

BELDEN INC.
Form 10-Q
November 07, 2008

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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 28, 2008
Commission File No. 001-12561**

BELDEN INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3601505
(I.R.S. Employer
Identification No.)

**7733 Forsyth Boulevard, Suite 800
St. Louis, Missouri 63105**
(Address of principal executive offices)
(314) 854-8000

Registrant's telephone number, including area code

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Act during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

The registrant is not a shell company.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Following is the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class | Outstanding at October 31, 2008 |
|--------------------------------|----------------------------------------|
| Common Stock, \$0.01 Par Value | 46,489,324 |

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| | September 28, 2008 (Unaudited) | December 31, 2007 |
|--------------------------------------------------------------|---------------------------------------------------|----------------------------------|
| | (In thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 215,439 | \$ 159,964 |
| Receivables, net | 383,527 | 373,108 |
| Inventories, net | 264,851 | 257,540 |
| Deferred income taxes | 21,578 | 28,578 |
| Other current assets | 25,459 | 17,392 |
| Total current assets | 910,854 | 836,582 |
| Property, plant and equipment, less accumulated depreciation | 334,114 | 369,803 |
| Goodwill | 780,558 | 648,882 |
| Intangible assets, less accumulated amortization | 179,194 | 154,786 |
| Other long-lived assets | 60,139 | 58,796 |
| | \$ 2,264,859 | \$ 2,068,849 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 220,830 | \$ 190,018 |
| Accrued liabilities | 166,698 | 160,029 |
| Current maturities of long-term debt | | 110,000 |
| Total current liabilities | 387,528 | 460,047 |
| Long-term debt | 590,000 | 350,000 |
| Postretirement benefits | 100,869 | 98,084 |
| Deferred income taxes | 51,444 | 78,140 |
| Other long-term liabilities | 14,877 | 9,915 |
| Stockholders' equity: | | |
| Preferred stock | | |
| Common stock | 503 | 503 |
| Additional paid-in capital | 581,202 | 638,690 |
| Retained earnings | 559,059 | 478,776 |
| Accumulated other comprehensive income | 112,133 | 93,198 |
| Treasury stock | (132,756) | (138,504) |
| Total stockholders' equity | 1,120,141 | 1,072,663 |

\$ 2,264,859 \$ 2,068,849

The accompanying notes are an integral part of these Consolidated Financial Statements

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BELDEN INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|-----------------------------------------------------------|----------------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 28, 2008 | September 23, 2007 | September 28, 2008 | September 23, 2007 |
| | (In thousands, except per share data) | | | |
| Revenues | \$ 520,494 | \$ 561,611 | \$ 1,588,623 | \$ 1,448,257 |
| Cost of sales | (366,842) | (403,914) | (1,122,681) | (1,048,671) |
| Gross profit | 153,652 | 157,697 | 465,942 | 399,586 |
| Selling, general and administrative expenses | (85,149) | (85,567) | (267,225) | (224,095) |
| Research and development | (15,887) | (5,504) | (36,051) | (10,776) |
| Amortization of intangibles | (4,125) | (2,685) | (9,286) | (8,535) |
| Gain (loss) on sale of assets | | 8,556 | (884) | 8,556 |
| Asset impairment | (753) | | (12,302) | (3,262) |
| Operating income | 47,738 | 72,497 | 140,194 | 161,474 |
| Interest expense | (8,671) | (7,561) | (27,018) | (18,769) |
| Interest income | 1,226 | 803 | 4,058 | 5,286 |
| Other income (expense) | 813 | 581 | 3,967 | (864) |
| Income before taxes | 41,106 | 66,320 | 121,201 | 147,127 |
| Income tax expense | (9,453) | (16,904) | (34,178) | (45,593) |
| Net income | \$ 31,653 | \$ 49,416 | \$ 87,023 | \$ 101,534 |
| Weighted average number of common shares and equivalents: | | | | |
| Basic | 44,571 | 45,084 | 44,072 | 44,887 |
| Diluted | 47,082 | 50,131 | 47,643 | 50,893 |
| Basic income per share | \$ 0.71 | \$ 1.10 | \$ 1.97 | \$ 2.26 |
| Diluted income per share | \$ 0.67 | \$ 0.99 | \$ 1.83 | \$ 2.01 |
| Dividends declared per share | \$ 0.05 | \$ 0.05 | \$ 0.15 | \$ 0.15 |

The accompanying notes are an integral part of these Consolidated Financial Statements

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BELDEN INC.
CONSOLIDATED CASH FLOW STATEMENTS
(Unaudited)

| | Nine Months Ended | |
|----------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| | September 28, 2008 | September 23, 2007 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$ 87,023 | \$ 101,534 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 42,394 | 38,701 |
| Asset impairment | 12,302 | 3,262 |
| Pension funding in excess of pension expense | (1,114) | (1,724) |
| Share-based compensation | 10,614 | 7,516 |
| Provision for inventory obsolescence | 6,495 | 5,731 |
| Loss (gain) on disposal of tangible assets | 884 | (8,556) |
| Excess tax benefits related to share-based compensation | (1,297) | (7,041) |
| Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses: | | |
| Receivables | (9,297) | (41,887) |
| Inventories | (7,440) | 10,161 |
| Deferred cost of sales | (3,300) | |
| Accounts payable | 21,148 | 15,493 |
| Accrued liabilities | (33,154) | 33,729 |
| Deferred revenue | 8,721 | |
| Accrued taxes | (5,441) | 24,090 |
| Other assets | (1,987) | (3,309) |
| Other liabilities | 1,316 | (9,384) |
| Net cash provided by operating activities | 127,867 | 168,316 |
| Cash flows from investing activities: | | |
| Cash used to invest in and acquire businesses | (144,625) | (588,426) |
| Proceeds from disposal of tangible assets | 40,488 | 24,056 |
| Capital expenditures | (32,421) | (41,483) |
| Net cash used for investing activities | (136,558) | (605,853) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 5,957 | 29,132 |
| Excess tax benefits related to share-based compensation | 1,297 | 7,041 |
| Payments under share repurchase program | (68,336) | (10,626) |
| Cash dividends paid | (6,616) | (6,750) |
| Debt issuance costs | | (10,212) |
| Borrowings under credit arrangements | 240,000 | 546,000 |
| Payments under borrowing arrangements | (110,000) | (258,000) |

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| | | |
|-------------------------------------------------------------------------------|------------|------------|
| Net cash provided by financing activities | 62,302 | 296,585 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 1,864 | 7,125 |
| Increase (decrease) in cash and cash equivalents | 55,475 | (133,827) |
| Cash and cash equivalents, beginning of period | 159,964 | 254,151 |
| Cash and cash equivalents, end of period | \$ 215,439 | \$ 120,324 |

The accompanying notes are an integral part of these Consolidated Financial Statements

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BELDEN INC.
CONSOLIDATED STOCKHOLDERS EQUITY STATEMENT
NINE MONTHS ENDED SEPTEMBER 28, 2008
(Unaudited)

| | Common | | Paid-In | Retained | Treasury Stock | | Accumulated Other Comprehensive Income (Loss) Pension Translation and Postretirement Liability | | Total |
|-----------------------------------------------------------------------------|-----------------------|---------------|----------------|-----------------|-----------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------|------------------|--------------|
| | Shares | Amount | Capital | Earnings | Shares | Amount | of Equity | Liability | |
| | (in thousands) | | | | | | | | |
| Balance at December 31, 2007 | 50,335 | \$ 503 | \$ 638,690 | \$ 478,776 | (5,742) | \$ (138,504) | \$ 108,720 | \$ (15,522) | \$ 1,072,663 |
| Net income | | | | 87,023 | | | | | 87,023 |
| Foreign currency translation | | | | | | | 18,935 | | 18,935 |
| Comprehensive income | | | | | | | | | 105,958 |
| Exercise of stock options, net of tax withholding forfeitures | | | 1,250 | | 228 | 4,683 | | | 5,933 |
| Release of restricted stock, net of tax withholding forfeitures | | | (2,158) | | 67 | 894 | | | (1,264) |
| Share-based compensation | | | 11,904 | | | | | | 11,904 |
| Conversion of convertible subordinated debentures | | | (68,507) | | 3,344 | 68,507 | | | |
| Share repurchase program | | | | | (1,754) | (68,336) | | | (68,336) |
| Dividends (\$0.15 per share) | | | 23 | (6,740) | | | | | (6,717) |
| Balance at September 28, 2008 | 50,335 | \$ 503 | \$ 581,202 | \$ 559,059 | (3,857) | \$ (132,756) | \$ 127,655 | \$ (15,522) | \$ 1,120,141 |

The accompanying notes are an integral part of these Consolidated Financial Statements

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**BELDEN INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements include Belden Inc. and all of its subsidiaries (the Company, us, we, or our). We eliminate all significant affiliate accounts and transactions in consolidation.

The accompanying Consolidated Financial Statements presented as of any date other than December 31, 2007:

Are prepared from the books and records without audit, and

Are prepared in accordance with the instructions to Form 10-Q and do not include all of the information required by accounting principles generally accepted in the United States for complete statements, but

Include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial statements.

These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2007 Annual Report on Form 10-K.

Business Description

We design, manufacture, and market signal transmission solutions, including cable, connectivity and active components for mission-critical applications in markets ranging from industrial automation to data centers, broadcast studios, and aerospace.

Reporting Periods

Our fiscal year and fiscal fourth quarter both end on December 31. Typically, our fiscal first, second and third quarter each end on the last Sunday falling on or before their respective calendar quarter-end. The nine months ended September 28, 2008 and September 23, 2007 include 272 and 266 calendar days, respectively.

Reclassifications

We have made certain reclassifications to the 2007 Consolidated Financial Statements with no impact to reported net income in order to conform to the 2008 presentation.

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable. We accrue environmental remediation costs, on an undiscounted basis, based on estimates of known environmental remediation exposures developed in consultation with our environmental consultants and legal counsel. We are, from time to time, subject to routine litigation incidental to our business. These lawsuits primarily involve claims for damages arising out of the use of our products, allegations of patent or trademark infringement, and litigation and administrative proceedings involving employment matters and commercial disputes. Based on facts currently available,

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we believe the disposition of the claims that are pending or asserted will not have a materially adverse effect on our financial position, results of operations or cash flow.

At September 28, 2008, we were party to bank guaranties, standby letters of credit, and surety bonds totaling \$8.0 million, \$5.9 million, and \$2.6 million, respectively.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectibility is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer's purchase order or sales agreement. We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We charge revisions to these estimates back to revenue in the period in which the facts that give rise to each revision become known.

Our Wireless segment accounts for revenue in accordance with Statement of Position No. 97-2, *Software Revenue Recognition*, and all related amendments and interpretations (SOP 97-2). Sales from our Wireless segment often involve multiple elements, principally hardware, software, hardware and software maintenance and other support services. When a sale involves multiple elements, we allocate the entire fee from the arrangement to each respective element based on its Vendor Specific Objective Evidence (VSOE) of fair value and recognize revenue when each element's revenue recognition criteria are met. VSOE of fair value for each element is established based on the price charged when the same element is sold separately. If VSOE of fair value cannot be established for the undelivered element of an agreement and the only undelivered element is support, the entire amount of revenue from the arrangement is deferred and recognized ratably over the period that the support is delivered. Through September 28, 2008, our Wireless segment did not establish VSOE of fair value of post-contract customer support. As a result, the entire fee and related cost of sales from revenue transactions involving multiple-element arrangements were deferred and recognized ratably over the contractual post-contract customer support period, ranging from one to three years. As of September 28, 2008, total deferred revenue and deferred cost of sales were \$10.7 million and \$3.5 million, respectively. Of the total deferred revenue, \$9.8 million is included in accrued liabilities, and \$0.9 million is included in other long-term liabilities. Of the total deferred cost of sales, \$3.1 million is included in other current assets and \$0.4 million is included in other long-lived assets.

Current-Year Adoption of Accounting Pronouncements

On January 1, 2008, we adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. This Statement establishes a framework for measuring fair value within generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This Statement does not require any new fair value measurements following generally accepted accounting principles. However, the definition of fair value in SFAS No. 157 may affect assumptions used by companies in determining fair value. Adoption of SFAS No. 157 did not have a material impact on our operating results, cash flows or financial condition.

On January 1, 2008, we adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value in an effort to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently. Adoption of SFAS No. 159 did not have a material impact on our operating results,

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cash flows or financial condition as we elected not to use the fair value measurement option on our financial instruments and other applicable items.

Pending Adoption of Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), *Business Combinations*, which replaces SFAS No. 141 and retains the fundamental requirements in SFAS No. 141, including that the purchase method be used for all business combinations and for an acquirer to be identified for each business combination. This standard defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control instead of the date that the consideration is transferred. SFAS No. 141(R) requires an acquirer in a business combination to recognize the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. It also requires the recognition of assets acquired and liabilities assumed arising from certain contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. SFAS No. 141(R) becomes effective for us for any business combination with an acquisition date on or after January 1, 2009. We are currently evaluating the potential impact of SFAS No. 141(R) on our operating results, cash flows and financial condition.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, which is effective for us on January 1, 2009. The FSP requires retrospective application to all periods presented and does not grandfather existing debt instruments. The FSP changes the accounting for our \$110.0 million aggregate principal convertible subordinated debentures in that it requires that we bifurcate the proceeds from the debt issuance between debt and equity components. The equity component would reflect the value of the conversion feature of the debentures. We are currently evaluating the potential impact of FSP APB 14-1 on our operating results, cash flows and financial condition. On August 29, 2008, we completed the redemption of our convertible subordinated debentures. See Note 8.

Note 2: Acquisitions

On July 16, 2008, we acquired Trapeze Networks, Inc. (Trapeze) for cash of \$136.0 million, including transaction costs. We financed the total purchase price with borrowings under our revolving credit facility. California-based Trapeze is a provider of wireless local area networking equipment. The acquisition of Trapeze improves our ability to provide a full complement of signal transmission solutions including wireless systems. The results of operations of Trapeze have been included in our results of operations from July 16, 2008. Trapeze is reported as a separate operating segment disclosed as the Wireless segment. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed (in thousands).

| | |
|-------------------------------|------------|
| Current assets | \$ 16,304 |
| Property, plant and equipment | 2,171 |
| Goodwill | 81,796 |
| Intangible assets | 39,375 |
| Other assets | 216 |
| Assets acquired | 139,862 |
| Liabilities assumed | 3,834 |
| Net assets acquired | \$ 136,028 |

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The above purchase price allocation is subject to revision as more detailed analyses are completed and additional information about the fair value of individual assets and liabilities becomes available. Any change in the fair value of the acquired net assets and resolution of income tax uncertainties will change the amount of the purchase price allocable to goodwill.

The following table reflects the pro forma operating results of the Company as if the Trapeze acquisition had been completed as of the beginning of each respective period. The pro forma effect on the three-month period ended September 28, 2008 was not material.

| | Nine Months Ended September 28, 2008 | Nine Months Ended September 23, 2007 | Three Months Ended September 23, 2007 |
|------------------------------|---------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|
| | (In thousands, except per share data) | | |
| Revenues | \$ 1,612,400 | \$ 1,486,538 | \$ 574,662 |
| Net income | 68,271 | 76,970 | 40,260 |
| Net income per diluted share | 1.43 | 1.53 | 0.80 |

For purposes of the pro forma disclosures, each respective period includes \$2.1 million (\$1.4 million after tax) of nonrecurring expenses from the effects of purchase accounting, including in-process research and development charges of \$1.5 million, amortization of the sales backlog intangible of \$0.4 million, and inventory cost step-up of \$0.2 million. The pro forma information above also reflects interest expense assuming borrowings at the beginning of each respective period of \$136.0 million at 3.8% interest under our senior secured credit agreement to finance the acquisition.

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations would have been had we completed the acquisition on the dates assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisition.

During 2007, we completed three acquisitions. We acquired Hirschmann Automation and Control GmbH (Hirschmann) on March 26, 2007 for \$258.0 million. Hirschmann has its headquarters in Germany and is a leading supplier of industrial ethernet solutions and industrial connectivity. The acquisition of Hirschmann enables us to deliver connectivity and networking solutions for demanding industrial environments and large-scale infrastructure projects worldwide. On March 27, 2007, we acquired LTK Wiring Co. Ltd. (LTK), a Hong Kong company, for \$214.4 million. LTK is one of the largest manufacturers of electronic cable for the China market. LTK gives us a strong presence in China among OEM customers, including consumer electronics manufacturers. On April 30, 2007, we purchased the assets of Lumberg Automation Components (Lumberg Automation) for \$117.6 million. Lumberg Automation has its headquarters in Germany and is a leading supplier of industrial connectors, high performance cord-sets and fieldbus communication components for factory automation machinery. Lumberg Automation complements the industrial connectivity portfolio of Hirschmann as well as our expertise in signal transmission. The results of operations of each acquisition have been included in our results of operations from their respective acquisition dates. Hirschmann and Lumberg Automation are included in the Europe, Middle East and Africa (EMEA) segment, and LTK is included in the Asia Pacific segment.

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All three 2007 acquisitions were cash transactions and were valued in total at \$590.0 million, including transaction costs. The following table summarizes the fair values of the assets acquired and liabilities assumed in 2007 (in thousands).

| | |
|-------------------------------|------------|
| Current assets | \$ 235,092 |
| Property, plant and equipment | 94,239 |
| Goodwill | 378,355 |
| Intangible assets | 88,629 |
| Other assets | 29,014 |
| | |
| Assets acquired | 825,329 |
| Liabilities assumed | 235,352 |
| | |
| Net assets acquired | \$ 589,977 |

The allocation above differs from our preliminary allocation as of December 31, 2007 primarily due to the following adjustments that we recorded in the first and second quarters of 2008:

a \$15.9 million decrease in the estimated fair value of property, plant and equipment;

a \$23.9 million accrual for restructuring costs related to finalizing certain plans to realign portions of the acquired businesses;

a \$4.3 million accrual for unfavorable lease agreements and service provider contracts; and

a \$4.5 million increase to current deferred tax assets, and a \$10.2 million decrease to long-term deferred tax liabilities related to the adjustments described above.

Note 3: Operating Segments

We conduct our operations through five reported operating segments: Belden Americas, Specialty Products, Wireless, EMEA, and Asia Pacific.

Finance and administration costs reflected in the column entitled F&A in the following tables primarily represent corporate headquarters operating expenses. Amounts reflected in the column entitled Eliminations represent the eliminations of affiliate revenues and affiliate cost of sales.

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| | Belden Americas | Specialty Products | Wireless | EMEA | Asia Pacific | F&A | Eliminations | Total |
|--------------------------------------------------|----------------------------|-------------------------------|-----------------|-------------|-------------------------|----------------|---------------------|--------------|
| | (In thousands) | | | | | | | |
| Three Months Ended September 28, 2008 | | | | | | | | |
| Total assets | \$ 382,470 | \$ 190,994 | \$ 143,992 | \$ 920,518 | \$ 392,190 | \$ 234,695 | \$ | \$ 2,264,859 |
| External customer revenues | 202,565 | 56,536 | 7,792 | 164,352 | 89,249 | | | 520,494 |
| Affiliate revenues | 17,558 | 15,855 | 38 | 4,587 | | | (38,038) | |
| Operating income (loss) | 46,318 | 7,107 | (8,784) | 12,976 | 8,843 | (10,824) | (7,898) | 47,738 |
| Three Months Ended September 23, 2007 | | | | | | | | |
| Total assets | \$ 417,027 | \$ 212,279 | \$ | \$ 872,277 | \$ 365,560 | \$ 236,609 | \$ | \$ 2,103,752 |
| External customer revenues | 231,625 | 60,575 | | 171,828 | 97,583 | | | 561,611 |
| Affiliate revenues | 18,069 | 26,459 | | 7,271 | | | (51,799) | |
| Operating income (loss) | 44,929 | 14,557 | | 23,627 | 10,276 | (10,680) | (10,212) | 72,497 |
| Nine Months Ended September 28, 2008 | | | | | | | | |
| Total assets | \$ 382,470 | \$ 190,994 | \$ 143,992 | \$ 920,518 | \$ 392,190 | \$ 234,695 | \$ | \$ 2,264,859 |
| External customer revenues | 588,906 | 169,620 | 7,792 | 548,180 | 274,125 | | | 1,588,623 |
| Affiliate revenues | 56,790 | 52,438 | 38 | 16,282 | 111 | | (125,659) | |
| Operating income (loss) | 117,882 | 10,196 | (8,784) | 56,203 | 29,054 | (37,047) | (27,310) | 140,194 |
| Nine Months Ended September 23, 2007 | | | | | | | | |
| Total assets | \$ 417,027 | \$ 212,279 | \$ | \$ 872,277 | \$ 365,560 | \$ 236,609 | \$ | \$ 2,103,752 |
| External customer revenues | 639,661 | 181,808 | | 430,115 | 196,673 | | | 1,448,257 |
| Affiliate revenues | 47,766 | 62,097 | | 15,012 | | | (124,875) | |

Operating
income (loss) 121,590 40,962 33,382 18,596 (29,872) (23,184) 161,474

The following table is a reconciliation of the total of the reportable segments operating income to consolidated income before taxes.

| | Three Months Ended | | Nine Months Ended | |
|------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | September 28, 2008 | September 23, 2007 | September 28, 2008 | September 23, 2007 |
| | (In thousands) | | | |
| Operating income | \$ 47,738 | \$ 72,497 | \$ 140,194 | \$ 161,474 |
| Interest expense | (8,671) | (7,561) | (27,018) | (18,769) |
| Interest income | 1,226 | 803 | 4,058 | 5,286 |
| Other income (expense) | 813 | 581 | 3,967 | (864) |
| Income before taxes | \$ 41,106 | \$ 66,320 | \$ 121,201 | \$ 147,127 |

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The following table presents the basis for the income per share computations:

| | Three Months Ended | | Nine Months Ended | |
|----------------------------------------------------------------------|---------------------------|------------------|--------------------------|------------------|
| | September | September | September | September |
| | 28, | 23, | 28, | 23, |
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands) | | | |
| Numerator for basic income per share: | | | | |
| Net income | \$ 31,653 | \$ 49,416 | \$ 87,023 | \$ 101,534 |
| Numerator for diluted income per share: | | | | |
| Net income | 31,653 | 49,416 | 87,023 | 101,534 |
| Tax-effected interest expense on convertible subordinated debentures | | | | 875 |
| Adjusted net income | \$ 31,653 | \$ 49,416 | \$ 87,023 | \$ 102,409 |
| Denominator: | | | | |
| Weighted average shares basic | 44,571 | 45,084 | 44,072 | 44,887 |
| Effect of dilutive common stock equivalents | 2,511 | 5,047 | 3,571 | 6,006 |
| Weighted average shares diluted | 47,082 | 50,131 | 47,643 | 50,893 |

The diluted weighted average shares for each period includes the impact of shares issuable with respect to the conversion of our \$110.0 million aggregate principal convertible subordinated debentures. See Note 8.

Note 5: Inventories

The major classes of inventories were as follows:

| | September | December |
|---------------------------------|-----------------------|-----------------|
| | 28, | 31, |
| | 2008 | 2007 |
| | (In thousands) | |
| Raw materials | \$ 78,940 | \$ 78,847 |
| Work-in-process | 61,862 | 57,562 |
| Finished goods | 143,304 | 136,305 |
| Perishable tooling and supplies | 4,120 | 4,355 |
| Gross inventories | 288,226 | 277,069 |
| Obsolescence and other reserves | (23,375) | (19,529) |
| Net inventories | \$ 264,851 | \$ 257,540 |

Note 6: Long-Lived Assets**Disposals**

During the nine months ended September 28, 2008, we sold and leased back under a normal sale-leaseback certain Belden Americas segment real estate in Mexico. The sales price was \$25.0 million, and we recognized a loss of \$0.9 million on the transaction. The lease term is 15 years with an option to renew up to an additional 10 years.

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We sold our assembly operation in the Czech Republic for \$8.2 million during the nine months ended September 28, 2008. We recognized no gain or loss on the transaction.

During the three months ended September 23, 2007, we completed the sale of our telecommunications cable operation in the Czech Republic for \$25.7 million and recorded a gain of \$7.8 million in our EMEA segment. We also sold certain Belden Americas segment real estate and equipment in Illinois for \$4.2 million cash and recognized a gain of \$0.7 million.

During the nine months ended September 23, 2007, we sold certain Belden Americas segment real estate and equipment in South Carolina and Vermont for \$6.7 million cash and recognized an aggregate loss of \$0.1 million.

Impairments

During the three months ended September 28, 2008, we identified certain tangible long-lived assets related to a warehouse in Tennessee for which the carrying value was not fully recoverable. We estimated the fair market value of these tangible long-lived assets based upon anticipated net proceeds from their eventual sale and recognized an impairment loss of \$0.8 million in the Specialty Products segment operating results.

During the nine months ended September 28, 2008, we recognized an impairment loss of \$7.3 million in the operating results of our Specialty Products segment due to the decision to close our manufacturing facility in Manchester, Connecticut. We also recognized impairment losses of \$3.8 million and \$0.4 million in the operating results of our Specialty Products and Belden Americas segments, respectively, related to our decision to consolidate capacity and dispose of excess machinery and equipment.

During the nine months ended September 23, 2007, we identified certain tangible long-lived assets related to a plant in Canada for which the carrying value was not fully recoverable. We estimated the fair market value of these tangible long-lived assets based upon anticipated net proceeds from their eventual sale and recognized a total impairment loss of \$1.9 million in the Belden Americas segment operating results. We also determined that certain asset groups related to our plants in the Czech Republic and the Netherlands were impaired due to product portfolio management and product sourcing actions. We estimated the fair market value of these long-lived assets based upon anticipated net proceeds from their eventual sale and recognized an impairment loss of \$1.4 million in the operating results of our EMEA segment.

Depreciation and Amortization Expense

We recognized depreciation expense of \$9.3 million and \$31.6 million in the three- and nine-month periods ended September 28, 2008, respectively. We recognized depreciation expense of \$10.7 million and \$30.2 million in the three- and nine-month periods ended September 23, 2007, respectively.

We recognized amortization expense related to our intangible assets of \$5.6 million and \$10.8 million in the three- and nine-month periods ended September 28, 2008, respectively, including \$1.5 million of amortization expense in each period classified as research and development expenses. We recognized amortization expense related to our intangible assets of \$2.7 million and \$8.5 million in the three- and nine-month periods ended September 23, 2007, respectively.

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Note 7: Restructuring Activities

EMEA Restructuring

In April of 2008, we finalized certain plans to realign part of our EMEA operations in order to consolidate manufacturing capacity. We recognized \$28.9 million of severance and other restructuring costs related to these realignment plans, including \$23.9 million that was accounted for through purchase accounting and \$5.0 million that was charged to the statement of operations (\$4.8 million in SG&A expenses and \$0.2 million in cost of sales). We do not expect to recognize additional costs related to this prior year restructuring activity.

In prior years, we announced various decisions to restructure certain EMEA operations in an effort to reduce manufacturing floor space and overhead, starting with the closures of a manufacturing facility in Sweden and sales offices in the United Kingdom and Germany, as well as product portfolio actions in the Czech Republic and the Netherlands. We do not expect to recognize additional costs related to these prior year restructuring activities.

Voluntary Separation Program

In 2007, we announced a voluntary separation program primarily for associates in the United States who were at least 50 years of age and had 10 years of service with the Company and recognized \$0.7 million of severance costs. We recognized \$6.5 million of additional severance costs (\$3.5 million in SG&A expenses and \$3.0 million in cost of sales) in the first quarter of 2008. Severance costs of \$3.5 million, \$2.4 million, and \$0.6 million were recognized by the Belden Americas segment, the Specialty Products segment and F&A, respectively, in 2008. To date, we have recognized severance costs totaling \$7.2 million related to these activities. We do not expect to recognize additional costs related to this program.

Reduction in Force

Beginning in 2006, we identified certain positions throughout the organization for elimination in an effort to reduce production, selling, and administration costs. In the first quarter of 2008, we recognized severance costs totaling \$0.6 million (\$0.4 million in cost of sales and \$0.2 million in SG&A expenses) related to North America position eliminations in the Specialty Products segment. To date, we have recognized severance costs totaling \$4.8 million related to these activities. We do not expect to recognize additional costs related to these restructuring activities.

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The following table sets forth restructuring activity that occurred during the three and nine months ended September 28, 2008:

| (In thousands) | EMEA Restructuring | Reduction in Force | Voluntary Separation Program |
|---------------------------------------------------|-------------------------------|-------------------------------|---------------------------------------------|
| Accrued Liabilities Balance at December 31, 2007 | \$ 759 | \$ 967 | \$ 707 |
| New charges | 4,826 | 612 | 6,479 |
| Purchase accounting | 23,850 | | |
| Cash payments | (45) | (188) | (209) |
| Foreign currency translation | 4,040 | 4 | |
| Other adjustments | | (18) | |
| Accrued Liabilities Balance at March 30, 2008 | 33,430 | 1,377 | 6,977 |
| New charges | 160 | | |
| Cash payments | (745) | (651) | (1,976) |
| Foreign currency translation | 99 | | |
| Other adjustments | (183) | (108) | |
| Accrued Liabilities Balance at June 29, 2008 | 32,761 | 618 | 5,001 |
| Cash payments | (1,551) | (538) | (1,820) |
| Foreign currency translation | (1,575) | (2) | |
| Other adjustments | (80) | (32) | |
| Accrued Liabilities Balance at September 28, 2008 | \$ 29,555 | \$ 46 | \$ 3,181 |

The Company continues to review its business strategies and evaluate further restructuring actions. This could result in additional restructuring costs in future periods.

Note 8: Long-Term Debt and Other Borrowing Arrangements**Senior Subordinated Notes**

In 2007, we completed an offering of \$350.0 million aggregate principal amount of 7.0% senior subordinated notes due 2017. The notes are guaranteed on a senior subordinated basis by certain of our domestic subsidiaries. The notes ranked senior to our convertible subordinated debentures, rank equal in right of payment with any of our future senior subordinated debt, and are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our senior secured credit facility. Interest is payable semiannually on March 15 and September 15.

Convertible Subordinated Debentures

On April 20, 2007, we completed the exchange of \$110.0 million aggregate principal of new 4.0% convertible subordinated debentures due 2023 for \$110.0 million aggregate principal of the previous 4.0% convertible subordinated debentures due 2023. The new convertible debentures contained a net share settlement feature requiring us upon conversion to pay the principal amount in cash and to pay any conversion consideration in excess of the principal amount in shares of our common stock.

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On July 14, 2008, we called all of our convertible subordinated debentures for redemption as of July 31, 2008. As a result of the call for redemption, holders of the debentures had the option to convert each \$1,000 principal amount of their debentures and receive value in a combination of cash and shares equal to 56.8246 shares of Belden's common stock (a conversion price of \$17.598). All holders of the debentures elected to convert their debentures. We completed the conversion on August 29, 2008 and paid \$110.0 million in cash and issued 3,343,509 shares of common stock. We financed the cash portion of the conversion through borrowings under our senior secured credit facility.

Medium-Term Notes

On February 16, 2007, we redeemed our medium-term notes in the aggregate principal amount of \$62.0 million. In connection therewith, we paid a make-whole premium of approximately \$2.0 million which was recognized as other expense in the Consolidated Statements of Operations.

Senior Secured Credit Facility

We have a senior secured credit facility with a \$350.0 million commitment. The facility matures in 2011, has a variable interest rate based on LIBOR or the prime rate and is secured by our overall cash flow and certain of our assets in the United States. At September 28, 2008, there was \$240.0 million of outstanding borrowings under the facility at a 3.8% interest rate, and we had \$103.3 million in available borrowing capacity, net of letters of credit. The facility contains certain financial covenants, including maintenance of maximum leverage and minimum fixed charge coverage ratios, with which we are required to comply. As of September 28, 2008, we were in compliance with these covenants.

Note 9: Income Taxes

Tax expense of \$34.2 million for the nine months ended September 28, 2008, resulted from income before taxes of \$121.2 million. The difference between the effective rate reflected in the provision for income taxes on income before taxes and the amount determined by applying the applicable statutory United States tax rate for the nine months ended September 28, 2008, is analyzed below:

| Nine Months Ended September 28, 2008 | Amount | Rate |
|------------------------------------------------------|-----------------------------------------|-------------|
| | (in thousands, except rate data) | |
| United States federal statutory rate | \$ 42,420 | 35.0% |
| State and local income taxes | 3,256 | 2.7 |
| Decrease in deferred tax asset valuation allowance | (3,835) | (3.2) |
| Decrease in uncertain tax positions | (443) | (0.3) |
| Effect of foreign tax rate changes on deferred taxes | 1,620 | 1.3 |
| Foreign income tax rate differences and other, net | (8,840) | (7.3) |
| Total tax expense | \$ 34,178 | 28.2% |

During the nine months ended September 28, 2008, we recognized a tax benefit of \$3.8 million associated with a decrease in the deferred tax asset valuation allowance with respect to net operating losses in the Netherlands. We also reached a settlement with the Dutch income tax authorities in connection with an audit of our Dutch affiliates for tax years 2001 through 2004. As a result of this settlement, we recorded a decrease to our reserve related to uncertain tax positions of \$0.5 million.

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We recorded a net increase to income tax expense in 2008 to reflect the impact of changes to statutory tax rates in several foreign jurisdictions. Income tax expense increased by \$1.6 million due to the application of the new statutory rates to deferred tax balances in Germany, Italy, Denmark, China and Hong Kong.

In the second quarter of 2008, we paid tax reassessments of \$3.2 million stemming from an audit by the Canada Revenue Agency of Nordx/CDT, Inc., the former Canadian subsidiary of Cable Design Technologies. In connection with this audit, we also recorded a \$1.9 million addition to our reserve related to uncertain tax positions. Because the periods under audit pre-date Belden's merger with Cable Design Technologies in 2004, settlement of these matters is accounted for as an adjustment to the goodwill related to the 2004 merger. We also incurred interest of \$2.1 million in connection with the Canadian audit. Of the total \$2.1 million incurred, \$1.9 million was recognized as interest expense and \$0.2 million was recorded as an adjustment to goodwill.

Note 10: Pension and Other Postretirement Obligations

The following table provides the components of net periodic benefit costs for the plans:

| | Pension Obligations | | Other Postretirement Obligations | |
|------------------------------------|---------------------|--------------------|----------------------------------|--------------------|
| | September 28, 2008 | September 23, 2007 | September 28, 2008 | September 23, 2007 |
| (In thousands) | | | | |
| Three Months Ended | | | | |
| Service cost | \$ 1,401 | \$ 1,667 | \$ 34 | \$ 72 |
| Interest cost | 3,153 | 2,949 | 630 | 477 |
| Expected return on plan assets | (3,057) | (3,031) | | |
| Amortization of prior service cost | 4 | 4 | (53) | (27) |
| Net loss recognition | 343 | 563 | 171 | 153 |
| Net periodic benefit cost | \$ 1,844 | \$ 2,152 | \$ 782 | \$ 675 |
| Nine Months Ended | | | | |
| Service cost | \$ 4,256 | \$ 4,896 | \$ 103 | \$ 410 |
| Interest cost | 9,585 | 8,385 | 1,920 | 1,660 |
| Expected return on plan assets | (9,303) | (9,119) | | |
| Amortization of prior service cost | 12 | 11 | (161) | (81) |
| Curtailement gain | | (523) | | |
| Settlement loss | 1,760 | | | |
| Net loss recognition | 1,025 | 1,691 | 513 | 459 |
| Net periodic benefit cost | \$ 7,335 | \$ 5,341 | \$ 2,375 | \$ 2,448 |

Note 11: Share Repurchases

In 2007, the Board of Directors authorized the Company to repurchase up to \$100.0 million of common stock in the open market or in privately negotiated transactions. During the nine months ended September 28, 2008, we completed the share repurchase program and repurchased 1,753,794 shares of our common stock at an aggregate cost of \$68.3 million, an average price per share of \$38.96. From the inception of the share repurchase program in August 2007 through its completion, we repurchased a total of 2,430,594 shares of our common stock at an aggregate cost of \$100.0 million, an average price per share of \$41.14.

Table of Contents**Note 12: Comprehensive Income**

The following table summarizes total comprehensive income:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------------------|---------------------------|------------------|--------------------------|------------------|
| | September | September | September | September |
| | 28, | 23, | 28, | 23, |
| | 2008 | 2007 | 2008 | 2007 |
| | (In thousands) | | | |
| Net income | \$ 31,653 | \$ 49,416 | \$ 87,023 | \$ 101,534 |
| Foreign currency translation gain (loss) | (41,309) | 19,462 | 18,935 | 32,371 |
| Total comprehensive income (loss) | \$ (9,656) | \$ 68,878 | \$ 105,958 | \$ 133,905 |

Note 13: Supplemental Guarantor Information

In 2007, Belden Inc. (the Issuer) issued \$350.0 million aggregate principal amount of 7.0% senior subordinated notes due 2017. The notes ranked senior to our convertible subordinated debentures, rank equal in right of payment with any of our future senior subordinated debt, and are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our senior secured credit facility. Interest is payable semiannually on March 15 and September 15. Belden Inc. and its current and future material domestic subsidiaries have fully and unconditionally guaranteed the notes on a joint and several basis. The following consolidating financial information presents information about the Issuer, guarantor subsidiaries and non-guarantor subsidiaries. Investments in subsidiaries are accounted for on the equity basis. Intercompany transactions are eliminated.

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Table of Contents**Supplemental Condensed Consolidating Balance Sheets**

| | September 28, 2008 | | | | |
|-----------------------------------------------------------------|---------------------------|-----------------------------------|---------------------------------------------------------------|-----------------------|---------------------|
| | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries (In thousands) | Eliminations | Total |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 164 | \$ 32,835 | \$ 182,440 | \$ | \$ 215,439 |
| Receivables, net | | 115,436 | 268,091 | | 383,527 |
| Inventories, net | | 139,711 | 125,140 | | 264,851 |
| Deferred income taxes | | (7,184) | 28,762 | | 21,578 |
| Other current assets | 1,763 | 6,907 | 16,789 | | 25,459 |
| Total current assets | 1,927 | 287,705 | 621,222 | | 910,854 |
| Property, plant and equipment, less accumulated depreciation | | | | | |
| | | 122,634 | 211,480 | | 334,114 |
| Goodwill | | 335,355 | 445,203 | | 780,558 |
| Intangible assets, less accumulated amortization | | 88,851 | 90,343 | | 179,194 |
| Investment in subsidiaries | 1,281,851 | 708,176 | | (1,990,027) | |
| Other long-lived assets | 6,476 | 6,278 | 47,385 | | 60,139 |
| | \$ 1,290,254 | \$ 1,548,999 | \$ 1,415,633 | \$ (1,990,027) | \$ 2,264,859 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 15 | \$ 81,256 | \$ 139,559 | \$ | \$ 220,830 |
| Accrued liabilities | 7,617 | 69,883 | 89,198 | | 166,698 |
| Total current liabilities | 7,632 | 151,139 | 228,757 | | 387,528 |
| Long-term debt | 590,000 | | | | 590,000 |
| Postretirement benefits | | 19,111 | 81,758 | | 100,869 |
| Deferred income taxes | | 31,034 | 20,410 | | 51,444 |
| Other long-term liabilities | 7,119 | 1,129 | 6,629 | | 14,877 |
| Intercompany accounts | 130,250 | (402,476) | 272,226 | | |
| Total stockholders equity | 555,253 | 1,749,062 | 805,853 | (1,990,027) | 1,120,141 |
| | \$ 1,290,254 | \$ 1,548,999 | \$ 1,415,633 | \$ (1,990,027) | \$ 2,264,859 |

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| | December 31, 2007 | | | | |
|-----------------------------------------------------------------|--------------------------|-----------------------------------|---------------------------------------------------------------|---------------------|------------------|
| | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries (In thousands) | Eliminations | Total |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ | \$ 13,947 | \$ 146,017 | \$ | \$ 159,964 |
| Receivables, net | | 100,091 | 273,017 | | 373,108 |
| Inventories, net | | 119,585 | 137,955 | | 257,540 |
| Deferred income taxes | | (6,509) | 35,087 | | 28,578 |
| Other current assets | 1,986 | 4,910 | 10,496 | | 17,392 |
| Total current assets | 1,986 | 232,024 | 602,572 | | 836,582 |
| Property, plant and equipment, less accumulated depreciation | | 133,882 | 235,921 | | 369,803 |
| Goodwill | | 248,604 | 400,278 | | 648,882 |
| Intangible assets, less accumulated amortization | | 54,019 | 100,767 | | 154,786 |
| Investment in subsidiaries | 923,888 | 647,642 | | (1,571,530) | |
| Other long-lived assets | 7,709 | 5,547 | 45,540 | | 58,796 |
| | \$ 933,583 | \$ 1,321,718 | \$ 1,385,078 | \$ (1,571,530) | \$ 2,068,849 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 2,037 | \$ 59,073 | \$ 128,908 | \$ | \$ 190,018 |
| Accrued liabilities | 12,381 | 64,153 | 83,495 | | 160,029 |
| Current maturities of long-term debt | 110,000 | | | | 110,000 |
| Total current liabilities | 124,418 | 123,226 | 212,403 | | 460,047 |
| Long-term debt | 350,000 | | | | 350,000 |
| Postretirement benefits | | 15,486 | 82,598 | | 98,084 |
| Deferred income taxes | | 41,932 | 36,208 | | 78,140 |
| Other long-term liabilities | 5,250 | 2,597 | 2,068 | | 9,915 |
| Intercompany accounts | (79,093) | (246,038) | 325,131 | | |
| Total stockholders equity | 533,008 | 1,384,515 | 726,670 | (1,571,530) | 1,072,663 |
| | \$ 933,583 | \$ 1,321,718 | \$ 1,385,078 | \$ (1,571,530) | \$ 2,068,849 |

Table of Contents**Supplemental Condensed Consolidating Statements of Operations****Three Months Ended September 28, 2008**

| | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries (In thousands) | Eliminations | Total |
|------------------------------------------------------|---------------|-----------------------------------|---------------------------------------------------------------|---------------------|--------------|
| Revenues | \$ | \$ 261,358 | \$ 315,661 | \$ (56,525) | \$ 520,494 |
| Cost of sales | | (187,941) | (235,426) | 56,525 | (366,842) |
| Gross profit | | 73,417 | 80,235 | | 153,652 |
| Selling, general and administrative expenses | (142) | (38,510) | (46,497) | | (85,149) |
| Research and development | | (6,532) | (9,355) | | (15,887) |
| Amortization of intangibles | | (2,072) | (2,053) | | (4,125) |
| Asset impairment | | (753) | | | (753) |
| Operating income (loss) | (142) | 25,550 | 22,330 | | 47,738 |
| Interest expense | (8,719) | 52 | (4) | | (8,671) |
| Interest income | | 141 | 1,085 | | 1,226 |
| Other income | | | 813 | | 813 |
| Intercompany income (expense) | 3,043 | (8,093) | 5,050 | | |
| Income (loss) from equity investment in subsidiaries | 35,434 | 22,863 | | (58,297) | |
| Income (loss) before taxes | 29,616 | 40,513 | 29,274 | (58,297) | 41,106 |
| Income tax benefit (expense) | 2,037 | (5,079) | (6,411) | | (9,453) |
| Net income (loss) | \$ 31,653 | \$ 35,434 | \$ 22,863 | \$ (58,297) | \$ 31,653 |

Three Months Ended September 23, 2007

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (In thousands) | Eliminations | Total |
|----------------------------------------------|---------------|-----------------------------------|----------------------------------------------------------|---------------------|--------------|
| Revenues | \$ | \$ 278,254 | \$ 348,511 | \$ (65,154) | \$ 561,611 |
| Cost of sales | | (207,565) | (261,503) | 65,154 | (403,914) |
| Gross profit | | 70,689 | 87,008 | | 157,697 |
| Selling, general and administrative expenses | (277) | (38,405) | (46,885) | | (85,567) |
| Research and development | | (145) | (5,359) | | (5,504) |
| Amortization of intangibles | | (563) | (2,122) | | (2,685) |
| Gain on sale of assets | | 716 | 7,840 | | 8,556 |
| Operating income (loss) | (277) | 32,292 | 40,482 | | 72,497 |
| Interest expense | (8,052) | 344 | 147 | | (7,561) |
| Interest income | | 214 | 589 | | 803 |

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| | | | | | |
|-------------------------------------------------------|-----------|-----------|-----------|-------------|-----------|
| Intercompany income (expense) | 4,354 | (1,952) | (2,402) | | |
| Income (loss) from equity investment in subsidiaries | 52,000 | 34,191 | | (86,191) | |
| Other income | | | 581 | | 581 |
| Income (loss) from continuing operations before taxes | 48,025 | 65,089 | 39,397 | (86,191) | 66,320 |
| Income tax benefit (expense) | 1,391 | (13,089) | (5,206) | | (16,904) |
| Net income (loss) | \$ 49,416 | \$ 52,000 | \$ 34,191 | \$ (86,191) | \$ 49,416 |

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Table of Contents**Nine Months Ended September 28, 2008**

| | | Non- | | | |
|---------------------------------------------------------|---------------|-----------------------------------|-----------------------------------|---------------------|--------------|
| | Issuer | Guarantor Subsidiaries | Guarantor Subsidiaries | Eliminations | Total |
| | | (In thousands) | | | |
| Revenues | \$ | \$ 757,584 | \$ 994,485 | \$ (163,446) | \$ 1,588,623 |
| Cost of sales | | (546,661) | (739,466) | 163,446 | (1,122,681) |
| Gross profit | | 210,923 | 255,019 | | 465,942 |
| Selling, general and administrative expenses | (175) | (117,139) | (149,911) | | (267,225) |
| Research and development | | (9,895) | (26,156) | | (36,051) |
| Amortization of intangibles | | (3,049) | (6,237) | | (9,286) |
| Loss on sale of assets | | | (884) | | (884) |
| Asset impairment | | (12,302) | | | (12,302) |
| Operating income (loss) | (175) | 68,538 | 71,831 | | 140,194 |
| Interest expense | (25,164) | 91 | (1,945) | | (27,018) |
| Interest income | | 328 | 3,730 | | 4,058 |
| Other income | | | 3,967 | | 3,967 |
| Intercompany income (expense) | 9,895 | (17,378) | 7,483 | | |
| Income (loss) from equity investment in subsidiaries | 96,405 | 60,539 | | (156,944) | |
| Income (loss) before taxes | 80,961 | 112,118 | 85,066 | (156,944) | 121,201 |
| Income tax benefit (expense) | 6,062 | (15,713) | (24,527) | | (34,178) |
| Net income (loss) | \$ 87,023 | \$ 96,405 | \$ 60,539 | \$ (156,944) | \$ 87,023 |

Nine Months Ended September 23, 2007

| | | Non- | | | |
|-------------------------------------------------|---------------|-----------------------------------|-----------------------------------|---------------------|--------------|
| | Issuer | Guarantor Subsidiaries | Guarantor Subsidiaries | Eliminations | Total |
| | | (In thousands) | | | |
| Revenues | \$ | \$ 777,000 | \$ 849,311 | \$ (178,054) | \$ 1,448,257 |
| Cost of sales | | (571,741) | (654,984) | 178,054 | (1,048,671) |
| Gross profit | | 205,259 | 194,327 | | 399,586 |
| Selling, general and administrative expenses | (692) | (111,211) | (112,192) | | (224,095) |
| Research and development | | (437) | (10,339) | | (10,776) |
| Amortization of intangibles | | (1,676) | (6,859) | | (8,535) |
| Gain on sale of assets | | 716 | 7,840 | | 8,556 |
| Asset impairment | | | (3,262) | | (3,262) |
| Operating income (loss) | (692) | 92,651 | 69,515 | | 161,474 |
| Interest expense | (18,580) | (26) | (163) | | (18,769) |

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| | | | | | |
|-------------------------------------------------------|------------|------------|-----------|--------------|------------|
| Interest income | | 2,740 | 2,546 | | 5,286 |
| Intercompany income (expense) | 10,434 | (4,296) | (6,138) | | |
| Income (loss) from equity investment in subsidiaries | 107,278 | 54,059 | | (161,337) | |
| Other income (expense) | | (2,016) | 1,152 | | (864) |
| Income (loss) from continuing operations before taxes | 98,440 | 143,112 | 66,912 | (161,337) | 147,127 |
| Income tax benefit (expense) | 3,094 | (35,834) | (12,853) | | (45,593) |
| Net income (loss) | \$ 101,534 | \$ 107,278 | \$ 54,059 | \$ (161,337) | \$ 101,534 |

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Table of Contents**Supplemental Condensed Consolidating Statements of Cash Flows**

| | Nine Months Ended September 28, 2008 | | | | Total |
|-----------------------------------------------------------------------------|---------------------------------------------|-----------------------------------|---------------------------------------------------------------|---------------------|--------------|
| | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries (In thousands) | Eliminations | |
| Net cash provided by (used in) operating activities | \$ 204,132 | \$ (100,682) | \$ 24,417 | \$ | \$ 127,867 |
| Cash flows from investing activities: | | | | | |
| Cash used to invest in and acquire businesses | (136,028) | | (8,597) | | (144,625) |
| Proceeds from disposal of tangible assets | | 269 | 40,219 | | 40,488 |
| Capital expenditures | | (10,941) | (21,480) | | (32,421) |
| Net cash provided by (used for) investing activities | (136,028) | (10,672) | 10,142 | | (136,558) |
| Cash flows from financing activities: | | | | | |
| Proceeds from exercises of stock options | 5,957 | | | | 5,957 |
| Excess tax benefits related to share-based compensation | 1,297 | | | | 1,297 |
| Payments under share repurchase program | (68,336) | | | | (68,336) |
| Cash dividends paid | (6,616) | | | | (6,616) |
| Borrowings under credit arrangements | 240,000 | | | | 240,000 |
| Payments under borrowing arrangements | (110,000) | | | | (110,000) |
| Intercompany capital contributions | (130,242) | 130,242 | | | |
| Net cash provided by (used for) financing activities | (67,940) | 130,242 | | | 62,302 |
| Effect of currency exchange rate changes on cash and cash equivalents | | | 1,864 | | 1,864 |
| Increase in cash and cash equivalents | 164 | 18,888 | 36,423 | | 55,475 |
| Cash and cash equivalents, beginning of period | | 13,947 | 146,017 | | 159,964 |
| | \$ 164 | \$ 32,835 | \$ 182,440 | \$ | \$ 215,439 |

Cash and cash equivalents, end of
period

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| | Nine Months Ended September 23, 2007 | | | | |
|-----------------------------------------------------------------------------|---------------------------------------------|-----------------------------------|---------------------------------------------------------------|---------------------|--------------|
| | Issuer | Guarantor Subsidiaries | Non- Guarantor Subsidiaries (In thousands) | Eliminations | Total |
| Net cash provided by (used in) operating activities | \$ (244,085) | \$ 233,384 | \$ 179,017 | \$ | \$ 168,316 |
| Cash flows from investing activities: | | | | | |
| Cash used to invest in and acquire businesses | | | (588,426) | | (588,426) |
| Proceeds from disposal of tangible assets | | 10,940 | 13,116 | | 24,056 |
| Capital expenditures | | (28,481) | (13,002) | | (41,483) |
| Net cash used for investing activities | | (17,541) | (588,312) | | (605,853) |
| Cash flows from financing activities: | | | | | |
| Proceeds from exercises of stock options | 29,132 | | | | 29,132 |
| Excess tax benefits related to share-based compensation | 7,041 | | | | 7,041 |
| Payments under share repurchase program | (10,626) | | | | (10,626) |
| Cash dividends paid | (6,750) | | | | (6,750) |
| Debt issuance costs | (10,212) | | | | (10,212) |
| Borrowings under credit arrangements | 546,000 | | | | 546,000 |
| Payments under borrowing arrangements | (196,000) | (62,000) | | | (258,000) |
| Intercompany capital contributions | (114,500) | (266,881) | 381,381 | | |
| Net cash provided by (used for) financing activities | 244,085 | (328,881) | 381,381 | | 296,585 |
| Effect of currency exchange rate changes on cash and cash equivalents | | | 7,125 | | 7,125 |
| Decrease in cash and cash equivalents | | (113,038) | (20,789) | | (133,827) |
| Cash and cash equivalents, beginning of period | | 136,613 | 117,538 | | 254,151 |
| | \$ | \$ 23,575 | \$ 96,749 | \$ | \$ 120,324 |

Cash and cash equivalents, end of
period

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

We design, manufacture, and market signal transmission solutions, including cable, connectivity and active components for mission-critical applications in markets ranging from industrial automation to data centers, broadcast studios, and aerospace.

We consider revenue growth, operating margin, cash flows, return on invested capital, and working capital management metrics to be our key operating performance indicators.

Trends and Events

The following trends and events arising during 2008 have had varying effects on our financial condition, results of operations and cash flows.

Capitalization

In 2007, the Board of Directors authorized the Company to repurchase up to \$100.0 million of common stock in the open market or in privately negotiated transactions. During the nine months ended September 28, 2008, we completed the share repurchase program and repurchased 1,753,794 shares of our common stock at an aggregate cost of \$68.3 million, an average price per share of \$38.96. From the inception of the share repurchase program in August 2007 through its completion, we repurchased a total of 2,430,594 shares of our common stock at an aggregate cost of \$100.0 million, an average price per share of \$41.14.

On July 14, 2008, we called all of our convertible subordinated debentures for redemption as of July 31, 2008. As a result of the call for redemption, holders of the debentures had the option to convert each \$1,000 principal amount of their debentures and receive value in a combination of cash and shares equal to 56.8246 shares of Belden's common stock (a conversion price of \$17.598). All holders of the debentures elected to convert their debentures. We completed the conversion on August 29, 2008 and paid \$110.0 million in cash and issued 3,343,509 shares of common stock. We financed the cash portion of the conversion through borrowings under our senior secured credit facility.

Acquisition

On July 16, 2008, we acquired Trapeze for cash of \$136.0 million, including transaction costs. We financed the total purchase price with borrowings under our revolving credit facility. California-based Trapeze is a provider of wireless local area networking equipment. The acquisition of Trapeze improves our ability to provide a full complement of signal transmission solutions including wireless systems. The results of operations of Trapeze have been included in our results of operations from July 16, 2008. Trapeze is reported as a separate operating segment disclosed as the Wireless segment.

Restructuring Activities

In 2008, we finalized certain plans to realign part of our EMEA operations in order to consolidate manufacturing capacity. We recognized \$28.9 million of restructuring costs related to these realignment plans, including \$23.9 million that was accounted for through purchase accounting and \$5.0 million that was charged to the statement of operations. We do not expect to recognize additional costs related to this prior year restructuring activity.

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At the end of 2007, we initiated a voluntary separation program primarily for associates in the United States who were at least 50 years of age and had 10 years of service with the Company. As a result of the voluntary separation program, we recognized severance costs in 2008 of \$6.5 million. We do not expect to recognize additional costs related to this program.

Beginning in 2006, we identified certain positions throughout the organization for elimination in an effort to reduce production, selling, and administration costs. In 2008, we recognized severance costs totaling \$0.6 million related to North America position eliminations in the Specialty Products segment. We do not expect to recognize additional costs related to this program.

We continuously review our business strategies and evaluate potential restructuring actions. This could result in additional restructuring costs in future periods. We also evaluate goodwill and other intangible assets not subject to amortization for impairment at least once a year. This evaluation, which is typically performed in the fourth quarter, may result in future impairment charges.

Share-Based Compensation

We provide certain employees with share-based compensation in the form of stock options, stock appreciation rights, restricted stock shares, restricted stock units with service vesting conditions, and restricted stock units with performance vesting conditions. At September 28, 2008, the total unrecognized compensation cost related to all nonvested awards was \$21.3 million. That cost is expected to be recognized over a weighted-average period of 2.1 years.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition, results of operations, or cash flows.

Adoption of Recent Accounting Pronouncements

Discussion regarding our adoption of recent accounting pronouncements is included in Note 1 to the Consolidated Financial Statements.

Critical Accounting Policies

During the nine months ended September 28, 2008:

We did not change any of our existing critical accounting policies from those listed in our 2007 Annual Report on Form 10-K except for expanding our revenue recognition policy for the acquisition of Trapeze, which is included in Note 1 to the Consolidated Financial Statements herein;

No existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate; and

There were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

Table of Contents**Results of Operations****Consolidated Continuing Operations**

| | Three Months Ended | | % | Nine Months Ended | | % |
|----------------------------------------------|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 28, 2008 | September 23, 2007 | | September 28, 2008 | September 23, 2007 | |
| | | | Change | | | Change |
| | (in thousands, except percentages) | | | | | |
| Revenues | \$520,494 | \$ 561,611 | -7.3% | \$1,588,623 | \$ 1,448,257 | 9.7% |
| Gross profit | 153,652 | 157,697 | -2.6% | 465,942 | 399,586 | 16.6% |
| Selling, general and administrative expenses | 85,149 | 85,567 | -0.5% | 267,225 | 224,095 | 19.2% |
| Research and development | 15,887 | 5,504 | 188.6% | 36,051 | 10,776 | 234.5% |
| Operating income | 47,738 | 72,497 | -34.2% | 140,194 | 161,474 | -13.2% |
| Income before taxes | 41,106 | 66,320 | -38.0% | 121,201 | 147,127 | -17.6% |
| Net income | 31,653 | 49,416 | -35.9% | 87,023 | 101,534 | -14.3% |

Revenues decreased in the three-month period ended September 28, 2008 from the comparable period in 2007 primarily for the following reasons:

Lower volume contributed approximately 11 percentage points to the revenue decrease. All segments experienced lower volume due to the weakening global economy.

Favorable currency translation partially offset the decrease in volume and contributed approximately 3 percentage points to the change in revenue.

Revenues increased in the nine-month period ended September 28, 2008 from the comparable period in 2007 primarily for the following reasons:

Acquired revenues from LTK, Hirschmann, Lumberg, and Trapeze contributed approximately 13 percentage points to the revenue increase.

Favorable currency translation contributed approximately 4 percentage points to the revenue increase.

Lower volume partially offset the increases above and represented approximately 7 percentage points of the change in revenue. All segments experienced lower volume with the greatest impact coming from the Belden Americas and Specialty Products segments due to weak demand experienced throughout the year in North America.

Gross profit decreased in the three-month period ended September 28, 2008 from the comparable period in 2007 due to the decrease in revenue as discussed above. Conversely, gross profit increased in the nine-month period due to the increase in revenues. Gross profit margin increased in both periods due to improved product mix that resulted from deemphasizing certain lower-margin products as part of our product portfolio management initiatives and cost reductions from our efforts in lean enterprise and manufacturing footprint initiatives.

Selling, general and administrative (SG&A) expenses remained relatively consistent in the three-month period ended September 28, 2008 from the comparable period in 2007. However, SG&A expenses in the current year quarter include \$5.2 million of expenses due to the acquisition of Trapeze and \$3.8 million of currency translation expense due to the strength of the euro year over year. Excluding the impact of these items, SG&A expenses for the current year quarter decreased by approximately 11%.

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SG&A expenses increased in the nine-month period ended September 28, 2008 primarily for the following reasons:

We incurred expenses for an additional quarter in 2008 from the prior year acquisitions and current year acquisition, which contributed in total \$36.8 million to the SG&A increase.

We recognized \$8.1 million more severance and other restructuring costs in the nine-month period ended September 28, 2008 compared to the same period of 2007. Costs recognized in 2008 primarily related to the voluntary separation program and EMEA restructuring.

Research and development costs increased in the three- and nine-month periods ended September 28, 2008. These increases are primarily due to the prior year acquisitions, all of which have increased their research and development spending year over year as we continue to invest in new product development.

In the third quarter of 2008, we recognized an impairment loss of \$0.8 million related to our North American manufacturing restructuring. In the first quarter of 2008, we recognized an impairment loss of \$7.3 million due to the decision to close our manufacturing facility in Manchester, Connecticut. We also recognized an impairment loss of \$4.2 million in the first quarter of 2008 related to our decision to consolidate capacity and dispose of excess machinery and equipment.

The effective tax rate was lower in the three- and nine-month periods ended September 28, 2008 from the comparable periods in 2007 due to the geographic mix of pretax income and a decrease in deferred tax asset valuation allowances, partially offset by a discrete tax charge resulting from the enactment of tax rate changes affecting certain foreign subsidiaries. Our effective tax rate in future periods will be dependent upon the geographic mix of taxable income and changes in our deferred tax asset valuation allowances related to our ability to use our net operating loss carryforwards.

Belden Americas Segment

| | Three Months Ended | | % | Nine Months Ended | | % |
|---------------------------------------|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 28, 2008 | September 23, 2007 | Change | September 28, 2008 | September 23, 2007 | Change |
| | (in thousands, except percentages) | | | | | |
| Total revenues | \$220,123 | \$ 249,694 | -11.8% | \$645,696 | \$ 687,427 | -6.1% |
| Operating income | 46,318 | 44,929 | 3.1% | 117,882 | 121,590 | -3.0% |
| <i>as a percent of total revenues</i> | <i>21.0%</i> | <i>18.0%</i> | | <i>18.3%</i> | <i>17.7%</i> | |

Belden Americas total revenues, which include affiliate revenues, decreased in the three- and nine-month periods ended September 28, 2008 from the comparable periods in 2007 primarily due to lower volume across most product lines. Lower demand in the United States contributed to the lower volume as approximately 75% of the segment's external customer revenues are generated from customers located in the United States. The lower volume was partially offset by higher selling prices and favorable currency translation from Canadian sales, which in total increased revenues by \$3.1 million and \$23.5 million in the three- and nine-month periods ended September 28, 2008, respectively. Despite the decreases in revenues, operating margins increased in the three- and nine-month periods ended September 28, 2008 from the comparable periods in 2007 due to manufacturing cost savings resulting from the successful execution of our regional manufacturing strategy.

Table of Contents**Specialty Products Segment**

| | Three Months Ended | | % | Nine Months Ended | | % |
|---------------------------------------|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 28, 2008 | September 23, 2007 | | September 28, 2008 | September 23, 2007 | |
| | | | Change | | | Change |
| | (in thousands, except percentages) | | | | | |
| Total revenues | \$ 72,391 | \$ 87,034 | -16.8% | \$ 222,058 | \$ 243,905 | -9.0% |
| Operating income | 7,107 | 14,557 | -51.2% | 10,196 | 40,962 | -75.1% |
| <i>as a percent of total revenues</i> | 9.8% | 16.7% | | 4.6% | 16.8% | |

Specialty Products total revenues, which include affiliate revenues, decreased in the three- and nine-month periods ended September 28, 2008 from the comparable periods in 2007 due to lower affiliate sales and lower external customer volume. In the prior year, more of the capacity in the Specialty Products segment was used to meet customer demand primarily in the Belden Americas segment. Due to the lower demand in North America in 2008, affiliate sales to the Belden Americas segment decreased as well as external customer volume. Operating income decreased in the three- and nine-month periods ended September 28, 2008 from the comparable periods in 2007 due to the decreases in revenues and certain non-recurring charges. In the third quarter of 2008, the Specialty Products segment incurred an asset impairment charge and other restructuring charges totaling \$0.9 million related to our North American manufacturing restructuring. In the nine-month period ended September 28, 2008, the segment recognized asset impairment charges totaling \$11.9 million and other restructuring charges of \$4.7 million. The asset impairment charges are due to the decisions to close our Connecticut facility, consolidate capacity, and dispose of excess machinery and equipment. Operating margins decreased in the three- and nine-month periods ended September 28, 2008 from the comparable periods in 2007 primarily due to the non-recurring charges discussed above and the impact of fixed operating costs coupled with the decreases in revenues.

Wireless Segment

| | Three Months Ended | | % | Nine Months Ended | | % |
|---------------------------------------|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 28, 2008 | September 23, 2007 | | September 28, 2008 | September 23, 2007 | |
| | | | Change | | | Change |
| | (in thousands, except percentages) | | | | | |
| Total revenues | \$ 7,830 | \$ | n/a | \$ 7,830 | \$ | n/a |
| Operating loss | (8,784) | | n/a | (8,784) | | n/a |
| <i>as a percent of total revenues</i> | -112.2% | n/a | | -112.2% | n/a | |

Wireless total revenues, which include affiliate revenues, were \$7.8 million for the three- and nine-month periods ended September 28, 2008. The Wireless segment consists of Trapeze, which we acquired on July 16, 2008. Sales from our Wireless segment often involve multiple elements in which the entire fee is deferred and recognized ratably over the period related to the last delivered element. As of September 28, 2008, total deferred revenue and deferred cost of sales were \$10.7 million and \$3.5 million, respectively. The deferred revenue and deferred cost of sales are expected to be amortized over various periods ranging from one to three years. The change in the deferred revenue and deferred cost of sales balances is as follows (in thousands):

| | Deferred Revenue | Deferred Cost of Sales | Net |
|-----------------------------|------------------|------------------------|----------|
| Balance, July 16, 2008 | \$ 2,000 | \$ 244 | \$ 1,756 |
| Balance, September 28, 2008 | 10,721 | 3,544 | 7,177 |
| Increase | \$ 8,721 | \$ 3,300 | \$ 5,421 |

Operating loss for the three- and nine-month periods ended September 28, 2008 was \$8.8 million. Included in this operating loss is \$2.1 million of nonrecurring expenses from the effects of purchase

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accounting, consisting of in-process research and development charges of \$1.5 million, amortization of the sales backlog intangible of \$0.4 million, and inventory cost step-up of \$0.2 million. The operating loss also includes \$1.2 million of recurring amortization expenses from the effects of purchase accounting.

EMEA Segment

| | Three Months Ended | | % | Nine Months Ended | | % |
|-------------------------------------------|------------------------------------|-----------------------|--------|-------------------|-----------------------|-------|
| | September 28, 2008 | September 23, 2007 | | Change | September 28, 2008 | |
| | (in thousands, except percentages) | | | | | |
| Total revenues | \$ 168,939 | \$ 179,099 | -5.7% | \$ 564,462 | \$ 445,127 | 26.8% |
| Operating income | 12,976 | 23,627 | -45.1% | 56,203 | 33,382 | 68.4% |
| <i>as a percent of total revenues</i> | <i>7.7%</i> | <i>13.2%</i> | | <i>10.0%</i> | <i>7.5%</i> | |

EMEA total revenues, which include affiliate revenues, decreased in the three-month period ended September 28, 2008 from the comparable period in 2007 due to several factors. Lower volume, primarily in the industrial market, contributed \$13.6 million to the revenue decrease, and lower selling prices contributed \$0.9 million. The decrease also included lower affiliate sales of \$2.7 million and \$6.5 million of lost revenues from the disposal of our assembly and telecommunications cable operations in the Czech Republic. These revenue decreases were partially offset by \$13.5 million of favorable foreign currency translation as the euro strengthened against the U.S. dollar year over year.

EMEA total revenues increased in the nine-month period ended September 28, 2008 from the comparable period in 2007 due to several factors. Acquired revenues from the 2007 acquisitions contributed \$109.9 million to the revenue increase and favorable foreign currency translation contributed \$43.9 million. Acquired revenues represent Hirschmann's revenues from the first quarter of 2008 and Lumberg Automation's revenues from January through April 2008. These revenue increases were partially offset by \$34.1 million of lost revenues from the disposal of our assembly and telecommunications cable operations in the Czech Republic. Changes in volume and selling prices had a minimal impact on the revenue change.

Operating income decreased in the three-month period ended September 28, 2008 primarily due to the \$7.8 million gain recognized in the prior year on the disposal of our telecommunications cable operations in the Czech Republic. The remaining decrease was primarily a result of lower revenues as discussed above.

Operating income increased in the nine-month period ended September 28, 2008 primarily due to the acquisitions of Hirschmann and Lumberg Automation, which accounted for \$37.5 million of the operating income increase including integration costs. Operating income for the other EMEA businesses decreased \$14.7 million due primarily to \$3.9 million of lost income from the disposal of our assembly and telecommunications cable operations in the Czech Republic and the related \$7.8 million gain recognized in 2007.

Table of Contents**Asia Pacific Segment**

| | Three Months Ended | | % | Nine Months Ended | | % |
|---------------------------------------|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 28, 2008 | September 23, 2007 | | September 28, 2008 | September 23, 2007 | |
| | | | Change | | | Change |
| | (in thousands, except percentages) | | | | | |
| Total revenues | \$89,249 | \$ 97,583 | -8.5% | \$274,236 | \$ 196,673 | 39.4% |
| Operating income | 8,843 | 10,276 | -13.9% | 29,054 | 18,596 | 56.2% |
| <i>as a percent of total revenues</i> | 9.9% | 10.5% | | 10.6% | 9.5% | |

Asia Pacific total revenues decreased in the three-month period ended September 28, 2008 from the comparable period of 2007 primarily due to lower volume, which resulted from the weakening global economic environment and our strategic initiative in product portfolio management at LTK. Asia Pacific total revenues increased in the nine-month period ended September 28, 2008 from the comparable period of 2007 primarily due to \$66.0 million of acquired revenues and \$8.3 million from favorable foreign currency translation. Changes in volume and selling prices had a minimal impact on the revenue change as increases in revenues from Belden branded products were offset by decreases in revenues from LTK products. Acquired revenues represent LTK's revenues from the first quarter of 2008. Operating income decreased in the three-month period ended September 28, 2008 primarily due to the decrease in revenues as discussed above. Operating income margin decreased as the improvement in gross profit margin that resulted from our product portfolio actions were more than offset by the decrease in revenues. Operating income increased in the nine-month period ended September 28, 2008 primarily due to the acquisition of LTK, which accounted for \$5.5 million of the operating income increase including integration costs. The remaining increase in operating income was primarily due to increases in revenues from Belden branded products.

Finance and Administration

| | Three Months Ended | | % | Nine Months Ended | | % |
|----------------|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 28, 2008 | September 23, 2007 | | September 28, 2008 | September 23, 2007 | |
| | | | Change | | | Change |
| | (in thousands, except percentages) | | | | | |
| Total expenses | \$(10,824) | \$ (10,680) | 1.3% | \$(37,047) | \$ (29,872) | 24.0% |

Finance and Administration total expenses remained relatively consistent in the three-month period ended September 28, 2008 from the comparable period in 2007. Finance and Administration total expenses increased in the nine-month period ended September 28, 2008 from the comparable period in 2007 due to a \$2.3 million increase in salaries, wages and benefits. This \$2.3 million increase includes an increase in share-based compensation expense of \$1.1 million, which is due to the incremental expense associated with the annual grant of equity awards made each February. The remaining increase in salaries, wages and benefits resulted from additional headcount needed to support our lean and go-to-market initiatives. Total expenses also increased due to a \$3.3 million increase in various consulting, advisory, and other professional fees including costs related to information technology initiatives.

Liquidity and Capital Resources

Significant factors affecting our cash include (1) cash provided by operating activities, (2) disposals of tangible assets, (3) exercises of stock options, (4) cash used for business acquisitions, capital expenditures, share repurchases and dividends, and (5) our available credit facilities and other borrowing arrangements. We believe our sources of liquidity are sufficient to fund current working capital requirements, planned capital expenditures, scheduled contributions for our retirement plans, quarterly

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dividend payments, and our short-term operating strategies. Customer demand, competitive market forces, commodities pricing, customer acceptance of our product mix and economic conditions worldwide could affect our ability to continue to fund our future needs from business operations.

The following table is derived from our Consolidated Cash Flow Statements:

| | Nine Months Ended | |
|--------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| | September 28, 2008 | September 23, 2007 |
| | (In thousands) | |
| Net cash provided by (used in): | | |
| Operating activities | \$ 127,867 | \$ 168,316 |
| Investing activities | (136,558) | (605,853) |
| Financing activities | 62,302 | 296,585 |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | 1,864 | 7,125 |
| Increase (decrease) in cash and cash equivalents | 55,475 | (133,827) |
| Cash and cash equivalents, beginning of period | 159,964 | 254,151 |
| Cash and cash equivalents, end of period | \$ 215,439 | \$ 120,324 |

Net cash provided by operating activities, a key source of our liquidity, decreased by \$40.4 million in the nine-month period ended September 28, 2008 from the comparable period in 2007 primarily due to a decrease in income and an unfavorable change in operating assets and liabilities. The unfavorable change in operating assets and liabilities is primarily driven by a decrease in accrued liabilities in the first nine months of 2008 that resulted from payments made for employment-related liabilities and accrued rebates. The unfavorable change in accrued liabilities was partially offset by an improvement in the change in accounts receivable as days sales outstanding in receivables (defined as receivables divided by average daily revenues recognized during the period) declined to 67 days at September 28, 2008 compared to 70 days at September 23, 2007.

Net cash used in investing activities totaled \$136.6 million in the first nine months of 2008 compared to \$605.9 million in the first nine months of 2007. Investing activities in the first nine months of 2008 primarily related to payments for the acquisition of Trapeze and capital expenditures that include the construction of a new manufacturing facility in China partially offset by proceeds from the sales of assets including sales of certain real estate in Mexico and our telecommunications cable operations in the Czech Republic. Investing activities in the first nine months of 2007 primarily related to payments for the acquisitions of Hirschmann, LTK, and Lumberg Automation and capital expenditures that included the construction of a new manufacturing facility in Mexico partially offset by proceeds from the sales of assets including sales of plants in Illinois, South Carolina and Vermont. Planned capital expenditures for 2008 include the completion of construction of a new manufacturing facility in China. We anticipate that our capital expenditures will be funded with available cash.

Net cash provided by financing activities in the first nine months of 2008 totaled \$62.3 million compared to \$296.6 million in the first nine months of 2007. Financing activities in the first nine months of 2008 primarily related to \$240.0 million of borrowings under our senior secured credit facility to fund the acquisition of Trapeze and pay the \$110.0 million of principal on our convertible subordinated debentures that were redeemed. We also repurchased \$68.3 million of our common stock. Financing activities in the first nine months of 2007 primarily related to \$350.0 million of cash received from the issuance of 7.0% senior subordinated notes partially offset by the redemption of our medium-term notes for \$62.0 million.

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Our outstanding debt obligations as of September 28, 2008 consisted of \$350.0 million aggregate principal of 7.0% senior subordinated notes due 2017 and \$240.0 million of outstanding borrowings under our senior secured credit facility, which matures in 2011 and has a variable interest rate based on LIBOR or the prime rate. As of September 28, 2008, we had \$103.3 million in available borrowing capacity under our senior secured credit facility.

The recent deterioration of the securities markets has decreased the value of the assets included in the Company's defined benefit pension plans, the effect of which, in accordance with generally accepted accounting principles, has not yet been reflected in the accompanying consolidated financial statements as of and for the nine months ended September 28, 2008. Should the fair value of the pension plans' assets remain at current levels, future total pension costs could increase and additional cash contributions may be required.

Forward-Looking Statements

Statements in this report other than historical facts are forward-looking statements made in reliance upon the safe harbor of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on forecasts and projections about the industries which we serve and about general economic conditions. They reflect management's beliefs and assumptions. They are not guarantees of future performance and they involve risk and uncertainty. Our actual results may differ materially from these expectations. Some of the factors that may cause actual results to differ from our expectations include:

Demand and acceptance of our products by customers and end users;

Worldwide economic conditions, which could impact demand for our products;

Changes in the cost and availability of raw materials (specifically, copper, commodities derived from petrochemical feedstocks, and other materials);

The degree to which we will be able to respond to raw materials cost fluctuations through the pricing of our products;

Our ability to meet customer demand successfully as we also reduce working capital;

Our ability to implement successfully our announced restructuring plans (for which we may incur additional costs);

Our ability to integrate successfully acquired businesses;

The availability of credit for our customers and distributors;

The current global economic slowdown may adversely impact our results;

Turbulence in financial markets may increase our borrowing costs; and

Other factors noted in this report and our other Securities Exchange Act of 1934 filings.

For a more complete discussion of risk factors, please see our 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008. We disclaim any duty to update any forward-looking statements as a result of new information, future developments, or otherwise.

Item 3: Quantitative and Qualitative Disclosures about Market Risks

Item 7A of our 2007 Annual Report on Form 10-K provides more information as to the practices and instruments that we use to manage market risks. There were no material changes in our exposure to market risks since December 31, 2007.

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Item 4: Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1: Legal Proceedings

We are a party to various legal proceedings and administrative actions that are incidental to our operations. These proceedings include personal injury cases, about 125 of which we were aware at October 29, 2008, in which we are one of many defendants, 3 of which are scheduled for trial during 2008. Electricians have filed a majority of these cases, primarily in New Jersey and Pennsylvania, generally seeking compensatory, special and punitive damages. Typically in these cases, the claimant alleges injury from alleged exposure to heat-resistant asbestos fiber. Our alleged predecessors had a small number of products that contained the fiber, but ceased production of such products more than 20 years ago. Through October 29, 2008, we have been dismissed, or reached agreement to be dismissed, in approximately 255 similar cases without any going to trial, and with only 26 of these involving any payment to the claimant. In our opinion, the proceedings and actions in which we are involved should not, individually or in the aggregate, have a material adverse effect on our financial condition, operating results, or cash flows.

Item 1A: Risk Factors

There have been no material changes with respect to risk factors as previously disclosed in our 2007 Annual Report on Form 10-K.

Item 6: Exhibits

Exhibits

- Exhibit 10.1 Managing Director Employment Contract Amendment No. 1 with Dr. Wolfgang Babel.
- Exhibit 31.1 Certificate of the Chief Executive Officer pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 31.2 Certificate of the Chief Financial Officer pursuant to § 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.1 Certificate of the Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.2 Certificate of the Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

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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.

BELDEN INC.

Date: November 7, 2008

By: /s/ John S. Stroup
John S. Stroup
President, Chief Executive Officer and
Director

Date: November 7, 2008

By: /s/ Gray G. Benoist
Gray G. Benoist
Vice President, Finance and Chief Financial
Officer

Date: November 7, 2008

By: /s/ John S. Norman
John S. Norman
Controller and Chief Accounting Officer

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