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TECHNITROL INC
Form 10-Q
May 06, 2005

UNITED STATES
SECURITIES & EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ The Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the three months ended April 1, 2005, or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from _____ to _____.

Commission File No. 1-5375

[LOGO] Technitrol

TECHNITROL, INC.
(Exact name of registrant as specified in its Charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

23-1292472
(IRS Employer Identification Number)

1210 Northbrook Drive, Suite 470
Trevose, Pennsylvania
(Address of principal executive offices)

19053
(Zip Code)

Registrant's telephone number, including area code: 215-355-2900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

YES ☒ NO ☐

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

YES ☐ NO ☐

Common Stock - Shares Outstanding as of April 27, 2005: 40,468,849

(Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable dates.)

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements

Technitrol, Inc. and Subsidiaries

Consolidated Balance Sheets

In thousands

Assets	April 1, 2005 ----- (unaudited)	December 31, 2004 -----
Current assets:		
Cash and cash equivalents	\$ 170,266	\$ 155,952
Trade receivables, net	105,223	109,652
Inventories	67,083	77,481
Assets of discontinued operations held for sale	11,008	--
Prepaid expenses and other current assets	15,454	20,917
	-----	-----
Total current assets	369,034	364,002
Property, plant and equipment	219,958	233,563
Less accumulated depreciation	124,298	131,387
	-----	-----
Net property, plant and equipment	95,660	102,176
Deferred income taxes	8,375	8,898
Goodwill and other intangibles, net	146,673	148,863
Other assets	2,604	2,648
	-----	-----
	\$ 622,346	\$ 626,587
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Current installments of long-term debt	\$ 127	\$ 130
Short-term debt	5,714	6,717
Accounts payable	44,179	48,655
Liabilities of discontinued operations held for sale	1,897	--
Accrued expenses	70,459	69,602
	-----	-----
Total current liabilities	122,376	125,104
Long-term liabilities:		
Long-term debt, excluding current installments	6,746	7,125
Other long-term liabilities	14,905	14,766
Minority interest	14,835	14,730
Shareholders' equity:		
Common stock and additional paid-in capital	214,234	213,694
Retained earnings	241,320	239,752
Deferred compensation	(1,940)	(1,968)
Other comprehensive income	9,870	13,384
	-----	-----
Total shareholders' equity	463,484	464,862
	-----	-----

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\$ 622,346
=====

\$ 626,587
=====

See accompanying Notes to Unaudited Consolidated Financial Statements.

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Technitrol, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)
In thousands, except per share data

	Three Months Ended April 1, 2005 -----	March -----
Net sales	\$ 141,391	\$ 135
Costs and expenses:		
Cost of sales	107,422	97
Selling, general and administrative expenses	25,602	27
Severance and asset impairment expense	942	2
	-----	-----
Total costs and expenses applicable to sales	133,966	127
	-----	-----
Operating profit	7,425	7
Other income (expense):		
Interest income (expense), net	240	
Equity method investment earnings	--	
Other	(420)	
	-----	-----
Total other income (expense)	(180)	
	-----	-----
Earnings from continuing operations before taxes and minority interest	7,245	6
Income taxes	1,575	1
Minority Interest	(221)	
	-----	-----
Net earnings from continuing operations	\$ 5,449	\$ 5
Net (loss) earnings from discontinued operations, net of taxes	(340)	
	-----	-----
Net earnings	\$ 5,109	\$ 5
	=====	=====
Basic and diluted earnings per share from continuing operations	\$ 0.14	\$
Basic and diluted (loss) per share from discontinued operations	(0.01)	
	-----	-----
Basic and diluted earnings per share	\$ 0.13	\$
	=====	=====

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See accompanying Notes to Unaudited Consolidated Financial Statements.

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Technitrol, Inc. and Subsidiaries Consolidated Statements of Cash Flows (Unaudited) In thousands

	Three Months Ended April 1, 2005 -----
Cash flows from operating activities:	
Net earnings from continuing operations	\$ 5,449
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	5,652
Tax effect of employee stock compensation	(54)
Amortization of stock incentive plan expense	836
Minority interest in net earnings of consolidated subsidiary	221
Severance and asset impairment accrual, net of cash payments	(314)
Changes in assets and liabilities, net of effect of acquisitions:	
Trade receivables	(863)
Inventories	2,396
Prepaid expenses and other current assets	3,828
Accounts payable and accrued expenses	(2,193)
Other, net	126
Net cash provided by operating activities	15,084
Cash flows from investing activities:	
Capital expenditures	(3,985)
Proceeds from sale of property, plant and equipment	196
Foreign currency impact on intercompany lending	3,815
Net cash provided by (used in) investing activities	26
Cash flows from financing activities:	
Principal payments of long-term debt, net	(1,048)
Sale of stock through employee stock purchase plan	--
Net cash (used in) provided by financing activities	(1,048)
Net effect of exchange rate changes on cash	15
Net increase in cash and cash equivalents from continuing operations	14,077
Net increase (decrease) in cash and cash equivalents from discontinued operations	237
Cash and cash equivalents at beginning of period	155,952
Cash and cash equivalents at end of period	\$ 170,266

=====

See accompanying Notes to Unaudited Consolidated Financial Statements.

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Technitrol, Inc. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
Three Months Ended April 1, 2005
(Unaudited)
In thousands

	Common stock and paid-in capital		Retained	Deferre
	Shares	Amount	earnings	compe
	-----	-----	-----	sati
Balance at December 31, 2004	40,448	\$213,694	\$239,752	\$ (1,
Stock options, awards and related compensation	21	594		
Tax effect of stock compensation		(54)		
Currency translation adjustments				
Net earnings			5,109	
Comprehensive income				
Dividends declared (\$0.0875 per share)			(3,541)	
Balance at April 1, 2005	40,469	\$214,234	\$241,320	\$ (1,
	=====	=====	=====	=====

See accompanying Notes to Unaudited Consolidated Financial Statements.

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Technitrol, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

(1) Accounting Policies

For a complete description of the accounting policies of Technitrol, Inc. and its consolidated subsidiaries, refer to Note 1 of Notes to Consolidated Financial Statements included in Technitrol's Form 10-K filed for the year ended December 31, 2004. We sometimes refer to Technitrol as "we" or "our".

The results for the three months ended April 1, 2005 and March 26, 2004 have been prepared by our management without audit by our independent auditors.

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In the opinion of management, the financial statements fairly present in all material respects, the financial position and results of operations for the periods presented. To the best of our knowledge and belief, all adjustments have been made to properly reflect income and expenses attributable to the periods presented. All such adjustments are of a normal recurring nature. Operating results for the three months ended April 1, 2005 are not necessarily indicative of annual results.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment, ("SFAS No. 123(R)"), which amends SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123(R) requires compensation expense to be recognized for all share-based payments made to employees based on the fair value of the award at the date of grant, eliminating the intrinsic value alternative allowed by SFAS No. 123. Generally, the approach to determining fair value under the original pronouncement has not changed, however, there are revisions to the accounting guidelines established, such as accounting for forfeitures. SFAS No. 123(R) is effective for the beginning of our fiscal 2006. Adoption of this standard is not expected to have a material impact on our revenue, operating results, financial position or liquidity.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2 ("FAS 109-2"), Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creations Act of 2004. The AJCA introduces a limited time 85% dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer (repatriation provision), provided certain criteria are met. FAS 109-2 provides accounting and disclosure guidance for the repatriation provision. Although FAS 109-2 is effective immediately, we do not expect to be able to complete our evaluation of the repatriation provision until after Congress or the Treasury Department provides additional clarifying language on key elements of the provision.

In November 2004, the FASB issued Statement No. 151, Inventory Costs or Amendment of ARB No.43, Chapter 4 ("SFAS 151"). SFAS 151 provides for certain fixed production overhead cost to be reflected as a period cost and not capitalized as inventory. SFAS 151 is effective for the beginning of our fiscal 2006. Adoption of this standard is not expected to have a material impact on our revenue, operating results, financial position or liquidity.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation.

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Technitrol, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements, continued

(2) Acquisitions

Full Rise Electronic Co., Ltd. (FRE): FRE is based in the Republic of China (Taiwan) and manufactures connector products, including single and multiple-port jacks, and supplies products to us under a cooperation agreement. In April 2001, we made a minority investment in the common stock of FRE, which was accounted for by the cost-basis method of accounting. On July 27, 2002, we made an additional investment in FRE of \$6.7 million which increased the total

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investment to \$20.9 million. As a result of the increased ownership percentage to approximately 29%, we began to account for the investment under the equity method of accounting beginning in the three months ended September 27, 2002. Shares of FRE began trading on the Taiwan Stock Exchange in January 2003, and they experienced considerable price volatility. In the three months ended December 26, 2003, we recorded an \$8.7 million net loss to adjust our original cost basis of the investment to market value. In July 2004, we purchased an additional 9.0 million shares of common stock in FRE for \$10.5 million. On September 13, 2004, we acquired an additional 2.4 million shares of common stock in FRE for \$2.5 million, bringing our ownership percentage up to 51%. Accordingly, FRE's operating results were consolidated with our own beginning September 13, 2004. Our net earnings therefore reflect FRE's net earnings, after deducting the minority interest due to the minority shareholders. The fair value of the net tangible assets acquired through September 13, 2004 approximated \$28.8 million, less a minority interest of \$14.0 million. Based on the fair value of net tangible assets acquired, the preliminary allocation of the investment to intangibles included \$0.5 million for technology, \$0.5 million for trademarks, \$1.8 million for customer relationships and \$9.4 million of goodwill. All of the separately identifiable intangibles are being amortized, with useful lives of 4 years for technology and customer relationships. These fair value allocations are preliminary, and are subject to adjustment.

(3) Severance and asset impairment expense

In the three months ended April 1, 2005, we accrued \$0.9 million for a number of unrelated actions including severance and related payments comprised of \$0.5 million related to Pulse's termination of manufacturing and support personnel at facilities in Italy and Turkey, \$0.3 million related to the termination of a lease in China, and \$0.1 million for severance at other locations. The majority of these accruals will be paid by December 31, 2005, except for remaining lease or severance payments to be made over a specified term.

In the three months ended March 26, 2004, we accrued \$2.9 million for severance and related payments comprised of \$2.2 million related to AMI Doduco's termination of manufacturing and support personnel at a facility in Germany and \$0.7 million related to Pulse's shutdown of a facility in Carlsbad California. The majority of these accruals were utilized by December 31, 2004, except for remaining lease or severance payments to be made over a specified term.

Our severance and asset impairment charges are summarized on a year-to-date basis for 2005 as follows (in millions):

	AMI Doduco	Pulse	Total
	-----	-----	-----
Balance accrued at December 31, 2004	\$ 1.8	\$ 1.2	\$ 3.0
Accrued during the three months ended April 1, 2005	--	0.9	0.9
Severance and other cash payments	(0.6)	(0.7)	(1.3)
	-----	-----	-----
Balance accrued at April 1, 2005	\$ 1.2	\$ 1.4	\$ 2.6
	=====	=====	=====

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Notes to Unaudited Consolidated Financial Statements, continued

(4) Inventories

Inventories consisted of the following (in thousands):

	April 1, 2005	December 31, 2004
	-----	-----
Finished goods	\$27,883	\$27,394
Work in process	18,808	20,312
Raw materials and supplies	20,392	29,775
	-----	-----
	\$67,083	\$77,481
	=====	=====

(5) Derivatives and Other Financial Instruments

We utilize derivative financial instruments, primarily forward exchange contracts, to manage foreign currency risks. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by the value of the underlying exposures being hedged.

At April 1, 2005, we had one foreign exchange forward contract outstanding to sell forward approximately 54.5 million euros in the aggregate, in order to hedge intercompany loans. The term of this contract was approximately 30 days although we routinely settle such obligations and enter into new 30-day contracts each month. We had no other derivative instruments at April 1, 2005. In addition, management believes that there is no material risk of loss from changes in inherent market rates or prices in our other financial instruments.

(6) Earnings Per Share

Basic earnings per share are calculated by dividing net earnings by the weighted average number of common shares outstanding (excluding restricted shares) during the period. We had restricted shares outstanding of approximately 212,000 and 182,000 as of April 1, 2005 and March 26, 2004, respectively. For calculating diluted earnings per share, common share equivalents and restricted stock outstanding are added to the weighted average number of common shares outstanding. Common share equivalents are comprised of outstanding options to purchase common stock and the amount of compensation cost attributed to future services not yet recognized as calculated using the treasury stock method. Such common share equivalent amounts were approximately 104,000 for the three months ended April 1, 2005. There were approximately 513,000 stock options outstanding as of April 1, 2005 and approximately 484,000 as of March 26, 2004.

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Technitrol, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements, continued

Earnings per share calculations are as follows (in thousands, except per share amounts):

	Three Months Ended
	April 1, March 26,
	2005 2004

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Net earnings from continuing operations	\$ 5,449	\$ 5,673
Net (loss) earnings from discontinued operations	(340)	92
	-----	-----
Net earnings	\$ 5,109	\$ 5,765

Basic earnings (loss) per share:

Shares	40,244	40,121
Continuing operations	\$ 0.14	\$ 0.14
Discontinued operations	(0.01)	--
	-----	-----
Per share amount	\$ 0.13	\$ 0.14
	=====	=====

Diluted earnings (loss) per share:

Shares	40,356	40,320
Continuing operations	\$ 0.14	\$ 0.14
Discontinued operations	(0.01)	--
	-----	-----
Per share amount	\$ 0.13	\$ 0.14
	=====	=====

(7) Business Segment Information

For the three months ended April 1, 2005 and March 26, 2004, there were immaterial amounts of intersegment revenues eliminated in consolidation. There has been no material change in segment assets from December 31, 2004 to April 1, 2005. In addition, the basis for determining segment financial information has not changed from 2004. Specific segment data are as follows:

	Three Months Ended	
	April 1, 2005	March 26, 2004
	-----	-----
Net sales:		
Pulse	\$ 75,578	\$ 77,538
AMI Doduco	65,813	57,752
	-----	-----
Total	\$ 141,391	\$ 135,290
	=====	=====
Earnings (loss) before income taxes:		
Pulse	\$ 5,963	\$ 8,670
AMI Doduco	1,462	(1,223)
	-----	-----
Operating profit	7,425	7,447
Other income (expense), net	(180)	(731)
	-----	-----
Earnings (loss) before income taxes	\$ 7,245	\$ 6,716
	=====	=====

(8) Accounting for Stock Based Compensation

We adopted SFAS 123, as amended by SFAS 148, at the beginning of the 2003 fiscal year. We implemented SFAS 123 under the prospective method approach per SFAS 148, whereby compensation expense is recorded for all awards granted subsequent to adoption.

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Notes to Unaudited Consolidated Financial Statements, continued

If the compensation cost for our stock option plan and stock purchase plan had been determined based on the fair value as required by SFAS 123 for all awards (including those made prior to 2003), our pro forma net income and earnings per basic and diluted share would have been as follows (amounts are in thousands, except per share amounts):

	Three Months Ended April 1, 2005 -----	March 26, 2004 -----
Net earnings - as reported	\$ 5,109	\$ 5,765
Add: Stock-based compensation expense included in reported net earnings, net of taxes	502	385
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of taxes	(715)	(603)
Net earnings - as adjusted	\$ 4,896	\$ 5,546
Basic and diluted net earnings per share - as reported	\$ 0.13	\$ 0.14
Basic and diluted net earnings per share - as adjusted	\$ 0.12	\$ 0.14

At April 1, 2005, we had approximately 513,000 options outstanding, representing approximately 1% of our outstanding shares of common stock. The value of restricted stock has always been and continues to be recorded as compensation expense over the vesting period, and such expense is included in the results of operations for the period ended April 1, 2005 and March 26, 2004, respectively.

(9) Pension

In the three months ended April 1, 2005 we were not required to, nor did we, make any contributions to our qualified pension plan. Our net periodic expense was approximately \$0.4 million and \$0.3 million in the three months ended April 1, 2005 and March 26, 2004, respectively.

(10) Discontinued Operations

In the three months ended April 1, 2005, our board of directors approved a plan to divest AMI Doduco's bimetal and metal cladding operations located in North Carolina. The transaction is expected to be completed in the second quarter of 2005. We have reflected the results of the bimetal and metal cladding operations as discontinued operations on the consolidated statements of operations for all periods presented. Summary results of operations for the bimetal and metal cladding operations were as follows (amounts are in thousands):

	Three Months Ended April 1, 2005 -----	March 26, 2004 -----
Net sales	\$ 5,472	\$ 4,317
(Loss) earnings before income taxes	(523)	142

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Technitrol, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements, continued

The assets and liabilities of the bimetal and metal cladding operations, which were presented as assets of discontinued operations held for sale and liabilities of discontinued operations held for sale, respectively, on the consolidated balance sheet at April 1, 2005, were as follows (amounts are in thousands):

Trade receivables, net	\$ 3,203
Inventories	5,085
Prepaid expenses and other current assets	166
Net property, plant and equipment	1,507
Deferred income taxes	1,047

Assets of discontinued operations held for sale	\$11,008
	=====
Accounts payable	1,673
Accrued expenses	224

Liabilities of discontinued operations held for sale	\$ 1,897
	=====

(11) Subsequent Event

Pulse committed to a restructuring plan on April 22, 2005 to reduce cost of goods sold in the consumer division in order to, among other things, address current challenges in the marketplace, including the negative effects of high dollar-to-euro exchange rates and the resulting significant foreign exchange advantage of dollar-functional Chinese competitors affecting the Pulse consumer division. Although Pulse's consumer division intends to remain a local source of supply in Europe, the restructuring plan includes relocating a significant portion of its flyback transformer production and substantially all of its switch-mode transformer production to existing Pulse facilities in the PRC and reducing the work force in the consumer division's headquarters in Italy and manufacturing plants in Turkey. It is expected that all actions pertaining to the restructuring plan will be substantially completed by December 31, 2005. We estimate the severance expenses will be in the range of \$0.8 million to \$1.0 million, however, this estimate is preliminary and subject to change as the plan is finalized and implemented. While we expect to incur other charges in connection with our plan, we are unable to estimate such charges at the present time. In connection with the restructuring plan, we expect to record asset impairment charges during the second quarter of 2005. Assets used in Pulse's consumer division including equipment, goodwill and separately-identified intangible assets may be subject to impairment. The amounts of such impairment expenses cannot be estimated at the present time.

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Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

This discussion and analysis of our financial condition and results of operations as well as other sections of this report, contain certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve a number of risks and uncertainties.

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Actual results may differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in "Risk Factors" section of this report on page 20 through 26.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 1 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the period ended December 31, 2004 describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Estimates are used for, but not limited to, the accounting for inventory valuation, impairment of goodwill and other intangibles, severance and asset impairment expense, income taxes, and contingency accruals. Actual results could differ from these estimates. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the Consolidated Financial Statements.

Inventory Valuation. We carry our inventories at lower of cost or market. We establish inventory provisions to write down excess and obsolete inventory to market value. We utilize historical trends and customer forecasts to estimate expected usage of on-hand inventory. In addition, inventory purchases are based upon future demand forecasts estimated by taking into account actual sales of our products over recent historical periods and customer forecasts. If there is a sudden and significant decrease in demand for our products or there is a higher risk of inventory obsolescence because of rapidly changing technology or customer requirements, we may be required to write down our inventory and our gross margin could be negatively affected. Conversely, if we were to sell or use a significant portion of inventory already written down, our gross margin could be positively affected.

Impairment of Goodwill and Other Intangibles. We assess the carrying cost of goodwill and intangible assets with indefinite lives on an annual basis and on an interim basis in certain circumstances. This assessment is based on comparing fair value to carrying cost. Fair value is based on estimating future cash flows using various growth assumptions and discounting based on a present value factor. Assigning a useful life and periodically reassessing a remaining useful life (for purposes of systematic amortization) is also predicated on various economic assumptions. Our intangible assets are also subject to impairment as a result of other factors such as changing technology, declines in demand that lead to excess capacity and other factors. In addition to the various assumptions, judgments and estimates mentioned above, we may strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses in response to changes in industry or market conditions, which could result in an impairment of goodwill or other intangibles.

Severance and Asset Impairment Expense. Acquisition-related costs are included in the allocation of the cost of the acquired business. Other restructuring costs are expensed during the period in which we determine that we will incur those costs, and all of the requirements for accrual are met in accordance with the applicable accounting guidance. We record severance, tangible asset and other restructuring charges such as lease terminations, in response to declines in demand that lead to excess capacity, changing technology and other factors. Restructuring costs are recorded based upon our best estimates at the time, such as estimated residual values. Our actual expenditures for the restructuring activities may differ from the initially recorded costs. If this occurs, we adjust our initial estimates in future periods. In the case of acquisition-related restructuring costs, depending on whether the assets impacted came from the acquired entity and the timing of the

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restructuring charge, such adjustment would generally require a change in value of the goodwill appearing on our balance sheet, which may not affect our earnings. In the case of other restructuring costs, we could be required either to record additional expenses in future periods if our initial estimates were too low, or reverse part of the charges that we recorded initially if our initial estimates were too high.

Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year and for deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial

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statements or tax returns. We must make assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the value of a deferred tax asset take in to account predictions of the amount and category of future taxable income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates.

Contingency Accruals. During the normal course of business, a variety of issues may arise, which may result in litigation, environmental compliance and other contingent obligations. In developing our contingency accruals we consider both the likelihood of a loss or incurrence of a liability as well as our ability to reasonably estimate the amount of exposure. We record contingency accruals when a liability is probable and the amount can be reasonably estimated. We periodically evaluate available information to assess whether contingency accruals should be adjusted. Our evaluation includes an assessment of legal interpretations, judicial proceedings, recent case law and specific changes or developments regarding known claims. We could be required to record additional expenses in future periods if our initial estimates were too low, or reverse part of the charges that we recorded initially if our estimates were too high.

Overview

We are a global producer of precision-engineered passive magnetics-based electronic components and electrical contact products and materials. We believe we are a leading global producer of these products and materials in the primary markets we serve based on our estimates of the size of our primary markets in annual revenues and our share of those markets relative to our competitors.

We operate our business in two distinct segments:

- o the electronic components segment, which operates under the name Pulse, and
- o the electrical contact products segment, which operates under

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the name AMI Doduco.

General. We define net sales as gross sales less returns and allowances. We sometimes refer to net sales as revenue.

Prior to 2001, the growth in our consolidated net sales was due in large part to the growth of electronic component markets served by Pulse. However, beginning in late 2000, the electronics markets served by Pulse experienced a severe global contraction. In late 2002, many of these markets began to stabilize or increase in terms of unit sales. However, because of excess capacity, relocation by customers from North America and Europe to Asia, and emergence of strong competitors in Asia, the pricing environment for Pulse's products has been and remains challenging, preventing total revenue from growing proportionately with unit growth. Pulse has undertaken a series of cost-reduction actions to optimize its capacity with market conditions.

Since late 2000 and continuing through late 2003, the markets in both North America and Europe for AMI Doduco's products were weak. The markets in both North America and Europe strengthened significantly during 2004. Demand at AMI Doduco typically mirrors the prevailing economic conditions in North America and Europe. This is true for electrical contacts, and for component subassemblies for automotive applications such as multi-function switches, motor control sensors and ignition security systems, and for non-automotive uses such as appliance and industrial controls. AMI Doduco continues its cost reduction actions including work force adjustments and plant consolidations in line with demand around the world in order to optimize efficiency.

Historically, the gross margin at Pulse has been significantly higher than at AMI Doduco. As a result, the mix of net sales generated by Pulse and AMI Doduco during a period affects our consolidated gross margin. Our gross margin is also significantly affected by capacity utilization, particularly at AMI Doduco and the Pulse Consumer Division. Pulse's markets are characterized by relatively short product life cycles compared to AMI Doduco. As a result, significant product turnover occurs each year. Therefore, Pulse's changes in average selling prices do not

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necessarily provide a meaningful and quantifiable measure of Pulse's operations. AMI Doduco has relatively long-term and mature product lines, with less turnover, and with less frequent variation in the prices of product sold, relative to Pulse. Many of AMI Doduco's products are sold under annual (or longer) purchase contracts. Therefore, AMI Doduco's revenues historically have not been subject to significant price fluctuations. In addition, sales growth and contraction at AMI Doduco and Pulse's consumer division are generally attributable to changes in unit volume and changes in unit pricing, as well as foreign exchange rates, especially the U.S. dollar to the euro.

Acquisitions. Historically, acquisitions have been an important part of our growth strategy. In many cases, our move into new product lines and extensions of our existing product lines or markets has been facilitated by acquisition. Our acquisitions continually change the mix of our net sales. Pulse made numerous acquisitions in recent years which have increased our penetration into our primary markets and expanded our presence in new markets. Excelsus was acquired in August 2001 for approximately \$85.9 million, net of cash acquired. Excelsus was based in Carlsbad, California, and was a leading producer of customer-premises digital subscriber line filters and other broadband accessories and it is now a core part of Pulse's telecommunications product division. Pulse acquired Eldor's consumer electronics business in January 2003 for approximately \$83.9 million, and this became the Pulse Consumer Division

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headquartered in Italy with production operations in Istanbul and Izmir, Turkey and in the PRC. The Consumer Division is a leading supplier of flyback transformers to the European television industry. We acquired a controlling interest in Full Rise Electronic Co., Ltd. ("FRE") in 2004. FRE is based in the Republic of China (Taiwan) and manufactures connector products, including single and multiple-port jacks, and supplies such products to Pulse under a cooperation agreement. AMI Doduco has also made acquisitions over the years. Generally, AMI Doduco's acquisitions have been driven by our strategy of expanding our product and geographical market presence for electrical contact products. Due to our integration of acquisitions and the interchangeable sources of net sales between existing and acquired operations, historically we have not separately tracked the net sales of an acquisition after the date of the transaction.

Technology. Our business is continually affected by changes in technology, design, and preferences of consumers and other end users of our products, as well as changes in regulatory requirements. We address these changes by continuing to invest in new product development and by maintaining a diverse product portfolio which contains both mature and emerging technologies in order to meet customer demands.

Management Focus. Our executives focus on a number of important factors in evaluating our financial condition and operational performance. We use economic profit, which we define as operating profit after tax, less our cost of capital. Revenue growth, gross profit as a percentage of revenue, and operating profit as a percent of revenue are also among these factors. Operating leverage or incremental operating profit as a percentage of incremental sales is a factor that is discussed frequently with analysts and investors, as this is believed to reflect the benefit of absorbing fixed overhead and operating expenses. In evaluating working capital management, liquidity and cash flow, our executives also use performance measures such as days sales outstanding, days payable outstanding and inventory turnover. The continued success of our business is largely dependent on meeting and exceeding our customers' expectations. Therefore, non-financial performance measures relating to on-time delivery and quality assist our management in monitoring customer satisfaction on an on-going basis.

Cost Reduction Programs. Our manufacturing business model for Pulse's non-consumer markets has a very high variable cost component due to the labor-intensity of many processes, which allows us to quickly change our capacity based on market demand. The Pulse Consumer Division, however, is capital intensive and therefore more sensitive to volume changes. AMI Doduco has a higher fixed cost component of manufacturing activity than Pulse, as it is more capital intensive. Therefore, AMI Doduco is unable to expand or contract its capacity as quickly as Pulse in response to market demand, although significant actions have been taken to align AMI Doduco's capacity with current market demand.

As a result of our continuing focus on both economic and operating profit, we will continue to aggressively size both Pulse and AMI Doduco so that costs are optimally matched to current and anticipated future revenue and unit demand. We will also continue to pursue additional growth opportunities. The amounts of additional charges will depend on specific actions taken. The actions taken over the past several years such as plant closures, plant relocations, asset impairments and reduction in personnel worldwide have resulted in the elimination of a variety of costs. The majority of these costs represent the annual salaries and benefits of terminated employees, both those directly related to manufacturing and those providing selling, general and administrative services, as well as lower overhead costs resulting from factory relocations to lower-cost locations. The eliminated costs also include

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depreciation savings from disposed equipment. We have implemented a succession of cost reduction initiatives and programs, summarized as follows:

During 2001, we announced the closure of our production facilities in Thailand and Malaysia. The production at these two facilities was transferred to other Pulse facilities in Asia. In addition, headcount was reduced by approximately 12,300, net of new hires, during fiscal 2001 through voluntary employee attrition and involuntary workforce reductions primarily at manufacturing facilities in the People's Republic of China ("PRC"). In addition, a charge was recorded in 2001 to writedown the value of certain Pulse fixed assets to their disposal value.

During 2002, we announced the closure of our production facility in the Philippines. The production at this facility was transferred to other Pulse facilities in Asia. We also adopted other restructuring plans during 2002 for personnel reductions. An additional provision was recorded in 2002 related to asset writedowns, relating to primarily Asian-based production equipment that became idle in 2002.

During 2003, we accrued for the elimination of certain manufacturing and support positions located in France, the United Kingdom, Mexico, the PRC and for other facility exit costs related to Pulse. We accrued for the shutdown of Pulse's manufacturing facility in Mexico and to write down the carrying cost of Pulse's facility in the Philippines which is held for sale. At AMI Doduco, we accrued for the elimination of certain manufacturing positions principally located in North America and Germany and to complete the shutdown of a redundant facility in Spain which we acquired from Engelhard-CLAL in 2001.

During 2004, we accrued for the termination of personnel at AMI Doduco's facility in Germany; for Pulse's shutdown of a facility in Carlsbad, California; to reduce capacity at a Pulse facility in the PRC; to shutdown AMI Doduco's facility in France; and for other severance in various locations.

During 2005, we accrued for the termination of personnel at Pulse's facilities in Italy and Turkey; the termination of a lease in the PRC; and for other severance in various locations.

International Operations. As of December 31, 2004, we had manufacturing operations in 10 countries and had no significant net sales in currencies other than the U.S. dollar and the euro. A large percentage of our sales in recent years has been outside of the United States. In the year ended December 31, 2004, 78% of our net sales was outside of the U.S. Fluctuating exchange rates often impact our financial results and our period-over-period comparisons. This is particularly true of movements in the exchange rate between the U.S. dollar and the euro. AMI Doduco's European and Pulse's Consumer Division sales are denominated primarily in euros, and euro-denominated sales and earnings may result in higher or lower dollar sales and net earnings upon translation for our U.S. consolidated financial statements. We may also experience a positive or negative translation adjustment to equity because our investment in Pulse's Consumer Division and AMI Doduco's European operations may be worth more or less in U.S. dollars after translation for our U. S. consolidated financial statements. The Pulse non-consumer operations may incur foreign currency gains or losses as euro-denominated transactions are remeasured to U.S. dollars for financial reporting purposes. If a higher percentage of our sales is denominated in non-U.S. currencies, increased exposure to currency fluctuations may result.

In order to reduce our exposure resulting from currency fluctuations, we may purchase currency exchange forward contracts and/or currency options. These contracts guarantee a predetermined range of exchange rates at the time the contract is purchased. This allows us to shift the majority of the risk of

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currency fluctuations from the date of the contract to a third party for a fee. As of April 1, 2005, we had one foreign currency forward contract outstanding to sell forward approximately 54.5 million euros in order to hedge intercompany loans. In determining the use of forward exchange contracts and currency options, we consider the amount of sales, purchases and net assets or liabilities denominated in local currencies, the type of currency, and the costs associated with the contracts.

Income Taxes. Our effective income tax rate is affected by the proportion of our income earned in high-tax jurisdictions such as those in Europe and the income earned in low-tax jurisdictions, particularly Izmir, Turkey and the People's Republic of China. This mix of income can vary significantly from one period to another. We have benefited over recent years from favorable tax incentives, inside and outside of the U.S. However, there is no guarantee as to how long these benefits will continue to exist. Except in limited circumstances, we have not provided for U.S. federal income and foreign withholding taxes on our non-U.S. subsidiaries' undistributed earnings as per Accounting Principles Board Opinion No. 23, Accounting for Income Taxes - Special Areas ("APB 23"). Such earnings include pre-acquisition earnings of foreign entities acquired through stock purchases, and are intended to be

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reinvested outside of the U.S. indefinitely. We have not provided for U.S. federal income and foreign withholding taxes on approximately \$333.0 million of our non-U.S. subsidiaries' undistributed earnings (as calculated for income tax purposes) as of December 31, 2004, as per APB 23. Unrecognized deferred taxes on these undistributed earnings are estimated to be approximately \$96.0 million. Where excess cash has accumulated in our non-U.S. subsidiaries and it is advantageous for tax reasons, subsidiary earnings may be repatriated.

Results of Operations

Three months ended April 1, 2005 compared to the three months ended March 26, 2004

Net Sales. Net sales for the three months ended April 1, 2005 increased \$6.1 million, or 4.5%, to \$141.4 million from \$135.3 million in the three months ended March 26, 2004. Our sales increase from the comparable period last year was attributable to improvements at AMI Doduco which were more than offset by lower sales at Pulse. Pulse's decrease in net sales was due to lower demand in networking, telecommunications, military/ aerospace and the consumer division which were partially offset by the inclusion of FRE sales in the three months ended April 1, 2005. AMI Doduco's increase in net sales was due to stronger market demand and higher prices for precious metals, favorable translation effect of a stronger euro, as well as continuing successes in AMI Doduco's efforts to increase its market share, particularly in North America.

Pulse's net sales decreased \$2.1 million, or 2.5%, to \$75.6 million for the three months ended April 1, 2005 from \$77.5 million in the three months ended March 26, 2004. This decrease was a result of decreases in demand experienced across Pulse's networking, telecommunications, military/aerospace and the consumer division. Offsetting the decreases in demand is the inclusion of FRE sales during the three months ended April 1, 2005.

AMI Doduco's net sales increased \$8.0 million, or 14.0%, to \$65.8 million for the three months ended April 1, 2005 from \$57.8 million in the three months ended March 26, 2004. Sales in the 2005 period reflect improving demand and market share gains, particularly in North America. In addition, sales benefited from an increase in the average U.S. dollar-to-euro exchange rate and higher

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prices for precious metals which were passed on to customers. The higher average dollar-to-euro exchange rate during 2005 versus the comparable 2004 three months increased sales by \$2.1 million in the three months ended April 1, 2005.

Cost of Sales. Our cost of sales increased \$9.8 million, or 10.1%, to \$107.4 million for the three months ended April 1, 2005 from \$97.6 million for the three months ended March 26, 2004. Our consolidated gross margin for the three months ended April 1, 2005 was 24.0% compared to 27.9% for the three months ended March 26, 2004. Our consolidated gross margin in 2005 was negatively affected by:

- o decreased gross margin on Pulse consumer division sales, which was negatively impacted by the continuing weak U.S. dollar relative to the euro and lower demand for television sets in Europe, and
- o an increased percentage of sales from AMI Doduco, where gross margins are typically lower than the average gross margin at Pulse.

The local government in the PRC increased wages in Southern coastal provinces of the PRC by 17% in May 2005. We expect to offset this unfavorable impact on our costs by various actions including increasing customer prices and improving throughput and efficiency in our manufacturing operations.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses for the three months ended April 1, 2005 decreased \$1.8 million, or 6.6%, to \$25.6 million, or 18.1% of net sales, from \$27.4 million, or 20.3% of net sales for the three months ended March 26, 2004. The decrease in expense is a result of reduced incentives, lower intangible amortization resulting from the impairment of intangible assets which occurred in the fourth quarter of 2004 and the effects of restructuring actions that we took over the last year to reduce costs and tighten spending controls. Offsetting these reductions were translation effects of European expenses which are denominated in euros translated to a higher level of U. S. dollars at the higher euro-to-dollar exchange rate in 2005, but this was offset by the items noted above.

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Research, development and engineering expenses are included in selling, general and administrative expenses. We refer to research, development and engineering expenses as RD&E. For the three months ended April 1, 2005 and March 26, 2004 respectively, RD&E by segment was as follows (dollars in thousands):

	2005 -----	2004 -----
Pulse	\$4,780	\$4,607
Percentage of segment sales	6.3%	5.9%
AMI Doduco	\$1,183	\$1,069
Percentage of segment sales	1.8%	1.9%

We believe that future sales in the electronic components markets will be driven by next-generation products. Design and development activities with our OEM customers continued at an aggressive pace.

Interest. Net interest income was \$0.2 million for the three months ended April 1, 2005 compared to net interest expense of \$0.2 million for the three months ended March 26, 2004. The increase in net interest income was a result of a higher average balance of invested cash in 2005 over the comparable period in

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2004 and a decrease in interest expense related to bank commitment fees. Recurring components of interest expense (silver leasing fees and interest on bank debt) approximated those of 2004, except for the inclusion of interest expense on FRE debt during the three months ended April 1, 2005.

Income Taxes. The effective income tax rate for the three months ended April 1, 2005 was 21.7% compared to 15.5% for the three months ended March 26, 2004. The higher tax rate in 2005 resulted from a higher proportion of income being attributable to high-tax jurisdictions.

Liquidity and Capital Resources

Working capital as of April 1, 2005 was \$246.7 million compared to \$238.9 million as of December 31, 2004. This increase was primarily due to the increase in cash and cash equivalents offset by a decrease in short-term debt and accounts payable. Cash and cash equivalents, which is included in working capital, increased from \$156.0 million as of December 31, 2004 to \$170.3 million as of April 1, 2005.

Net cash provided by operating activities was \$15.1 million for the three months ended April 1, 2005 and \$12.4 million in the comparable period of 2004, an increase of \$2.7 million. This increase is primarily attributable to decreases in working capital during the three months ended April 1, 2005 including a reduction of \$2.1 million of inventory at AMI Doduco China. This inventory represents the value of silver that was sold and transferred into our precious metal leasing program.

We present our statement of cash flows using the indirect method as permitted under Financial Accounting Standards Board Statement No. 95, Statement of Cash Flows. Our management has found that investors and analysts typically refer to changes in accounts receivable, inventory, and other components of working capital when analyzing operating cash flows. Also, changes in working capital are more directly related to the way we manage our business for cash flow, than are items such as cash receipts from the sale of goods, as would appear using the direct method.

Capital expenditures were \$4.0 million during the three months ended April 1, 2005 and \$2.1 million in the comparable period of 2004. We make capital expenditures to expand production capacity and to improve our operating efficiency. We plan to continue making such expenditures in the future as and when necessary.

On February 2, 2005 we announced a quarterly cash dividend of \$0.0875 per common share, payable on April 22, 2005 to shareholders of record on April 8, 2005. This quarterly dividend resulted in a cash payment to shareholders of approximately \$3.5 million in the second quarter of 2005. We did not declare or pay cash dividends on our common stock in fiscal 2004.

We entered into a credit agreement on June 17, 2004 providing for \$125.0 million of credit capacity. The facility consists of an aggregate U.S. dollar-equivalent revolving line of credit in the principal amount of up to \$125.0

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million, which provides for borrowings in multiple currencies including but not limited to U.S. dollars and euros, including individual sub-limits of:

- a U.S. dollar-based swing-line loan not to exceed \$10.0 million; and

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- a multicurrency facility providing for the issuance of letters of credit in an aggregate amount not to exceed the U.S. dollar equivalent of \$15.0 million.

The credit agreement permits us to request one or more increases in the total commitment not to exceed \$75.0 million, provided the minimum increase is \$25.0 million, subject to bank approval.

The total amount outstanding under the credit facility may not exceed \$125.0 million, provided we do not request an increase in total commitment as noted above. In any event, outstanding borrowings are limited to a maximum of three times our earnings before interest, taxes depreciation and amortization (EBITDA), as defined by the credit agreement, on a rolling twelve-month basis as of the most recent quarter-end.

The credit facility contains covenants specifying a maximum debt-to-EBITDA ratio, minimum interest expense coverage, capital expenditure limitations, and other customary and normal provisions. We are in compliance with all such covenants. As of April 1, 2005, we have no outstanding borrowings under our existing three-year revolving credit agreement.

We pay a commitment fee on the unborrowed portion of the commitment, which ranges from 0.175% to 0.300% of the total commitment, depending on our debt-to-EBITDA ratio, as defined above. The interest rate for each currency's borrowing will be a combination of the base rate for that currency plus a credit margin spread. The base rate is different for each currency. The credit margin spread is the same for each currency and is 0.750% to 1.500%, depending on our debt-to-EBITDA ratio, as defined above. Each of our domestic subsidiaries with net worth equal to or greater than \$5 million guarantees all obligations incurred under the credit facility.

We also have an obligation outstanding due in August 2009 under an unsecured term loan agreement in Germany for the borrowing of approximately 5.1 million euros.

At April 1, 2005, our balance sheet includes \$5.7 million of outstanding debt of Full Rise Electronic Co., Ltd. in connection with our consolidation of FRE's financial statements. FRE has a total credit limit of approximately \$7.7 million in U.S. dollar equivalents as of April 1, 2005. Neither Technitrol, nor any of its subsidiaries, has guaranteed or otherwise participated in the credit facilities of FRE.

We had three standby letters of credit outstanding at April 1, 2005 in the aggregate amount of \$1.2 million securing transactions entered into in the ordinary course of business.

We had commercial commitments outstanding at April 1, 2005 of approximately \$87.3 million due under precious metal consignment-type leases. This represents an increase of \$3.9 million from the \$83.4 million outstanding as of December 31, 2004 and is attributable to volume increases, the transfer of approximately \$2.1 of precious metal inventory in China to the lease, and higher average silver prices during 2005.

We believe that the combination of cash on hand, cash generated by operations and, if necessary, borrowings under our credit agreement will be sufficient to satisfy our operating cash requirements in the foreseeable future. In addition, we may use internally generated funds or obtain borrowings or additional equity offerings for acquisitions of suitable businesses or assets.

All retained earnings are free from legal or contractual restrictions as of April 1, 2005, with the exception of approximately \$14.0 million of retained earnings primarily in the PRC, that are restricted in accordance with Section 58

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of the PRC Foreign Investment Enterprises Law. Included in the \$14.0 million is \$1.8 million of retained earnings of FRE of which we own 51%. The amount restricted in accordance with the PRC Foreign Investment Enterprise Law is applicable to all foreign investment enterprises doing business in the PRC. The restriction applies to 10% of our net earnings in the PRC, limited to 50% of the total capital invested in the PRC. We have not experienced any significant liquidity restrictions in any country in which we operate and none are foreseen. However, foreign exchange ceilings imposed by local governments and the sometimes-lengthy approval processes which foreign governments require for international cash transfers may delay our internal cash movements from time to time. The retained earnings in other countries represent a material portion of our assets. We expect to reinvest these earnings outside of

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the United States because we anticipate that a significant portion of our opportunities for growth in the coming years will be abroad. If these earnings were brought back to the United States, significant tax liabilities could be incurred in the United States as several countries in which we operate have tax rates significantly lower than the U.S. statutory rate. Additionally, we have not accrued U.S. income and foreign withholding taxes on foreign earnings that have been indefinitely invested abroad.

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. The AJCA introduced a limited-time 85% dividends-received deduction on the repatriation of certain foreign earnings. Effectively, this deduction would result in a federal tax rate of approximately 5.25% on the repatriated earnings. To qualify for the deduction, the earnings must be reinvested in the United States pursuant to a domestic reinvestment plan established by a company's chief executive officer and approved by the company's board of directors. Additionally, certain other criteria, as outlined in the AJCA, must also be met. We may elect to apply this provision to qualifying earnings repatriations in fiscal 2005. We have begun an evaluation of the possible effects of the repatriation provision. For our business, however, we do not expect to be able to complete this evaluation until after the U.S. Congress or the Treasury Department provides additional clarifying language on key elements of the provision. In January 2005, the Treasury Department began to issue the first of a series of clarifying guidance notices related to this provision. We expect to complete our evaluation of the effects of the repatriation provision within a reasonable period of time following the publication of the additional clarifications. The amount that we are considering for repatriation under this provision ranges from zero to approximately \$125.0 million. While we estimate that the related potential range of additional income tax is between zero and \$10.1 million, this estimation is subject to change following technical correction legislation that we believe is forthcoming from the U. S. Congress. The amount of additional income tax expense would be reduced by the part of the eligible dividend that is attributable to foreign earnings on which a deferred tax liability had been previously accrued.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment, ("SFAS No. 123(R)"), which amends SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123(R) requires compensation expense to be recognized for all share-based payments made to employees based on the fair value of the award at the date of grant, eliminating the intrinsic value alternative allowed by SFAS No. 123. Generally, the approach to determining fair value under the original pronouncement has not changed, however, there are revisions to the accounting guidelines established, such as accounting for

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forfeitures. SFAS No. 123(R) is effective for the beginning of our fiscal 2006. Adoption of this standard is not expected to have a material impact on our revenue, operating results, financial position or liquidity.

In December 2004, the FASB issued FASB Staff Position No. FAS 109-2 ("FAS 109-2"), Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creations Act of 2004. As noted above, the AJCA introduces a limited time 85% dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer (repatriation provision), provided certain criteria are met. FAS 109-2 provides accounting and disclosure guidance for the repatriation provision. Although FAS 109-2 is effective immediately, we do not expect to be able to complete our evaluation of the repatriation provision until after Congress or the Treasury Department provides additional clarifying language on key elements of the provision.

In November 2004, the FASB issued Statement No. 151, Inventory Costs or Amendment of ARB No.43, Chapter 4 ("SFAS 151"). SFAS 151 provides for certain fixed production overhead cost to be reflected as a period cost and not capitalized as inventory. SFAS 151 is effective for the beginning of our fiscal 2006. Adoption of this standard is not expected to have a material impact on our revenue, operating results, financial position or liquidity.

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Factors That May Affect Our Future Results (Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995)

Our disclosures and analysis in this report contain forward-looking statements. Forward-looking statements reflect our current expectations of future events or future financial performance. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They often use words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", and similar terms. These forward-looking statements are based on our current plans and expectations.

Any or all of our forward-looking statements in this report may prove to be incorrect. They may be affected by inaccurate assumptions we might make or by risks and uncertainties which are either unknown or not fully known or understood. Accordingly, actual outcomes and results may differ materially from what is expressed or forecasted in this report.

We sometimes provide forecasts of future financial performance. The risks and uncertainties described under "Risk Factors" as well as other risks identified from time to time in other Securities and Exchange Commission reports, registration statements and public announcements, among others, should be considered in evaluating our prospects for the future. We undertake no obligation to release updates or revisions to any forward-looking statement, whether as a result of new information, future events or otherwise.

Risk Factors

Cyclical changes in the markets we serve could result in a significant decrease in demand for our products and reduce our profitability.

Our components are used in various products for the electronic and electrical equipment markets. These markets are highly cyclical. The demand for our components reflects the demand for products in the electronic and electrical equipment markets generally. A contraction in demand would result in a decrease in sales of our products, as our customers:

- o may cancel many existing orders;
- o may introduce fewer new products; and
- o may decrease their inventory levels.

A decrease in demand for our products would have a significant adverse effect on our operating results and profitability. Accordingly, we may experience volatility in both our revenues and profits.

Reduced prices for our products may adversely affect our profit margins if we are unable to reduce our costs of production.

The average selling prices for our products tend to decrease over their life cycle. In addition, foreign currency movements and the need to retain market share increase the pressure on our customers to seek lower prices from their suppliers. As a result, our customers are likely to continue to demand lower prices from us. To maintain our margins and remain profitable, we must continue to meet our customers' design needs while reducing costs through efficient raw material procurement and process and product improvements. Our profit margins will suffer if we are unable to reduce our costs of production as sales prices decline.

An inability to adequately respond to changes in technology or customer needs may decrease our sales.

Pulse operates in an industry characterized by rapid change caused by the frequent emergence of new technologies. Generally, we expect life cycles for our products in the electronic components industry to be relatively short. This requires us to anticipate and respond rapidly to changes in industry standards and customer needs and to develop and introduce new and enhanced products on a timely and cost effective basis. Our engineering and development teams place a priority on working closely with our customers to design innovative products and improve our manufacturing processes. Our inability to react to changes in technology or customer needs quickly and efficiently may decrease our sales, thus reducing profitability.

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If our inventories become obsolete, our future performance and operating results will be adversely affected.

The life cycles of our products depend heavily upon the life cycles of the end products into which our products are designed. Many of Pulse's products have very short life cycles which are measured in quarters. Products with short life cycles require us to closely manage our production and inventory levels. Inventory may become obsolete because of adverse changes in end market demand. During market slowdowns, this may result in significant charges for inventory write-offs. Our future operating results may be adversely affected by material levels of obsolete or excess inventories.

An inability to capitalize on our recent or future acquisitions may adversely affect our business.

We have completed several acquisitions in recent years. We continually seek acquisitions to grow our business. We may fail to derive significant benefits from our acquisitions. In addition, if we fail to achieve sufficient financial performance from an acquisition, goodwill and other intangibles could become impaired, resulting in our recognition of a loss. In 2002, we recorded a

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goodwill impairment charge of \$15.7 million related to AMI Doduco and a trade name impairment charge of \$32.1 million related to Pulse. In 2003, we recorded an equity method investment loss of \$8.7 million related to our investment in FRE. In 2004, we recorded an aggregate intangible impairment charge of \$18.5 million related to Pulse. The success of any of our acquisitions depends on our ability to:

- o successfully integrate or consolidate acquired operations into our existing businesses;
- o develop or modify the financial reporting and information systems of the acquired entity to ensure overall financial integrity and adequacy of control procedures; and
- o identify and take advantage of cost reduction opportunities; and
- o further penetrate the markets for the product capabilities acquired.

Integration of acquisitions may take longer than we expect and may never be achieved to the extent originally anticipated. This could result in slower than anticipated business growth or higher than anticipated costs. In addition, acquisitions may:

- o cause a disruption in our ongoing business;
- o distract our managers;
- o unduly burden our other resources; and
- o result in an inability to maintain our historical standards, procedures and controls, which may result in non-compliance with external laws and regulations.

Integration of acquisitions into the acquiring segment may limit the ability of investors to track the performance of individual acquisitions and to analyze trends in our operating results.

Our historical practice has been to quickly integrate acquisitions into the existing business of the acquiring segment and to report financial performance on the segment level. As a result of this practice, we do not separately track the stand-alone performance of acquisitions after the date of the transaction. Consequently, investors cannot quantify the financial performance and success of any individual acquisition or the financial performance and success of a particular segment excluding the impact of acquisitions. In addition, our practice of quickly integrating acquisitions into the financial performance of each segment may limit the ability of investors to analyze any trends in our operating results over time.

An inability to identify additional acquisition opportunities may slow our future growth.

We intend to continue to identify and consummate additional acquisitions to further diversify our business and to penetrate important markets. We may not be able to identify suitable acquisition candidates at reasonable prices. Even if we identify promising acquisition candidates, the timing, price, structure and success of future acquisitions are uncertain. An inability to consummate attractive acquisitions may reduce our growth rate and our ability to penetrate new markets.

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If our customers terminate their existing agreements, or do not enter into new agreements or submit additional purchase orders for our products, our business will suffer.

Most of our sales are made on a purchase order basis as needed by our customers. In addition, to the extent we have agreements in place with our customers, most of these agreements are either short term in nature or provide our customers with the ability to terminate the arrangement with little or no prior notice. Our contracts typically do not provide us with any material recourse in the event of non-renewal or early termination. We will lose business and our revenues will decrease if a significant number of customers:

- o do not submit additional purchase orders;
- o do not enter into new agreements with us; or
- o elect to terminate their relationship with us.

If we do not effectively manage our business in the face of fluctuations in the size of our organization, our business may be disrupted.

We have grown rapidly over the last ten years, both organically and as a result of acquisitions. However, we significantly reduce or expand our workforce and facilities in response to changes in demand for our products due to prevailing global market conditions. These rapid fluctuations place strains on our resources and systems. If we do not effectively manage our resources and systems, our businesses may be adversely affected.

Uncertainty in demand for our products may result in increased costs of production, an inability to service our customers, or higher inventory levels which may adversely affect our results of operations and financial condition.

We have very little visibility into our customers' purchasing patterns and are highly dependent on our customers' forecasts. These forecasts are non-binding and often highly unreliable. Given the fluctuation in growth rates and cyclical demand for our products, as well as our reliance on often-imprecise customer forecasts, it is difficult to accurately manage our production schedule, equipment and personnel needs and our raw material and working capital requirements. Our failure to effectively manage these issues may result in:

- o production delays;
- o increased costs of production;
- o excessive inventory levels and reduced financial liquidity;
- o an inability to make timely deliveries; and
- o a decrease in profits.

A decrease in availability or increase in cost of our key raw materials could adversely affect our profit margins.

We use several types of raw materials in the manufacturing of our products, including:

- o precious metals such as silver;
- o other base metals such as copper and brass; and
- o ferrite cores.

Some of these materials are produced by a limited number of suppliers. From time to time, we may be unable to obtain these raw materials in sufficient quantities or in a timely manner to meet the demand for our products. The lack of availability or a delay in obtaining any of the raw materials used in our products could adversely affect our manufacturing costs and profit margins. In addition, if the price of our raw materials increases significantly over a short period of time, customers may be unwilling to bear the increased price for our products and we may be forced to sell our products containing these materials at prices that reduce our profit margins.

Some of our raw materials, such as precious metals, are considered commodities and are subject to price volatility. We attempt to limit our exposure to fluctuations in the cost of precious materials, including silver, by holding the majority of our precious metal inventory through leasing or consignment arrangements with our suppliers. We then typically purchase the precious metal from our supplier at the current market price on the day after delivery to our customer and pass this cost on to our customer. In addition, leasing and consignment costs have historically

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been substantially below the costs to borrow funds to purchase the precious metals. We currently have four consignment or leasing agreements related to precious metals, all of which generally have one year terms with varying maturity dates, but can be terminated by either party with 30 days' prior notice. Our results of operations and liquidity will be negatively impacted if:

- o we are unable to enter into new leasing or consignment arrangements with similarly favorable terms after our existing agreements terminate, or
- o our leasing or consignment fees increase significantly in a short period of time and we are unable to recover these increased costs through higher sale prices.

Fees charged by the consignor are driven by interest rates and the market price of the consigned material. The market price of the consigned material is determined by the supply of and the demand for the material. Consignment fees may increase if interest rates or the price of the consigned material increase.

Competition may result in lower prices for our products and reduced sales.

Both Pulse and AMI Doduco frequently encounter strong competition within individual product lines from various competitors throughout the world. We compete principally on the basis of:

- o product quality and reliability;
- o global design and manufacturing capabilities;
- o breadth of product line;
- o customer service;
- o price; and
- o on-time delivery.

Our inability to successfully compete on any or all of the above factors may result in reduced sales.

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Our backlog is not an accurate measure of future revenues and is subject to customer cancellation.

While our backlog consists of firm accepted orders with an express release date generally scheduled within six months of the order, many of the orders that comprise our backlog may be canceled by customers without penalty. It is widely known that customers in the electronics industry have on occasion double and triple-ordered components from multiple sources to ensure timely delivery when quoted lead time is particularly long. In addition, customers often cancel orders when business is weak and inventories are excessive, a process that we experienced in the recent contraction. Although backlog should not be relied on as an indicator of our future revenues, our results of operations could be adversely impacted if customers cancel a material portion of orders in our backlog.

Fluctuations in foreign currency exchange rates may adversely affect our operating results.

We manufacture and sell our products in various regions of the world and export and import these products to and from a large number of countries. Fluctuations in exchange rates could negatively impact our cost of production and sales that, in turn, could decrease our operating results and cash flow. In addition, if the functional currency of our manufacturing costs strengthened compared to the functional currency of our competitors manufacturing costs, our products may get more costly than our competitors. Although we engage in limited hedging transactions, including foreign currency contracts, to reduce our transaction and economic exposure to foreign currency fluctuations, these measures may not eliminate or substantially reduce our risk in the future.

Our international operations subject us to the risks of unfavorable political, regulatory, labor and tax conditions in other countries.

We manufacture and assemble most of our products in foreign locations, including the Peoples' Republic of China, or PRC, and Turkey. In addition, approximately 78% of our revenues for the year ended December 31, 2004 were derived from sales to customers outside the United States. Our future operations and earnings may be adversely affected by the risks related to, or any other problems arising from, operating in international markets.

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Risks inherent in doing business internationally may include:

- o economic and political instability;
- o expropriation and nationalization;
- o trade restrictions;
- o capital and exchange control programs;
- o transportation delays;
- o foreign currency fluctuations; and
- o unexpected changes in the laws and policies of the United States or of the countries in which we manufacture and sell our products.

Pulse has substantially all of its non-consumer manufacturing operations

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in the PRC. Our presence in the PRC has enabled Pulse to maintain lower manufacturing costs and to adjust our work force to demand levels for our products. Although the PRC has a large and growing economy, the potential economic, political, legal and labor developments entail uncertainties and risks. For example, in May 2005 the local government in the PRC increased wages in the southern coastal provinces of the PRC by 17%. While the PRC has been receptive to foreign investment, we cannot be certain that its current policies will continue indefinitely into the future. In the event of any changes that adversely affect our ability to conduct our operations within the PRC, our businesses may suffer. We also have manufacturing operations in Turkey subject to unique risks, including earthquakes and those associated with Middle East geo-political events.

We have benefited over recent years from favorable tax treatment as a result of our international operations. We operate in countries where we realize favorable income tax treatment relative to the U.S. statutory rate. We have also been granted special tax incentives commonly known as tax holidays in countries such as the PRC and Turkey. This favorable situation could change if these countries were to increase rates or revoke the special tax incentives, or if we discontinue our manufacturing operations in any of these countries and do not replace the operations with operations in other locations with favorable tax incentives. Accordingly, in the event of changes in laws and regulations affecting our international operations, we may not be able to continue to take advantage of similar benefits in the future.

Shifting our operations between regions may entail considerable expense.

In the past we have shifted our operations from one region to another in order to maximize manufacturing and operational efficiency. We may close one or more additional factories in the future. This could entail significant one-time earnings charges to account for severance, equipment write-offs or write-downs and moving expenses as well as certain adverse tax consequences including the loss of specialized tax incentives. In addition, as we implement transfers of our operations we may experience disruptions, including strikes or other types of labor unrest resulting from layoffs or termination of employees.

Liquidity requirements could necessitate movements of existing cash balances which may be subject to restrictions or cause unfavorable tax and earnings consequences.

A significant portion of our cash is held offshore by our international subsidiaries and is predominantly denominated in U.S. dollars. While we intend to use cash held overseas to fund our international operations and growth, if we encounter a significant domestic need for liquidity, such as paying dividends, that we cannot fulfill through borrowings, equity offerings, or other internal or external sources, we may experience unfavorable tax and earnings consequences if this cash is transferred to the United States. These adverse consequences would occur if the transfer of cash into the United States is taxed and no offsetting foreign tax credit is available to offset the U.S. tax liability, resulting in lower earnings. In addition, we may be prohibited from transferring cash from the PRC. With the exception of approximately \$14.0 million of non-cash retained earnings as of December 31, 2004 in primarily the PRC that are restricted in accordance with the PRC Foreign Investment Enterprises Law, substantially all retained earnings are free from legal or contractual restrictions. The PRC Foreign Investment Enterprise Law restricts 10% of our net earnings in the PRC, up to a maximum amount equal to 50% of the total capital we have invested in the PRC. We have not experienced any significant liquidity restrictions in any country in which we operate and none are presently foreseen. However, foreign exchange ceilings imposed by local governments and the sometimes-lengthy approval processes which some foreign governments require for international cash transfers may delay our internal cash movements from time to time.

Losing the services of our executive officers or our other highly qualified and experienced employees could adversely affect our business.

Our success depends upon the continued contributions of our executive officers and management, many of whom have many years of experience and would be extremely difficult to replace. We must also attract and maintain experienced and highly skilled engineering, sales and marketing and managerial personnel. Competition for qualified personnel is intense in our industries, and we may not be successful in hiring and retaining these people. If we lose the services of our executive officers or cannot attract and retain other qualified personnel, our businesses could be adversely affected.

Public health epidemics (such as Severe Acute Respiratory Syndrome) or other natural disasters (such as earthquakes or fires) may disrupt operations in affected regions and affect operating results.

Pulse maintains extensive manufacturing operations in the PRC and Turkey, as do many of our customers and suppliers. A sustained interruption of our manufacturing operations, or those of our customers or suppliers, as a result of complications from severe acute respiratory syndrome or another public health epidemic or other natural disasters, could have a material adverse effect on our business and results of operations.

Costs associated with precious metals may not be recoverable.

AMI Doduco uses silver, as well as other precious metals, in manufacturing some of its electrical contacts, contact materials and contact subassemblies. Historically, we have leased or held these materials through consignment arrangements with our suppliers. Leasing and consignment costs have typically been below the costs to borrow funds to purchase the metals, and more importantly, these arrangements eliminate the effects of fluctuations in the market price of owned precious metal and enable us to minimize our inventories. AMI Doduco's terms of sale generally allow us to charge customers for precious metal content based on market value of precious metal on the day after shipment to the customer. Thus far we have been successful in managing the costs associated with our precious metals. While limited amounts are purchased for use in production, the majority of our precious metal inventory continues to be leased or held on consignment. If our leasing/consignment fees increase significantly in a short period of time, and we are unable to recover these increased costs through higher sale prices, a negative impact on our results of operations and liquidity may result. Leasing/consignment fee increases are caused by increases in interest rates or volatility in the price of the consigned material.

The unavailability of insurance against certain business risks may adversely affect our future operating results.

As part of our comprehensive risk management program, we purchase insurance coverage against certain business risks. If any of our insurance carriers discontinues an insurance policy or significantly reduces available coverage or increases in the deductibles and we cannot find another insurance carrier to write comparable coverage, we may be subject to uninsured losses which may adversely affect our operating results.

Environmental liability and compliance obligations may affect our operations and results.

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Our manufacturing operations are subject to a variety of environmental laws and regulations as well as internal programs and policies governing:

- o air emissions;
- o wastewater discharges;
- o the storage, use, handling, disposal and remediation of hazardous substances, wastes and chemicals; and
- o employee health and safety.

If violations of environmental laws should occur, we could be held liable for damages, penalties, fines and remedial actions. Our operations and results could be adversely affected by any material obligations arising from existing laws, as well as any required material modifications arising from new regulations that may be enacted in the future. We may also be held liable for past disposal of hazardous substances generated by our business or businesses we acquire. In addition, it is possible that we may be held liable for contamination discovered at our present or former facilities.

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We are aware of contamination at two locations. In Sinsheim, Germany, there is a shallow groundwater and soil contamination that is naturally decreasing over time. The German environmental authorities have not required corrective action to date. In addition, property in Leesburg, Indiana, which was acquired with our acquisition of GTI in 1998, is the subject of a 1994 Corrective Action Order to GTI by the Indiana Department of Environmental Management (IDEM). Although we sold the property in early 2005, we retained the responsibility for existing environmental issues at the site. The order requires us to investigate and take corrective actions. Substantially all of the corrective actions relating to impacted soil have been taken and IDEM has issued us no further action letters for the remediated areas. Studies and analysis are ongoing with respect to a ground water issue. We anticipate making additional environmental expenditures in the future to continue our environmental studies, analysis and remediation activities with respect to the ground water. Based on current knowledge, we do not believe that any future expenses or liabilities associated with environmental remediation will have a material impact on our operations or our consolidated financial position, liquidity or operating results; however, we may be subject to additional costs and liabilities if the scope of the contamination or the cost of remediation exceeds our current expectations.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

There were no material changes in market risk exposures that affect the quantitative and qualitative disclosures presented in our Form 10-K for the year ended December 31, 2004.

Item 4: Controls and Procedures

An evaluation was performed under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act of 1934 as of April 1, 2005. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effective in timely alerting them to material information required to be included periodic SEC filings for the company.

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There was no change in internal controls over financial reporting that occurred during the quarter ended April 1, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

On September 13, 2004, we acquired additional shares of common stock in Full Rise Electronic Co., Ltd. (FRE) bringing our cumulative ownership to 51%. Management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 and April 1, 2005 FRE's internal control over financial reporting, as of December 31, 2004 and April 1, 2005, respectively. FRE's total assets and total revenues represented 6% and 2% respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2004. As part of our ongoing integration activities, we are continuing to incorporate our controls and procedures into this recently acquired business.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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PART II. OTHER INFORMATION

Item 1	Legal Proceedings	None
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	None
Item 3	Defaults Upon Senior Securities	None
Item 4	Submission of Matters to a Vote of Security Holders	None
Item 5	Other Information	

In the three months ended April 1, 2005, we accrued \$0.9 million for a number of unrelated actions including, severance and related payments comprised of \$0.5 million related to Pulse's termination of manufacturing and support personnel in facilities in Italy and Turkey, \$0.3 million related to the termination of a lease in China, and \$0.1 million for severance in other locations. The majority of these accruals will be utilized by December 31, 2005.

The compensation committee of our board of directors approved

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the termination of the Deferred Compensation Plan for Director, effective on May 2, 2005. This plan allowed our directors to defer their receipt of certain fees paid to them by us.

Item 6 Exhibits

(a) Exhibits

The Exhibit Index is on page 28.

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Exhibit Index

- 2.1 Share Purchase Agreement, dated as of January 9, 2003, by Pulse Electronics (Singapore) Pte. Ltd. and Forfin Holdings B.V. that are signatories thereto (incorporated by reference to Exhibit 2 to our Form 8-K dated January 10, 2003).
- 3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Form 10-K for the year ended December 26, 2003).
- 3.3 By-laws (incorporated by reference to Exhibit 3.3 to our Form 10-K for the year ended December 27, 2002).
- 4.1 Rights Agreement, dated as of August 30, 1996, between Technitrol, Inc. and Registrar and Transfer Company, as Rights Agent (incorporated by reference to Exhibit 3 to our Registration Statement on Form 8-A dated October 24, 1996).
- 4.2 Amendment No. 1 to the Rights Agreement, dated March 25, 1998, between Technitrol, Inc. and Registrar and Transfer Company, as Rights Agent (incorporated by reference to Exhibit 4 to our Registration Statement on Form 8-A/A dated April 10, 1998).
- 4.3 Amendment No. 2 to the Rights Agreement, dated June 15, 2000, between Technitrol, Inc. and Registrar and Transfer Company, as Rights Agent (incorporated by reference to Exhibit 5 to our Registration Statement on Form 8-A/A dated July 5, 2000).
- 10.1 Technitrol, Inc. 2001 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 dated June 28, 2001, File Number 333-64060).
- 10.1(1) Form of Stock Option Agreement (incorporated by reference to Exhibit 10.1(1) to our Form 10-Q for the three months ended October 1, 2004).
- 10.2 Technitrol, Inc. Restricted Stock Plan II, as amended and restated as of January 1, 2001 (incorporated by reference to Exhibit C, to our Definitive Proxy on Schedule 14A dated March 28, 2001).
- 10.3 Technitrol, Inc. 2001 Stock Option Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 dated June 28, 2001, File Number 333-64068).
- 10.4 Technitrol, Inc. Board of Directors Stock Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 dated June 1, 1998, File Number 333-55751).

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- 10.5 Revolving Credit Agreement, by and among Technitrol, Inc. and certain of its subsidiaries, JPMorgan Chase Bank. as Agent and Lender, and certain other Lenders that are signatories thereto, dated as of June 17, 2004 (incorporated by reference to Exhibit 10.5 to our Form 10-Q for the three months ended June 25, 2004).

- 10.6 Lease Agreement, dated October 15, 1991, between Ridilla-Delmont and AMI Doduco, Inc. (formerly known as Advanced Metallurgy Incorporated), as amended September 21, 2001 (incorporated by reference to Exhibit 10.6 to the Company's Amendment No. 1 to Registration Statement on Form S-3 dated February 28, 2002, File Number 333-81286).

- 10.7 Incentive Compensation Plan of Technitrol, Inc. (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286).

- 10.8 Technitrol, Inc. Supplemental Retirement Plan, amended and restated January 1, 2002 (incorporated by reference to Exhibit 10.8 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286).

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Exhibit Index, continued

- 10.9 Agreement between Technitrol, Inc. and James M. Papada, III, dated July 1, 1999, as amended April 23, 2001, relating to the Technitrol, Inc. Supplemental Retirement Plan (incorporated by reference to Exhibit 10.9 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286).

- 10.10 Letter Agreement between Technitrol, Inc. and James M. Papada, III, dated April 16, 1999, as amended October 18, 2000 (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286).

- 10.10(1) Letter Agreement between Technitrol, Inc. and James M. Papada, III dated July 1, 2004 (incorporated by reference to Exhibit 10.10(1) to our Form 10-Q for the three months ended October 1, 2004).

- 10.11 Form of Indemnity Agreement (incorporated by reference to Exhibit 10.11 to our Form 10-K for the year ended December 27, 2002).

- 10.12 Technitrol Inc. Supplemental Savings Plan (incorporated by reference to Exhibit 10.15 to our Form 10-Q for the three months ended September 26, 2003)

- 10.13 Technitrol, Inc. 401(K) Retirement Savings Plan, as amended (incorporated by reference to post-effective Amendment No. 1, to our Registration Statement on Form S-8 filed on October 31, 2003, File Number 033-35334) (incorporated by reference to Exhibit 10.16 to our Form 10-Q for the three months ended March 26, 2003).

- 10.14 Pulse Engineering, Inc. 401(K) Plan as amended (incorporated by reference to post-effective Amendment No. 1, to our Registration Statement on Form S-8 filed on October 31, 2003, File Number

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033-94073) (incorporated by reference to Exhibit 10.16 to our Form 10-Q for the three months ended March 26, 2003).

- 10.15 Amended and Restated Short-Term Incentive Plan (incorporated by reference to Exhibit 10.15 to our Form 10-K for the year ended December 31, 2004).
- 10.16 Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16 to our Form 10-Q for the three months ended October 1, 2004).
- 10.16(1) First Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16 to our Form 10-Q for the three months ended October 1, 2004).
- 10.16(2) Second Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(2) to our Form 10-Q for the three months ended October 1, 2004).
- 10.16(3) Third Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(3) to our Form 10-Q for the three months ended October 1, 2004).
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- 10.16(4) Fourth Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(4) to our Form 10-Q for the three months ended October 1, 2004).
- 10.16(5) Fifth Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(5) to our Form 10-Q for the three months ended October 1, 2004).
- 10.17 Consignment agreement dated December 17, 1997, among Fleet Precious Metals Inc., Technitrol, Inc. and Advanced Metallurgy Incorporated (incorporated by reference to Exhibit 10.17 to our Form 10-Q for the three months ended October 1, 2004).
- 10.17(1) First Amendment to Consignment agreement dated December 17, 1997, among Fleet Precious Metals Inc., Technitrol, Inc. and Advanced Metallurgy Incorporated (incorporated by reference to Exhibit 10.17(1) to our Form 10-Q for the three months ended October 1, 2004).
- 10.17(2) Letter Amendment to Consignment agreement dated December 17, 1997, among Fleet Precious Metals Inc., Technitrol, Inc. and Advanced Metallurgy Incorporated (incorporated by reference to Exhibit 10.17(2) to our Form 10-Q for the three months ended October 1,

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2004).

- 10.17(3) Letter Amendment to Consignment Agreement dated December 15, 2003, among Fleet Precious Metals, Inc., Technitrol, Inc., and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.17(3) to our Form 10-Q for the three months ended October 1, 2004).
- 10.17(4) Letter Amendment to Consignment Agreement dated January 29, 2004, among Fleet Precious Metals, Inc., Technitrol, Inc. and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.17(4) to our Form 10-Q for the three months ended October 1, 2004).
- 10.18 Silver Lease Agreement dated April 9, 1996 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy, Inc. and Guarantee dated April 29, 1996 by Technitrol, Inc. (incorporated by reference to Exhibit 10.18 to our Form 10-Q for the three months ended October 1, 2004).
- 10.18(1) Letter Agreement dated April 9, 1996 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy, Inc. (incorporated by reference to Exhibit 10.18(1) to our Form 10-Q for the three months ended October 1, 2004).
- 10.18(2) Amendment to Silver Lease Agreement dated February 14, 1997 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy Inc. (incorporated by reference to Exhibit 10.18(2) to our Form 10-Q for the three months ended October 1, 2004).
- 10.18(3) Amendment to Silver Lease Agreement dated November 3, 1997 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy Inc. (incorporated by reference to Exhibit 10.18(3) to our Form 10-Q for the three months ended October 1, 2004).
- 10.18(4) Amendment to Silver Lease Agreement dated May 21, 2003 between Standard Chartered Bank Mocatta Bullion - New York and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.18(4) to our Form 10-Q for the three months ended October 1, 2004).

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Exhibit Index, continued

- 10.19 Consignment Agreement dated September 24, 2004 between Mitsui & Co. Precious Metals Inc., and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.19 to our Form 10-Q for the three months ended October 1, 2004).
- 10.20 Unlimited Guaranty dated December 16, 1996 by Technitrol, Inc. in favor of Rhode Island Hospital Trust National Bank (incorporated by reference to Exhibit 10.20 to our Form 10-Q for the three months ended October 1, 2004).
- 10.21 Corporate Guaranty dated November 1, 2004 by Technitrol, Inc. in favor of Mitsui & Co. Precious Metals, Inc. (incorporated by reference to Exhibit 10.21 to our Form 10-Q for the three months ended October 1, 2004).
- 10.30 Schedule of Board of Director and Committee Fees (incorporated by reference to Exhibit 10.30 to our Form 10-K for the year ended December 31, 2004).

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- 31.1 Certification of Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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.

Technitrol, Inc.

(Registrant)

May 4, 2005

(Date)

/s/ Drew A. Moyer

Drew A. Moyer
Senior Vice President and Chief
Financial Officer (duly authorized
officer, principal financial and
accounting officer)

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