings of foreign subsidiaries and joint ventures (approximately $35 million) at December 31, 1999, since these earnings are considered to be reinvested for an indefinite period of time. If distributed, such earnings would be subject to withholding taxes but substantially free of United States income taxes.

Income taxes paid, net of refunds, in 1999 were $4.8 million and $10.1 million in 1998.

REPORT OF INDEPENDENT AUDITORS >>

Board of Directors
Preformed Line Products Company

We have audited the accompanying consolidated balance sheets of Preformed Line Products Company and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Preformed Line Products Company and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Cleveland, Ohio
March 3, 2000

CORPORATE INFORMATION >>

DIRECTORS

JON R. RUHLMAN
Chairman and
Chief Executive Officer

ROBERT G. RUHLMAN
President and
Chief Operating Officer

FRANK B. CARR
Private Investor

JOHN D. DRINKO
Attorney
Baker & Hostetler LLP

WILBER C. NORDSTROM
Consultant

BARBARA P. RUHLMAN

RANDALL M. RUHLMAN

OFFICERS

JON R. RUHLMAN
Chairman and
Chief Executive Officer

ROBERT G. RUHLMAN
President and
Chief Operating Officer

JON BARNES
Vice President
Marketing and Sales

ERIC R. GRAEF
Vice President
Finance and Treasurer

WILLIAM H. HAAG III
Vice President
International Operations

ROBERT C. HAZENFIELD
Vice President
Research and Engineering

MICHAEL S. PEZO
Vice President
Manufacturing

ROBERT L. WEBER
Vice President
Employee Relations

J. RICHARD HAMILTON
Secretary

DOMESTIC PLANT LOCATIONS

Arkansas
Rogers

Florida
Melbourne

North Carolina
Albemarle
Asheville

Subsidiaries

Superior Modular Products
BBR Systems Ltd.
Glenrothes Fife, Scotland

INTERNATIONAL OPERATIONS

Subsidiaries

Australia
Preformed Line Products (Australia) Ltd.
Sydney, Australia

Brazil
PLP-Produtos Para Linhas Preformados Ltd.
Sao Paulo, Brazil

Canada
Preformed Line Products (Canada) Ltd.
Cambridge, Ontario, Canada

China
Beijing PLP Conductor Line Products Co., Ltd.
Beijing, China

Mexico
Preformados de Mexico S.A. de C.V.
Mexico City, Mexico

South Africa
Preformed Line Products (South Africa) Pty. Ltd.
Pietermaritzburg, Natal
Republic of South Africa

Spain
APRESA—PLP Spain, S. A.
Sevilla, Spain

United Kingdom
Preformed Line Products (Great Britain) Ltd.
Andover, Hampshire, England

Joint Ventures

Japan
Japan PLP Company, Ltd.
Tokyo, Japan

Toshin Denko Kabushiki Kaisha
Osaka, Japan

AUDITORS

Ernst & Young LLP

REGISTRAR & TRANSFER AGENT

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COMMON STOCK

PLP common stock is traded in the Over-The-Counter market (OTC) under the ticker symbol: PLIN

CORPORATE HEADQUARTERS

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