DIKER CHARLES M
Form 4
December 13, 2018

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
DIKER CHARLES M

(Last) (First) (Middle)

730 FIFTH AVENUE, 15TH FLOOR

(Street)

NEW YORK, NY 10019

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LOEWS CORP [L]

3. Date of Earliest Transaction (Month/Day/Year)
12/11/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price Derivati Security

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)		(Instr. 8)		Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)						(Instr. 5
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Units	(1)	12/11/2018		A		2.7 (2)		(2)	(2)	Common Stock	2.7	$ 0

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DIKER CHARLES M 730 FIFTH AVENUE, 15TH FLOOR NEW YORK, NY 10019	X			

Signatures

/s/ Glenn P. Zarin by power of attorney for Charles M. Diker	12/13/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each restricted stock unit ("RSU") represents a contingent right to receive one share of the Issuer's common stock.

(2) Represents additional RSUs awarded to the Reporting Person on account of dividend equivalent rights associated with RSUs awarded on May 8, 2018 (the "2018 RSUs"). These RSUs vest, and shares of the Issuer's common stock will be delivered to the Reporting Person, concurrently with the 2018 RSUs, which will vest on May 8, 2019, subject to any election to defer delivery of shares made by the Reporting Person with respect to such 2018 RSUs.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Performance

and Service

Required [1]

Service

Required

Total

Restricted

Share

Units

Weighted-Average

Grant-Date

Fair Value

Nonvested as of January 1, 2019

213,624

17,298

Explanation of Responses:

230,922

$

76.20

Granted

63,201

8,123

71,324

56.44

Vested

Explanation of Responses:

(75,921

)

(1,292

)

(77,213

)

34.16

Forfeited

(6,753

)

(1,068

)

(7,821

Explanation of Responses:

)

68.95

Nonvested as of March 31, 2019

194,151

23,061

217,212

$

60.98

(1) Nonvested performance-based RSUs are reflected above at the maximum performance achievement level.
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For time-based RSUs, the Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award in General and administrative expense in the accompanying Statements of Consolidated Income. Compensation expense related to the time-based RSUs for both three-month periods ended March 31, 2019 and 2018 was $.1 million. As of March 31, 2019, there was $.9 million of total unrecognized compensation cost related to time-based RSUs that is expected to be recognized over the weighted-average remaining period of approximately 2.1 years.

For the performance-based RSUs, the number of RSUs in which the participants will vest depends on the Company's level of performance measured by growth in either operating or pre-tax income and sales growth over a requisite performance period. Depending on the extent to which the performance criterions are satisfied under the LTIP and the Incentive Plan, the participants are eligible to earn common shares over the vesting period. Performance-based compensation expense for the three-month periods ended March 31, 2019 and 2018 was $.8 million and $.7 million, respectively. As of March 31, 2019, the remaining compensation expense of $5.3 million for outstanding performance-based RSU's is expected to be recognized over a period of approximately 1.9 years.

In the event of a Change in Control (as defined in the LTIP and the Incentive Plan), vesting of the RSUs will be accelerated and all restrictions will lapse. Unvested performance-based awards will vest on a target potential payout.

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

Share Option Awards

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

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

There were no options granted during either of the three-month periods ended March 31, 2019 and 2018.

Stock option activity under the Company's LTIP for three months ended March 31, 2019 was as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining	Aggregate Intrinsic Value (000's)

		per Share	Contractual Term (Years)	
Outstanding at January 1, 2019	30,750	$ 56.81		
Granted	0	$ 0.00		
Exercised	0	$ 0.00		
Forfeited	0	$ 0.00		
Outstanding (vested and expected to vest) at March 31, 2019	30,750	$ 56.81	6.7	$ 112
Exercisable at March 31, 2019	23,250	$ 56.77	5.8	$ 100

There were no shares exercised during the three-month periods ended March 31, 2019 and 2018.

For both three-month periods ended March 31, 2019 and 2018, the Company recorded compensation expense related to the stock options currently vested of less than $.1 million. The total compensation cost related to nonvested awards not yet recognized at March 31, 2019 is expected to be $.1 million over a weighted-average period of approximately 2.4 years.

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Deferred Compensation Plan

The Company maintains a trust, commonly referred to as a rabbi trust, in connection with the Company's deferred compensation plan. This plan allows for two deferrals. First, Directors make elective deferrals of Director fees payable and held in the rabbi trust. The deferred compensation plan allows the Directors to elect to receive Director fees in common shares of the Company at a later date instead of fees paid each quarter in cash. Second, this plan allows certain Company employees to defer restricted shares or RSUs for future distribution in the form of common shares. Assets of the rabbi trust are consolidated, and the value of the Company's common shares held in the rabbi trust is classified in Shareholders' equity and generally accounted for in a manner similar to treasury stock. The Company recognizes the original amount of the deferred compensation (fair value of the deferred stock award at the date of grant) as the basis for recognition in common shares issued to the rabbi trust. Changes in the fair value of amounts owed to certain employees or Directors are not recognized as the Company's deferred compensation plan does not permit diversification and must be settled by the delivery of a fixed number of the Company's common shares. As of March 31, 2019, 270,335 shares have been deferred and are being held in the rabbi trust.

NOTE J – 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 to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs other than Level 1 inputs that are either directly or indirectly observable, which may include:

- o Quoted prices for similar assets in active markets;
- o Quoted prices for identical or similar assets or liabilities in inactive markets;
- o Inputs other than quoted prices that are observable for the asset or liability; and
- o Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and developed using estimates and assumptions developed by the Company which reflect those that a market participant would use.

The following table summarizes the Company's assets and liabilities, recorded and measured at fair value, in the consolidated balance sheets as of March 31, 2019 and 2018:

Description	Balance as of March 31, 2019	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				

Marketable securities	$ 2,281	$ 2,281	$ 0	$ 0
Total Assets	$ 2,281	$ 2,281	$ 0	$ 0
Liabilities:				
Supplemental profit sharing plan	5,273	0	5,273	0
Total Liabilities	$ 5,273	$ 0	$ 5,273	$ 0

Description	Balance as of December 31, 2018	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Marketable securities	$ 1,648	$ 1,648	$ 0	$ 0
Total Assets	$ 1,648	$ 1,648	$ 0	$ 0
Liabilities:				
Supplemental profit sharing plan	4,946	0	4,946	0
Total Liabilities	$ 4,946	$ 0	$ 4,946	$ 0

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The Company has a non-qualified Supplemental Profit Sharing Plan for its executives. The liability for this unfunded Supplemental Profit Sharing Plan was $5.3 million at March 31, 2019 and $4.9 million at December 31, 2018. These amounts are recorded within Other noncurrent liabilities on the Company's consolidated balance sheets. During January 2018, the Company amended the Supplemental Profit Sharing Plan to allow the 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.

In order to mitigate the risk associated with the Supplemental Profit Sharing Plan, the Company has invested in marketable securities, principally equity based mutual funds. The balances of $2.3 million and $1.6 million were reported at fair value within Other current assets on the Company's consolidated balance sheets as of March 31, 2019 and December 31, 2018, respectively. Changes in the fair value of the securities of $.1 million and less than $.1 million were recognized within Other income, net within the consolidated statements of income for the three-month periods ended March 31, 2019 and 2018, respectively. Additionally, the Company also invested in a Corporate Owned Life Insurance Policy ("COLI"). At March 31, 2019 and December 31, 2018, the cash surrender value of the COLI was $3.0 million and $2.8 million, respectively, and is recorded in Other assets on the Company's consolidated balance sheet.

NOTE K – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In February 2018, the FASB issued ASU 2018-02, "Income Statement (Topic 220), Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which gives the entity the option to reclassify to retained earnings the tax effect resulting the U.S. Tax Cuts and Jobs Act of 2017 ("Tax Act") related items that the FASB refers to as having been stranded in accumulated other comprehensive income ("OCI"). The Company adopted ASU 2018-02 effective January 1, 2019 and did not elect the option to reclassify to retained earnings the tax effects resulting from the Tax Act that are stranded in OCI. The adoption of this new guidance did not have a material effect on the Company's consolidated financial statements.

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

This ASU was applied using a modified retrospective adoption method with the option of applying the guidance either retrospectively to each prior comparative reporting period presented or retrospectively at the beginning of the period of adoption, effective January 1, 2019. The Company applied the transitional package of practical expedients allowed by the standard to not reassess the identification, classification and initial direct costs of leases commencing before this ASU's effective date, however, the Company did not elect the hindsight transitional practical expedient. The Company also applied the practical expedient to not separate lease and non-lease components to new leases as well as

existing leases through transition. The Company also elected the practical expedient allowed under “Leases (Topic 842)” to exclude leases with a term of twelve months or less form the calculation of the lease liabilities and right-of-use assets.

In July of 2018, the FASB issued ASU 2018-11, “Targeted Improvements to ASC 842,” which includes an option to not restate comparative periods in transition and elect to use the effective date of ASC 842 as the initial application of transition. The amendments in Topic 842 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted.

The Company has finalized its policy elections, the discount rate used, data and business processes and controls to support recognition and disclosure under the new standard. The adoption of this ASU resulted in recognition of right-of-use assets and corresponding current and long-term lease obligations, on a discounted basis, of its lease obligations of $10.4 million on the Company’s balance sheet. Refer to Note Q “Leases” for additional details regarding the Company’s leases. The adoption of ASU 842 did not have a material impact on the Company’s results of operations, cash flows or debt covenants.

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NOTE L – NEW ACCOUNTING STANDARDS TO BE ADOPTED

The Company considers the applicability and impact of all ASU's. Recently issued ASU's that are not listed below were assessed and determined to be not applicable in the current reporting period.

In August 2018, the FASB issued ASU 2018-13 "Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement," which will modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, including the removal of certain disclosure requirements. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of the ASU and delay adoption of the additional disclosures until the effective date. The Company is currently evaluating what impact its adoption, effective January 1, 2020, will have to the presentation of the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 changes how entities will measure credit losses for most financial assets and other instruments that are not measured at fair value through net income. This update introduces the current expected credit loss (CECL) model, which will require an entity to measure credit losses for certain financial instruments and financial assets, including trade receivables. Under this update, on initial recognition and at each reporting period, an entity will be required to recognize an allowance that reflects the entity's current estimate of credit losses expected to be incurred over the life of the financial instrument. As no specific method to calculate the estimate is defined in ASU 2016-13, the application will require significant judgement. ASU 2016-13 is effective for public companies in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating what impact its adoption, effective January 1, 2020, will have to the presentation of the Company's consolidated financial statements.

NOTE M – SEGMENT INFORMATION

The following tables present a summary of the Company's reportable segments for the three months ended March 31, 2019 and 2018. Financial results for the PLP-USA segment include the elimination of all segments' intercompany profit in inventory.

	Three Months Ended March 31	
	2019	2018
Net sales		
PLP-USA	$41,425	$39,443
The Americas	13,771	19,546
EMEA	15,634	15,081
Asia-Pacific	26,323	24,069
Total net sales	$97,153	$98,139
Intersegment sales		
PLP-USA	$2,263	$2,183
The Americas	2,130	1,968
EMEA	237	334
Asia-Pacific	3,195	1,710
Total intersegment sales	$7,825	$6,195

Income taxes		
PLP-USA	$(513)	$374
The Americas	176	1,388
EMEA	75	237
Asia-Pacific	366	102
Total income taxes	$104	$2,101
Net income (loss)		
PLP-USA	$(81)	$1,714
The Americas	964	3,143
EMEA	513	363
Asia-Pacific	428	308
Total net income	$1,824	$5,528

	March 31, 2019	December 31, 2018
Assets		
PLP-USA	$124,226	$ 118,171
The Americas	73,839	69,764
EMEA	73,840	57,263
Asia-Pacific	115,223	113,599
Total identifiable assets	$387,128	$ 358,797

NOTE N – INCOME TAXES

The Company's effective tax rate was 5% and 28% for the three months ended March 31, 2019 and 2018, respectively. The lower effective tax rate for the three months ended March 31, 2019 compared to the U.S. federal statutory rate of 21% was primarily due to the recognition of benefits related to stock based compensation, partially offset by U.S. permanent items primarily related to deductibility of executive compensation and increased earnings in jurisdictions with higher tax rates than the U.S. statutory rate. The higher effective tax rate for the three months ended March 31, 2018 compared to the U.S. federal statutory rate of 21% was primarily due to an increase in earnings in jurisdictions with higher tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested and an increase in various U.S. permanent items related to provisions of the Tax Cuts and Jobs Act enacted December 22, 2017.

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. No significant changes to the valuation allowances were reflected for the periods ended March 31, 2019 and March 31, 2018.

The Company previously considered the majority of the earnings in non-U.S. subsidiaries to be permanently reinvested and accordingly did not record any associated deferred income taxes on such earnings. The Company intends to continue to invest most or all of these earnings, as well as our capital in these subsidiaries, indefinitely outside of the U.S. and does not expect to incur any significant additional taxes related to such amounts.

NOTE O – PRODUCT WARRANTY RESERVE

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

The following is a rollforward of the product warranty reserve:

	Three Months Ended March 31

	2019	2018
Beginning of period balance	$928	$1,076
Additions charged to income	4	8
Warranty usage	(43)	(16)
Currency translation	9	4
End of period balance	$898	$1,072

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NOTE P – DEBT ARRANGEMENTS

On March 13, 2018, the Company extended the term on its $65 million credit facility from June 30, 2019 to June 30, 2021. All other terms remain the same, including the interest rate at LIBOR plus 1.125% unless its funded debt to Earnings before Interest, Taxes and Depreciation ratio exceeds 2.25 to 1, at which point the LIBOR spread becomes 1.500%. At March 31, 2019, the Company's Polish subsidiary had borrowed $.9 million U.S. dollars at a rate of 1.125% plus the Warsaw Interbank Offer Rate with a term expiring June 30, 2021. At March 31, 2019, the Company's Australian subsidiary had borrowed $6.4 million U.S. dollars, also with a term expiring June 30, 2021. At March 31, 2019, the interest rates on the U.S., Polish and Australian line of credit agreement were 3.620%, 2.765% and 2.975%, respectively. Under the credit facility, at March 31, 2019, the Company had utilized $31.3 million with $33.7 million available under the line of credit, net of long-term outstanding letters of credit. The line of credit agreement contains, among other provisions, requirements for maintaining levels of net worth and profitability. At March 31, 2019, the Company was in compliance with these covenants.

On February 28, 2019, the Company acquired SubCon Electrical Fittings GmbH ("SubCon"), headquartered in Dornbirn, Austria. The Company's Austrian subsidiary has a line of credit with a term expiration of May 31, 2019 with the option to renew for an additional twelve months indefinitely. At March 31, 2019, the Company's Austrian subsidiary had borrowed its full capacity on the line of credit at $1.0 million euros, or $1.1 million U.S. dollars, at an interest rate of 2.000%.

For both periods ended March 31, 2019 and December 31, 2018, the Company's Asia Pacific segment had $.3 million in restricted cash used to secure bank debt. The restricted cash is shown on the balance sheet in Other assets.

NOTE Q – LEASES

The Company adopted guidance effective in ASU 2016-02, "Leases (Topic 842)" on January 1, 2019. Adoption of this guidance did not change the Company's balance sheet or income statement recognition of finance leases. As a result of adopting this guidance, the Company recorded short and long-term lease liabilities and corresponding right-of-use assets related to its operating leases.

The Company regularly enters into leases in the normal course of business. As of March 31, 2019, the leases in effect were related to land, buildings, vehicles, office equipment and other production equipment under operating leases with lease terms of up to 99 years. The Company often has the option to renew lease terms for buildings and other assets. The exercise of lease renewal options are generally at the Company's sole discretion. In addition, certain lease arrangements may be terminated prior to their original expiration date at the Company's discretion. The Company evaluates renewal and termination options at the lease commencement date to determine if the Company is reasonably certain to exercise the option on the basis of economic factors. The weighted average remaining lease term for the Company's operating and financing leases as of March 31, 2019 was 18.9 and 3.0 years, respectively.

Lease expense is recognized for these leases on a straight-line basis over the lease term with variable lease payments recognized in the period those payments are incurred. The components of operating and finance lease costs are recognized in Costs and expenses and Interest expense, respectively, on the Company's Consolidated Statements of Income. The Company's operating and finance lease costs for the three months ended March 31, 2019 were as follows:

	Three Months

	Ended March 31, 2019
Components of Lease Expense	
Operating lease cost	$ 665
Finance lease cost	
Amortization of right-of-use assets	18
Interest on lease liabilities	3
Total lease cost	$ 686

The discount rate implicit within each lease is often not determinable and, therefore, the Company establishes the discount rate based on its incremental borrowing rate. The incremental borrowing rate for the Company's leases is determined based on lease term and currency in which lease payments are made, adjusted for impacts of collateral. The weighted average discount rate used to measure the Company's operating and finance lease liabilities as of March 31, 2019 was 5.21% and 4.52%, respectively.

Future maturities of the Company's lease liabilities as of March 31, 2019 are as follows:

	Operating Leases	Finance Leases
2019	$ 1,783	$ 81
2020	1,983	110
2021	1,699	36
2022	1,299	27
2022	793	25
2023 and thereafter	8,954	2
Total lease payments	$ 16,511	$ 281
Less amount of lease payment representing interest	6,127	19
Total present value of lease payments	$ 10,384	$ 262

The Company's current and non-current finance lease liabilities are recorded in Accrued expenses and other liabilities and Other noncurrent liabilities, respectively, on the Company's Consolidated Balance Sheets. The total minimum sublease rentals under noncancelable subleases to be received through 2023 is $4.3 million.

Supplemental cash flow information related to leases for the three-month period ended March 31, 2019 was as follows:

	Three Months Ended March 31, 2019
Supplemental cash flow information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	3
Operating cash flows from finance leases	702
Financing cash flows from finance leases	26

NOTE R – RELATED PARTY TRANSACTIONS

On February 6, 2019, the Company purchased 36,413 shares of the Company from current Officers at a price per share of $56.44, which was calculated from a 30-day average market price in connection with the vesting of equity awards. The Audit Committee of the Board of Directors approved this transaction.

NOTE S – BUSINESS COMBINATIONS

On February 28, 2019, the Company acquired 100% of SubCon. Subcon is headquartered in Dornbirn, Austria with manufacturing operations in Brno, Czech Republic. The results of Subcon are included in the Company's EMEA

reportable segment. The acquisition of SubCon will strengthen the Company's position in the global substation market and will expand its operational presence in Europe. The majority of assets acquired were intangible assets and are reported as Goodwill on the Company's consolidated balance sheet in the amount of $9.7 million at March 31, 2019. The values related to the acquisition are preliminary and subject to final opening balance sheet adjustments.

NOTE T – SUBSEQUENT EVENTS

On April 1, 2019, the Company acquired MICOS Telcom s.r.o ("Micos Telcom") headquartered in Prostějov, Czech Republic. The acquisition is not considered material as assets acquired are less than 5% of the Company's total consolidated assets. The acquisition of MICOS Telcom will strengthen the Company's position in the global telecom market and will also expand its operational presence in Europe.

On April 25, 2019, the Company borrowed $8.0 million U.S. dollars on behalf of its Indonesian subsidiary at a rate of 3.501% with a term expiring on April 30, 2024. For further information regarding this debt, refer to Exhibit 10.1, Term Note dated April 25, 2019 between the Company and PNC Bank, National Association and Exhibit 10.2, Joinder and Amendment No. 5 to Amended and Restated Loan Agreement dated April 25, 2019 between the Company and PNC Bank, National Association.

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

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

The MD&A is organized as follows:

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

OVERVIEW

Preformed Line Products Company (the "Company", "PLPC", "we", "us", or "our") was incorporated in Ohio in 1947. We are an international designer and manufacturer of products and systems employed in the construction and maintenance of overhead and underground networks for the energy, telecommunication, cable operators, information (data communication), and other similar industries. Our primary products support, protect, connect, terminate, and secure cables and wires. We also provide solar hardware systems, mounting hardware for a variety of solar power applications, and fiber optic and copper splice closures. PLPC is respected around the world for quality, dependability and market-leading customer service. Our goal is to continue to achieve profitable growth as a leader in the research, innovation, development, manufacture, and marketing of technically advanced products and services related to energy, communications and cable systems and to take advantage of this leadership position to sell additional quality products in familiar markets. We have 27 sales and manufacturing operations in 19 different countries.

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

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

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

PREFACE

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

Our consolidated financial statements are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. As foreign currencies strengthen against the U.S. dollar, our sales and costs increase as the foreign currency-denominated financial statements translate into more U.S. dollars, and, conversely, when foreign currencies weaken, our sales and costs decrease upon translation into U.S. dollars. The fluctuations of foreign currencies during the three months ended March 31, 2019 had a $4.8 million unfavorable effect on net sales compared to the same period in 2018. The favorable effect on net income was $.2 million for the three-month period ended March 31, 2019. On a reportable segment basis, the impact of foreign currency on net sales and net income for the three months ended March 31, 2019 was as follows:

	Foreign Currency Translation Impact	
	Net Sales	Net Income
(Thousands of dollars)	Three Months	Three Months
The Americas	$ (2,247)	$ 179
EMEA	(1,558)	(47)
Asia-Pacific	(1,011)	43
Total	$ (4,816)	$ 175

The operating results for the three months ended March 31, 2019 are compared to the same period in 2018. Net sales for the three months ended March 31, 2019 of $97.2 million decreased $1.0 million, or 1.0%, compared to 2018. As a percentage of net sales, gross profit decreased to 28.1% in 2019 from 32.1% in 2018. Gross profit for the three-month periods ended March 31, 2019 and 2018 was $27.3 million and $31.5 million, respectively. Excluding the unfavorable impact of foreign currency translation, gross profit decreased $2.8 million, or 9.0%, compared to 2018. Costs and expenses of $25.2 million increased $1.4 million compared to 2018, which includes a favorable impact from currency translation of $1.7 million. Operating income for the three months ended March 31, 2019 was $2.0 million, a decrease of $5.7 million when compared to 2018. Net income for the three months ended March 31, 2019 of $1.8 million decreased $3.7 million compared to the three months ended March 31, 2018. The effect of currency translation had favorable impacts on operating income of $.3 million and net income of $.2 million, respectively.

The following table reflects the impact of foreign currency fluctuations on operating income for the three months ended March 31, 2019 and 2018:

	Foreign Currency Translation Impact	
	Three Months Ended March 31	
(Thousands of dollars)	2019	2018
Operating income	$ 2,046	$ 7,745
Translation gain	(251)	0
Transaction loss (gain)	(20)	(64)
Operating income excluding currency impact	$ 1,775	$ 7,681

Despite the constant changes in the current global economy, we believe our business fundamentals and our financial position are sound and that we are strategically well-positioned. We remain focused on assessing our business

structure, global facilities and overall capacity in conjunction with the requirements of local manufacturing in the markets that we serve. If necessary, we will modify redundant processes and utilize our global manufacturing network to manage costs, increase sales volumes and deliver value to our customers. We have continued to invest in the business to improve efficiency, develop new products, increase our capacity and become an even stronger supplier to our customers. We currently have a bank debt to equity ratio of 20.4% and can borrow needed funds at a competitive interest rate under our credit facility.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2019 COMPARED TO THREE MONTHS ENDED MARCH 31, 2018

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 March 31, 2019 and 2018. The Company's past operating results are not necessarily indicative of future operating results.

	Three Months Ended March 31				
(Thousands of dollars)	2019		2018		Change
Net sales	$97,153	100.0%	$98,139	100.0%	$(986)
Cost of products sold	69,888	71.9	66,621	67.9	3,267
GROSS PROFIT	27,265	28.1	31,518	32.1	(4,253)
Costs and expenses	25,219	26.0	23,773	24.2	1,446
OPERATING INCOME	2,046	2.1	7,745	7.9	(5,699)
Other expense - net	(118)	(0.1)	(116)	(0.1)	(2)
INCOME BEFORE INCOME TAXES	1,928	2.0	7,629	7.8	(5,701)
Income taxes	104	0.1	2,101	2.1	(1,997)
NET INCOME	$1,824	1.9 %	$5,528	5.6 %	$(3,704)

Net sales. Net sales were $97.2 million for the three months ended March 31, 2019, a decrease of $1.0 million, or 1%, from the three months ended March 31, 2018. Excluding the unfavorable effect of currency translation, net sales for the three months ended March 31, 2019 increased $3.8 million compared to the same period in 2018, or 4%, as summarized in the following table:

	Three Months Ended March 31					
(Thousands of dollars)	2019	2018	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Net sales						
PLP-USA	$41,425	$39,443	$1,982	$ 0	$ 1,982	5 %
The Americas	13,771	19,546	(5,775)	(2,247)	(3,528)	(18)
EMEA	15,634	15,081	553	(1,558)	2,111	14
Asia-Pacific	26,323	24,069	2,254	(1,011)	3,265	14
Consolidated	$97,153	$98,139	$(986)	$ (4,816)	$ 3,830	4 %

The year-over-year increase in PLP-USA net sales of $2.0 million, or 5%, was primarily due to a volume increase in energy product sales. International net sales for the three months ended March 31, 2019 experienced an unfavorable impact of $4.8 million when local currencies were converted to U.S. dollars. The following discussion of net sales

excludes the effect of currency translation. The Americas net sales of $13.8 million decreased $3.5 million, or 18%, primarily due to a volume decrease in energy and communication product sales. EMEA net sales of $15.6 million increased $2.1 million, or 14%, primarily due to a volume increase in energy product sales within the region. In Asia-Pacific, net sales of $26.3 million increased $3.3 million, or 14%, compared to 2018 primarily due to a sales volume increase in the energy and special industries products.

Gross profit. Gross profit was $27.3 million and $31.5 million for the three-month periods ended March 31, 2019 and 2018, respectively. Excluding the unfavorable effect of currency translation, gross profit decreased $2.8 million, or 9%, as summarized in the following table:

	Three Months Ended March 31					
(Thousands of dollars)	2019	2018	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Gross profit						
PLP-USA	$12,016	$13,486	$(1,470)	$ 0	$ (1,470)	(11)%
The Americas	4,071	7,943	(3,872)	(694)	(3,178)	(40)
EMEA	4,589	4,414	175	(443)	618	14
Asia-Pacific	6,589	5,675	914	(270)	1,184	21
Consolidated	$27,265	$31,518	$(4,253)	$ (1,407)	$ (2,846)	(9)%

Despite year-over-year favorable sales growth, PLP-USA gross profit of $12.0 million decreased $1.5 million compared to the same period in 2018 as a result of increases in raw material and production costs. International gross profit for the three months ended March 31, 2019 was unfavorably impacted by $1.4 million when local currencies were translated to U.S. dollars. The following discussion of gross profit excludes the effects of currency translation. The Americas gross profit decrease of $3.2 million was primarily the result of the sales decrease of $3.5 million combined with product margin decline in the region due to sales mix and increases in raw material and production costs. EMEA gross profit increased $.6 million mainly as a result of increased sales volume. Asia-Pacific gross profit increased $1.2 million primarily as a result of a year-over-year increase in sales of $3.3 million and a sales mix shift to higher margin products.

Costs and expenses. Costs and expenses of $25.2 million for the three months ended March 31, 2019 increased $1.4 million, or 6%. Excluding the favorable effect of currency translation, costs and expenses increased $3.1 million, or 13%, as summarized in the following table:

	Three Months Ended March 31					
(Thousands of dollars)	2019	2018	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Costs and expenses						
PLP-USA	$12,434	$11,168	$1,266	$ 0	$ 1,266	11 %
The Americas	2,990	3,469	(479)	(961)	482	14
EMEA	4,057	3,855	202	(393)	595	15
Asia-Pacific	5,738	5,283	455	(304)	759	14
Consolidated	$25,219	$23,775	$1,444	$ (1,658)	$ 3,102	13 %

PLP-USA costs and expenses of $12.4 million for the three months ended March 31, 2019 increased $1.3 million, or 11%, compared to 2018 mainly due to increased professional fees of $.7 million, higher bad debt expense of $.4 million, higher personnel related expenses including benefits of $.2 million, a $.2 million reduction in net foreign currency exchange gains and miscellaneous net increases in expenses of $.2 million. Lower commission expense of $.4 million partially offset the year-over-year increase in U.S. cost and expenses. Foreign currency exchange gains and losses are primarily related to translating into U.S. dollars its foreign denominated loans, trade and royalty receivables from its foreign subsidiaries at the March 31, 2019 exchange rates. On a consolidated basis, costs and expenses for the three months ended March 31, 2019 were favorably impacted by $1.7 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 $3.0 million increased $.5 million for the three months ended March 31, 2019 compared to the same period in 2018 primarily due to a $.3 million net loss on foreign currency transactional exchange, higher salary related expense of $.1 million combined with increased professional fees of $.1 million. EMEA costs and expenses of $4.1 million increased $.6 million mainly due to an increase in personnel related expenses of $.3 million, higher professional fees of $.1 million and a $.1 million incremental loss in net foreign currency exchange effect. Asia-Pacific costs and expenses of $5.7 million increased $.8 million. This increase was

primarily due to increased personnel related expenses of $.3 million, higher commission expense of $.1 million, increased combined travel and advertising expense of $.1 million, increased bad debt expense of $.1 million along with combined increases in various expenses of $.2 million.

Other income (expense). Other expense for both three-month periods ended March 31, 2019 and 2018 was $.1 million.

Income taxes. Income taxes for the three months ending March 31, 2019 and 2018 were $.1 million and $2.1 million, respectively, based on pre-tax income of $1.9 million and $7.6 million, respectively. The effective tax rate for the three-month periods ending March 31, 2019 and 2018 was 5% and 28%, respectively, compared to the U.S. federal statutory rate of 21%. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. In addition to state and local income taxes, the following items had the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% and our effective tax rate:

2019

1. A $.4 million, or 21%, net decrease resulting from U.S. permanent items, primarily related to tax benefits related to stock-based compensation.
2. A $.1 million, or 5%, increase resulting from earnings in jurisdictions with higher tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested.

2018

1. A less than $.1 million, or 1%, net increase resulting from higher U.S. permanent items primarily related to provisions of the Tax Cuts and Jobs Act enacted December 22, 2017.

2. A $.4 million, or 6%, increase resulting from earnings in jurisdictions with higher tax rates than the U.S. federal statutory rate.

Net income. As a result of the preceding items, net income for the three months ended March 31, 2019 was $1.8 million, compared to $5.5 million for the three months ended March 31, 2018, a decrease of $3.7 million as summarized in the following table:

	Three Months Ended March 31					
(Thousands of dollars)	2019	2018	Change	Change Due to Currency Translation	Change Excluding Currency Translation	% change
Net income (loss)						
PLP-USA	$(81)	$1,714	$(1,795)	$ 0	$ (1,795)	(105)%
The Americas	964	3,143	(2,179)	179	(2,358)	(75)
EMEA	513	363	150	(47)	197	54
Asia-Pacific	428	308	120	43	77	25
Consolidated	$1,824	$5,528	$(3,704)	$ 175	$ (3,879)	(70)%

PLP-USA's net income for the three months ended March 31. 2019 decreased $1.8 million compared to the same period in 2018 due to a decrease in operating income of $2.7 million, partially offset by a decrease in income taxes of $.9 million due to a tax benefit recorded in the current period. The following discussion of net income excludes the effect of currency translation. The Americas net income decreased $2.4 million as a result of a $3.7 million decrease in operating income, partially offset by lower income taxes of $1.3 million. EMEA net income increased $.2 million mainly as a result of a $.2 million year-over-year decrease in income tax expense as EMEA's operating income was flat year-over year at $.6 million. Asia-Pacific net income increased $.1 million as a result of a $.4 million increase in operating income partially offset by an increase in income tax expense of $.3 million.

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, 2018 filed on March 8, 2019 with the Securities and Exchange Commission and are, therefore, not presented herein. For more detail regarding the January 1, 2019 adoption of ASU 2016-02, "Leases (Topic 842)," refer to Note Q "Leases" and Note K "Recently Adopted Accounting Pronouncements."

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 three months of 2019, we used cash of $2.4 million for capital expenditures. We ended the first three months of 2019 with $43.8 million of cash, and cash equivalents and restricted cash (“Cash”). Our Cash is held in various locations throughout the world. At March 31, 2019, 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 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 at March 31, 2019 was $51.0 million. At March 31, 2019, our unused availability under our line of credit was $33.7 million and our bank debt to equity percentage was 20.4%. In 2018, we extended the term on our $65 million credit facility from June 30, 2019 to June 30, 2021. All other terms remain the same, including the interest rate at LIBOR plus 1.125% unless our funded debt to Earnings before Interest, Taxes and Depreciation ratio exceeds 2.25 to 1, then the LIBOR spread becomes 1.500%. The line of credit agreement contains, among other provisions, requirements for maintaining levels of net worth and funded debt-to-earnings before interest, taxes, depreciation and amortization along with an interest coverage ratio. The net worth and profitability requirements are calculated based on the line of credit agreement. At March 31, 2019 and December 31, 2018, we were in compliance with these covenants.

We expect that our major source of funding for 2019 and beyond will be our operating cash flows, our existing Cash as well as our line of credit agreement. We earn a significant amount of our operating income outside the United States, which, except for current earnings in certain jurisdictions, is deemed to be indefinitely reinvested in foreign jurisdictions. We believe our future operating cash flows will be more than sufficient to cover debt repayments, other contractual obligations, capital expenditures and dividends for the next 12 months and thereafter for the foreseeable future. In addition, we believe our borrowing capacity provides substantial financial resources, if needed, to supplement funding of capital expenditures and/or acquisitions. We also believe that we can expand our borrowing capacity, if necessary; however, we do not believe we would increase our debt to a level that would have a material adverse impact upon results of operations or financial condition.

Sources and Uses of Cash

Cash decreased $3.0 million compared to the same period in 2018. Net Cash provided by operating activities was $.5 million. The most significant net investing and financing uses of Cash in the three months ended March 31, 2019 were payments of long-term debt of $17.4 million, Cash used to fund the acquisition of Subcon of $10.2 million, capital expenditures of $2.4 million, share repurchases of $2.3 million and dividends paid of $1.0 million, partially offset by net debt and notes payable proceeds of $31.8 million. Currency had a positive $1.3 million impact on Cash when translating foreign denominated financial statements to U.S. dollars.

Net provided by operating activities for the three months ended March 31, 2019 and 2018 was $.5 million compared to a use of Cash of $1.0 million during the three months ended March 31, 2018. The $1.5 million increase was primarily a result of a decrease in Cash usage for operating assets (net of operating liabilities) of $5.8 million, which included a decrease resulting from the 2018 $5.3 million contribution to the pension plan, partially offset by a decrease in net income of $3.7 million and a decrease in non-cash items of $.6 million.

Net Cash used in investing activities of $13.1 million for the three months ended March 31, 2019 increased $6.1 million when compared to Cash used in investing activities in the three months ended March 31, 2018 of $7.0 million. The change was primarily related to Cash used to fund the Subcon acquisition, net of Cash, of $10.2 million, partially offset by a reduction in Cash used year-over year to purchase marketable securities of $3.8 million and a reduction in capital expenditures of $.3 million.

Cash provided by financing activities for the three months ended March 31, 2019 was $11.1 million compared to $8.3 million for the three months ended March 31, 2018. The $2.8 million decrease was primarily the result of a net increase in debt borrowings in 2019 compared to 2018 of $4.3 million, partially offset by Cash used for net stock issuances and repurchases of $1.5 million.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

See Note K of the Notes to the Consolidated Financial Statements

NEW ACCOUNTING STANDARDS TO BE ADOPTED

See Note L of the Notes to the Consolidated Financial Statements

FORWARD LOOKING STATEMENTS

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

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

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

- The overall demand for cable anchoring and control hardware for electrical transmission and distribution lines on a worldwide basis, which has a slow growth rate in mature markets such as the U.S., Canada, Australia and Western Europe and may grow slowly or experience prolonged delay in developing regions despite expanding power needs;
- The potential impact of the global economic condition on the Company's ongoing profitability and future growth opportunities in the Company's core markets in the U.S. and other foreign countries where the financial situation is expected to be similar going forward;
- The ability of the Company's customers to raise funds needed to build the facilities their customers require;
- Technological developments that affect longer-term trends for communication lines, such as wireless communication;
- The decreasing demand for product supporting copper-based infrastructure due to the introduction of products using new technologies or adoption of new industry standards;
- The Company's success at continuing to develop proprietary technology and maintaining high quality products and customer service to meet or exceed new industry performance standards and individual customer expectations;
- The Company's success in strengthening and retaining relationships with the Company's customers, growing sales at targeted accounts and expanding geographically;
- The extent to which the Company is successful at expanding the Company's product line or production facilities into new areas or implementing efficiency measures at existing facilities;
- The effects of fluctuation in currency exchange rates upon the Company's foreign subsidiaries' operations and reported results from international operations, together with non-currency risks of investing in and conducting significant operations in foreign countries, including those relating to political, social, economic and regulatory factors;
- The Company's ability to identify, complete, obtain funding for and integrate acquisitions for profitable growth;
- The potential impact of consolidation, deregulation and bankruptcy among the Company's suppliers, competitors and customers 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;
- Strikes, labor disruptions and other fluctuations in labor costs;
- Changes in significant government regulations affecting environmental compliances or other litigation matters;
- The telecommunication market's continued deployment of Fiber-to-the-Premises; and
- Those factors described under the heading "Risk Factors" on page 11 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on March 8, 2019.

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. The remeasurement impact to the three months ended March 31, 2019 was immaterial and is included in the Company's consolidated financial statements.

As of March 31, 2019, the Company had no foreign currency forward exchange contracts outstanding. The Company does not hold derivatives for trading or speculative purposes.

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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 a favorable/unfavorable impact on fair values on such instruments of $5.2 million and on income before taxes of $1.3 million.

The Company is exposed to market risk, including changes in interest rates. The Company is subject to interest rate risk on its variable rate revolving credit facilities and term notes, which consisted of borrowings of $31.3 million at March 31, 2019. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately $.4 million for the three months ended March 31, 2019.

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 March 31, 2019.

Changes in Internal Control over Financial Reporting

On January 1, 2019, the Company adopted ASU 2016-02, “Leases (Topic 842).” For the adoption, the Company implemented changes to its lease recognition process and control activities, including the development of new entity-wide policies, processes, including the use of a software package, controls, training and ongoing lease contract reviews to accommodate presentation and disclosure requirements. For more detail regarding the January 1, 2019 adoption of ASU No. 2016-02, refer to Note Q “Leases” and Note K “Recently Adopted Accounting Pronouncements.”

There were no other changes in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) during the three-month period ended March 31, 2019 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

In the course of business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to employment, workers' compensation, products liability, environmental and intellectual property. The ultimate outcomes of these matters are not predictable with certainty. The Company has liability insurance to cover many of these claims.

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 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 Plaintiffs were initially 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 Plaintiffs reduced their demand for damages to $29.4 million Canadian dollars on June 1, 2018.

The Company believes the claims against it are without merit and intends to vigorously defend against such claims. We are unable to predict the outcome of this case and cannot reasonably estimate a potential range of loss. However, if it is determined adverse to the Company, it could have a material effect on the Company's financial results.

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.

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, 2018 filed with the Securities and Exchange Commission on March 8, 2019.

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

On December 13, 2017, the Board of Directors authorized a plan to repurchase up to an additional 228,138 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 months ended March 31, 2019:

Period (2019)	Total	Average	Total Number of	Maximum Number

	Number of Shares Purchased	Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans or Programs	of Shares that may yet be Purchased under the Plans or Programs
January	1,000	$ 55.70	53,318	196,682
February	36,413	56.44	89,731	160,269
March	3,478	52.66	93,209	156,791
Total	40,891			

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1	Term Not April 25, 2019 between the Company and PNC Bank, National Association, filed herewith.
10.2	Joinder and Amendment No. 5 to Amended and Restated Line of Credit Note dated April 25, 2019 between the Company and PNC Bank, National Association, filed herewith.
31.1	Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certifications of the Principal Accounting Officer, Michael A. Weisbarth, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
32.2	Certifications of the Principal Accounting Officer, Michael A. Weisbarth, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

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

May 3, 2019	/s/ Robert G. Ruhlman Robert G. Ruhlman Chairman, President and Chief Executive Officer (Principal Executive Officer)
May 3, 2019	/s/ Michael A. Weisbarth Michael A. Weisbarth Vice President – Finance and Treasurer (Principal Accounting Officer)

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