GENERAL CABLE CORP /DE/
Form 10-Q
August 06, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 2, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________.

Commission file number: 1-12983

GENERAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	06-1398235
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4 Tesseneer Drive Highland Heights, KY	41076-9753
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code: (859) 572-8000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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 o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

Class	Outstanding at July 30, 2010
Common Stock, $0.01 per value	52,112,855

GENERAL CABLE CORPORATION AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT
ON FORM 10-Q

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PART I. FINANCIAL STATEMENTS
ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

	Three Fiscal Months Ended		Six Fiscal Months Ended	
	July 2, 2010	July 3, 2009	July 2, 2010	July 3, 2009
Net sales	$ 1,208.6	$ 1,133.1	$ 2,306.6	$ 2,174.4
Cost of sales	1,063.9	989.4	2,024.3	1,958.6
Gross profit	144.7	143.7	282.3	215.8
Selling, general and administrative expenses	84.9	81.7	165.2	176.7
Operating income	59.8	62.0	117.1	39.1
Other income (expense)	(3.0)	6.6	(39.5)	10.1
Interest income (expense):				
Interest expense	(18.8)	(22.1)	(37.8)	(44.6)
Interest income	1.1	0.6	2.2	1.8
	(17.7)	(21.5)	(35.6)	(42.8)
Income before income taxes	39.1	47.1	42.0	6.4
Income tax (provision) benefit	(14.1)	(13.1)	(22.4)	1.8
Equity in earnings of affiliated companies	0.3	0.2	0.6	0.3
Net income including noncontrolling interest	25.3	34.2	20.2	8.5
Less: preferred stock dividends	0.1	0.1	0.2	0.2
Less: net income attributable to noncontrolling interest	1.4	2.8	4.0	4.2
Net income attributable to Company common shareholders	$ 23.8	$ 31.3	$ 16.0	$ 4.1
Earnings per share				

Earnings per common share-basic	$	0.46	$	0.60	$	0.31	$	0.08
Weighted average common shares-basic		52.1		52.0		52.1		51.9
Earnings per common share-assuming dilution	$	0.45	$	0.59	$	0.31	$	0.08
Weighted average common shares-assuming dilution		53.1		52.8		53.1		52.8

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in millions, except share data)
(unaudited)

	July 2, 2010	December 31, 2009
Assets		
Current Assets:		
Cash and cash equivalents	$ 350.3	$ 499.4
Receivables, net of allowances of $18.6 million at July 2, 2010 and $21.9 million at December 31, 2009	948.6	903.6
Inventories, net	1,136.5	1,002.4
Deferred income taxes	58.3	52.6
Prepaid expenses and other	74.4	94.7
Total current assets	2,568.1	2,552.7
Property, plant and equipment, net	972.4	1,015.3
Deferred income taxes	19.0	24.1
Goodwill	163.4	157.4
Intangible assets, net	192.0	197.6
Unconsolidated affiliated companies	9.6	10.2
Other non-current assets	52.8	56.8
Total assets	$ 3,977.3	$ 4,014.1
Liabilities and Total Equity		
Current Liabilities:		
Accounts payable	$ 810.0	$ 762.5
Accrued liabilities	320.9	361.9
Current portion of long-term debt	111.7	53.0
Total current liabilities	1,242.6	1,177.4
Long-term debt	873.8	869.3
Deferred income taxes	184.3	209.5
Other liabilities	239.0	248.1
Total liabilities	2,539.7	2,504.3
Commitments and Contingencies		
Total Equity:		
Redeemable convertible preferred stock, at redemption value (liquidation preference of $50.00 per share): July 2, 2010 76,202 shares outstanding	3.8	3.8

December 31, 2009 76,202 shares outstanding		
Common stock, $0.01 par value, issued and outstanding shares:		
July 2, 2010 52,112,855 (net of 6,206,847 treasury shares)		
December 31, 2009 52,008,052 (net of 6,187,527 treasury shares)	0.6	0.6
Additional paid-in capital	642.5	637.1
Treasury stock	(73.2)	(72.9)
Retained earnings	822.1	806.1
Accumulated other comprehensive loss	(86.9)	(8.9)
Total Company shareholders equity	1,308.9	1,365.8
Noncontrolling interest	128.7	144.0
Total equity	1,437.6	1,509.8
Total liabilities and equity	$ 3,977.3	$ 4,014.1

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in millions)
(unaudited)

	Six Fiscal Months Ended July 2, 2010	Six Fiscal Months Ended July 3, 2009
Cash flows of operating activities:		
Net income including noncontrolling interest	$ 20.2	$ 8.5
Adjustments to reconcile net income to net cash flows of operating activities:		
Depreciation and amortization	49.3	49.0
Amortization on restricted stock awards	2.1	2.0
Foreign currency exchange (gain) loss	39.7	(10.1)
Deferred income taxes	(20.7)	(34.4)
Excess tax benefits from stock-based compensation	(0.2)	(0.7)
Convertible debt instruments noncash interest charges	9.4	19.4
(Gain) loss on disposal of property	(1.5)	2.6
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
(Increase) decrease in receivables	(89.0)	62.9
(Increase) decrease in inventories	(177.4)	146.1
(Increase) decrease in other assets	(1.6)	0.2
Increase (decrease) in accounts payable, accrued and other liabilities	47.0	(109.2)
Net cash flows of operating activities	(122.7)	136.3
Cash flows of investing activities:		
Capital expenditures	(49.8)	(87.1)
Proceeds from properties sold	3.4	0.8
Acquisitions, net of cash acquired	(9.1)	
Other	(2.2)	1.4
Net cash flows of investing activities	(57.7)	(84.9)
Cash flows of financing activities:		
Preferred stock dividends paid	(0.2)	(0.2)
Excess tax benefits from stock-based compensation	0.2	0.7
Proceeds from revolving credit borrowings	11.1	91.4
Repayments of revolving credit borrowings		(80.8)
Proceeds (repayments) of other debt	56.1	(40.5)
Dividends paid to non-controlling interest	(3.3)	
Proceeds from exercise of stock options	0.2	0.4
Net cash flows of financing activities	64.1	(29.0)

Effect of exchange rate changes on cash and cash equivalents		(32.8)		(3.7)
Decrease in cash and cash equivalents		(149.1)		18.7
Cash and cash equivalents beginning of period		499.4		282.6
Cash and cash equivalents end of period	$	350.3	$	301.3
Supplemental Information				
Cash paid during the period for:				
Income tax payments, net of refunds	$	25.1	$	(17.2)
Interest paid	$	22.5	$	23.4
Non-cash investing and financing activities:				
Issuance of nonvested shares	$	3.4	$	3.2
Capital lease obligations for new equipment	$		$	6.9

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements of General Cable Corporation and Subsidiaries (General Cable or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three and six fiscal months ended July 2, 2010 are not necessarily indicative of results that may be expected for the full year. The December 31, 2009 condensed consolidated balance sheet amounts are derived from the audited financial statements, as adjusted for the change in inventory accounting principle as discussed below, but do not include all disclosures herein required by GAAP. These financial statements should be read in conjunction with the audited financial statements and notes thereto in General Cable s 2009 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010. The Company s fiscal quarters consist of 13-week periods ending on the Friday nearest to the end of the calendar months of March, June and September.

Effective January 1, 2010, the Company changed its method of valuing all of its inventories that used the last-in, first-out (LIFO) method to the average cost method. The Company applied this change in accounting principle retrospectively to all prior periods presented herein in accordance with *ASC250 Accounting Changes and Error Corrections.* See Note 2, Accounting Standards for information on this change in accounting principle.

The condensed consolidated financial statements include the accounts of General Cable Corporation and its wholly-owned subsidiaries. Investments in 50% or less owned joint ventures in which the Company has the ability to exercise significant influence are accounted for under the equity method of accounting. All intercompany transactions and balances among the consolidated companies have been eliminated.

2. Accounting Standards

During the six fiscal months ended July 2, 2010, the Company did not change any of its existing accounting policies with the exception of the following accounting principle, which was adopted and became effective with respect to the Company on January 1, 2010:

Effective January 1, 2010, the Company changed its method of accounting for its North American inventories and non-North American metal inventories from the LIFO method to the average cost method. Inventories valued using the LIFO method represented approximately 57% of total inventories as of December 31, 2009. The Company believes the change is preferable because the average cost method improves financial reporting by better matching sales and expenses, particularly during periods of metal and petrochemical price volatility or reductions in inventory balances and enhances comparability with industry peers. The Company applied this change in accounting principle retrospectively to all prior periods presented herein in accordance with *ASC250 Accounting Changes and Error Corrections.* As a result of the accounting change, retained earnings as of January 1, 2009 increased from $597.9 million to $749.7 million. The Company converted its accounting systems on January 1, 2010 which effectively eliminated its LIFO pools prospectively.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

As a result of the retrospective application of this change in accounting principle, certain amounts in the Company s three and six months ended July 3, 2009 condensed consolidated statement of operations were adjusted as presented below:

	Three Fiscal Months Ended July 3, 2009		
(in millions, except per share data)	As Originally Reported	Adjustments	As Adjusted
Cost of sales	$ 956.4	$ 33.0	$ 989.4
Operating income	95.0	(33.0)	62.0
Provision for income taxes	(24.5)	11.4	(13.1)
Net income including noncontrolling interest	55.8	(21.6)	34.2
Net income attributable to Company common shareholders	52.9	(21.6)	31.3
Earnings per common share basic	1.02	(0.42)	0.60
Earnings per common share assuming dilution	1.00	(0.41)	0.59

	Six Fiscal Months Ended July 3, 2009		
(in millions, except per share data)	As Originally Reported	Adjustments	As Adjusted
Cost of sales	$ 1,810.2	$ 148.4	$ 1,958.6
Operating income	187.5	(148.4)	39.1
(Provision) benefit for income taxes	(49.5)	51.3	1.8
Net income including noncontrolling interest	105.6	(97.1)	8.5
Net income attributable to Company common shareholders	101.2	(97.1)	4.1
Earnings per common share basic	1.95	(1.87)	0.08
Earnings per common share assuming dilution	1.92	(1.84)	0.08

The Company s December 31, 2009 consolidated balance sheet was adjusted as presented below:

	Year Ended December 31, 2009		
(in millions)	As Originally Reported	Adjustments	As Adjusted
Assets			
Inventories	$ 850.3	$ 152.1	$ 1,002.4
Deferred income taxes	114.7	(62.1)	52.6
Total assets	3,924.1	90.0	4,014.1
Liabilities and Total Equity			
Accrued liabilities	366.6	(4.7)	361.9
Deferred income taxes	208.5	1.0	209.5
Other liabilities	250.0	(1.9)	248.1
Total liabilities	2,509.9	(5.6)	2,504.3
Accumulated other comprehensive loss	(4.8)	(4.1)	(8.9)
Retained earnings	706.4	99.7	806.1
Total liabilities and equity	3,924.1	90.0	4,014.1

The condensed consolidated statement of cash flows for the six months ended July 3, 2009 was adjusted as presented below:

	Six Fiscal Months Ended July 3, 2009		
(in millions)	As Originally Reported	Adjustments	As Adjusted
Net income including noncontrolling interests	$ 105.6	$ (97.1)	$ 8.5
Deferred income taxes	16.9	(51.3)	(34.4)
Inventory impairment charges	(14.6)	14.6	
Decrease in inventories	12.3	133.8	146.1
Net cash flows of operating activities	136.3		136.3

There was no impact to net cash flows of operating activities as a result of this change in accounting policy.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

New Accounting Standards

In January 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06 Fair Value Measurements and Disclosures Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 requires new disclosures for significant transfers in and out of Level 1 and 2 of the fair value hierarchy and the activity within Level 3 of the fair value hierarchy. The updated guidance also clarifies existing disclosures regarding the level of disaggregation of assets or liabilities and the valuation techniques and inputs used to measure fair value. The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2009, with the exception of the new Level 3 activity disclosures, which are effective for interim and annual reporting periods beginning after December 15, 2010. The adoption of this accounting standard had no impact on the Company s Condensed Consolidated Financial Statements.

In May 2010, the FASB issued Accounting Standards Update No. 2010-19 Foreign Currency (Topic 830) Foreign Currency Issues: Multiple Foreign Currency Exchange Rates (ASU 2010-19). The amendments in this update are effective as of the announcement date of March 18, 2010. The provisions of ASU 2010-19 did not have a material effect on the financial position, results of operations or cash flows of the Company.

The FASB issued Accounting Standards Update 2010-12 (ASU 2010-12), which codifies an SEC Staff Announcement relating to accounting for the Health Care and Education Reconciliation Act of 2010 and the Patient Protection and Affordable Care Act under ASC 740, Income Taxes. Management completed its assessment and adoption of ASU 2010-12 in the second quarter of 2010, and determined it has no material impact on the Company.

3. Acquisitions and Divestitures

General Cable actively seeks to identify key global macroeconomic and geopolitical trends in order to capitalize on expanding markets and new niche markets or exit declining or non-strategic markets in order to achieve better returns. The Company also sets aggressive performance targets for its business and intends to refocus or divest those activities which fail to meet targets or do not fit long-term strategies. No material acquisitions or divestitures were completed in the six fiscal months ended July 2, 2010 or the year ended December 31, 2009.

4. Other Income (Expense)

Other income (expense) includes foreign currency transaction gains or losses, which result from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated. During the three and six fiscal months ended July 2, 2010, the Company recorded other expense of $3.0 million and $39.5 million, respectively. During the three and six fiscal months ended July 3, 2009, the Company recorded other income of $6.6 million and $10.1 million, respectively, resulting primarily from foreign currency transaction gains and losses. The change in the six months ended 2010 compared to the six months ended 2009 is primarily the result of the Venezuelan currency devaluation, which is discussed below.

On January 8, 2010, the Venezuelan government announced the devaluation of its currency (Bolivar fuertes, BsF) and established a two-tier foreign exchange structure. The official exchange rate for essential goods (food, medicine and other essential goods) was adjusted from 2.15 BsF per U.S. dollar to 2.60 BsF per U.S. dollar. The official exchange rate for non-essential goods was adjusted from 2.15 BsF per U.S. dollar to 4.30 BsF per U.S. dollar. General Cable products are classified as non-essential. The Company remeasures the financial statements of its Venezuelan subsidiary at the rate at which the Company expects to remit dividends, which is 4.30 BsF per U.S dollar.

In the second quarter, the Company was authorized to import copper at the official exchange rate for essential goods of 2.60 BsF per U.S. dollar. For the three and six months ended July 2, 2010, the Company recorded $4.4 million in foreign exchange gains related to transactions completed at the 2.60 BsF per U.S. dollar essential rate. To date, 13.2 million pounds of copper have been approved at the essential rate. The Company purchased 3.1 million pounds of copper in the second quarter at the essential rate and anticipates purchasing up to the remaining 10.1 million pounds over the balance of the year. Copper imports prior to the approval were imported at the parallel rate. For the three and six months ended July 2, 2010, the Company recorded $2.4 million and $10.7 million in foreign exchange losses related to copper imports at the parallel rate.

On June 9, 2010, the Venezuelan government closed down the parallel market thereby declaring it illegal and imposing volume restrictions on each entity s trading activity. All other imported materials, prior to the shutdown of the parallel market, were completed at the parallel rate or the essential rate based on requests previously on file with the government. The foreign exchange gain (loss) related to the other imported materials at the parallel rate was immaterial for the three and six months ended July 2, 2010.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Due to the impact of the devaluation of its currency by the Venezuelan government, the Company recorded a pre-tax charge of $29.8 million in the first quarter of 2010 related primarily to the remeasurement of the local balance sheet on the date of the devaluation at the official non-essential rate. The functional currency of the Company s subsidiary in Venezuela is the U.S. dollar. Excluding the impact of the remeasurement of the local currency balance sheet as it relates to the devaluation of the Venezuelan Bolivar, other expense of $3.0 and $9.7 million primarily reflects net foreign currency transaction losses incurred in the three and six months ended July 2, 2010, which includes a $1.5 million gain and $6.1 million loss in Venezuela in those respective periods.

5. Inventories

Approximately 82% of the Company s inventories are valued using the average cost method and all remaining inventories are valued using the first-in, first-out (FIFO) method. All inventories are stated at the lower of cost or market value.

(in millions)	July 2, 2010	December 31, 2009
Raw materials	$ 191.6	$ 158.3
Work in process	183.0	154.2
Finished goods	761.9	689.9
Total	$ 1,136.5	$ 1,002.4

As of December 31, 2009, inventories have been retrospectively adjusted for the change from the LIFO method of inventory accounting to the average cost method. See Note 2 for information on this change in accounting principle.

6. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Costs assigned to property, plant and equipment relating to acquisitions are based on estimated fair values at the acquisition date. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets: new buildings, from 15 to 50 years; and machinery, equipment and office furnishings, from 2 to 15 years. Leasehold improvements are depreciated over the shorter of the lease term or the useful life of the asset, unless acquired in a business combination, in which case the leasehold improvements are amortized over the shorter of the useful life of the asset or a term that includes the reasonably assured life of the lease.

Property, plant and equipment consisted of the following (in millions):

	July 2, 2010	December 31, 2009
Land	$ 103.6	$ 109.2
Buildings and leasehold improvements	281.4	290.4
Machinery, equipment and office furnishings	928.3	967.2
Construction in progress	89.6	77.1
Total gross book value	1,402.9	1,443.9
Less accumulated depreciation	(430.5)	(428.6)
Total net book value	$ 972.4	$ 1,015.3

Depreciation expense for the three and six fiscal months ended July 2, 2010 was $19.9 million and $41.0 million, respectively.

Depreciation expense for the three and six fiscal months ended July 3, 2009 was $20.7 million and $40.6 million, respectively.

The Company periodically evaluates the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company evaluates events or changes in circumstances based mostly on actual historical operating results, but business plans, forecasts, general and industry trends, and anticipated cash flows are also considered. Impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. The Company also continually evaluates the estimated useful lives of all long-lived assets and, when warranted, revises such estimates based on current events. No material impairment charges occurred during the six fiscal months ended July 2, 2010 and July 3, 2009.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

7. Goodwill and Other Intangible Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but are reviewed at least annually for impairment. If the carrying amount of goodwill or an intangible asset with an indefinite life exceeds its fair value, an impairment loss would be recognized in the amount equal to the excess. Intangible assets that are not deemed to have indefinite lives are amortized over their useful lives.

The amounts of goodwill and indefinite-lived intangible assets were as follows in millions of dollars:

	Goodwill				Indefinite-lived assets Trade names			
	North America	Europe and Mediterranean	ROW	Total	North America	Europe and Mediterranean	ROW	Total
Balance at December 31, 2009	$ 5.2	$	$ 152.2	$ 157.4	$	$ 0.5	$ 129.3	$ 129.8
Acquisitions	2.2		1.3	3.5				
Currency translation and other adjustments			2.5	2.5			0.7	0.7
Balance at July 2, 2010	$ 7.4	$	$ 156.0	$ 163.4	$	$ 0.5	$ 130.0	$ 130.5

The amounts of other intangible assets customer relationships were as follows in millions of dollars:

	July 2, 2010	December 31, 2009
Amortized intangible assets:		
Customer relationships	$ 106.4	$ 106.4
Accumulated amortization	(42.1)	(34.8)
Foreign currency translation adjustment	(2.8)	(3.8)
Amortized intangible assets, net	$ 61.5	$ 67.8

Amortized intangible assets are stated at cost less accumulated amortization as of July 2, 2010 and December 31, 2009. Customer relationships have been determined to have a useful life in the range of 3.5 to 10 years and the Company has accelerated the amortization expense to align with the historical customer attrition rates. The amortization of intangible assets for the first six fiscal months of 2010 and 2009 was $7.3 million and $7.9 million, respectively. The estimated amortization expense during the twelve month periods beginning July 2, 2010 through June 30, 2015, based on exchange rates as of July 2, 2010, are $13.0 million, $9.8 million, $9.0 million, $8.2 million, $7.3 million and $14.2 million thereafter.

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

8. Long-Term Debt

(in millions)	July 2, 2010	December 31, 2009
North America		
Subordinated Convertible Notes due 2029	$ 429.5	$ 429.5
Debt discount on Subordinated Convertible Notes due 2029	(266.1)	(266.6)
1.00% Senior Convertible Notes due 2012	10.6	10.6
Debt discount on 1.00% Senior Convertible Notes due 2012	(1.4)	(1.7)
0.875% Convertible Notes due 2013	355.0	355.0
Debt discount on 0.875% Convertible Notes due 2013	(68.4)	(77.0)
7.125% Senior Notes due 2017	200.0	200.0
Senior Floating Rate Notes	125.0	125.0
Amended Credit Facility	11.1	
Other	9.1	9.1
Europe and Mediterranean		
Spanish Term Loan	55.3	72.5
Credit facilities	20.2	31.4
Uncommitted accounts receivable facilities		1.1
Other	14.1	17.1
ROW		
Credit facilities	91.5	16.3
Total debt	985.5	922.3
Less current maturities	111.7	53.0
Long-term debt	$ 873.8	$ 869.3

At July 2, 2010, maturities of long-term debt during twelve month periods beginning July 2, 2010 through June 30, 2015 are $111.7 million, $38.2 million, $37.9 million, $420.1 million and $2.3 million, respectively, and $375.3 million thereafter. As of July 2, 2010 and December 31, 2009, the Company was in compliance with all debt covenants as discussed below.

On December 15, 2009, the Company completed an offer to exchange $925 principal amount of new subordinated convertible notes due in 2029 for each $1,000 principal amount of the 1.00% Senior Convertible Notes due in 2012 which resulted in the issuance of $429.5 million aggregate principal amount of new Subordinated Convertible Notes due in 2029 in exchange for approximately 97.8% or $464.4 million aggregate principal amount of the 1.00% senior convertible notes due in 2012. An aggregate principal amount of $10.6 million of the 1.00% Senior Convertible Notes due in 2012 remain outstanding after completion of the exchange offer. The exchange was treated as an extinguishment of the 1.00% Senior Convertible Notes due in 2012 and issuance of new subordinated debt due in 2029 for the notes that were tendered. In the fourth quarter of 2009, the Company recorded a non-cash pre-tax loss on debt extinguishment of $7.6 million or approximately $0.10 earnings per share which included the write-off of $4.9 million of unamortized debt issuance costs related to the 1.00% Senior Convertible Notes due in 2012.

The Company s convertible debt instruments outstanding as of July 2, 2010 and December 31, 2009 are as follows:

	Subordinated Convertible Notes	1.00% Senior Convertible Notes	0.875% Convertible Notes
	July 2,	July 2,	July 2,

(in millions)	2010	December 31, 2009	2010	December 31, 2009	2010	December 31, 2009
Face value	$ 429.5	$ 429.5	$ 10.6	$ 10.6	$ 355.0	$ 355.0
Debt discount	(266.1)	(266.6)	(1.4)	(1.7)	(68.4)	(77.0)
Book value	163.4	162.9	9.2	8.9	286.6	278.0
Maturity date	November 2029		October 2012		November 2013	
Stated annual interest rate	4.50% until Nov 2019 2.25% until Nov 2029		1.00% until Oct 2012		0.875% until Nov 2013	
Interest payments	Semi-annually: May 15 & November 15		Semi-annually: April 15 & October 15		Semi-annually: May 15 & November 15	

As of July 2, 2010, the fair value of the Company s Subordinated Notes, 1.00% Senior Convertible Notes and 0.875% Convertible Notes was $410.2 million, $8.4 million and $300.2 million, respectively. The 1.00% Senior Convertible Notes and the 0.875% Convertible Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by the Company s wholly-owned U.S. and Canadian subsidiaries. For additional information on the convertible notes, refer to the Company s 2009 Annual Report on Form 10-K.

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Subordinated Convertible Notes

The Company s Subordinated Convertible Notes were issued on December 15, 2009 in the amount of $429.5 million pursuant to the aforementioned exchange offer. The notes and the common stock issuable upon conversion were registered on a Registration Statement on Form S-4, initially filed with the SEC on October 27, 2009, as amended and as declared effective by the SEC on December 15, 2009. At issuance, the Company separately accounted for the liability and equity components of the instrument, based on the Company s nonconvertible debt borrowing rate on the instrument s issuance date of 12.5%. At issuance, the liability and equity components were $162.9 million and $266.6 million, respectively. The equity component (debt discount) is being amortized to interest expense based on the effective interest method. There were no proceeds generated from the transaction and the Company incurred issuance fees and expenses of approximately $14.6 million as a result of the exchange offer which have been proportionately allocated to the liability and equity components of the new subordinated notes due in 2029.

1.00% Senior Convertible Notes

As a result of the aforementioned exchange offer, approximately 97.8% or $464.4 million of the Company s 1.00% Senior Convertible Notes were validly tendered. After the exchange offer there were $10.6 million of the 1.00% Senior Convertible Notes outstanding. The Company s 1.00% Senior Convertible Notes were originally issued in September 2007 in the amount of $475.0 million and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the Securities Act). Subsequently, on July 16, 2008, the resale of the notes and the common stock issuable upon conversion of the notes was registered on a Registration Statement on Form S-3. Beginning January 1, 2009, the Company separately accounted for the liability and equity components of the instrument, retrospectively, based on the Company s nonconvertible debt borrowing rate on the instrument s issuance date of 7.5%. At issuance, the liability and equity components were $348.2 million and $126.8 million, respectively. At the exchange date of December 15, 2009, the liability and equity components were $389.7 million and $74.7 million, respectively. The equity component (debt discount) on the remaining outstanding notes is being amortized to interest expense based on the effective interest method.

Proceeds from the 1.00% Senior Convertible Notes were used to partially fund the purchase price of $707.6 million related to the Phelps Dodge International Corporation (PDIC) acquisition and pay transaction costs of approximately $12.3 million directly related to the note issuance which have been allocated to the liability and equity components in proportion to the allocation of proceeds.

0.875% Convertible Notes

The Company s 0.875% Convertible Notes were issued in November of 2006 in the amount of $355.0 million. At the time of issuance, the notes and the common stock issuable upon conversion of the notes were registered on a Registration Statement on Form S-3ASR and which was subsequently renewed on September 30, 2009, the Company filed a Renewal Registration Statement for the underlying common stock on Form S-3ASR. Beginning January 1, 2009, the Company separately accounted for the liability and equity components of the instrument, retrospectively, based on the Company s nonconvertible debt borrowing rate on the instrument s issuance date of 7.35%. At issuance, the liability and equity components were $230.9 million and $124.1 million, respectively. The equity component (debt discount) is being amortized to interest expense based on the effective interest method.

Concurrent with the sale of the 0.875% Convertible Notes, the Company purchased note hedges that are designed to mitigate potential dilution from the conversion of the 0.875% Convertible Notes in the event that the market value per share of the Company s common stock at the time of exercise is greater than approximately $50.36. Under the note hedges that cover approximately 7,048,880 shares of the Company s common stock, the counterparties are required to deliver to the Company either shares of the Company s common stock or cash in the amount that the Company delivers to the holders of the 0.875% Convertible Notes with respect to a conversion, calculated exclusive of shares deliverable by the Company by reason of any additional make whole premium relating to the 0.875% Convertible Notes or by reason of any election by the Company to unilaterally increase the conversion rate as permitted by the indenture governing the 0.875% Convertible Notes. The note hedges expire at the close of trading on November 15, 2013, which is also the maturity date of the 0.875% Convertible Notes, although the counterparties will have ongoing obligations with respect to 0.875% Convertible Notes properly converted on or prior to that date as to which the counterparties have been timely notified.

The Company issued warrants to counterparties that could require the Company to issue up to approximately 7,048,880 shares of the Company s common stock in equal installments on each of the fifteen consecutive business days beginning on and including February 13, 2014. The strike price is $76.00 per share, which represents a 92.4% premium over the closing price of the Company s shares of common stock on November 9, 2006. The warrants are expected to provide the Company with some protection against increases in the common stock price over the conversion price per share.

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

The note hedges and warrants are separate and legally distinct instruments that bind the Company and the counterparties and have no binding effect on the holders of the 0.875% Convertible Notes. In addition, the note hedges and warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in total equity as separate equity transactions.

Proceeds from the offering were used to decrease outstanding debt by $87.8 million, including accrued interest, under the Company s Amended Credit Facility, to pay $124.5 million for the cost of the note hedges, and to pay transaction costs of approximately $9.4 million directly related to the issuance which have been allocated to the liability and equity components in proportion to the allocation of proceeds. Additionally, the Company received $80.4 million in proceeds from the issuance of the warrants. At the conclusion of these transactions, the net effect of the receipt of the funds from the 0.875% Convertible Notes and the payments and proceeds mentioned above was an increase in cash of approximately $213.7 million, which is being used by the Company for general corporate purposes including acquisitions.

7.125% Senior Notes and Senior Floating Rate Notes

The Company s $325.0 million in aggregate principal amount of new senior unsecured notes, comprised of $125.0 million of Senior Floating Rate Notes due 2015 (the Senior Floating Rate Notes) and $200.0 million of 7.125% Senior Fixed Rate Notes due 2017 (the 7.125% Senior Notes and together, the Notes) were offered and sold in private transactions in accordance with Rule 144A and Regulation S under the Securities Act on March 21, 2007. An exchange offer commenced on June 11, 2007 and was completed on July 26, 2007 to replace the unregistered Notes with registered Notes with like terms pursuant to an effective Registration Statement on Form S-4.

	7.125% Senior Notes		Senior Floating Rate Notes	
(in millions)	July 2, 2010	Dec 31, 2009	July 2, 2010	Dec 31, 2009
Face value	$ 200.0	$ 200.0	$ 125.0	$ 125.0
Fair value	196.5	196.0	112.5	111.3
Interest rate	7.125%	7.125%	2.9%	2.7%
Interest payment	Semi-annually: July 1 & Oct 1		3-month LIBOR rate plus 2.375% Quarterly: Jan 1, July 1, Jul 1 & Oct 1	
Maturity date	July 2017		July 2015	
Guarantee	Jointly and severally guaranteed by the Company s wholly-owned U.S. and Canadian subsidiaries			
Call Option[(1)]	Beginning Date	Percentage	Beginning Date	Percentage
	April 1, 2012	103.563%	April 1, 2009	102.0%
	April 1, 2013	102.375%	April 1, 2010	101.0%
	April 1, 2014	101.188%	April 1, 2011	100.0%
	April 1, 2015	100.000%		

(1) The Company may, at its option, redeem the Notes on or after the following dates

and percentages
(plus interest
due)

The Notes indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to (i) pay dividends on, redeem or repurchase the Company s capital stock; (ii) incur additional indebtedness; (iii) make investments; (iv) create liens; (v) sell assets; (vi) engage in certain transactions with affiliates; (vii) create or designate unrestricted subsidiaries; and (viii) consolidate, merge or transfer all or substantially all assets. However, these covenants are subject to important exceptions and qualifications, one of which will permit the Company to declare and pay dividends or distributions on the Series A preferred stock provided there is no default on the Notes and certain financial conditions are met.

Proceeds from the Notes of $325.0 million, less approximately $7.9 million of cash payments for fees and expenses that are being amortized over the life of the Notes, were used to pay approximately $285.0 million for the 9.5% Senior Notes, $9.3 million for accrued interest on the 9.5% Senior Notes and $20.5 million for tender fees and the inducement premium on the 9.5% Senior Notes, leaving net cash proceeds of approximately $2.3 million which were used for general corporate purposes.

Senior Secured Revolving Credit Facility (Amended Credit Facility)

The Company s current senior secured revolving credit facility (Amended Credit Facility), as amended, is a five-year, $400.0 million asset based revolving credit agreement that includes an approximate $50.0 million sublimit for the issuance of commercial and standby letters of credit and a $20.0 million sublimit for swingline loans. The Company under the Amended Credit Facility has the option (subject to certain limitations and conditions) to elect whether loans under the Amended Credit Facility will be LIBOR loans or alternative base rate loans. Eurodollar loans bear interest at a rate equal to an adjusted LIBOR rate plus an applicable margin percentage, ranging from 1.125% to 1.875% and alternative base rate loans bear interest at a rate equal to an alternative base rate plus an applicable margin percentage ranging from 0.00% to 0.625%. The applicable margin percentage is subject to adjustments based upon the excess availability, as defined in the Amended Credit Facility. Indebtedness under the Amended Credit Facility is guaranteed by the Company s U.S. and Canadian subsidiaries and is secured by a first priority security interest in tangible and intangible property and assets of the Company s U.S. and Canadian subsidiaries. The lenders have also received a pledge of all of the capital stock of the Company s existing U.S. subsidiaries and any future U.S. subsidiaries.

GENERAL CABLE CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

The Amended Credit Facility requires that the Company comply with certain financial and negative covenants, the principal covenant of which is a quarterly minimum fixed charge coverage ratio test, which is only applicable when excess availability, as defined, is below a certain threshold. However, the Company will be permitted to declare and pay dividends or distributions on the Series A preferred stock so long as there is no default under the Amended Credit Facility and certain financial conditions are met.

The Company pays quarterly fees in connection with the issuance of letters of credit and commitment fees equal to 50 basis points, per annum on any unused commitments under the Amended Credit Facility. Both fees are payable quarterly. In connection with the original issuance and related subsequent amendments to the Amended Credit Facility, the Company incurred fees and expenses aggregating $11.1 million, which are being amortized over the term of the Amended Credit Facility.

The Company s Amended Credit Facility is summarized in the table below:

	Amended credit facility	
(in millions)	July 2, 2010	Dec 31, 2009
Outstanding borrowings	$ 11.1	$
Undrawn availability	347.6	293.6
Outstanding letters of credit	27.7	28.2
Original issuance	November 2003	
Maturity date	July 2012	

Spanish Term Loans

The table below provides a summary of the Company s term loans and corresponding fixed interest rate swaps. The proceeds from the Spanish Term Loans were used to partially fund the acquisition of Enica Biskra and for general working capital purposes. There is no remaining availability under these Spanish Term Loans.

	Spanish Term Loans(1)	
(in millions)	July 2, 2010	Dec 31, 2009
Outstanding borrowings	$ 55.3	$ 72.5
Interest rate weighted average(2)	4.0%	4.1%

(1) The terms of the Spanish Term Loans are as follows:

(in millions)	Original Amount	Issuance Date	Maturity Date	Interest rate	Loan and Interest payable	Interest rate Swap(2)
Term Loan 1	20.0 euros	February 2008	February 2013	Euribor +0.5%	Semi-annual: Aug & Feb	4.2%
Term Loan 2	10.0 euros	April 2008	April 2013	Euribor +0.75%	Semi-annual: April & Oct	4.58%
Term Loan 3	21.0 euros	June 2008	June 2013	Euribor +0.75%	Quarterly: Mar, Jun, Sept & Dec	4.48%
Term Loan 4	15.0 euros	September 2009	August 2014	Euribor +2.0%	Quarterly: Mar, Jun, Sept & Dec Principal payments: Feb & Aug	

(2) At the issuance date of the respective term loans, the Company entered into fixed interest rate swaps to coincide with the terms and conditions of the term loans that will effectively hedge the variable interest rate with a fixed

interest rate.

Europe and Mediterranean Credit Facilities

The Company s Europe and Mediterranean credit facilities are summarized in the table below:

	Europe and Mediterranean credit facilities	
(in millions)	July 2, 2010	Dec 31, 2009
Outstanding borrowings	$ 20.2	$ 31.4
Undrawn availability	135.0	147.7
Interest rate weighted average	5.3%	4.6%
Maturity date	Various	

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

Europe and Mediterranean Uncommitted Accounts Receivable Facilities

The Company s Europe and Mediterranean uncommitted accounts receivable facilities are summarized in the table below:

	Uncommitted accounts receivable facilities	
(in millions)	July 2, 2010	Dec 31, 2009
Outstanding borrowings	$	$ 1.1
Undrawn availability	109.3	125.4
Interest rate weighted average		1.7%
Maturity date	Various	

The Spanish Term Loans and certain credit facilities held by the Company s Spain subsidiary are subject to certain financial ratios of the Company s European subsidiaries, which includes minimum net equity and net debt to EBITDA (earnings before interest, taxes, depreciation and amortization). At July 2, 2010 and December 31, 2009, the Company was in compliance with all covenants under these facilities.

ROW credit facilities

The Company s ROW credit facilities are summarized in the table below:

	ROW credit facilities	
(in millions)	July 2, 2010	Dec 31, 2009
Outstanding borrowings	$ 91.5	$ 16.3
Interest rate weighted average	2.9%	2.3%
Maturity date	Various	

The Company s ROW credit facilities are short term loans utilized for working capital purposes. Certain credit facilities are subject to financial covenants. The Company has approximately $258.2 million of borrowing availability under the various credit facilities at July 2, 2010. The Company was in compliance with all covenants under these facilities as of July 2, 2010 and December 31, 2009.

9. <u>Financial Instruments</u>

The Company is exposed to various market risks, including changes in interest rates, foreign currency and raw material (commodity) prices. To manage risks associated with the volatility of these natural business exposures General Cable enters into interest rate, commodity and foreign currency derivative agreements, as well as copper and aluminum forward pricing agreements. General Cable does not purchase or sell derivative instruments for trading purposes. General Cable does not engage in trading activities involving derivative contracts for which a lack of marketplace quotations would necessitate the use of fair value estimation techniques.

Cash Flow Hedges

General Cable utilizes interest rate swaps to manage its interest expense exposure by fixing its interest rate on a portion of the Company s floating rate debt. The Company has entered into interest rate swaps on the Company s Spanish Term Loans with a notional value of $41.0 million and $51.1 million as of July 2, 2010 and December 31, 2009, respectively. The interest rate swaps were effective beginning in August, September, and October of 2008 as discussed above in Note 8. In addition, the Company has one outstanding interest rate swap with a notional value of $9.0 million which provides for a fixed interest rate of 4.49% maturing in October 2011. The Company does not provide or receive any collateral specifically for this contract. The fair value of interest rate derivatives, which are designated as and qualify as cash flow hedges, are based on quoted market prices, which reflect the present values of the difference between estimated future variable-rate receipts and future fixed-rate payments.

The Company enters into commodity futures contracts, which are designated and qualify as cash flow hedges, for the purchase of copper, aluminum and lead for delivery in a future month to match certain sales transactions.

The Company enters into foreign currency exchange contracts, which are designated as and qualify as cash flow hedges, principally to hedge the currency fluctuations in certain transactions denominated in foreign currencies, thereby limiting the Company s risk that would otherwise result from changes in exchange rates. Principal transactions hedged during the year were firm sales and purchase commitments. The fair value of foreign currency contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

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Fair Value of Derivatives Instruments

The notional amounts and fair values of derivatives designated as cash flow hedges and derivatives not designated as cash flow hedges at July 2, 2010 and December 31, 2009 are shown below (in millions).

	July 2, 2010			December 31, 2009		
	Notional	Fair Value		Notional	Fair Value	
	Amount	Asset (1)	Liability (2)	Amount	Asset (1)	Liability (2)
Derivatives designated as cash flow hedges:						
Interest rate swap	$ 50.0	$	$ 2.5	$ 60.1	$ 2.5	$ 0.6
Commodity futures	196.1	4.2	21.0	195.0	25.1	9.1
Foreign currency exchange	226.4	2.5	9.0	274.8	2.7	3.4
		$ 6.7	$ 32.5		$ 30.3	$ 13.1
Derivatives not designated as cash flow hedges:						
Foreign currency exchange	$ 51.6	$ 0.4		$ 29.6	$ 0.1	0.3
		$ 0.4	$		$ 0.1	$ 0.3

(1) Balance recorded in Prepaid expenses and other and Other non-current assets

(2) Balance recorded in Accrued liabilities and Other liabilities

Depending on the extent of an unrealized loss position on a derivative contract held by the Company, certain counterparties may require collateral to secure the Company s derivative contract position. As of July 2, 2010 and December 31, 2009, there were no contracts held by the Company that required collateral to secure the Company s derivative liability positions.

For the above derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the unrealized gain and loss on the derivative is reported as a component of accumulated other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings, which generally occurs over periods of less than one year. Gain and loss on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

	Three fiscal months ended July 2, 2010			
	Effective Portion recognized in OCI Gain / (Loss)	Reclassified from Accumulated OCI Gain / (Loss)	Ineffective portion and amount excluded from effectiveness testing Gain / (Loss)	Location
Derivatives designated as cash flow hedges:				
Interest rate swap	$ (4.3)	$ (0.1)	$	Interest Expense
Commodity futures	(39.8)	(6.2)	(0.1)	Costs of Sales
Foreign currency exchange	(0.9)	1.4	0.3	Other income /(expense)
Total	$ (45.0)	$ (4.9)	$ 0.2	

	Six fiscal months ended July 2, 2010			
	Effective Portion recognized in OCI Gain / (Loss)	Reclassified from Accumulated OCI Gain / (Loss)	Ineffective portion and amount excluded from effectiveness testing Gain / (Loss)	Location
Derivatives designated as cash flow hedges:				
Interest rate swap	$ (2.6)	$ (0.2)	$ 0.1	Interest Expense
Commodity futures	(16.7)	(13.2)	(0.1)	Costs of Sales
Foreign currency exchange	(6.0)	0.5	(0.5)	Other income /(expense)
Total	$ (25.3)	$ (12.9)	$ (0.5)	

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Notes to Condensed Consolidated Financial Statements (unaudited) (Continued)

	Three fiscal months ended July 3, 2009			
	Effective Portion recognized in OCI Gain / (Loss)	Reclassified from Accumulated OCI Gain / (Loss)	Ineffective portion and amount excluded from effectiveness testing Gain / (Loss)	Location
Derivatives designated as cash flow hedges:				
Interest rate swap	$ 0.1	$ (0.1)	$	Interest Expense
Commodity futures	8.1	(5.5)	0.1	Costs of Sales
Foreign currency exchange	8.8	(3.2)	(0.5)	Other income /(expense)
Total	$ 17.0	$ (8.8)	$ (0.4)	

	Six fiscal months ended July 3, 2009			
	Effective Portion recognized in OCI Gain / (Loss)	Reclassified from Accumulated OCI Gain / (Loss)	Ineffective portion and amount excluded from effectiveness testing Gain / (Loss)	Location
Derivatives designated as cash flow hedges:				
Interest rate swap	$ 2.4	$ (0.2)	$ (0.1)	Interest Expense
Commodity futures	(23.0)	(42.3)		Costs of Sales
Foreign currency exchange	(2.9)	(3.8)	1.1	