BELDEN INC.
Form 10-Q
November 04, 2014

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, 2014

Commission File No. 001-12561

BELDEN INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-3601505**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 North Brentwood Boulevard

15th Floor

St. Louis, Missouri 63105

(Address of principal executive offices)

(314) 854-8000

Registrant s telephone number, including area code

Indicate by check mark whether 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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨.

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨.

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

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

As of October 31, 2014, the Registrant had 42,816,497 outstanding shares of common stock.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

BELDEN INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 28, 2014 (Unaudited)	December 31, 2013
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 449,102	$ 613,304
Receivables, net	416,412	304,204
Inventories, net	223,714	207,980
Deferred income taxes	28,486	28,767
Other current assets	51,149	41,243
Total current assets	1,168,863	1,195,498
Property, plant and equipment, less accumulated depreciation	319,689	300,835
Goodwill	939,500	773,048
Intangible assets, less accumulated amortization	465,610	376,976
Deferred income taxes	24,335	26,034
Other long-lived assets	89,989	79,362
	$ 3,007,986	$ 2,751,753
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 240,870	$ 199,897
Accrued liabilities	226,684	199,169
Current maturities of long-term debt	2,500	2,500
Total current liabilities	470,054	401,566
Long-term debt	1,536,181	1,364,536
Postretirement benefits	112,419	105,924
Other long-term liabilities	52,452	43,186
Stockholders equity:		
Preferred stock	-	-
Common stock	503	503
Additional paid-in capital	592,742	585,753
Retained earnings	608,069	556,214
Accumulated other comprehensive loss	(29,679)	(29,181)
Treasury stock	(334,755)	(276,748)

Total stockholders equity	836,880	836,541
	$ 3,007,986	$ 2,751,753

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

BELDEN INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
	(In thousands, except per share data)			
Revenues	$ 610,774	$ 522,478	$ 1,699,355	$ 1,559,442
Cost of sales	(389,042)	(339,637)	(1,097,521)	(1,030,052)
Gross profit	221,732	182,841	601,834	529,390
Selling, general and administrative expenses	(119,104)	(96,197)	(359,854)	(281,682)
Research and development	(30,444)	(21,141)	(82,633)	(62,497)
Amortization of intangibles	(15,203)	(12,326)	(42,739)	(38,408)
Income from equity method investment	1,030	758	3,240	5,285
Operating income	58,011	53,935	119,848	152,088
Interest expense	(21,656)	(19,259)	(58,679)	(53,509)
Interest income	159	92	420	349
Income from continuing operations before taxes	36,514	34,768	61,589	98,928
Income tax expense	(2,667)	(5,700)	(2,571)	(18,123)
Income from continuing operations	33,847	29,068	59,018	80,805
Loss from disposal of discontinued operations, net of tax	-	-	(562)	-
Net income	$ 33,847	$ 29,068	$ 58,456	$ 80,805
Weighted average number of common shares and equivalents:				
Basic	43,201	43,694	43,439	44,013
Diluted	43,910	44,537	44,164	44,916
Basic income (loss) per share:				
Continuing operations	$ 0.78	$ 0.67	$ 1.36	$ 1.84
Discontinued operations	-	-	(0.01)	-
Net income	$ 0.78	$ 0.67	$ 1.35	$ 1.84
Diluted income (loss) per share:				
Continuing operations	$ 0.77	$ 0.65	$ 1.33	$ 1.80

Discontinued operations		-		-		(0.01)		-
Net income	$	0.77	$	0.65	$	1.32	$	1.80
Comprehensive income	$	30,783	$	34,776	$	57,958	$	73,618
Dividends declared per share	$	0.05	$	0.05	$	0.15	$	0.15

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

BELDEN INC.

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

(Unaudited)

	Nine Months Ended	
	September 28, 2014	September 29, 2013
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 58,456	$ 80,805
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,382	71,863
Share-based compensation	14,236	11,126
Provision for inventory obsolescence	4,885	2,541
Pension funding less than pension expense	1,786	2,876
Income from equity method investment	(3,240)	(5,285)
Deferred income tax benefit	(4,693)	(1,984)
Tax benefit related to share-based compensation	(4,939)	(10,581)
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	(44,583)	(40,214)
Inventories	(697)	1,172
Accounts payable	(7,613)	7,812
Accrued liabilities	(24,414)	9,875
Accrued taxes	(9,125)	(84,189)
Other assets	8,856	2,565
Other liabilities	1,469	2,421
Net cash provided by operating activities	64,766	50,803
Cash flows from investing activities:		
Cash used to acquire businesses, net of cash acquired	(313,065)	(9,979)
Capital expenditures	(31,057)	(31,405)
Proceeds from (payments for) disposal of business	(956)	3,735
Proceeds from disposal of tangible assets	1,773	3,155
Net cash used for investing activities	(343,305)	(34,494)
Cash flows from financing activities:		
Borrowings under credit arrangements	200,000	388,220
Payments under share repurchase program	(62,197)	(93,750)
Proceeds (payments) from exercise of stock options, net of withholding tax payments	(7,996)	(2,274)
Debt issuance costs paid	(6,572)	(7,817)
Cash dividends paid	(6,540)	(4,488)
Payments under borrowing arrangements	(1,250)	(200,220)
Tax benefit related to share-based compensation	4,939	10,581

Net cash provided by financing activities	120,384	90,252
Effect of foreign currency exchange rate changes on cash and cash equivalents	(6,047)	2,181
Increase (decrease) in cash and cash equivalents	(164,202)	108,742
Cash and cash equivalents, beginning of period	613,304	395,095
Cash and cash equivalents, end of period	$ 449,102	$ 503,837

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

BELDEN INC.

CONDENSED CONSOLIDATED STOCKHOLDERS EQUITY STATEMENT

NINE MONTHS ENDED SEPTEMBER 28, 2014

(Unaudited)

	Common Stock				Treasury Stock		Accumulated Other Comprehensive Income (Loss)	
	Shares	Amount	Additional Paid-In Capital	Retained Earnings	Shares	Amount		Total
				(In thousands)				
Balance at December 31, 2013	50,335	$ 503	$ 585,753	$ 556,214	(6,880)	$ (276,748)	$ (29,181)	$ 836,541
Net income	-	-	-	58,456	-	-	-	58,456
Foreign currency translation, net of $0.5 million tax	-	-	-	-	-	-	(3,914)	(3,914)
Adjustment to pension and postretirement liability, net of $2.1 million tax	-	-	-	-	-	-	3,416	3,416
Other comprehensive loss, net of tax								(498)
Exercise of stock options, net of tax withholding forfeitures	-	-	(8,391)	-	140	2,374	-	(6,017)
Conversion of restricted stock units into common stock, net of tax withholding forfeitures	-	-	(3,795)	-	73	1,816	-	(1,979)
Share repurchase program	-	-	-	-	(856)	(62,197)	-	(62,197)
Share-based compensation	-	-	19,175	-	-	-	-	19,175
Dividends ($0.15 per share)	-	-	-	(6,601)	-	-	-	(6,601)
Balance at September 28, 2014	50,335	$ 503	$ 592,742	$ 608,069	(7,523)	$ (334,755)	$ (29,679)	$ 836,880

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

BELDEN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Condensed 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 Condensed Consolidated Financial Statements presented as of any date other than December 31, 2013:

- Are prepared from the books and records without audit, and
- Are prepared in accordance with the instructions for 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 Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2013 Annual Report on Form 10-K.

Business Description

We are an innovative signal transmission solutions provider built around four global business platforms Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, and Industrial IT Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound and video for mission critical applications.

Reporting Periods

Our fiscal year and fiscal fourth quarter both end on December 31. Our fiscal first quarter ends on the Sunday falling closest to 91 days after December 31, which was March 30, 2014, the 89th day of our fiscal year 2014. Our fiscal second and third quarters each have 91 days. The nine months ended September 28, 2014 and September 29, 2013 included 271 and 272 days, respectively.

Reclassifications

We have made certain reclassifications to the 2013 Condensed Consolidated Financial Statements with no impact to reported net income in order to conform to the 2014 presentation.

Fair Value Measurement

Accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets, or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of and during the three and nine months ended September 28, 2014 and September 29, 2013, we utilized Level 1 inputs to determine the fair value of cash equivalents, and we utilized Level 3 inputs to determine the fair value of net assets acquired in business combinations (see Note 2). We did not have any transfers between Level 1 and Level 2 fair value measurements during the nine months ended September 28, 2014 and September 29, 2013.

Cash and Cash Equivalents

We classify cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. We periodically have cash equivalents consisting of short-term money market funds and other investments. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations. We do not enter into investments for trading or speculative purposes. The fair value of these cash equivalents as of September 28, 2014 was $132.7 million and is based on quoted market prices in active markets (i.e., Level 1 valuation).

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable, the amounts of which are currently not material. We accrue environmental remediation costs 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, 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.

As of September 28, 2014, we were party to standby letters of credit, bank guaranties, and surety bonds totaling $7.2 million, $2.2 million, and $1.7 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) collectability 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. At times, we enter into arrangements that involve the delivery of multiple elements. For these arrangements, when the elements can be separated, the revenue is allocated to each deliverable based on that element s relative selling price and recognized based on the period of delivery for each element. Generally, we determine relative selling price using our best estimate of selling price, as we do not have vendor specific objective evidence or third party evidence of fair value for such arrangements.

We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We record revisions to these estimates in the period in which the facts that give rise to each revision become known.

Discontinued Operations

In 2012, we sold our Thermax and Raydex cable business for $265.6 million in cash and recognized a pre-tax gain of $211.6 million ($124.7 million net of tax). At the time the transaction closed, we received $265.6 million in cash, subject to a working capital adjustment. We recognized a $0.9 million ($0.6 million net of tax) loss from disposal of discontinued operations related to this business in the nine months ended September 28, 2014 as a result of settling the working capital adjustment and other matters.

In 2010, we completed the sale of Trapeze Networks, Inc. (Trapeze) for $152.1 million and recognized a pre-tax gain of $88.3 million ($44.8 million net of tax). At the time the transaction closed, we received $136.9 million in cash, and the remaining $15.2 million was placed in escrow as partial security for our indemnity obligations under the sale agreement. In 2013, we collected a partial settlement of $4.2 million from the escrow. We remain in negotiations with the buyer of Trapeze regarding the status of the escrow and certain claims raised by the buyer. Based on the current status of the negotiations, the amount of the escrow receivable on our Condensed Consolidated Balance Sheet is $3.8 million, which is our best estimate of the remaining amount to be collected.

Subsequent Events

We have evaluated subsequent events after the balance sheet date through the financial statement issuance date for appropriate accounting and disclosure.

Current-Year Adoption of Accounting Pronouncements

On January 1, 2014, we adopted new accounting guidance issued by the Financial Accounting Standards Board (the FASB) with regard to the presentation of liabilities for unrecognized tax benefits. The adoption of this guidance did not have a material impact on our financial statements.

Pending Adoption of Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (the ASU), which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU will be effective for us beginning January 1, 2017, and allows for both retrospective and modified retrospective methods of adoption. We are in the process of determining the method of adoption and assessing the impact of this ASU on our Consolidated Financial Statements.

In August 2014, the FASB issued disclosure guidance that requires us to evaluate, at each annual and interim period, whether substantial doubt exists about our ability to continue as a going concern, and if applicable, to provide related disclosures. The new guidance will be effective for us for the year ending December 31, 2016. This guidance is not currently expected to have a material effect on our financial statement disclosures upon adoption, although the ultimate impact will be dependent on our financial condition and expected operating outlook at such time.

Note 2: Acquisitions

ProSoft Technology, Inc.

We acquired 100% of the outstanding shares of ProSoft Technology, Inc. (ProSoft) on June 11, 2014 for cash of $105.0 million. The purchase price remains subject to a working capital adjustment. ProSoft is a leading manufacturer of industrial networking products that translate between disparate automation systems, including the various protocols used by different automation vendors. The results of ProSoft have been included in our Condensed Consolidated Financial Statements from June 11, 2014, and are reported within the Industrial IT segment. ProSoft is headquartered in Bakersfield, California. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as of June 11, 2014 (in thousands).

Cash	$ 2,517
Receivables	5,559
Inventories	3,624
Other current assets	240
Property, plant and equipment	1,061
Goodwill	57,075
Intangible assets	40,800
Other non-current assets	622
Total assets	$ 111,498
Accounts payable	$ 2,851
Accrued liabilities	2,515
Other non-current liabilities	1,132
Total liabilities	$ 6,498
Net assets	$ 105,000

The above purchase price allocation is preliminary and is subject to revision as additional information about the fair value of individual assets and liabilities becomes available. We are in the process of finalizing third party valuations of certain tangible and intangible assets and ensuring our accounting policies are applied at ProSoft. The preliminary measurement of receivables, inventories, property, plant, and equipment, intangible assets, goodwill, deferred income taxes, and other assets and liabilities are subject to change. A change in the estimated fair value of the net assets acquired will change the amount of the purchase price allocable to goodwill.

The fair value of acquired receivables is $5.6 million, with a gross contractual amount of $6.2 million. We do not expect to collect $0.6 million of the acquired receivables.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations.

For purposes of the above allocation, we have estimated a fair value adjustment for inventories based on the estimated selling price of the work-in-process and finished goods acquired at the closing date less the sum of the costs to complete the work-in-process, the costs of disposal, and a reasonable profit allowance for our post acquisition selling efforts. We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the ProSoft acquisition primarily consist of expanded access to the Industrial IT market and channel partners. Our tax basis in the acquired goodwill is $57.1 million. The goodwill balance we recorded is deductible for tax purposes over a period of 15 years up to the amount of the tax basis. The preliminary intangible assets related to the acquisition consisted of the following:

	Preliminary Estimated Fair Value (In thousands)	Amortization Period (In years)
Intangible assets subject to amortization:		
Customer relationships	$ 26,600	20.0
Developed technologies	9,000	5.0
Trademarks	5,000	5.0
Backlog	200	0.3
Total intangible assets subject to amortization	40,800	
Intangible assets not subject to amortization:		
Goodwill	57,075	
Total intangible assets not subject to amortization	57,075	
Total intangible assets	$ 97,875	
Weighted average amortization period		14.8

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technologies intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life for the trademarks was based on the period of time we expect to continue to go to market using the trademarks. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Our revenues and income from continuing operations before taxes for the three months ended September 28, 2014 included $14.4 million and $0.1 million, respectively, from ProSoft. Our revenues and income (loss) from continuing operations before taxes for the nine months ended September 28, 2014 included $17.1 million and $(0.3) million, respectively, from ProSoft. Included in our income from continuing operations before taxes for the three and nine months ended September 28, 2014 are $0.9 million and $1.4 million, respectively, of cost of sales related to the preliminary adjustment of inventory to fair value, and $1.1 million and $1.4 million, respectively, of amortization of intangible assets.

Grass Valley

We acquired 100% of the outstanding ownership interest in Grass Valley USA, LLC and GVBB Holdings S.a.r.l., (collectively, Grass Valley) on March 31, 2014 for cash of $218.2 million. Grass Valley is a leading provider of innovative technologies for the broadcast industry, including production switchers, cameras, servers, and editing solutions. Grass Valley is headquartered in Hillsboro, Oregon, with significant locations throughout the United States, Europe, and Asia. The results of Grass Valley have been included in our Condensed Consolidated Financial Statements from March 31, 2014, and are reported within the Broadcast segment. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as of March 31, 2014 (in thousands).

Cash	$ 9,397
Receivables	70,142
Inventories	19,607
Other current assets	4,172
Property, plant and equipment	23,071
Goodwill	118,733
Intangible assets	95,500
Other non-current assets	16,637
Total assets	$ 357,259
Accounts payable	$ 51,276
Accrued liabilities	56,057
Deferred revenue	14,000
Postretirement benefits	16,538
Other non-current liabilities	1,199
Total liabilities	$ 139,070
Net assets	$ 218,189

The above purchase price allocation is preliminary, and is subject to revision as additional information about the fair value of individual assets and liabilities becomes available. We are in the process of finalizing third party valuations of certain tangible and intangible assets and ensuring our accounting policies are applied at Grass Valley. The preliminary measurement of receivables, inventories, property, plant, and equipment, intangible assets, goodwill, deferred income taxes, deferred revenue, and other assets and liabilities are subject to change. A change in the estimated fair value of the net assets acquired will change the amount of the purchase price allocable to goodwill.

The fair value of acquired receivables is $70.1 million, with a gross contractual amount of $79.2 million. We do not expect to collect $9.1 million of the acquired receivables.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations.

For purposes of the above allocation, we have estimated a fair value adjustment for inventories based on the estimated selling price of the work-in-process and finished goods acquired at the closing date less the sum of the costs to complete the work-in-process, the costs of disposal, and a reasonable profit allowance for our post acquisition selling efforts. We based our estimate of the fair value for the acquired property, plant, and equipment on a preliminary valuation study performed by a third party valuation firm. We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the Grass Valley acquisition primarily consist of cost savings from the ability to consolidate existing and acquired operating facilities and other support functions, as well as expanded access to the Broadcast market. Our estimated tax basis in the acquired goodwill is $118.7 million. The goodwill balance we recorded is deductible for tax purposes over a period of 15 years up to the amount of the tax basis. The preliminary intangible assets related to the acquisition consisted of the following:

	Estimated Fair Value (In thousands)	Amortization Period (In years)
Intangible assets subject to amortization:		
Developed technologies	$ 37,000	5.0
Customer relationships	27,000	15.0
Backlog	1,500	0.3
Total intangible assets subject to amortization	65,500	
Intangible assets not subject to amortization:		
Goodwill	118,733	
Trademarks	22,000	
In-process research and development	8,000	
Total intangible assets not subject to amortization	148,733	
Total intangible assets	$ 214,233	
Weighted average amortization period		9.0

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technologies intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Trademarks have been determined by us to have indefinite lives and are not being amortized, based on our expectation that the trademarked products will generate cash flows for us for an indefinite period. We expect to maintain use of trademarks on existing products and introduce new products in the future that will also display the trademarks, thus extending their lives indefinitely. In-process research and development assets are considered indefinite-lived intangible assets until the completion or abandonment of the associated research and development efforts. Upon completion of the development process, we will make a determination of the useful life of the asset and begin amortizing the assets over that period. If the project is abandoned, we will write-off the asset at such time.

Our revenues and income (loss) from continuing operations before taxes for the three months ended September 28, 2014 included $66.2 million and $(7.7) million, respectively, from Grass Valley. Our revenues and income (loss) from continuing operations before taxes for the nine months ended September 28, 2014 included $133.0 million and $(30.5) million, respectively, from Grass Valley. Included in our income (loss) from continuing operations before taxes for the nine months ended September 28, 2014 are $6.9 million of cost of sales related to the preliminary adjustment of inventory to fair value. Included in our income (loss) from continuing operations before taxes for the three and nine months ended September 28, 2014 are $2.4 million and $6.2 million, respectively, of amortization of intangible assets. We also recognized certain severance, restructuring, and acquisition integration costs in the three and nine months ended September 28, 2014 related to Grass Valley. See Note 7.

The following table illustrates the unaudited pro forma effect on operating results as if the Grass Valley and ProSoft acquisitions had been completed as of January 1, 2013.

-11-

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
	(In thousands, except per share data) (Unaudited)			
Revenues	$ 612,617	$ 609,760	$ 1,790,876	$ 1,851,860
Income from continuing operations	36,036	70,399	49,645	81,707
Diluted income per share from continuing operations	$ 0.82	$ 1.58	$ 1.12	$ 1.82

For purposes of the pro forma disclosures, the nine months ended September 29, 2013 include nonrecurring expenses from the effects of purchase accounting, including the cost of sales arising from the adjustment of inventory to fair value of $8.3 million, amortization of the sales backlog intangible asset of $1.7 million, and Belden s transaction costs of $1.6 million.

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 date 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.

Softel Limited

We acquired Softel Limited (Softel) for $9.1 million, net of cash acquired, on January 25, 2013. Softel is a key technology supplier to the media sector with a portfolio of technologies well aligned with industry trends and growing demand. Softel is located in the United Kingdom. The results of Softel are reported within the Broadcast segment. The Softel acquisition was not material to our financial position or results of operations.

Note 3: Operating Segments

We are organized around four global business platforms: Broadcast, Enterprise Connectivity, Industrial Connectivity, and Industrial IT. Each of the global business platforms represents a reportable segment. The All Other segment represents the financial results of our cable operations that primarily conducted business in the consumer electronics end market which we sold in December 2012.

We allocate corporate expenses to the segments for purposes of measuring segment operating income. Corporate expenses are allocated on the basis of each segment s relative operating income prior to the allocation, adjusted for certain items including asset impairment, severance and other restructuring costs, purchase accounting effects related to acquisitions, accelerated depreciation, amortization of intangible assets, and other costs.

Our measure of segment assets does not include cash, goodwill, intangible assets, deferred tax assets, or corporate assets. All goodwill is allocated to reporting units of our segments for purposes of impairment testing.

	Broadcast Solutions	Enterprise Connectivity Solutions	Industrial Connectivity Solutions	Industrial IT Solutions	All Other	Total Segments
			(In thousands)			
As of and for the three months ended September 28, 2014						
Revenues	$ 254,230	$ 115,349	$ 171,105	$ 70,090	$ -	$ 610,774
Affiliate revenues	318	2,147	397	10	-	2,872
Operating income	13,423	14,208	20,965	9,367	-	57,963
Total assets	433,063	223,726	270,078	64,757	-	991,624
As of and for the three months ended September 29, 2013						
Revenues	$ 176,062	$ 123,406	$ 167,008	$ 56,002	$ -	$ 522,478
Affiliate revenues	118	1,930	475	228	-	2,751
Operating income	7,541	13,984	22,926	9,193	-	53,644
Total assets	294,268	234,957	268,551	57,245	-	855,021
As of and for the nine months ended September 28, 2014						
Revenues	$ 668,213	$ 345,015	$ 508,667	$ 177,460	$ -	$ 1,699,355
Affiliate revenues	601	5,852	2,237	18	-	8,708
Operating income (loss)	(2,311)	38,109	60,054	23,516	-	119,368
Total assets	433,063	223,726	270,078	64,757	-	991,624
As of and for the nine months ended September 29, 2013						
Revenues	$ 498,199	$ 372,962	$ 515,621	$ 172,660	$ -	$ 1,559,442
Affiliate revenues	754	6,938	1,254	288	-	9,234
Operating income	10,900	37,494	71,719	27,935	1,278	149,326
Total assets	294,268	234,957	268,551	57,245	-	855,021

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

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
		(In thousands)		
Segment operating income	$ 57,963	$ 53,644	$ 119,368	$ 149,326

Income from equity method investment	1,030	758	3,240	5,285
Eliminations	(982)	(467)	(2,760)	(2,523)
Total operating income	58,011	53,935	119,848	152,088
Interest expense	(21,656)	(19,259)	(58,679)	(53,509)
Interest income	159	92	420	349
Income from continuing operations before taxes	$ 36,514	$ 34,768	$ 61,589	$ 98,928

Note 4: Income per Share

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

	Three Months Ended		Nine Months Ended	
	September 28, 2014	September 29, 2013	September 28, 2014	September 29, 2013
	(In thousands)			
Numerator:				
Income from continuing operations	$ 33,847	$ 29,068	$ 59,018	$ 80,805
Loss from discontinued operations, net of tax	-	-	(562)	-
Net income	$ 33,847	$ 29,068	$ 58,456	$ 80,805
Denominator:				
Weighted average shares outstanding, basic	43,201	43,694	43,439	44,013
Effect of dilutive common stock equivalents	709	843	725	903
Weighted average shares outstanding, diluted	43,910	44,537	44,164	44,916

For both the three and nine months ended September 28, 2014, diluted weighted average shares outstanding do not include outstanding equity awards of 0.2 million, because to do so would have been anti-dilutive. For both the three and nine months ended September 29, 2013, diluted weighted average shares outstanding do not include outstanding equity awards of 0.3 million, because to do so would have been anti-dilutive.

For purposes of calculating basic earnings per share, unvested restricted stock units are not included in the calculation of basic weighted average shares outstanding until all necessary conditions have been satisfied and issuance of the shares underlying the restricted stock units is no longer contingent. Necessary conditions are not satisfied until the vesting date, at which time holders of our restricted stock units receive shares of our common stock.

For purposes of calculating diluted earnings per share, unvested restricted stock units are included to the extent that they are dilutive. In determining whether unvested restricted stock units are dilutive, each issuance of restricted stock units is considered separately.

Once a restricted stock unit has vested, it is included in the calculation of both basic and diluted weighted average shares outstanding.

Note 5: Inventories

The major classes of inventories were as follows:

	September 28, 2014	December 31, 2013
	(In thousands)	
Raw materials	$ 99,203	$ 85,379
Work-in-process	37,062	34,671
Finished goods	118,505	107,091
Perishable tooling and supplies	1,759	2,156
Gross inventories	256,529	229,297
Excess and obsolete reserves	(32,815)	(21,317)
Net inventories	$ 223,714	$ 207,980

Note 6: Long-Lived Assets

Disposals

During the nine months ended September 28, 2014, we sold certain property, plant, and equipment of the Broadcast segment for $1.8 million. There was no gain or loss on the sale.

During the nine months ended September 29, 2013, we sold certain real estate of the Broadcast segment for $1.0 million, and recognized a $0.3 million loss on the sale. We also sold certain real estate of the Enterprise Connectivity segment for $2.1 million. There was no gain or loss on the sale.

Depreciation and Amortization Expense

We recognized depreciation expense of $10.7 million and $31.6 million in the three and nine months ended September 28, 2014, respectively. We recognized depreciation expense of $11.7 million and $33.5 million in the three and nine months ended September 29, 2013, respectively.

We recognized amortization expense related to our intangible assets of $15.2 million and $42.7 million in the three and nine months ended September 28, 2014, respectively. We recognized amortization expense related to our intangible assets of $12.3 million and $38.4 million in the three and nine months ended September 29, 2013, respectively.

Note 7: Severance, Restructuring, and Acquisition Integration Activities

During the nine months ended September 28, 2014, we incurred severance, restructuring, and acquisition integration costs primarily related to a productivity improvement program and the integration of our acquisition of Grass Valley. The productivity improvement program is focused on improving the productivity of our sales, marketing, finance, and human resources functions relative to our peers. The majority of the expected costs for the productivity improvement program relate to the Industrial Connectivity, Enterprise, and Industrial IT segments. The restructuring and integration activities related to our acquisition of Grass Valley are focused on achieving desired cost savings by consolidating existing and acquired operating facilities and other support functions. The Grass Valley costs relate to our Broadcast segment.

For the three and nine months ended September 28, 2014, we recorded severance, restructuring, and integration costs of $9.2 million and $48.8 million, respectively, related to these programs. The following table summarizes the costs by segment:

Three Months Ended September 28, 2014	**Severance**	**Other Restructuring and Integration Costs**	**Total Costs**
		(In thousands)	
Broadcast Solutions	$ 54	$ 5,740	$ 5,794
Enterprise Connectivity Solutions	(347)	573	226
Industrial Connectivity Solutions	1,282	824	2,106
Industrial IT Solutions	823	209	1,032
Total	$ 1,812	$ 7,346	$ 9,158
Nine Months Ended September 28, 2014			
Broadcast Solutions	$ 18,156	$ 16,605	$ 34,761
Enterprise Connectivity Solutions	1,245	802	2,047
Industrial Connectivity Solutions	9,393	857	10,250
Industrial IT Solutions	1,409	342	1,751
Total	$ 30,203	$ 18,606	$ 48,809

The other restructuring and integration costs primarily consisted of retention bonuses, relocation, travel, lease termination, reserves for inventory obsolescence as a result of product line integration, and costs to consolidate operating facilities. We expect the majority of the other restructuring and integration costs related to these actions will be paid in 2014.

The table below sets forth severance activity that occurred during 2014 for the two significant programs described above. The balances are included in accrued liabilities.

	Productivity Improvement Program	Grass Valley Integration
	(In thousands)	
Balance at December 31, 2013	$ -	$ -
New charges	10,507	16,528
Cash payments	(1,774)	(4,497)
Foreign currency translation	(62)	82
Balance at June 29, 2014	$ 8,671	$ 12,113
New charges	2,575	1,536
Cash payments	(1,171)	(3,746)
Foreign currency translation	(381)	(191)
Other adjustments	(1,697)	(1,900)
Balance at September 28, 2014	$ 7,997	$ 7,812

The other adjustments in the three months ended September 28, 2014 were due to changes in estimates, including an impact of forfeited severance amounts. We expect the majority of the liabilities for these programs to be paid in the remainder of 2014 and the first half of fiscal 2015.

Of the total severance, restructuring, and acquisition integration costs recognized for the three months ended September 28, 2014, $5.3 million, $2.6 million, and $1.3 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively. Of the total severance, restructuring, and acquisition integration costs recognized for the nine months ended September 28, 2014, $13.3 million, $32.6 million, and $2.9 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively.

We expect to incur additional severance, restructuring, and acquisition integration costs in the fourth quarter of 2014 of approximately $23 million as a result of the activities discussed above, as well as the integration of our acquisition of ProSoft.

We continue to review our business strategies and evaluate potential new restructuring actions. This could result in additional restructuring costs in future periods.

For the three and nine months ended September 29, 2013, we recorded severance and other restructuring costs of $3.8 million and $9.5 million, respectively. The majority of these costs were recorded in our Broadcast segment, which recognized $3.2 million and $7.6 million of severance and other restructuring costs for the three and nine months ended September 29, 2013, respectively. The other restructuring costs included relocation, equipment transfer, and other costs. These costs were incurred primarily as a result of facility consolidation in New York for recently acquired locations and other acquisition integration activities. The majority of the remaining severance and other restructuring costs were recorded in our Industrial IT segment. These activities have been completed, and the costs have been paid.

Of the total severance and other restructuring costs recognized for the three months ended September 29, 2013, $1.9 million, $1.6 million, and $0.3 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively. Of the total severance and other restructuring costs recognized for the nine months ended September 29, 2013, $5.0 million, $3.2 million, and $1.3 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively.

Note 8: Long-Term Debt and Other Borrowing Arrangements

The carrying values of our long-term debt and other borrowing arrangements were as follows:

	September 28, 2014	December 31, 2013
	(In thousands)	
Revolving credit agreement due 2018	$ -	$ -
Term Loan due 2020	247,600	248,775
Senior subordinated notes:		
5.5% Senior subordinated notes due 2022	700,000	700,000
5.5% Senior subordinated notes due 2023	385,860	413,040
5.25% Senior subordinated notes due 2024	200,000	-
9.25% Senior subordinated notes due 2019	5,221	5,221
Total senior subordinated notes	1,291,081	1,118,261
Total debt and other borrowing arrangements	1,538,681	1,367,036
Less current maturities of Term Loan	(2,500)	(2,500)
Long-term debt	$ 1,536,181	$ 1,364,536

Revolving Credit Agreement due 2018

In 2013, we entered into a revolving credit agreement that provides a $400 million multi-currency asset-based revolving credit facility (the Revolver). The borrowing base under the Revolver includes eligible accounts receivable, inventory, and property, plant, and equipment of certain of our subsidiaries in the United States, Canada, Germany, the Netherlands, and the United Kingdom. As of September 28, 2014, our borrowing base was $330.2 million. The Revolver matures in 2018. Interest on outstanding borrowings is variable, based upon LIBOR or other similar indices in foreign jurisdictions, plus a spread that ranges from 1.25% - 1.75%, depending upon our leverage position. We pay a commitment fee on our available borrowing capacity of 0.375%. In the event we borrow more than 90% of our borrowing base, we are subject to a fixed charge coverage ratio covenant. We paid approximately $9.2 million of fees associated with the Revolver, which are being amortized over the life of the Revolver.

Term Loan due 2020

In 2013, we borrowed $250.0 million under a new Term Loan Credit Agreement (the Term Loan). The Term Loan is secured on a second lien basis by the assets securing the Revolving Credit Agreement due 2018 discussed above and on a first lien basis by the stock of certain of our subsidiaries. The borrowings under the Term Loan are scheduled to mature in 2020 and require quarterly amortization payments of approximately $0.6 million. Interest under the Term Loan is variable, based upon the three-month LIBOR plus an applicable spread. The interest rate as of September 28, 2014 was 3.25%. We utilized the proceeds from the Term Loan to repay amounts outstanding under the term loan of our prior senior secured credit facility. We paid approximately $3.9 million of fees associated with the Term Loan, which are being amortized over the life of the Term Loan using the effective interest method.

Senior Subordinated Notes

In June 2014, we issued $200.0 million aggregate principal amount of 5.25% senior subordinated notes due 2024. The notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2023, 2022 and 2019 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan. Interest is payable semiannually on January 15 and July 15 of each year, beginning January 15, 2015. We paid approximately $4.0 million of fees associated with the issuance of the notes, which are being amortized over the life of the notes using the effective interest method. We intend to use the net proceeds from the transaction for general corporate purposes.

In 2013, we issued 300.0 million ($388.2 million at issuance) aggregate principal amount of 5.5% senior subordinated notes due 2023. The carrying value of the notes as of September 28, 2014 is $385.9 million. The notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2024, 2022, and 2019 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan. Interest is payable semiannually on April 15 and October 15 of each year. We paid $8.6 million of fees associated with the issuance of the notes, which are being amortized over the life of the notes using the effective interest method. We used the net proceeds from the transaction to repay amounts outstanding under the revolving credit component of our prior senior secured credit facility and for general corporate purposes.

As of September 28, 2014, we have $700.0 million aggregate principal amount of 5.5% senior subordinated notes due 2022 outstanding. The notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2019, 2023, and 2024 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan. Interest is payable semiannually on March 1 and September 1 of each year.

As of September 28, 2014, $5.2 million aggregate principal amount of our senior subordinated notes due 2019 remain outstanding. The senior subordinated notes due 2019 have a coupon interest rate of 9.25% and an effective interest rate of 9.75%. The interest on the 2019 notes is payable semiannually on June 15 and December 15. The notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2022, 2023, and 2024, and with any future senior subordinated debt, and are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan.

Fair Value of Long-Term Debt

The fair value of our senior subordinated notes as of September 28, 2014 was approximately $1,314.2 million based on quoted prices of the debt instruments in inactive markets (Level 2 valuation). This amount represents the fair values of our senior subordinated notes with a carrying value of $1,291.1 million as of September 28, 2014. We believe the fair value of our Term Loan approximates book value.

Note 9: Income Taxes

We recognized income tax expense of $2.7 million and $2.6 million for the three and nine months ended September 28, 2014, respectively. The effective tax rate for the three and nine months ended September 28, 2014 was 7.3% and 4.2%, respectively. Our income tax expense for the three and nine months ended September 28, 2014 included benefits of $1.2 million and $4.9 million, respectively, for the reduction of uncertain tax position liabilities, primarily due to favorable developments with a foreign tax audit and transfer pricing matters. In addition, our income tax expense for the three and nine months ended September 28, 2014 included benefits of $2.3 million and $3.3 million, respectively, primarily due to adjusting estimates in our income tax provision to the actual amounts on the U.S. and Canadian federal income tax returns.

In addition to the factors noted above, the tax rate differential associated with our foreign earnings contributed to the difference between the effective tax rate and the amount determined by applying the applicable statutory United States tax rate of 35%. Foreign tax rate differences reduced our income tax expense by approximately $9.7 million and $8.6

million for the nine months ended September 28, 2014 and September 29, 2013, respectively.

Note 10: Pension and Other Postretirement Obligations

The following table provides the components of net periodic benefit costs for our pension and other postretirement benefit plans:

	Pension Obligations		Other Postretirement Obligations	
Three Months Ended	**September 28, 2014**	**September 29, 2013**	**September 28, 2014**	**September 29, 2013**
	(In thousands)			
Service cost	$ 1,762	$ 1,677	$ (13)	$ 33
Interest cost	3,262	2,924	(152)	517
Expected return on plan assets	(4,154)	(3,396)	-	-
Amortization of prior service credit	-	(8)	18	(27)
Actuarial losses	1,718	1,662	72	278
Net periodic benefit cost	$ 2,588	$ 2,859	$ (75)	$ 801
Nine Months Ended				
Service cost	$ 5,853	$ 5,040	$ 48	$ 101
Interest cost	11,464	8,786	924	1,600
Expected return on plan assets	(14,405)	(10,193)	-	-
Amortization of prior service cost (credit)	1	(23)	(35)	(82)
Actuarial losses	5,164	4,995	425	876
Net periodic benefit cost	$ 8,077	$ 8,605	$ 1,362	$ 2,495

Note 11: Comprehensive Income and Accumulated Other Comprehensive Income (Loss)

The following table summarizes total comprehensive income:

	Three Months Ended		Nine Months Ended	
	September 28, 2014	**September 29, 2013**	**September 28, 2014**	**September 29, 2013**
	(in thousands)			
Net income	$ 33,847	$ 29,068	$ 58,456	$ 80,805
Foreign currency translation income (loss), net of $0.3 million, $0.0 million, $0.5 million, and $0.0 million tax, respectively	(4,175)	4,536	(3,914)	(10,733)
Adjustment to pension and postretirement liability, net of $0.7 million, $0.7 million, $2.1 million, and $2.2 million tax, respectively	1,111	1,172	3,416	3,546
Total comprehensive income	$ 30,783	$ 34,776	$ 57,958	$ 73,618

The accumulated balances related to each component of other comprehensive income (loss), net of tax, are as follows:

	Foreign Currency Translation Component	Pension and Other Postretirement Benefit Plans	Accumulated Other Comprehensive Income (Loss)
		(In thousands)	
Balance at December 31, 2013	$ 7,796	$ (36,977)	$ (29,181)
Other comprehensive loss before reclassifications	(3,914)	-	(3,914)
Amounts reclassified from accumulated other comprehensive income (loss)	-	3,416	3,416
Net current period other comprehensive income (loss)	(3,914)	3,416	(498)
Balance at September 28, 2014	$ 3,882	$ (33,561)	$ (29,679)

The following table summarizes the effects of reclassifications from accumulated other comprehensive income (loss) for the nine months ended September 28, 2014:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (In thousands)	Affected Line Item in the Consolidated Statements of Operations and Comprehensive Income
Amortization of pension and other postretirement benefit plan items:		
Actuarial losses	$ 5,589	(1)
Prior service credit	(34)	(1)
Total before tax	5,555	
Tax benefit	(2,139)	
Net of tax	$ 3,416	

(1) The amortization of these accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit costs (see Note 10).

Note 12: Share Repurchases

In July 2011, our Board of Directors authorized a share repurchase program, which allows us to purchase up to $150.0 million of our common stock through open market repurchases, negotiated transactions, or other means, in accordance with applicable securities laws and other restrictions. In November 2012, our Board of Directors authorized an extension of the share repurchase program, which allows us to purchase up to an additional $200.0 million of our common stock. This program is funded by cash on hand and cash flows from operating activities. The program does not have an expiration date and may be suspended at any time at the discretion of the Company.

During the three months ended September 28, 2014, we repurchased 0.4 million shares of our common stock under the share repurchase program for an aggregate cost of $31.0 million and an average price per share of $71.80. During the nine months ended September 28, 2014, we repurchased 0.9 million shares of our common stock under the share repurchase program for an aggregate cost of $62.2 million and an average price per share of $72.64. From inception of the program to September 28, 2014, we have repurchased 6.3 million shares of our common stock under the program for an aggregate cost of $280.9 million and an average price of $44.77.

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

Belden Inc. (the Company, us, we, or our) is an innovative signal transmission solutions company built around four global business platforms Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, and Industrial IT Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound and video for mission critical applications.

We believe our business system, balance across markets and geographies, systematic go-to-market approach, extensive portfolio of innovative solutions, commitment to Lean principles, and improving margins present a unique value proposition that increases shareholder value.

We use a set of tools and processes that are designed to continuously improve business performance in the critical areas of quality, delivery, cost, and innovation. We consider revenue growth, operating margin, free cash flows, and return on invested capital to be our key operating performance indicators. We also seek to acquire businesses that we believe can help us achieve these objectives. The extent to which appropriate acquisitions are made and integrated can affect our overall growth, operating results, financial condition, and cash flows.

Trends and Events

The following trends and events during 2014 have had varying effects on our financial condition, results of operations, and cash flows.

Commodity prices

Our operating results can be affected by changes in prices of commodities, primarily copper and compounds, which are components in some of the products we sell. Generally, as the costs of inventory purchases increase due to higher commodity prices, we raise selling prices to customers to cover the increase in costs, resulting in higher sales revenue but a lower gross profit percentage. Conversely, a decrease in commodity prices would result in lower sales revenue but a higher gross profit percentage. Selling prices of our products are affected by many factors, including end market demand, capacity utilization, overall economic conditions, and commodity prices. Importantly, however, there is no exact measure of the effect of changing commodity prices, as there are thousands of transactions in any given quarter, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices or other commodity prices are estimates.

Channel Inventory

Our operating results also can be affected by the levels of Belden products purchased and held as inventory by our channel partners and customers. Our channel partners and customers purchase and hold our products in their inventory in order to meet the service and on-time delivery requirements of their customers. Generally, as our channel partners and customers change the level of Belden products owned and held in their inventory, it impacts our revenues. Comparisons of our results between periods can be impacted by changes in the levels of channel inventory. All references to the effect of channel inventory changes are estimates.

Market Growth and Market Share

The broadcast, enterprise, and industrial markets in which we operate can generally be characterized as highly competitive and highly fragmented, with many players. Based on available data for our served markets, we estimate that our market share ranges from approximately 15% - 20%. A substantial acquisition in one of our served markets would be necessary to meaningfully change our estimated market share percentage. We

monitor available data regarding market growth, including independent market research reports, publicly available indices, and the financial results of our direct and indirect peer companies, in order to estimate the extent to which our served markets grew or contracted during a particular period. We expect that our unit sales volume will increase or decrease consistently with the market growth rate. Our strategic goal is to utilize our Market Delivery System to target faster growing geographies, applications, and trends within our end markets, in order to achieve growth that is higher than the general market growth rate. To the extent that we exceed the market growth rates, we consider it to be the result of capturing market share.

Acquisitions

We completed the acquisitions of Grass Valley USA, LLC and GVBB Holdings S.a.r.l., (collectively, Grass Valley) on March 31, 2014 and ProSoft Technology, Inc. (ProSoft) on June 11, 2014. The results of Grass Valley and ProSoft have been included in our Consolidated Financial Statements from their respective acquisitions dates and are reported in the Broadcast and Industrial IT segments, respectively.

Productivity Improvement Program and Acquisition Integration

During the nine months ended September 28, 2014, we incurred severance, restructuring, and acquisition integration costs primarily related to a productivity improvement program and the integration of our acquisition of Grass Valley. The productivity improvement program is focused on improving the cost structure of our sales, marketing, finance, and human resources functions relative to our peers. The majority of the expected costs for the productivity improvement program relate to the Industrial Connectivity, Enterprise, and Industrial IT segments. We expect the productivity improvement actions to reduce our operating expenses by approximately $18 million on an annualized basis. We began to realize the initial benefits of the productivity improvement program in the fiscal third quarter. The restructuring and integration activities related to our acquisition of Grass Valley are focused on achieving desired cost savings by consolidating existing and acquired operating facilities and other support functions. The Grass Valley costs relate to our Broadcast segment.

For the three and nine months ended September 28, 2014, we recorded severance, restructuring, and integration costs of $9.2 million and $48.8 million, respectively, related to these programs. Severance costs represented $1.8 million and $30.2 million of the total costs recognized for the three and nine months ended September 28, 2014, respectively. The other restructuring and integration costs included retention bonuses, relocation, recruitment, travel, lease termination, and reserves for inventory obsolescence as a result of product line integration.

We expect to incur additional severance, restructuring, and integration costs in the fourth quarter of 2014 of approximately $23 million as a result of the activities discussed above, as well as the integration of ProSoft.

For the nine months ended September 29, 2013, we recorded severance and other restructuring costs of $9.5 million. The majority of these costs were recorded in our Broadcast segment, primarily as a result of facility consolidation in New York and other acquisition integration activities for our 2012 acquisition of PPC Broadband, Inc. (PPC). The other restructuring costs included relocation, equipment transfer, and other costs. The Industrial IT segment also recognized $1.5 million of severance expense in the nine months ended September 29, 2013. The severance and other restructuring costs were paid in 2013. We expected the results of these activities to generate annualized cost savings of approximately $8 - $10 million beginning in 2014, and we are substantially realizing those savings.

We continuously review our business strategies. In order to remain competitive, our goal is to improve productivity on an annual basis. To the extent that market growth rates are modest, we may need to restructure aspects of our business in order to meet our annual productivity targets. This could result in additional restructuring costs in future periods. The magnitude of restructuring costs in the future could be influenced by statutory requirements in the countries in which we operate and our internal policies with regard to providing severance benefits in the absence of statutory requirements.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

During the nine months ended September 28, 2014:

- We did not change any of our existing critical accounting policies from those listed in our 2013 Annual Report on Form 10-K;
- 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.

Results of Operations

Consolidated Income from Continuing Operations before Taxes

	Three Months Ended		%	Nine Months Ended		%
	September 28, 2014	September 29, 2013	Change	September 28, 2014	September 29, 2013	Change
	(In thousands, except percentages)					
Revenues	$ 610,774	$ 522,478	16.9%	$ 1,699,355	$ 1,559,442	9.0%
Gross profit	221,732	182,841	21.3%	601,834	529,390	13.7%
Selling, general and administrative expenses	119,104	96,197	23.8%	359,854	281,682	27.8%
Research and development	30,444	21,141	44.0%	82,633	62,497	32.2%
Operating income	58,011	53,935	7.6%	119,848	152,088	-21.2%
Income from continuing operations before taxes	36,514	34,768	5.0%	61,589	98,928	-37.7%

Revenues increased in the three and nine months ended September 28, 2014 from the comparable periods of 2013 due to the following factors:

- Acquisitions contributed $80.6 million and $150.1 million of the increases in revenues in the three and nine months ended September 28, 2014, respectively.