

GENERAL CABLE CORP /DE/
Form 10-Q
August 08, 2005

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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 July 1, 2005

Commission File No. 1-12983

GENERAL CABLE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-1398235
(I.R.S. Employer Identification No.)

4 Tesseneer Drive
Highland Heights, KY 41076-9753
(Address of principal executive offices)
(859) 572-8000

(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 Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

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

| Class | Outstanding at August 1, 2005 |
|--------------------------------|-------------------------------|
| Common Stock, \$0.01 par value | 39,616,755 |

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ON FORM 10-Q**

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in millions, except per share data)
(unaudited)

| | Three Fiscal Months | | Six Fiscal Months Ended | |
|--|---------------------|---------------------------|-------------------------|------------------|
| | July 1, 2005 | Ended June 30, 2004 | July 1, 2005 | June 30, 2004 |
| Net sales | \$ 608.6 | \$ 517.5 | \$ 1,162.8 | \$ 996.1 |
| Cost of sales | 537.3 | 462.3 | 1,024.1 | 895.5 |
| Gross profit | 71.3 | 55.2 | 138.7 | 100.6 |
| Selling, general and administrative expenses | 43.3 | 38.1 | 86.5 | 76.8 |
| Operating income | 28.0 | 17.1 | 52.2 | 23.8 |
| Other expense | | (0.4) | (0.1) | (0.9) |
| Interest income (expense): | | | | |
| Interest expense | (10.6) | (9.0) | (20.9) | (18.5) |
| Interest income | 1.5 | | 1.9 | 0.2 |
| | (9.1) | (9.0) | (19.0) | (18.3) |
| Income before income taxes | 18.9 | 7.7 | 33.1 | 4.6 |
| Income tax provision | (7.1) | (2.5) | (12.3) | (1.3) |
| Net income | 11.8 | 5.2 | 20.8 | 3.3 |
| Less: preferred stock dividends | (1.5) | (1.5) | (3.0) | (3.0) |
| Net income applicable to common shareholders | \$ 10.3 | \$ 3.7 | \$ 17.8 | \$ 0.3 |
| Earnings per share | | | | |
| Earnings per common share | \$ 0.26 | \$ 0.09 | \$ 0.45 | \$ 0.01 |
| Weighted average common shares | 39.4 | 39.3 | 39.3 | 39.2 |

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| | | | | |
|--|---------|---------|---------|---------|
| Earnings per common share-assuming dilution | \$ 0.23 | \$ 0.09 | \$ 0.41 | \$ 0.01 |
| Weighted average common shares-assuming dilution | 50.9 | 39.9 | 50.8 | 39.9 |

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)

| | July 1, 2005 (unaudited) | December 31, 2004 |
|--|--------------------------------|-------------------------|
| Assets | | |
| Current Assets: | | |
| Cash | \$ 35.6 | \$ 36.4 |
| Receivables, net of allowances of \$16.4 million at July 1, 2005 and \$16.0 million at December 31, 2004 | 423.3 | 350.9 |
| Inventories | 333.1 | 315.5 |
| Deferred income taxes | 22.9 | 23.0 |
| Prepaid expenses and other | 29.8 | 38.8 |
| | | |
| Total current assets | 844.7 | 764.6 |
| | | |
| Property, plant and equipment, net | 340.7 | 356.0 |
| Deferred income taxes | 63.5 | 65.7 |
| Other non-current assets | 33.3 | 34.5 |
| | | |
| Total assets | \$ 1,282.2 | \$ 1,220.8 |
| | | |
| Liabilities and Shareholders Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 381.5 | \$ 357.4 |
| Accrued liabilities | 120.3 | 108.1 |
| Current portion of long-term debt | 3.6 | 1.1 |
| | | |
| Total current liabilities | 505.4 | 466.6 |
| | | |
| Long-term debt | 400.4 | 373.8 |
| Deferred income taxes | 13.4 | 15.3 |
| Other liabilities | 64.3 | 63.7 |
| | | |
| Total liabilities | 983.5 | 919.4 |
| | | |
| Shareholders Equity: | | |
| Redeemable convertible preferred stock, 2,070,000 shares at redemption value (liquidation preference of \$50.00 per share) | 103.5 | 103.5 |
| Common stock, \$0.01 par value, issued and outstanding shares: | | |

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| | | | |
|--|---|------------|------------|
| July 1, 2005 | 39,626,340 (net of 4,968,755 treasury shares) | | |
| December 31, 2004 | 39,335,754 (net of 4,885,823 treasury shares) | 0.4 | 0.4 |
| Additional paid-in capital | | 147.2 | 144.1 |
| Treasury stock | | (52.2) | (51.0) |
| Retained earnings | | 104.7 | 86.4 |
| Accumulated other comprehensive income | | 1.0 | 22.4 |
| Other shareholders' equity | | (5.9) | (4.4) |
| | | | |
| Total shareholders' equity | | 298.7 | 301.4 |
| | | | |
| Total liabilities and shareholders' equity | | \$ 1,282.2 | \$ 1,220.8 |

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 1, 2005 | June 30, 2004 |
| Cash flows of operating activities: | | |
| Net income | \$ 20.8 | \$ 3.3 |
| Adjustments to reconcile net income to net cash flows of operating activities: | | |
| Depreciation and amortization | 22.2 | 19.8 |
| Foreign currency exchange loss | 0.1 | 0.9 |
| Deferred income taxes | 1.0 | (8.6) |
| (Gain) loss on disposal of property | 0.7 | (0.6) |
| Changes in operating assets and liabilities: | | |
| Increase in receivables | (93.4) | (105.6) |
| Increase in inventories | (25.6) | (4.1) |
| Decrease in other assets | 12.5 | 3.7 |
| Increase in accounts payable, accrued and other liabilities | 62.4 | 80.3 |
| Net cash flows of operating activities | 0.7 | (10.9) |
| Cash flows of investing activities: | | |
| Capital expenditures | (15.7) | (16.8) |
| Proceeds from properties sold | 0.1 | 1.2 |
| Acquisitions, net of cash acquired | (7.4) | |
| Other, net | (0.5) | (1.6) |
| Net cash flows of investing activities | (23.5) | (17.2) |
| Cash flows of financing activities: | | |
| Preferred stock dividends paid | (3.0) | (3.0) |
| Net change in revolving credit borrowings | 26.7 | 33.5 |
| Proceeds (repayment) of other debt | 2.7 | (0.2) |
| Proceeds from exercise of stock options | 0.5 | |
| Net cash flows of financing activities | 26.9 | 30.3 |
| Effect of exchange rate changes on cash | (4.9) | 0.3 |
| Increase (decrease) in cash | (0.8) | 2.5 |
| Cash beginning of period | 36.4 | 25.1 |
| Cash end of period | \$ 35.6 | \$ 27.6 |

Supplemental Information

Cash paid during the period for:

| | | |
|-------------------------------------|--------|--------|
| Income tax payments, net of refunds | \$ 3.0 | \$ 4.5 |
|-------------------------------------|--------|--------|

| | | |
|---------------|---------|---------|
| Interest paid | \$ 20.5 | \$ 17.6 |
|---------------|---------|---------|

Non-cash investing and financing activities:

| | | |
|------------------------------|--------|--------|
| Issuance of restricted stock | \$ 3.6 | \$ 2.9 |
|------------------------------|--------|--------|

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Shareholders' Equity
(dollars in millions, share amounts in thousands)
(unaudited)

| | Preferred Stock | | Common Stock | | Add 1 Paid in Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income/ (Loss) | Other Shareholders' Equity | Total |
|--|-----------------|----------|--------------|--------|-----------------------------|-------------------|----------------------|--|----------------------------------|----------|
| | Shares | Amount | Shares | Amount | | | | | | |
| Balance, December 31, 2003 | 2,070 | \$ 103.5 | 38,909 | \$ 0.4 | \$ 140.8 | \$(50.4) | \$ 54.5 | \$ (5.5) | \$ (3.2) | \$ 240.1 |
| Comprehensive loss: | | | | | | | | | | |
| Net income | | | | | | | 3.3 | | | 3.3 |
| Foreign currency translation adjustment Unrealized investment gain | | | | | | | | (8.4) | | (8.4) |
| Gain on change in fair value of financial instruments, net of \$0.4 tax expense | | | | | | | | 0.1 | | 0.1 |
| Comprehensive loss | | | | | | | | 0.7 | | 0.7 |
| Preferred stock dividend | | | | | | | | | | (4.3) |
| Issuance of restricted stock | | | 341 | | 2.9 | | | | | (3.0) |
| Amortization of restricted stock | | | | | | | | | 0.3 | 0.3 |
| Other | | | 12 | | (0.2) | | | | | (0.2) |
| Balance, June 30, 2004 | 2,070 | \$ 103.5 | 39,262 | \$ 0.4 | \$ 143.5 | \$(50.4) | \$ 54.8 | \$ (13.1) | \$ (5.8) | \$ 232.9 |
| Balance, December 31, 2004 | 2,070 | \$ 103.5 | 39,336 | \$ 0.4 | \$ 144.1 | \$(51.0) | \$ 86.4 | \$ 22.4 | \$ (4.4) | \$ 301.4 |
| Comprehensive income: | | | | | | | | | | |
| Net income | | | | | | | 20.8 | | | 20.8 |
| Foreign currency translation adjustment Unrealized investment gain | | | | | | | | (22.7) | | (22.7) |
| | | | | | | | | 0.2 | | 0.2 |
| | | | | | | | | 1.1 | | 1.1 |

| | | | | | | | | | | |
|---|-------|---------|--------|-------|---------|----------|---------|--------|---------|---------|
| Gain on change in fair value of financial instruments, net of \$0.3 tax expense | | | | | | | | | | |
| Comprehensive loss | | | | | | | | | | (0.6) |
| Preferred stock dividend | | | | | | (3.0) | | | | (3.0) |
| Issuance of restricted stock | 294 | | | 3.6 | | | | | (3.6) | |
| Exercise of stock options | 64 | | | 0.5 | | | | | | 0.5 |
| Repayment of loans from shareholders | (83) | | | (1.2) | (1.2) | | | | 1.6 | (0.8) |
| Amortization of restricted stock | | | | | | | | | 0.5 | 0.5 |
| Other | 16 | | | 0.2 | | 0.5 | | | | 0.7 |
| Balance, July 1, 2005 | 2,070 | \$103.5 | 39,627 | \$0.4 | \$147.2 | \$(52.2) | \$104.7 | \$ 1.0 | \$(5.9) | \$298.7 |

See accompanying Notes to Condensed Consolidated Financial Statements.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

1. General

General Cable Corporation and Subsidiaries (General Cable) is a leading global developer and manufacturer in the wire and cable industry. The Company sells copper, aluminum and fiber optic wire and cable products worldwide. The Company's operations are divided into three main segments: energy, industrial & specialty and communications. As of July 1, 2005, General Cable operated 27 manufacturing facilities in nine countries and two regional distribution centers in North America in addition to the corporate headquarters in Highland Heights, Kentucky.

2. Summary of Accounting Policies

Principles of Consolidation

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 are accounted for under the equity method of accounting. The Company adopted FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities which resulted in the consolidation of its fiber optic joint venture in the first quarter of 2004. In the fourth quarter of 2004, the Company unwound the joint venture and as of December 31, 2004, owned 100% of the business. All transactions and balances among the consolidated companies have been eliminated.

Reclassifications

Certain reclassifications have been made to the prior year to conform to the current year's presentation.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of General Cable Corporation and Subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America 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 fiscal months and six fiscal months ended July 1, 2005, are not necessarily indicative of results that may be expected for the full year. The December 31, 2004, consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures herein required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the audited financial statements and notes thereto in General Cable's 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2005.

The Company's fiscal year end is December 31. Beginning with the third quarter of 2004, the Company's fiscal quarters consist of a 13-week period ending on the Friday nearest to the end of the calendar months of March, June and September. Prior to the third quarter of 2004, the Company's fiscal quarters consisted of a three month period. This change did not have a material effect on the presentation of the Company's results of operations, financial position, or its cash flows.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and information that is available to management about current events and actions the Company may take in the future. Significant items subject to estimates and assumptions include valuation allowances for sales incentives, accounts receivable, inventory and deferred income taxes; legal, environmental, asbestos and customer reel deposit liabilities; assets and obligations related to pension and other post-retirement benefits; and self insured workers compensation and health insurance reserves. There can be no assurance that actual results will not differ from these estimates.

Revenue Recognition

Revenue is recognized when goods are shipped to the customer, title and risk of loss are transferred, pricing is fixed or determinable and collectibility is reasonably assured. Most revenue transactions represent sales of inventory. A provision for payment discounts, product returns and customer rebates is estimated based upon historical experience and other relevant

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factors and is recorded within the same period that the revenue is recognized. Given the nature of the Company's business, revenue recognition practices do not contain estimates that materially affect results of operations.

Earnings Per Share

Earnings per common share is computed based on the weighted average number of common shares outstanding. Earnings per common share-assuming dilution is computed based on the weighted average number of common shares outstanding and the dilutive effect of stock options and restricted stock units outstanding and the assumed conversion of the Company's preferred stock, if applicable. See further discussion in Note 11.

Foreign Currency Translation

For operations outside the United States that prepare financial statements in currencies other than the U.S. dollar, results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at spot exchange rates at the end of the period. Foreign currency translation adjustments are included as a separate component of accumulated other comprehensive income in shareholders' equity. The effects of changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated are recorded as foreign currency transaction gains (losses). See further discussion in Note 4.

Inventories

General Cable values all its North American inventories and all of its non-North American metal inventories using the last-in first-out (LIFO) method and all remaining inventories using the first-in first-out (FIFO) method. Inventories are stated at the lower of cost or market value. The Company determines whether a lower of cost or market provision is required on a quarterly basis by computing whether inventory on hand, on a LIFO basis, can be sold at a profit based upon current selling prices less variable selling costs. No provision was required in the first six fiscal months of 2005 or 2004. In the event that a provision is required in some future period, the Company will determine the amount of the provision by writing down the value of the inventory to the level where its sales, using current selling prices less variable selling costs, will result in a profit.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Costs assigned to property, plant and equipment relating to acquisitions are based on estimated fair values at that date. Depreciation is provided 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 3 to 15 years. Leasehold improvements are depreciated over the life of the lease. The Company's manufacturing facilities perform major maintenance activities during planned shutdown periods which traditionally occur in July and December. The costs related to these activities are accrued for evenly throughout the year. 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. An 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. Impairment charges, including accelerated depreciation related to plant rationalizations (see Note 6), in the three and six fiscal months ended July 1, 2005 were \$3.0 million and were \$0.9 million and \$2.3 million for the three and six fiscal months ended June 30, 2004, respectively.

Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite useful lives are not amortized, but are reviewed at least annually for impairment. The Company recorded intangible assets of \$0.8 million during the first quarter of 2005 for trade names and customer lists related to the acquisition of Draka Comteq's business in North America which are included in other non-current assets in the July 1, 2005 consolidated balance sheet. Accumulated amortization on the customer lists, deemed to have a 10-year estimated useful life, was not significant for the six fiscal months ended July 1, 2005. The

trade names were deemed to have an indefinite useful life and were not amortized. See further discussion on the acquisition in Note 3.

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

Fair Value of Financial Instruments

Financial instruments are defined as cash or contracts relating to the receipt, delivery or exchange of financial instruments. Except as otherwise noted, fair value approximates the carrying value of such instruments.

Forward Pricing Agreements for Purchases of Copper and Aluminum

In the normal course of business, General Cable enters into forward pricing agreements for purchases of copper and aluminum to match certain sales transactions. General Cable expects to recover the cost of copper and aluminum under these agreements as a result of firm sales price commitments with customers.

Concentration of Credit Risk

General Cable sells a broad range of products throughout primarily the United States, Canada, Europe and the Asia Pacific region. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers, including members of buying groups, composing General Cable's customer base. Ongoing credit evaluations of customers' financial condition are performed, and generally, no collateral is required. General Cable maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management's estimates. Certain subsidiaries also maintain credit insurance for certain customer balances.

Deferred Income Tax Valuation Allowance

General Cable records a valuation allowance to reduce deferred tax assets to the amount that it believes is more likely than not to be realized. The valuation of the deferred tax asset is dependent on, among other things, the ability of the Company to generate a sufficient level of future taxable income. In estimating future taxable income, the Company has considered both positive and negative evidence, such as historical and forecasted results of operations, including the losses realized in recent periods, and has considered the implementation of prudent and feasible tax planning strategies. At July 1, 2005, the Company had recorded a net deferred tax asset of \$72.7 million (\$22.6 million current and \$50.1 million long term). Approximately \$20 million of this deferred tax asset must be utilized prior to its expiration in the period 2007-2009. The remainder of the asset may be used for at least 15 years. This finite life has also been considered by the Company in the valuation of the asset. The Company has and will continue to review on a quarterly basis its assumptions and tax planning strategies and, if the amount of the estimated realizable net deferred tax asset is less than the amount currently on the balance sheet, the Company would reduce its deferred tax asset, recognizing a non-cash charge against reported earnings.

Derivative Financial Instruments

Derivative financial instruments are utilized to manage interest rate, commodity and foreign currency risk. General Cable does not hold or issue derivative financial instruments for trading purposes. Statement of Financial Accounting Standards (SFAS) No. 133, Accounting For Derivative Instruments and Hedging Activities, as amended, requires that all derivatives be recorded on the balance sheet at fair value. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and whether it qualifies for hedge accounting. SFAS No. 133, as applied to General Cable's risk management strategies, may increase or decrease reported net income, and stockholders' equity, or both, prospectively depending on changes in interest rates and other variables affecting the fair value of derivative instruments and hedged items, but will have no effect on cash flows or economic risk. See further discussion in Note 8.

Foreign currency and commodity contracts are used to hedge future sales and purchase commitments. Interest rate swaps are used to achieve a targeted mix of floating rate and fixed rate debt. Unrealized gains and losses on these derivative financial instruments are recorded in other comprehensive income until the underlying transaction occurs and is recorded in the income statement at which point such amounts included in other comprehensive income are recognized in income which generally will occur over periods less than one year.

Stock-Based Compensation

SFAS No. 123, Accounting for Stock-Based Compensation, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. General Cable has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations and has adopted only the

disclosure requirements of SFAS No. 123 until the Company adopts SFAS No. 123(R), Share-Based Payment (See New Standards). Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. No compensation cost for stock options is reflected in net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the pro forma effect on net income and

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earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation (in millions, except per share data).

| | Three Fiscal Months Ended | | Six Fiscal Months Ended | |
|---|------------------------------|------------------|----------------------------|------------------|
| | July 1, 2005 | June 30, 2004 | July 1, 2005 | June 30, 2004 |
| Net income as reported | \$ 11.8 | \$ 5.2 | \$ 20.8 | \$ 3.3 |
| Less: preferred stock dividends | (1.5) | (1.5) | (3.0) | (3.0) |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (0.2) | (0.6) | (0.4) | (1.1) |
| Pro forma net income (loss) for basic EPS computation | \$ 10.1 | \$ 3.1 | \$ 17.4 | \$ (0.8) |
| Net income as reported | \$ 11.8 | \$ 5.2 | \$ 20.8 | \$ 3.3 |
| Less: preferred stock dividends | N/A | (1.5) | N/A | (3.0) |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (0.2) | (0.6) | (0.4) | (1.1) |
| Pro forma net income (loss) for diluted EPS computation | \$ 11.6 | \$ 3.1 | \$ 20.4 | \$ (0.8) |
| Earnings per share: | | | | |
| Basic as reported | \$ 0.26 | \$ 0.09 | \$ 0.45 | \$ 0.01 |
| Basic pro forma | \$ 0.26 | \$ 0.08 | \$ 0.44 | \$ (0.02) |
| Diluted as reported | \$ 0.23 | \$ 0.09 | \$ 0.41 | \$ 0.01 |
| Diluted pro forma | \$ 0.23 | \$ 0.08 | \$ 0.40 | \$ (0.02) |

These proforma amounts may not be representative of future disclosures because the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years. In determining the proforma amounts above, the fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

| | July 1, 2005 | June 30, 2004 |
|--|-----------------|---------------------|
| Risk-free interest rate | 3.7% | 4.2% |
| Expected dividend yield | N/A | N/A |
| Expected option life | 5.5 years | 6.5 years |
| Expected stock price volatility | 45.3% | 39.5% |
| Weighted average fair value of options granted | \$ 5.56 | \$ 4.04 |

New Standards

In December 2004, SFAS No. 123(R), *Share-Based Payment* was issued. This statement will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant date fair value of the equity instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. SFAS No. 123(R) replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) was originally effective for fiscal quarters beginning after June 15, 2005; however, on April 14, 2005, the U.S. Securities and Exchange Commission adopted a rule to defer the required effective date of SFAS No. 123(R) for fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact of adopting SFAS No. 123(R) on its consolidated financial position, results of operations and cash flows.

In November 2004, SFAS No. 151, *Inventory Costs*, an amendment of ARB No. 43, Chapter 4 was issued. This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact of adopting SFAS No. 151 on its consolidated financial position, results of operations and cash flows.

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Notes to Condensed Consolidated Financial Statements (Continued)

In December 2004, SFAS No. 153, *Exchanges of Nonmonetary Assets* an amendment of APB Opinion No. 29 was issued. This statement amends APB Opinion No. 29 by eliminating the exception to the fair-value principle for exchanges of similar productive assets, and replaces it with a general exception for nonmonetary asset exchanges that have no commercial substance. The statement also eliminates APB No. 29's concept of the culmination of an earnings process. SFAS No. 153 is effective for nonmonetary transactions occurring in fiscal periods beginning after June 15, 2005. The impact of SFAS No. 153 will depend on the nature and extent of any nonmonetary asset exchanges after the effective date, but management does not currently expect SFAS No. 153 to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In May 2005, SFAS No. 154, *Accounting Changes and Error Correction* a replacement of APB Opinion No. 20 and FASB Statement No. 3 was issued. This statement requires that the direct effect of voluntary changes in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to determine either the cumulative effect of the change or the period-specific effects. The statement also designates retrospective application as the transition method for newly-issued accounting pronouncements in the instance where the pronouncement does not provide specific transition guidance. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The impact of SFAS No. 154 will depend on the nature and extent of any voluntary accounting changes and corrections of errors after the effective date, but management does not currently expect SFAS No. 154 to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In March 2005, FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* was issued. This interpretation requires companies to record a liability for those asset retirement obligations in which the amount or timing of settlement of the obligation are uncertain. FIN 47 is effective in fiscal years ending after December 15, 2005. The Company is currently evaluating the impact of adopting FIN 47 on its consolidated financial position, results of operations and cash flows.

In March 2005, Staff Accounting Bulletin No. 107, *Share-Based Payment* was issued. SAB No. 107 provides guidance regarding the valuation of share-based payment arrangements for public companies, specifically related to transactions with non-employees, the transition from non-public to public entity status, valuation methods, the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, and other issues related to SFAS No. 123(R). SAB No. 107 becomes effective upon the Company's adoption of SFAS No. 123(R). The Company is currently evaluating the impact of adopting SAB No. 107 on its consolidated financial position, results of operations and cash flows.

The American Jobs Creation Act of 2004 provides that U.S. corporations can repatriate earnings of foreign subsidiaries at a reduced tax rate under certain circumstances. In December 2004, the FASB Staff issued FASB Staff Position FAS 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision* within the American Jobs Creation Act of 2004, that allows a company time beyond the financial reporting period of the enactment of the Act to evaluate the Act's effect on its plan for reinvestment or repatriation of foreign earnings. As of December 31, 2004, the undistributed earnings of foreign subsidiaries that are considered to be indefinitely reinvested are approximately \$135 million. The Company is currently in the process of evaluating how much, if any, of these foreign earnings will be repatriated. The Company will determine the sources and amounts, if any, of the foreign earnings repatriation and the related tax expense prior to December 31, 2005.

In July 2005, the FASB issued an exposure draft, *Accounting for Uncertain Tax Positions: an Interpretation of FASB Statement 109*. This proposed Interpretation clarifies accounting for uncertain tax positions in accordance with SFAS No. 109. Specifically, the Interpretation requires recognition of a Company's best estimate of the impact of a tax position only if that position is probable of being sustained by an audit based only on the technical merits of the position. Tax positions failing the probable recognition threshold would result in adjustments in recorded deferred tax assets or liabilities and changes in income tax payables or receivables. This Interpretation, if approved, would become effective for the first fiscal year ending after December 15, 2005. The Company is currently evaluating the impact of

adopting this proposed Interpretation on its consolidated financial position, results of operations and cash flows.

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Notes to Condensed Consolidated Financial Statements (Continued)

3. Acquisitions and Divestitures

On March 14, 2005, the Company acquired certain assets of Draka Comteq's business in North America for a purchase price of \$7.5 million in cash, subject to post-closing adjustments. The Company incurred \$0.1 million of costs and expenses associated with the acquisition. The assets acquired are located in Franklin, Massachusetts and manufacture specialty electronics and datacom products and have been included in the Company's communications segment. The assets acquired included machinery and equipment, inventory, prepaid assets and intangible assets, net of the assumption of trade payables. The purchase price has been allocated based on the estimated fair values of the assets acquired and the liabilities assumed at the date of the acquisition. The results of operations of the acquired business have been included in the consolidated financial statements since the date of acquisition. During the second quarter of 2005, the final purchase price was agreed with Draka resulting in a cash payment of approximately \$0.2 million to the Company. The proforma effects of the acquisition were not material.

4. Other Expense

Other 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. The Company recorded a \$0.1 million loss during the six fiscal months ended July 1, 2005 and a \$0.4 million and a \$0.9 million loss, respectively, during the three and six fiscal months ended June 30, 2004 resulting from foreign currency transaction losses.

5. Inventories

Inventories consisted of the following (in millions):

| | July 1, 2005 | December 31, 2004 |
|-----------------|-----------------|-------------------------|
| Raw materials | \$ 31.2 | \$ 33.2 |
| Work in process | 47.4 | 42.7 |
| Finished goods | 254.5 | 239.6 |
| Total | \$ 333.1 | \$ 315.5 |

At July 1, 2005 and December 31, 2004, \$278.2 million and \$266.8 million, respectively, of inventories were valued using the LIFO method. Approximate replacement costs of inventories valued using the LIFO method totaled \$328.9 million at July 1, 2005 and \$310.1 million at December 31, 2004.

If in some future period, the Company was not able to recover the LIFO value of its inventory at a profit when replacement costs were lower than the LIFO value of the inventory, the Company would be required to take a charge to recognize in its income statement all or a portion of the higher LIFO value of the inventory.

6. Restructuring Charges

Changes in accrued restructuring costs were as follows (in millions):

| | Severance and Related Costs | Fixed Asset Writedowns | Other | Total |
|----------------------------|--------------------------------------|------------------------------|--------|--------|
| Balance, December 31, 2004 | \$ 0.5 | \$ | \$ 1.2 | \$ 1.7 |
| Provisions, net | 0.6 | 3.0 | | 3.6 |
| Utilization | (1.0) | (3.0) | (0.4) | (4.4) |
| Balance, July 1, 2005 | \$ 0.1 | \$ | \$ 0.8 | \$ 0.9 |

On June 15, 2005, the Company announced its intentions to close two plants in its communications cables business located in Bonham, Texas, and Dayville, Connecticut. The Company determined that the efficient utilization of its communications manufacturing assets would be enhanced by closure of the Bonham facility, which employs approximately 170 associates and is comprised of more than 360,000 square feet of space, and relocation of production of the Dayville facility, which employs approximately 30 associates and is comprised of more than 87,000 square feet of space, to the Company's newly acquired

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Notes to Condensed Consolidated Financial Statements (Continued)

plant in Franklin, Massachusetts. The closure and relocation of these facilities is expected to be completed by December 31, 2005.

The total cost of the contemplated closures, which is estimated to be approximately \$28.1 million, includes approximately \$6.1 million for severance costs, \$15.9 million for fixed asset writedowns at the two facilities, and \$6.1 million for other costs related to the closures. Costs for the three and six fiscal months ended July 1, 2005 and for the project to-date related to these closures are \$0.5 million for severance and related costs and \$3.0 million for fixed asset writedowns. The \$3.5 million of the costs to-date associated with this project were recorded in cost of sales in the corporate segment for the three and six fiscal months ended July 1, 2005.

The December 31, 2004 balance represents previously accrued costs related to the Company's discontinued operations and the closure of certain industrial cable manufacturing facilities in prior years. The utilization of these provisions in the first six fiscal months of 2005 was \$0.5 million of severance and related costs and \$0.4 million of other costs.

7. Long-Term Debt

Long-term debt consisted of the following (in millions):

| | July 1, 2005 | December 31, 2004 |
|-------------------------|-----------------|-------------------------|
| Senior notes due 2010 | \$ 285.0 | \$ 285.0 |
| Revolving loans | 105.3 | 78.6 |
| Other | 13.7 | 11.3 |
| Total debt | 404.0 | 374.9 |
| Less current maturities | 3.6 | 1.1 |
| Long-term debt | \$ 400.4 | \$ 373.8 |

Weighted average interest rates on the above outstanding balances were as follows:

| | | |
|-----------------------|------|------|
| Senior notes due 2010 | 9.5% | 9.5% |
| Revolving loans | 5.6% | 4.9% |
| Other | 4.1% | 3.9% |

On November 24, 2003, the Company completed a comprehensive refinancing of its bank debt that improved its capital structure and provided increased financial and operating flexibility by reducing leverage, increasing liquidity and extending debt maturities. The refinancing included the following: (i) the private placement of 7-year senior unsecured notes, (ii) a new senior secured revolving credit facility, (iii) the private placement of redeemable convertible preferred stock and (iv) a public offering of common stock. The Company applied the net proceeds from these refinancing transactions to repay all amounts outstanding under its former senior secured revolving credit facility, senior secured term loans and accounts receivable asset-backed securitization facility and to pay fees and expenses related to the refinancing.

The senior unsecured notes (the "Notes") were issued in the amount of \$285.0 million; bear interest at a fixed rate of 9.5% and mature in 2010. The estimated fair value of the Notes was approximately \$304.9 million at July 1, 2005. The senior secured revolving credit facility, as amended, is a five year \$275.0 million asset based revolving credit agreement (the "Credit Agreement"). The Credit Agreement is secured by substantially all U.S. and Canadian assets. Borrowing availability is based on eligible U.S. and Canadian accounts receivable and inventory and certain U.S. fixed assets. As of July 1, 2005, the Company had outstanding borrowings of \$105.3 million and availability of approximately \$134.2 million under the terms of the Credit Agreement. Availability of borrowings under the fixed

asset component of the facility is reduced quarterly over a seven-year period by \$5.7 million per annum beginning in 2004. This may result in a reduction in the overall availability depending upon the calculation of eligible accounts receivable and inventory. The facility also includes a sub-facility for letters of credit of up to \$50.0 million. The Company had outstanding letters of credit of \$34.4 million at July 1, 2005.

During the fourth quarter of 2004, the Company amended the Amended and Restated Credit Agreement which lowered the borrowing rate by 50 basis points, increased the annual capital spending limit and provided for the ability to swap up to \$100 million of existing fixed rate Notes to a floating interest rate.

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During the second quarter of 2005, the Company amended the Amended and Restated Credit Agreement which increased the borrowing limit on the senior secured revolving credit facility from \$240.0 million to \$275.0 million. Additionally, the amendment increased the maximum amount permitted under the facility for investments in joint ventures from \$10 million to \$25 million.

Borrowings under the Credit Agreement, as amended, bear interest at a rate of LIBOR plus 2.00% to 2.50% and/or prime plus 0.75% to 1.25% depending upon the Company's fixed charge coverage, as defined by the Credit Agreement. The weighted average interest rate on borrowings outstanding under the Credit Agreement during the first half of 2005 was 5.03%. Under the Credit Agreement, the Company pays a commitment fee of 0.50% per annum on the unused portion of the commitment. In connection with the November 2003 refinancing and related subsequent amendments to the Credit Agreement, the Company incurred fees and expenses aggregating \$7.9 million, which are being amortized over the term of the Credit Agreement.

The Credit Agreement, as amended, contains covenants that limit capital spending, the payment of dividends to holders of common stock and require a minimum fixed charge coverage ratio, as defined. At July 1, 2005, the Company was in compliance with all covenants under the Credit Agreement.

8. Financial Instruments

General Cable is exposed to various market risks, including changes in interest rates, foreign currency and commodity prices. To manage risk 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 purchase agreements. General Cable does not purchase or sell derivative instruments for trading purposes.

General Cable has utilized interest rate swaps and interest rate collars to manage its interest expense exposure by fixing its interest rate on a portion of the Company's floating rate debt. Under the swap agreements, General Cable paid a fixed rate while the counterparty paid to General Cable the difference between the fixed rate and the three-month LIBOR rate.

During 2001, the Company entered into several interest rate swaps which effectively fixed interest rates for borrowings under the former credit facility and other debt. At July 1, 2005, the remaining outstanding interest rate swap had a notional value of \$9.0 million, an interest rate of 4.49% and matures in October 2011. The Company does not provide or receive any collateral specifically for this contract. The fair value of interest rate derivatives are based on quoted market prices and third party provided calculations, which reflect the present values of the difference between estimated future variable-rate receipts and future fixed-rate payments. At July 1, 2005 and December 31, 2004, the net unrealized loss on the interest rate derivative and the related carrying value was \$0.6 million and \$0.7 million, respectively.

The Company enters into forward exchange contracts 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. At July 1, 2005 and December 31, 2004, the net unrealized loss on the net foreign currency contracts was \$0.4 million and \$0.6 million, respectively.

Outside of North America, General Cable enters into commodity futures contracts for the purchase of copper and aluminum for delivery in a future month to match certain sales transactions. At July 1, 2005 and December 31, 2004, General Cable had an unrealized gain of \$5.1 million and \$3.5 million, respectively, on the commodity futures. Unrealized gains and losses on the derivative financial instruments discussed above are recorded in other comprehensive income until the underlying transaction occurs and is recorded in the income statement at which point such amounts included in other comprehensive income are recognized in income which generally will occur over periods less than one year. During the three and six fiscal months ended July 1, 2005, a \$0.8 million gain and a \$1.2 million gain, respectively, were reclassified from other comprehensive income to the income statement. During the three and six fiscal months ended June 30, 2004, a \$0.3 million loss and a \$1.2 million loss, respectively, were reclassified from other comprehensive income to the income statement.

In North America, General Cable enters into forward pricing agreements for the purchase of copper and aluminum for delivery in a future month to match certain sales transactions. At July 1, 2005 and December 31, 2004, General Cable had an

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unrealized gain of \$1.1 million and \$7.2 million, respectively, related to these transactions. General Cable expects to offset the unrealized gains under these agreements as a result of firm sale price commitments with customers.

9. Pension Plans and Other Post-retirement Benefits

General Cable provides retirement benefits through contributory and noncontributory pension plans for the majority of its regular full-time employees. Pension expense under the defined contribution plans sponsored by General Cable in the United States equaled four percent of each eligible employee's covered compensation. In addition, General Cable sponsors employee savings plans under which General Cable may match a specified portion of contribution made by eligible employees.

Benefits provided under defined benefit plans sponsored by General Cable are generally based on years of service multiplied by a specific fixed dollar amount. Contributions to these pension plans are based on generally accepted actuarial methods, which may differ from the methods used to determine pension expense. The amounts funded for any plan year are neither less than the minimum required under federal law nor more than the maximum amount deductible for federal income tax purposes.

General Cable also has post-retirement benefit plans that provide medical and life insurance for certain retirees and eligible dependents. General Cable funds the plans as claims or insurance premiums are incurred.

The components of net periodic benefit cost for pension and other post-retirement benefits were as follows (in millions):

| | Three Fiscal Months Ended | | | | Six Fiscal Months Ended | | | |
|--|---------------------------|-------|---------------|--------|-------------------------|--------|---------------|--------|
| | July 1, 2005 | | June 30, 2004 | | July 1, 2005 | | June 30, 2004 | |
| | Pension | Other | Pension | Other | Pension | Other | Pension | Other |
| Service cost | \$ 0.7 | \$ | \$ 0.6 | \$ 0.1 | \$ 1.2 | \$ | \$ 1.1 | \$ 0.1 |
| Interest cost | 2.5 | 0.2 | 2.2 | 0.1 | 4.9 | 0.3 | 4.4 | 0.3 |
| Expected return on plan assets | (2.6) | | (2.2) | | (5.3) | | (4.5) | |
| Amortization of prior service cost | | | | | | | | |
| Net amortization and deferral | 0.9 | | 0.9 | | 1.8 | | 1.8 | |
| Curtailment (gain) loss | 0.7 | (0.2) | | | 0.7 | (0.2) | | |
| Total defined benefit plans expense | 2.2 | | 1.5 | 0.2 | 3.3 | 0.1 | 2.8 | 0.4 |
| Total defined contribution plans expense | 1.5 | | 1.5 | | 3.3 | | 3.0 | |
| Total | \$ 3.7 | \$ | \$ 3.0 | \$ 0.2 | \$ 6.6 | \$ 0.1 | \$ 5.8 | \$ 0.4 |

10. Shareholders' Equity

General Cable is authorized to issue 75 million shares of common stock and 25 million shares of preferred stock.

In the fourth quarter of 2003, the Company completed a comprehensive refinancing of its bank debt. The refinancing included the private placement of 2,070,000 shares of redeemable convertible preferred stock and a public offering of 5,807,500 shares of common stock.

The preferred stock has a liquidation preference of \$50.00 per share. Dividends accrue on the convertible preferred stock at the rate of 5.75% per annum and are payable quarterly in arrears. Dividends are payable in cash, shares of General Cable common stock or a combination thereof. Holders of the convertible preferred stock are entitled to convert any or all of their shares of convertible preferred stock into shares of General Cable common stock, at an initial conversion price of \$10.004 per share. The conversion price is subject to adjustments under certain circumstances. General Cable is obligated to redeem all outstanding shares of convertible preferred stock on November 24, 2013 at par. The Company may, at its option, elect to pay the redemption price in cash or in shares of General Cable common stock with an equivalent fair value, or any combination thereof. The Company has the option to redeem some or all of the outstanding shares of convertible preferred stock in cash beginning on the fifth anniversary of the issue date. The redemption premium will initially equal one-half the dividend rate on the convertible preferred stock and decline ratably to par on the date of mandatory redemption. In the event of a change in control, the Company has the right to either redeem the preferred stock for cash or to convert the preferred stock to common stock.

On May 10, 2005, the General Cable Corporation 2005 Stock Incentive Plan (2005 Plan) was approved and replaced the two previous equity compensation plans, the 1997 Stock Incentive Plan and the 2000 Stock Option Plan. The Compensation Committee of the Board of Directors will no longer grant any awards under the previous plans but will continue to administer

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Notes to Condensed Consolidated Financial Statements (Continued)

awards which were previously granted under the 1997 and 2000 plans. The 2005 Plan authorized a maximum of 1,800,000 shares to be granted.

The 2005 Stock Incentive Plan authorizes the following types of awards to be granted: (i) Stock Options (both Incentive Stock Options and Nonqualified Stock Options); (ii) Stock Appreciation Rights; (iii) Stock Awards; (iv) Performance Awards; and (v) Stock Units, as more fully described in the 2005 Plan. Each award is subject to such terms and conditions consistent with the Plan as determined by the Compensation Committee and as set forth in an award agreement. As of July 1, 2005, only minimal awards had been issued under this Plan.

The 1997 Stock Incentive Plan authorized a maximum of 4,725,000 shares, options or units of Common Stock to be granted. Stock options were granted to employees selected by the Compensation Committee of the Board or the Chief Executive Officer at prices which were not less than the closing market price on the date of grant. The Compensation Committee (or Chief Executive Officer) had authority to set all the terms of each grant. The majority of the options granted under the plan expire in 10 years and become fully exercisable ratably over three years of continued employment or become fully exercisable after three years of continued employment. Restrictions on the majority of shares awarded to employees under the plan expire ratably over a three-year or five-year period, expire after six years from the date of grant or expire ratably from the second anniversary to the sixth anniversary of the date of grant.

Restricted stock units were awarded to employees in November 1998 as part of a Stock Loan Incentive Plan.

The 2000 Stock Option Plan as amended authorized a maximum of 1,500,000 non-incentive options to be granted. No other forms of award were authorized under this plan. Stock options were granted to employees selected by the Compensation Committee of the Board or the Chief Executive Officer at prices which were not less than the closing market price on the date of grant. The Compensation Committee (or Chief Executive Officer) had authority to set all the terms of each grant. The majority of the options granted under the plan expire in 10 years and become fully exercisable ratably over three years of continued employment or become fully exercisable after three years of continued employment.

During the first quarter of 2001, 355,500 shares of restricted common stock with performance accelerated vesting features were awarded to certain senior executives under the Company's 1997 Stock Incentive Plan, as amended. The restricted shares vest six years from the date of grant unless certain performance criteria are met. The performance measure used to determine vesting is the Company's stock price. The stock price targets must be sustained for 20 business days in order to trigger accelerated vesting. During the second quarter of 2001, as a result of the achievement of performance criteria, restrictions on 50% of the stock expired and the Company recognized accelerated amortization of \$1.2 million.

In January 2004, 340,500 shares of restricted common stock with performance accelerated vesting features were awarded to Company executives and key employees under the Company's 1997 Stock Incentive Plan, as amended. The restricted shares vest ratably from the second anniversary of the date of grant to the sixth anniversary unless certain performance criteria are met. The performance measure used to determine accelerated vesting is earnings per share.

In January 2005, 129,241 shares of restricted common stock were awarded to certain senior executives under the Company's 1997 Stock Incentive Plan, as amended. The restricted shares vest ratably over a five year period.

In April 2005, 164,858 shares of restricted common stock were awarded under the Company's 1997 Stock Incentive Plan, as amended. The restricted shares vest ratably over a five year period.

Amortization of all outstanding restricted stock awards in the first six fiscal months of 2005 and 2004 was \$0.5 million and \$0.3 million, respectively.

In November 1998, General Cable entered into a Stock Loan Incentive Plan (SLIP) with executive officers and key employees. Under the SLIP, the Company loaned \$6.0 million to facilitate open market purchases of General Cable common stock. A matching restricted stock unit (MRSU) was issued for each share of stock purchased under the SLIP. The fair value of the MRSUs at the grant date of \$6.0 million, adjusted for subsequent forfeitures, was amortized to expense over the initial five-year vesting period. In June 2003, all executive officers repaid their loans plus interest that were originally made under the SLIP in the amount of \$1.8 million. The Company accepted, as partial payment for the loans, common stock owned by the executive officers and restricted stock units previously

awarded to them under the SLIP. In July 2003, the Company approved an extension of the loan maturity for the remaining participants in the SLIP for an additional three years to November 2006, subject in the extension period to a rate of interest of 5.0%. As part of the loan extension the vesting schedule on the MRSUs

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was also extended so that the MRSUs vest in November 2006. During the third quarter of 2004, certain employees repaid their loans plus interest that were originally made under the SLIP in the amount of \$1.4 million. The Company accepted, as partial payment for the loans, common stock owned by the employees and restricted stock units previously awarded to them under the SLIP. During the second quarter of 2005, the remaining participants in the SLIP repaid their loans plus interest that were originally made under the SLIP in the amount of \$2.2 million. The Company accepted, as partial payment for the loans, common stock owned by the employees and restricted stock units previously awarded to them under the SLIP. Approximately \$0.2 million of the loans were forgiven. There are no MRSUs outstanding as of July 1, 2005.

The components of accumulated other comprehensive income (loss) consisted of the following (in millions):

| | July 1, 2005 | December 31, 2004 |
|---|-----------------|-------------------------|
| Foreign currency translation adjustment | \$ 18.8 | \$ 41.5 |
| Pension adjustments, net of tax | (23.5) | (23.5) |
| Change in fair value of derivatives, net of tax | 3.0 | 1.9 |
| Unrealized investment gains | 2.7 | 2.5 |
| Total | \$ 1.0 | \$ 22.4 |

Other shareholders' equity consisted of the following (in millions):

| | July 1, 2005 | December 31, 2004 |
|-----------------------|-----------------|-------------------------|
| Loans to shareholders | \$ (5.9) | \$ (1.6) |
| Restricted stock | (5.9) | (2.8) |
| Total | \$ (5.9) | \$ (4.4) |

11. Earnings Per Common Share

A reconciliation of the numerator and denominator of earnings per common share to earnings per common share assuming dilution is as follows (in millions):

| | Three Fiscal Months Ended | | Six Fiscal Months Ended | |
|--|------------------------------|------------------|----------------------------|------------------|
| | July 1, 2005 | June 30, 2004 | July 1, 2005 | June 30, 2004 |
| Earnings per common share - basic: | | | | |
| Net income | \$ 11.8 | \$ 5.2 | \$ 20.8 | \$ 3.3 |
| Less: preferred stock dividends | (1.5) | (1.5) | (3.0) | (3.0) |
| Net income for basic EPS computation ⁽¹⁾ | \$ 10.3 | \$ 3.7 | \$ 17.8 | \$ 0.3 |
| Weighted average shares outstanding for basic EPS computation ⁽²⁾ | 39.4 | 39.3 | 39.3 | 39.2 |

| | | | | |
|--|---------|---------|---------|---------|
| Earnings per common share basic | \$ 0.26 | \$ 0.09 | \$ 0.45 | \$ 0.01 |
| Earnings per common share diluted: | | | | |
| Net income | \$ 11.8 | \$ 5.2 | \$ 20.8 | \$ 3.3 |
| Less: preferred stock dividends, if applicable | n/a | (1.5) | n/a | (3.0) |
| Net income for diluted EPS computation ⁽¹⁾ | \$ 11.8 | \$ 3.7 | \$ 20.8 | \$ 0.3 |
| Weighted average shares outstanding | 39.4 | 39.3 | 39.3 | 39.2 |
| Dilutive effect of stock options and restricted stock units | 1.2 | 0.6 | 1.2 | 0.7 |
| Dilutive effect of assumed conversion of preferred stock, if applicable | 10.3 | n/a | 10.3 | n/a |
| Weighted average shares outstanding for diluted EPS computation ⁽²⁾ | 50.9 | 39.9 | 50.8 | 39.9 |
| Earnings per common share diluted | \$ 0.23 | \$ 0.09 | \$ 0.41 | \$ 0.01 |

(1) Numerator

(2) Denominator

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The earnings per common share assuming dilution computation excludes the impact of 1.0 million and 1.5 million, respectively, stock options and restricted stock units in the second quarter and first six fiscal months of 2005 and 2.1 million and 2.7 million, respectively, stock options and restricted stock units in the second quarter and first six fiscal months of 2004 because their impact was anti-dilutive. This computation for the second quarter and first six fiscal months of 2004 also excludes the impact of the assumed conversion of the Company's preferred stock (which was issued in the fourth quarter of 2003) because its impact was anti-dilutive.

12. Segment Information

General Cable has three reportable operating segments: energy, industrial & specialty and communications. These segments are strategic business units organized around three product categories that follow management's internal organization structure.

The energy segment manufactures and sells wire and cable products that include low-, medium- and high-voltage power distribution and power transmission products. The industrial & specialty segment manufactures and sells wire and cable products that conduct electrical current for industrial, OEM, commercial and residential power and control applications. The communications segment manufactures and sells wire and cable products that transmit low-voltage signals for voice, data, video and control applications. Segment net sales represent sales to external customers. Segment operating income (loss) represents income (loss) before interest income, interest expense, other income (expense), other financial costs or income taxes. The operating loss included in corporate for the three and six fiscal months ended July 1, 2005 consisted of a \$3.5 million charge related to the rationalization of certain of the Company's communications cable manufacturing facilities. The operating loss included in corporate for the three fiscal months ended June 30, 2004 consisted of a \$2.2 million charge related to the rationalization of certain of the Company's industrial cable manufacturing facilities and a \$0.6 million net gain related to the closure of the Company's rod mill facility. The operating loss included in corporate for the six fiscal months ended June 30, 2004 consisted of a \$4.9 million charge related to the rationalization of certain of the Company's industrial cable manufacturing facilities and a \$0.6 million net gain related to the closure of the Company's rod mill facility. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies (see Note 2). The Company has recorded the operating items discussed above in the corporate segment rather than reflect such items in the energy, industrial & specialty or communications segments operating income because they are not considered in the operating performance evaluation of the energy, industrial & specialty or communications segments by the Company's chief operating decision-maker, its Chief Executive Officer.

Corporate assets included cash, deferred income taxes, certain property, including property held for sale, prepaid expenses and other current and non-current assets. The property held for sale consists of real property remaining from the Company's divestiture of its building wire business and the closure of certain manufacturing operations in its industrial business in the amount of \$4.3 million at July 1, 2005 and December 31, 2004. These properties are actively being marketed for sale.

Table of Contents**GENERAL CABLE CORPORATION AND SUBSIDIARIES****Notes to Condensed Consolidated Financial Statements (Continued)**

Summarized financial information for the Company's operating segments for the three fiscal months and six fiscal months ended July 1, 2005 and June 30, 2004 is as follows (in millions). Certain reclassifications have been made to the prior year to conform to the current year segment presentation.

| | Three Fiscal Months Ended | | | | |
|--------------------------|---------------------------|------------------------------|----------------|-----------|------------|
| | Energy | Industrial & Specialty | Communications | Corporate | Total |
| Net Sales: | | | | | |
| July 1, 2005 | \$ 212.4 | \$ 220.3 | \$ 175.9 | \$ | \$ 608.6 |
| June 30, 2004 | 184.6 | 191.4 | 141.5 | | 517.5 |
| Operating Income (Loss): | | | | | |
| July 1, 2005 | 15.4 | 7.8 | 8.3 | (3.5) | 28.0 |
| June 30, 2004 | 9.9 | 6.7 | 2.1 | (1.6) | 17.1 |
| | | | | | |
| | Six Fiscal Months Ended | | | | |
| | Energy | Industrial & Specialty | Communications | Corporate | Total |
| Net Sales: | | | | | |
| July 1, 2005 | \$ 408.9 | \$ 437.9 | \$ 316.0 | \$ | \$ 1,162.8 |
| June 30, 2004 | 351.1 | 387.1 | 257.9 | | 996.1 |
| Operating Income (Loss): | | | | | |
| July 1, 2005 | 27.7 | 15.5 | 12.5 | (3.5) | 52.2 |
| June 30, 2004 | 17.4 | 9.5 | 1.2 | (4.3) | 23.8 |
| Identifiable Assets: | | | | | |
| July 1, 2005 | 356.7 | 419.3 | 363.7 | 142.5 | 1,282.2 |
| December 31, 2004 | 342.9 | 401.0 | 333.5 | 143.4 | 1,220.8 |

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

13. Supplemental Guarantor Information

General Cable Corporation and its material North American wholly-owned subsidiaries fully and unconditionally guarantee the \$285.0 million of Senior Notes due 2010 of General Cable Corporation (the Issuer) on a joint and several basis. The following presents financial information about the Issuer, guarantor subsidiaries and non-guarantor subsidiaries in millions. All of the Company's subsidiaries are restricted subsidiaries for purposes of the Senior Notes. Intercompany transactions are eliminated.

Condensed Statements of Operations
Three Fiscal Months Ended July 1, 2005

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|--------|---------------------------|-------------------------------|--------------|----------|
| Net sales: | | | | | |
| Customers | \$ | \$ 408.1 | \$ 200.5 | \$ | \$ 608.6 |
| Intercompany | 117.6 | | 5.4 | (123.0) | |
| | 117.6 | 408.1 | 205.9 | (123.0) | 608.6 |
| Cost of sales | 101.3 | 366.0 | 175.5 | (105.5) | 537.3 |
| Gross profit | 16.3 | 42.1 | 30.4 | (17.5) | 71.3 |
| Selling, general and administrative expenses | 14.1 | 31.5 | 15.2 | (17.5) | 43.3 |
| Operating income | 2.2 | 10.6 | 15.2 | | 28.0 |
| Other income (expense) | | (0.2) | 0.2 | | |
| Interest income (expense): | | | | | |
| Interest expense | (7.3) | (12.1) | (0.3) | 9.1 | (10.6) |
| Interest income | 10.0 | (0.1) | 0.7 | (9.1) | 1.5 |
| | 2.7 | (12.2) | 0.4 | | (9.1) |
| Income (loss) before income taxes | 4.9 | (1.8) | 15.8 | | 18.9 |
| Income tax provision | (1.7) | (0.3) | (5.1) | | (7.1) |
| Net income (loss) | 3.2 | (2.1) | 10.7 | | 11.8 |
| Less: preferred stock dividends | (1.5) | | | | (1.5) |
| Net income (loss) applicable to common shareholders | \$ 1.7 | \$ (2.1) | \$ 10.7 | \$ | \$ 10.3 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Operations
Six Fiscal Months Ended July 1, 2005

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|--------|---------------------------|-------------------------------|--------------|-----------|
| Net sales: | | | | | |
| Customers | \$ | \$ 760.0 | \$ 402.8 | \$ | \$1,162.8 |
| Intercompany | 229.8 | | 10.6 | (240.4) | |
| | 229.8 | 760.0 | 413.4 | (240.4) | 1,162.8 |
| Cost of sales | 199.4 | 682.8 | 349.8 | (207.9) | 1,024.1 |
| Gross profit | 30.4 | 77.2 | 63.6 | (32.5) | 138.7 |
| Selling, general and administrative expenses | 26.6 | 60.1 | 32.3 | (32.5) | 86.5 |
| Operating income | 3.8 | 17.1 | 31.3 | | 52.2 |
| Other income (expense) | | (0.3) | 0.2 | | (0.1) |
| Interest income (expense): | | | | | |
| Interest expense | (14.7) | (23.7) | (1.5) | 19.0 | (20.9) |
| Interest income | 19.5 | (0.1) | 1.5 | (19.0) | 1.9 |
| | 4.8 | (23.8) | | | (19.0) |
| Income (loss) before income taxes | 8.6 | (7.0) | 31.5 | | 33.1 |
| Income tax (provision) benefit | (3.0) | 1.1 | (10.4) | | (12.3) |
| Net income (loss) | 5.6 | (5.9) | 21.1 | | 20.8 |
| Less: preferred stock dividends | (3.0) | | | | (3.0) |
| Net income (loss) applicable to common shareholders | \$ 2.6 | \$ (5.9) | \$ 21.1 | \$ | \$ 17.8 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Operations
Three Fiscal Months Ended June 30, 2004

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|--|--------|---------------------------|-------------------------------|--------------|---------|
| Net sales: | | | | | |
| Customers | \$ | \$ 347.7 | \$ 169.8 | \$ | \$517.5 |
| Intercompany | 103.0 | | 4.7 | (107.7) | |
| | 103.0 | 347.7 | 174.5 | (107.7) | 517.5 |
| Cost of sales | 88.7 | 318.0 | 148.8 | (93.2) | 462.3 |
| Gross profit | 14.3 | 29.7 | 25.7 | (14.5) | 55.2 |
| Selling, general and administrative expenses | 12.6 | 26.8 | 13.2 | (14.5) | 38.1 |
| Operating income | 1.7 | 2.9 | 12.5 | | 17.1 |
| Other expense | (0.4) | | | | (0.4) |
| Interest income (expense): | | | | | |
| Interest expense | (7.5) | (21.6) | (0.8) | 20.9 | (9.0) |
| Interest income | 9.5 | 9.8 | 1.6 | (20.9) | |
| | 2.0 | (11.8) | 0.8 | | (9.0) |
| Income (loss) before income taxes | 3.3 | (8.9) | 13.3 | | 7.7 |
| Income tax (provision) benefit | 0.2 | 1.4 | (4.1) | | (2.5) |
| Net income (loss) | 3.5 | (7.5) | 9.2 | | 5.2 |
| Less: preferred stock dividends | (1.5) | | | | (1.5) |
| Net income (loss) applicable to common shareholders | \$ 2.0 | \$ (7.5) | \$ 9.2 | \$ | \$ 3.7 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Operations
Six Fiscal Months Ended June 30, 2004

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|--------|---------------------------|-------------------------------|--------------|----------|
| Net sales: | | | | | |
| Customers | \$ | \$ 658.4 | \$ 337.7 | \$ | \$ 996.1 |
| Intercompany | 199.0 | | 9.4 | (208.4) | |
| | 199.0 | 658.4 | 347.1 | (208.4) | 996.1 |
| Cost of sales | 172.1 | 608.4 | 296.0 | (181.0) | 895.5 |
| Gross profit | 26.9 | 50.0 | 51.1 | (27.4) | 100.6 |
| Selling, general and administrative expenses | 22.7 | 54.2 | 27.3 | (27.4) | 76.8 |
| Operating income (loss) | 4.2 | (4.2) | 23.8 | | 23.8 |
| Other expense | (0.9) | | | | (0.9) |
| Interest income (expense): | | | | | |
| Interest expense | (15.3) | (42.8) | (3.2) | 42.8 | (18.5) |
| Interest income | 19.3 | 19.4 | 4.3 | (42.8) | 0.2 |
| | 4.0 | (23.4) | 1.1 | | (18.3) |
| Income (loss) before income taxes | 7.3 | (27.6) | 24.9 | | 4.6 |
| Income tax (provision) benefit | (2.3) | 8.6 | (7.6) | | (1.3) |
| Net income (loss) | 5.0 | (19.0) | 17.3 | | 3.3 |
| Less: preferred stock dividends | (3.0) | | | | (3.0) |
| Net income (loss) applicable to common shareholders | \$ 2.0 | \$ (19.0) | \$ 17.3 | \$ | \$ 0.3 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Balance Sheets
July 1, 2005

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|--|----------------|---------------------------|-------------------------------|--------------------|------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash | \$ 0.1 | \$ 10.6 | \$ 24.9 | \$ | \$ 35.6 |
| Receivables, net of allowances | | 225.8 | 197.5 | | 423.3 |
| Inventories | | 227.1 | 106.0 | | 333.1 |
| Deferred income taxes | | 22.2 | 0.7 | | 22.9 |
| Prepaid expenses and other | 1.2 | 22.0 | 6.6 | | 29.8 |
| Total current assets | 1.3 | 507.7 | 335.7 | | 844.7 |
| Property, plant and equipment, net | 0.2 | 204.3 | 136.2 | | 340.7 |
| Deferred income taxes | | 62.1 | 1.4 | | 63.5 |
| Intercompany accounts | 654.4 | 85.6 | 133.4 | (873.4) | |
| Investment in subsidiaries | 33.7 | 188.6 | | (222.3) | |
| Other non-current assets | 9.1 | 24.2 | | | 33.3 |
| Total assets | \$698.7 | \$1,072.5 | \$ 606.7 | \$(1,095.7) | \$1,282.2 |
| Liabilities and Shareholders Equity | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ | \$ 159.0 | \$ 222.5 | \$ | \$ 381.5 |
| Accrued liabilities | 9.0 | 70.9 | 40.4 | | 120.3 |
| Current portion of long-term debt | | 0.1 | 3.5 | | 3.6 |
| Total current liabilities | 9.0 | 230.0 | 266.4 | | 505.4 |
| Long-term debt | 285.0 | 114.4 | 1.0 | | 400.4 |
| Deferred income taxes | | 3.4 | 10.0 | | 13.4 |
| Intercompany accounts | 35.0 | 744.3 | 94.1 | (873.4) | |
| Other liabilities | 32.9 | 28.1 | 3.3 | | 64.3 |
| Total liabilities | 361.9 | 1,120.2 | 374.8 | (873.4) | 983.5 |
| Total shareholders equity (deficit) | 336.8 | (47.7) | 231.9 | (222.3) | 298.7 |
| Total liability and shareholders equity | \$698.7 | \$1,072.5 | \$ 606.7 | \$(1,095.7) | \$1,282.2 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Balance Sheets
December 31, 2004

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|--|----------------|---------------------------|-------------------------------|--------------------|------------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash | \$ 0.1 | \$ 7.3 | \$ 29.0 | \$ | \$ 36.4 |
| Receivables, net of allowances | | 166.5 | 184.4 | | 350.9 |
| Inventories | | 205.6 | 109.9 | | 315.5 |
| Deferred income taxes | | 22.3 | 0.7 | | 23.0 |
| Prepaid expenses and other | 1.2 | 30.4 | 7.2 | | 38.8 |
| Total current assets | 1.3 | 432.1 | 331.2 | | 764.6 |
| Property, plant and equipment, net | 0.2 | 210.1 | 145.7 | | 356.0 |
| Deferred income taxes | | 63.1 | 2.6 | | 65.7 |
| Intercompany accounts | 658.2 | 100.7 | 189.9 | (948.8) | |
| Investment in subsidiaries | 33.7 | 248.1 | | (281.8) | |
| Other non-current assets | 5.9 | 28.5 | 0.1 | | 34.5 |
| Total assets | \$699.3 | \$1,082.6 | \$ 669.5 | \$(1,230.6) | \$1,220.8 |
| Liabilities and Shareholders Equity | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ | \$ 126.7 | \$ 230.7 | \$ | \$ 357.4 |
| Accrued liabilities | 8.9 | 68.4 | 30.8 | | 108.1 |
| Current portion of long-term debt | | | 1.1 | | 1.1 |
| Total current liabilities | 8.9 | 195.1 | 262.6 | | 466.6 |
| Long-term debt | 285.0 | 87.6 | 1.2 | | 373.8 |
| Deferred income taxes | | 3.7 | 11.6 | | 15.3 |
| Intercompany accounts | 37.7 | 806.5 | 104.6 | (948.8) | |
| Other liabilities | 32.9 | 27.7 | 3.1 | | 63.7 |
| Total liabilities | 364.5 | 1,120.6 | 383.1 | (948.8) | 919.4 |
| Total shareholders equity (deficit) | 334.8 | (38.0) | 286.4 | (281.8) | 301.4 |
| Total liability and shareholders equity | \$699.3 | \$1,082.6 | \$ 669.5 | \$(1,230.6) | \$1,220.8 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Cash Flows
Six Fiscal Months Ended July 1, 2005

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|--|--------|---------------------------|-------------------------------|--------------|---------|
| Cash flows of operating activities: | | | | | |
| Net income (loss) | \$ 5.6 | \$ (5.9) | \$ 21.1 | \$ | \$ 20.8 |
| Adjustment to reconcile net income (loss) to net cash flows of operating activities: | | | | | |
| Depreciation and amortization | | 18.5 | 3.7 | | 22.2 |
| Foreign currency exchange loss | | 0.1 | | | 0.1 |
| Deferred income taxes | | 3.5 | (2.5) | | 1.0 |
| Loss on disposal of property | | 0.6 | 0.1 | | 0.7 |
| Changes in operating assets and liabilities: | | | | | |
| Increase in receivables | | (59.4) | (34.0) | | (93.4) |
| Increase in inventories | | (18.2) | (7.4) | | (25.6) |
| (Increase) decrease in other assets | (3.2) | 15.6 | 0.1 | | 12.5 |
| Increase in accounts payable, accrued and other liabilities | 0.1 | 31.3 | 31.0 | | 62.4 |
| Net cash flows of operating activities | 2.5 | (13.9) | 12.1 | | 0.7 |
| Cash flows of investing activities: | | | | | |
| Capital expenditures | | (6.8) | (8.9) | | (15.7) |
| Proceeds from properties sold | | 0.1 | | | 0.1 |
| Acquisitions, net of cash acquired | | (7.4) | | | (7.4) |
| Other, net | | (0.5) | | | (0.5) |
| Net cash flows of investing activities | | (14.6) | (8.9) | | (23.5) |
| Cash flows of financing activities: | | | | | |
| Preferred stock dividends paid | (3.0) | | | | (3.0) |
| Intercompany accounts | | 5.0 | (5.0) | | |
| Net change in revolving credit borrowings | | 26.7 | | | 26.7 |
| Net change in other debt | | 0.1 | 2.6 | | 2.7 |
| Proceeds from exercise of stock options | 0.5 | | | | 0.5 |
| Net cash flows of financing activities | (2.5) | 31.8 | (2.4) | | 26.9 |
| Effect of exchange rate changes on cash | | | (4.9) | | (4.9) |

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| | | | | |
|-----------------------------|--------|---------|---------|---------|
| Increase (decrease) in cash | | 3.3 | (4.1) | (0.8) |
| Cash beginning of period | 0.1 | 7.3 | 29.0 | 36.4 |
| Cash end of period | \$ 0.1 | \$ 10.6 | \$ 24.9 | \$ 35.6 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Cash Flows
Six Fiscal Months Ended June 30, 2004

| | Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|--------|---------------------------|-------------------------------|--------------|---------|
| Cash flows of operating activities: | | | | | |
| Net income (loss) | \$ 5.0 | \$(19.0) | \$ 17.3 | \$ | \$ 3.3 |
| Adjustment to reconcile net income (loss) to net cash flows of operating activities: | | | | | |
| Depreciation and amortization | 0.1 | 17.6 | 2.1 | | 19.8 |
| Foreign currency exchange loss | 0.9 | | | | 0.9 |
| Deferred income taxes | | (9.4) | 0.8 | | (8.6) |
| Gain on disposal of property | | (0.6) | | | (0.6) |
| Changes in operating assets and liabilities: | | | | | |
| Increase in receivables | | (56.5) | (49.1) | | (105.6) |
| (Increase) decrease in inventories | | (6.4) | 2.3 | | (4.1) |
| (Increase) decrease in other assets | 0.1 | 7.0 | (3.4) | | 3.7 |
| Increase in accounts payable, accrued and other liabilities | 0.9 | 25.1 | 54.3 | | 80.3 |
| Net cash flows of operating activities | 7.0 | (42.2) | 24.3 | | (10.9) |
| Cash flows of investing activities: | | | | | |
| Capital expenditures | | (6.5) | (10.3) | | (16.8) |
| Proceeds from properties sold | | 1.2 | | | 1.2 |
| Other, net | (0.2) | (1.2) | (0.2) | | (1.6) |
| Net cash flows of investing activities | (0.2) | (6.5) | (10.5) | | (17.2) |
| Cash flows of financing activities: | | | | | |
| Preferred stock dividends paid | (3.0) | | | | (3.0) |
| Intercompany accounts | (3.8) | 17.2 | (13.4) | | |
| Net change in revolving credit borrowings | | 33.5 | | | 33.5 |
| Net change in other debt | | (0.1) | (0.1) | | (0.2) |
| Net cash flows of financing activities | (6.8) | 50.6 | (13.5) | | 30.3 |
| Effect of exchange rate changes on cash | | | 0.3 | | 0.3 |
| Increase in cash | | 1.9 | 0.6 | | 2.5 |
| Cash beginning of period | | 3.7 | 21.4 | | 25.1 |

| | | | | | | |
|------|---------------|----|--------|---------|----|---------|
| Cash | end of period | \$ | \$ 5.6 | \$ 22.0 | \$ | \$ 27.6 |
|------|---------------|----|--------|---------|----|---------|

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**GENERAL CABLE CORPORATION AND SUBSIDIARIES
ITEM 2**

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand General Cable Corporation. MD&A is provided as a supplement to the Company's Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements (Notes) and should be read in conjunction with these Condensed Consolidated Financial Statements and Notes. This overview provides the Company's perspective on the sections included in MD&A. MD&A includes the following:

General a general description of the Company's business, financial information by geographic regions, raw material price volatility and seasonal trends.

Current Business Environment the Company's perspective on the challenges it faces and its relative competitive advantage.

Acquisitions and Divestitures a brief history of acquisitions and divestitures as they relate to the financial statements presented.

Critical Accounting Policies and Estimates a discussion of the accounting policies that require critical judgments and estimates.

Results of Operations an analysis of the Company's results of operations for the financial statement periods presented.

Liquidity and Capital Resources an analysis of cash flows, sources and uses of cash.

General

General Cable is a leader in the development, design, manufacture, marketing and distribution of copper, aluminum and fiber optic wire and cable products for the energy, industrial & specialty and communications markets. Energy cables include low-, medium- and high-voltage power distribution and power transmission products for overhead and buried applications. Industrial & specialty wire and cable products conduct electrical current for industrial, OEM, commercial and residential power and control applications. Communications wire and cable products transmit low-voltage signals for voice, data, video and control applications.

Certain statements in this report including without limitation, statements regarding future financial results and performance, plans and objectives, capital expenditures and the Company's management's beliefs, expectations or opinions, are forward-looking statements, and as such, General Cable desires to take advantage of the safe harbor which is offered such statements under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those statements as a result of factors, risks and uncertainties over which the Company has no control. Such factors include economic and political consequences resulting from the September 2001 terrorist attack and the hostilities in Iraq; domestic and local country price competition, particularly in certain segments of the power cable market and other competitive pressures; general economic conditions, particularly in construction; changes in customer or distributor purchasing patterns in our business segments; the Company's ability to increase manufacturing capacity and productivity; the financial impact of any future plant closures; the Company's ability to successfully complete and integrate acquisitions and divestitures; the Company's ability to negotiate extensions of labor agreements on acceptable terms; the Company's ability to service debt requirements and maintain adequate domestic and international credit facilities and credit lines; the Company's ability to pay dividends on its preferred stock; the impact of unexpected future judgments or settlements of claims and litigation; the Company's ability to achieve target returns on investments in its defined benefit pension plans; the Company's ability to avoid limitations on utilization of net

operating losses for income tax purposes; the cost of raw materials, including copper; the Company's ability to increase its selling prices during periods of increasing raw material costs; the impact of foreign currency fluctuations; the impact of technological changes; and other factors.

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General Cable analyzes its worldwide operations in two geographic groups: 1) North America and 2) International. The following table sets forth net sales and operating income by geographic group for the periods presented, in millions of dollars:

| | Three Fiscal Months Ended | | | | Six Fiscal Months Ended | | | |
|-------------------------------------|---------------------------|------|---------------|------|-------------------------|------|---------------|------|
| | July 1, 2005 | | June 30, 2004 | | July 1, 2005 | | June 30, 2004 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| North America | \$ 408.1 | 67% | \$ 347.7 | 67% | \$ 760.0 | 65% | \$ 658.4 | 66% |
| International | 200.5 | 33% | 169.8 | 33% | 402.8 | 35% | 337.7 | 34% |
| Total net sales | \$ 608.6 | 100% | \$ 517.5 | 100% | \$ 1,162.8 | 100% | \$ 996.1 | 100% |
| Operating income (loss): | | | | | | | | |
| North America | \$ 16.3 | 52% | \$ 6.2 | 33% | \$ 24.4 | 44% | \$ 4.3 | 15% |
| International | 15.2 | 48% | 12.5 | 67% | 31.3 | 56% | 23.8 | 85% |
| Subtotal | 31.5 | 100% | 18.7 | 100% | 55.7 | 100% | 28.1 | 100% |
| Corporate and other operating items | (3.5) | | (1.6) | | (3.5) | | (4.3) | |
| Total operating income | \$ 28.0 | | \$ 17.1 | | \$ 52.2 | | \$ 23.8 | |

Approximately 90% of net sales in the Company's international operations are derived from energy and industrial & specialty cable sales and the European business specifically is currently benefiting from strong demand for medium-voltage energy cable in Europe and particularly in the Iberian Peninsula and a shift towards environmentally friendly construction cables.

General Cable's reported net sales are directly influenced by the price of copper, and to a lesser extent, aluminum. The price of copper and aluminum has historically been subject to considerable volatility. The daily selling price of copper cathode on the COMEX averaged \$1.53 per pound in the second quarter of 2005 and \$1.23 per pound in the second quarter of 2004 and the daily price of aluminum averaged \$0.87 per pound in the second quarter of 2005 and \$0.83 per pound in the second quarter of 2004. In the first six fiscal months of 2005 and 2004, copper cathode on the COMEX averaged \$1.50 per pound and \$1.23 per pound, respectively. The daily price of aluminum averaged \$0.91 per pound in the first six fiscal months of 2005 and \$0.81 per pound in the first six fiscal months of 2004. General Cable generally passes changes in copper and aluminum prices along to its customers, although there are timing delays of varying lengths depending upon the volatility of metals prices, the type of product, competitive conditions and particular customer arrangements. A significant portion of the Company's energy and communications business and to a lesser extent the Company's industrial business has metal escalators written into customer contracts under a variety of price setting and recovery formulas. The remainder of the Company's business requires that the cost of higher metal prices be recovered through negotiated price increases with customers. In these instances, the ability to increase the Company's selling prices may lag the movement in metal prices by a period of time as the customer price increases are implemented. As a result of this and a number of other practices intended to match copper and aluminum purchases with sales, profitability over time has historically not been significantly affected by changes in copper and aluminum prices. General Cable does not engage in speculative metals trading or other speculative activities. Also, the Company does not engage in activities to hedge the underlying value of its copper and aluminum inventory.

The Company is also experiencing significant inflationary pressure on raw materials other than copper and aluminum used in cable manufacturing, such as insulating compounds, steel and wood reels, and energy costs. The Company has increased selling prices in most of its markets in order to offset the negative effect of increased raw material prices and other costs. However, the Company's ability to ultimately realize these price increases will be influenced by competitive conditions in its markets, including underutilized manufacturing capacity. In addition, a continuing rise in raw material prices, when combined with the normal lag time between an announced customer price increase and its effective date in the market, may result in the Company not fully recovering these increased costs. If the Company were not able to adequately increase selling prices in a period of rising raw material costs, the Company would experience a decrease in reported earnings.

General Cable generally has experienced and expects to continue to experience certain seasonal trends in sales and cash flow. Larger amounts of cash are generally required during the first and second quarters of the year to build inventories in anticipation of higher demand during the spring and summer months, when construction activity increases. In general, receivables related to higher sales activity during the spring and summer months are collected during the fourth quarter of the year.

Current Business Environment

The wire and cable industry is competitive, mature and cost driven. In many business segments, there is little differentiation among industry participants from a manufacturing or technology standpoint. During 2004 and continuing into 2005, the Company's end markets continue to demonstrate signs of recovery from the low points of demand experienced in 2003. There has been significant merger and acquisition activity which, we believe, may lead to a reduction in the deployment of inefficient, high cost capacity in the industry. In the energy segment, the 2003 power outages in the U.S., Canada and Europe emphasized a need to upgrade the power transmission infrastructure used by electric utilities, which may, over time, cause an

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increase in demand for General Cable's energy products. In addition, tax legislation was recently passed in the United States which includes the renewal of tax credits for producing power from wind. This may also cause an increase in demand for the Company's products as the Company is a significant manufacturer of wire and cable used in wind farms. As a result of the recent passage of energy legislation in the United States that is aimed at improving the transmission grid infrastructure and the reliability of power availability, increased demand for the Company's transmission and distribution cables may occur over time. In the industrial & specialty segment, industrial construction spending in North America, which influences industrial cable demand, is significantly below the peak levels experienced over the last ten years. However, the Company has seen strengthening demand over the past several quarters. This segment has also experienced increased demand for cables utilized in industrial repairs and maintenance. Over the last few years, the communications segment has experienced a significant decline from historical spending levels for outside plant telecommunications products and a weak market for switching/local area networking cables. Overall demand for communications wire and cable products from the Company's traditional Regional Bell Operating Company customers has declined over the last several quarters and may continue to decline, however the Company has temporarily benefited from the consolidation of competitors which occurred during 2004 in the communications market and will also benefit from the planned closure of its Bonham, Texas and Dayville, Connecticut facilities mentioned below, which will allow the Company to better utilize its communications manufacturing assets. The Company anticipates, based on recent regulatory announcements, further deployment of fiber optic products into the telephone network. Increased spending by the telephone companies on fiber deployment has negatively impacted their purchases of the Company's copper based telecommunications cable products. However, this impact may be somewhat mitigated in that the Company believes it will benefit from the further investment in fiber broadband networks as some of its customers will most likely need to upgrade a portion of their copper network to support the fiber network.

In addition to the operating trends discussed in the previous paragraph, the Company anticipates that the following trends may negatively affect the earnings of the Company during the second half of the year. The impact of continued rising raw materials costs, including metals and insulating materials, has increased the Company's working capital requirements which has in turn increased the Company's debt level and its interest expense. In addition, due to the anticipated continued rise in interest rates in the United States, the Company's interest expense on its floating rate asset based revolver is expected to increase in the second half of the year. General Cable is also expecting an increase in its full year effective tax rate from the June year-to-date level of 37.2% to approximately 39.0% as the effects of the benefit of settling certain tax exposures in the first six months of the year no longer provides the same proportionate impact on the annual tax rate over a twelve-month period. Also, in the event that General Cable's common stock price remains at its current level or rises, the weighted-average stock price will impact the earnings per share computation by increasing the diluted share count in the second half of the year.

General Cable believes its investment in Lean Six Sigma training, coupled with effectively utilized manufacturing assets, provides a cost advantage compared to many of its competitors and generates cost savings which help offset rising raw material prices and other general economic cost increases. In addition, General Cable's customer and supplier integration capabilities, one-stop selling and geographic and product balance are sources of competitive advantage. As a result, the Company believes it is well positioned, relative to many of its competitors, in the current business environment.

As part of General Cable's ongoing efforts to reduce total operating costs, the Company continuously evaluates its ability to more efficiently utilize existing manufacturing capacity. Such evaluation includes the costs associated with and benefits to be derived from the combination of existing manufacturing assets into fewer plant locations and the possible outsourcing of certain manufacturing processes. During 2004, the Company completed the closure of certain of its manufacturing plants which resulted in a \$7.6 million charge in the fourth quarter of 2003 and a \$7.4 million charge in 2004 (\$4.9 million in the first six fiscal months of 2004). During June 2005, the Company announced its intentions to close certain of its communications cable manufacturing plants which resulted in a \$3.5 million charge in the second fiscal quarter of 2005. Anticipated total charges for these intended closures are expected to be approximately \$28.1 million and are expected to mostly occur in 2005.

Acquisitions and Divestitures

General Cable actively seeks to identify key trends in the industry to migrate its business 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 businesses and intends to refocus or divest those activities which fail to meet targets or do not fit long-term strategies.

On March 14, 2005, the Company acquired certain assets of Draka Comteq's business in North America for a purchase price of \$7.5 million in cash, subject to post-closing adjustments. The Company incurred \$0.1 million of costs and expenses associated with the acquisition. The net assets acquired are located in Franklin, Massachusetts and manufacture specialty electronics and datacom products. The assets acquired included machinery and equipment, inventory, prepaid assets and intangible assets, net of the assumption of trade payables. The purchase price has been allocated based on the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition. The results of operations of the acquired business have been included in the consolidated financial statements since the date of acquisition. During the second quarter

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of 2005, the final purchase price was agreed with Draka resulting in a cash payment of approximately \$0.2 million to the Company.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies is provided in Note 2 to the Condensed Consolidated Financial Statements. The application of these policies requires management to make estimates and judgments that affect the amounts reflected in the financial statements. Management bases its estimates and judgments on historical experience, information that is available to management about current events and actions the Company may take in the future and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The most critical judgments impacting the financial statements include determinations with respect to inventory costing and valuation, pension accounting, the valuation allowance for deferred income taxes and revenue recognition which are discussed below. In addition, significant estimates and judgments are also involved in the valuation allowances for sales incentives and accounts receivable; legal, environmental, asbestos and customer reel deposit liabilities; assets and obligations related to other post-retirement benefits; and self insured workers compensation and health insurance reserves. Management periodically evaluates and updates the estimates used in the application of its accounting policies and adjusts amounts in the financial statements as necessary.

Inventory Costing and Valuation

General Cable utilizes the LIFO method of inventory accounting for its metals inventory. The Company's use of the LIFO method results in its income statement reflecting the current costs of metals, while metals inventories in the balance sheet are valued at historical costs as the LIFO layers were created. As a result of volatile copper prices, the replacement cost of the Company's copper inventory exceeded the historic LIFO cost by approximately \$50 million at July 1, 2005 and by approximately \$38 million at December 31, 2004. If LIFO inventory quantities are reduced in a period when replacement costs exceed the LIFO value of the inventory, the Company would experience an increase in reported earnings. Conversely, if LIFO inventory quantities are reduced in a period when replacement costs are lower than the LIFO value of the inventory, the Company would experience a decline in reported earnings. If the Company was not able to recover the LIFO value of its inventory at a profit in some future period when replacement costs were lower than the LIFO value of the inventory, the Company would be required to take a charge to recognize in its income statement all or a portion of the higher LIFO value of the inventory.

The Company periodically evaluates the realizability of its inventory. In circumstances where inventory levels are in excess of anticipated market demand, where inventory is deemed to be technologically obsolete or not saleable due to condition or where inventory costs exceeds net realizable value, the Company records a charge to cost of sales and reduces the inventory to its net realizable value.

Pension Accounting

Pension expense for the defined benefit pension plans sponsored by General Cable is determined based upon a number of actuarial assumptions, including an expected long-term rate of return on assets of 8.5%. This assumption was based on input from actuaries, including their review of historical 10 year, 20 year, and 25 year rates of inflation and real rates of return on various broad equity and bond indices in conjunction with the diversification of the asset portfolio. The expected long-term rate of return on assets is based on an asset allocation assumption of 65% allocated to equity investments, with an expected real rate of return of 7%, and 35% to fixed-income investments, with an expected real rate of return of 3%, and an assumed long-term rate of inflation of 3%. Because of market fluctuations, the actual asset allocations were 65% of equity investments and 35% of fixed-income investments at July 1, 2005 and December 31, 2004. Management believes that long-term asset allocations on average will approximate the Company's assumptions and that an 8.5% long-term rate of return is a reasonable assumption.

The determination of pension expense for the defined benefit pension plans is based on the fair market value of assets as of the measurement date. Investment gains and losses are recognized in the measurement of assets immediately. Such gains and losses will be amortized and recognized as part of the annual benefit cost to the extent that unrecognized net gains and losses from all sources exceed 10% of the greater of the projected benefit obligation or the market value of assets.

The determination of future pension obligations utilizes a discount rate based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency which are expected to be available during the period to maturity of the projected pension benefit obligations, and input from our actuaries. The discount rate used at December 31, 2004 was 6.0%.

General Cable evaluates its actuarial assumptions at least annually, and adjusts them as necessary. In 2004, pension expense for the Company's defined benefit plans was \$5.5 million. Based on an expected rate of return on plan assets of 8.5%, a discount rate of 6.0% and various other assumptions, the Company estimates its 2005 pension expense for its defined benefit

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plans will decrease approximately \$0.7 million, excluding curtailment costs, from 2004, primarily due to improved investment performance during 2004. A 1% decrease in the assumed discount rate, excluding curtailment costs, would increase pension expense by approximately \$1.7 million. Future pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in the plans. In the event that actual results differ from the actuarial assumptions, the funded status of the defined benefit plans may change and any such change could result in a charge or credit to equity and an increase or decrease in future pension expense and cash contributions.

Deferred Income Tax Valuation Allowance

General Cable records a valuation allowance to reduce deferred tax assets to the amount that it believes is more likely than not to be realized. The valuation of the deferred tax asset is dependent on, among other things, the ability of the Company to generate a sufficient level of future taxable income. In estimating future taxable income, the Company has considered both positive and negative evidence, such as historical and forecasted results of operations, including the losses realized in recent periods, and has considered the implementation of prudent and feasible tax planning strategies. At July 1, 2005, the Company had recorded a net deferred tax asset of \$72.7 million (\$22.6 million current and \$50.1 million long term). Approximately \$20 million of this deferred tax asset must be utilized prior to its expiration in the period 2007-2009. The remainder of the asset may be used for at least 15 years. This finite life has also been considered by the Company in the valuation of the asset. The Company has and will continue to review on a quarterly basis its assumptions and tax planning strategies and, if the amount of the estimated realizable net deferred tax asset is less than the amount currently on the balance sheet, the Company would reduce its deferred tax asset, recognizing a non-cash charge against reported earnings. At July 1, 2005, the Company concluded that, more likely than not, the net deferred tax asset will be realized.

Revenue Recognition

Revenue is recognized when goods are shipped to the customer, title and risk of loss are transferred, pricing is fixed or determinable and collectibility is reasonably assured. Most revenue transactions represent sales of inventory. A provision for payment discounts, product returns and customer rebates is estimated based upon historical experience and other relevant factors and is recorded within the same period that the revenue is recognized. Given the nature of the Company's business, revenue recognition practices do not contain estimates that materially affect results of operations.

New Accounting Standards

In December 2004, SFAS No. 123(R), *Share-Based Payment* was issued. This statement will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant date fair value of the equity instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. SFAS No. 123 (R) replaces SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123 (R) is effective for fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact of adopting SFAS No. 123 (R) on its financial position, results of operations and cash flows.

In November 2004, SFAS No. 151, *Inventory Costs*, an amendment of ARB No. 43, Chapter 4 was issued. This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact of adopting SFAS No. 151 on its consolidated financial position, results of operations and cash flows.

In December 2004, SFAS No. 153, *Exchanges of Nonmonetary Assets* an amendment of APB Opinion No. 29 was issued. This statement amends APB Opinion No. 29 by eliminating the exception to the fair-value principle for exchanges of similar productive assets, and replaces it with a general exception for nonmonetary asset exchanges that have no commercial substance. The statement also eliminates APB No. 29's concept of the culmination of an earnings process. SFAS No. 153 is effective for nonmonetary transactions occurring in fiscal periods beginning after June 15, 2005. The impact of SFAS No. 153 will depend on the nature and extent of any nonmonetary asset exchanges after the effective date, but management does not currently expect SFAS No. 153 to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In May 2005, SFAS No. 154, Accounting Changes and Error Correction a replacement of APB Opinion No. 20 and FASB Statement No. 3 was issued. This statement requires that the direct effect of voluntary changes in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to determine either the cumulative effect of the change or the period-specific effects. The statement also designates retrospective application as the transition method for newly-issued accounting pronouncements in the instance where the pronouncement does not provide specific transition guidance. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The impact of SFAS No. 154 will depend on the nature and extent of any voluntary accounting changes and corrections of errors after the effective date, but management

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does not currently expect SFAS No. 154 to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In March 2005, FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* was issued. This interpretation requires companies to record a liability for those asset retirement obligations in which the amount or timing of settlement of the obligation are uncertain. FIN 47 is effective in fiscal years ending after December 15, 2005. The Company is currently evaluating the impact of adopting FIN 47 on its consolidated financial position, results of operations and cash flows.

In March 2005, Staff Accounting Bulletin No. 107, *Share-Based Payment* was issued. SAB No. 107 provides guidance regarding the valuation of share-based payment arrangements for public companies, specifically as related to transactions with non-employees, the transition from non-public to public entity status, valuation methods, the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, and other issues related to SFAS No. 123(R). SAB No. 107 becomes effective upon the Company's adoption of SFAS No. 123(R). The Company is currently evaluating the impact of adopting SAB No. 107 on its consolidated financial position, results of operations and cash flows.

The American Jobs Creation Act of 2004 provides that U.S. corporations can repatriate earnings of foreign subsidiaries at a reduced tax rate under certain circumstances. In December 2004, the FASB Staff issued FASB Staff Position FAS 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision* within the American Jobs Creation Act of 2004, that allows a company time beyond the financial reporting period of the enactment of the Act to evaluate the Act's effect on its plan for reinvestment or repatriation of foreign earnings. As of December 31, 2004, the undistributed earnings of foreign subsidiaries that are considered to be indefinitely reinvested are approximately \$135 million. The Company is currently in the process of evaluating how much, if any, of these foreign earnings will be repatriated. The Company will determine the sources and amounts, if any, of the foreign earnings repatriation and the related tax expense prior to December 31, 2005.

In July 2005, the FASB issued an exposure draft, *Accounting for Uncertain Tax Positions: an Interpretation of FASB Statement 109*. This proposed Interpretation clarifies accounting for uncertain tax positions in accordance with SFAS No. 109. Specifically, the Interpretation requires recognition of a Company's best estimate of the impact of a tax position only if that position is probable of being sustained by an audit based only on the technical merits of the position. Tax positions failing the probable recognition threshold would result in adjustments in recorded deferred tax assets or liabilities and changes in income tax payables or receivables. This Interpretation, if approved, would become effective for the first fiscal year ending after December 15, 2005. The Company is currently evaluating the impact of adopting this proposed Interpretation on its consolidated financial position, results of operations and cash flows.

Results of Operations

The following table sets forth, for the periods indicated, statement of operations data in millions of dollars and as a percentage of net sales. Percentages may not add due to rounding.

| | Three Fiscal Months Ended | | | | Six Fiscal Months Ended | | | |
|--|---------------------------|--------|---------------|--------|-------------------------|--------|---------------|--------|
| | July 1, 2005 | | June 30, 2004 | | July 1, 2005 | | June 30, 2004 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Net sales | \$ 608.6 | 100.0% | \$ 517.5 | 100.0% | \$ 1,162.8 | 100.0% | \$ 996.1 | 100.0% |
| Cost of sales | 537.3 | 88.3% | 462.3 | 89.3% | 1,024.1 | 88.1% | 895.5 | 89.9% |
| Gross profit | 71.3 | 11.7% | 55.2 | 10.7% | 138.7 | 11.9% | 100.6 | 10.1% |
| Selling, general and administrative expenses | 43.3 | 7.1% | 38.1 | 7.4% | 86.5 | 7.4% | 76.8 | 7.7% |
| Operating income | 28.0 | 4.6% | 17.1 | 3.3% | 52.2 | 4.5% | 23.8 | 2.4% |
| Other expense | | % | (0.4) | (0.1)% | (0.1) | % | (0.9) | (0.1)% |

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| | | | | | | | | |
|---|---------|--------|--------|--------|---------|--------|--------|--------|
| Interest expense, net | (9.1) | (1.5)% | (9.0) | (1.7)% | (19.0) | (1.6)% | (18.3) | (1.8)% |
| Income before income taxes | 18.9 | 3.1% | 7.7 | 1.5% | 33.1 | 2.9% | 4.6 | 0.5% |
| Income tax provision | (7.1) | (1.2)% | (2.5) | (0.5)% | (12.3) | (1.1)% | (1.3) | (0.2)% |
| Net income | 11.8 | 1.9% | 5.2 | 1.0% | 20.8 | 1.8% | 3.3 | 0.3% |
| Less: preferred stock dividends | (1.5) | (0.2)% | (1.5) | (0.3)% | (3.0) | (0.3)% | (3.0) | (0.3)% |
| Net income applicable to common shareholders | \$ 10.3 | 1.7% | \$ 3.7 | 0.7% | \$ 17.8 | 1.5% | \$ 0.3 | % |

Table of Contents**Three Fiscal Months Ended July 1, 2005 Compared with Three Fiscal Months Ended June 30, 2004**

The net income applicable to common shareholders was \$10.3 million in the second quarter of 2005 compared to net income applicable to common shareholders of \$3.7 million in the second quarter of 2004. The net income applicable to common shareholders for the second quarter of 2005 included a \$1.5 million dividend on preferred stock and pre-tax corporate charges of \$3.5 million related to the rationalization of certain of the Company's communications cable manufacturing facilities. The net income applicable to common shareholders for the second quarter of 2004 included a \$1.5 million dividend on preferred stock, pre-tax corporate charges of \$2.2 million related to the rationalization of certain of the Company's industrial cable manufacturing facilities, a pre-tax gain of \$0.6 million related to the closure of its rod mill operation (which includes the impact of selling the equipment used in the operation) and a pre-tax \$0.4 million foreign currency transaction loss.

Net Sales

The following tables set forth metal-adjusted net sales and metal pounds sold by segment, in millions. Net sales for the second quarter of 2004 have been adjusted to reflect the 2005 copper COMEX average price of \$1.53 (a \$0.30 increase compared to the prior period) and the aluminum rod average price of \$0.87 per pound (a \$0.04 increase compared to the prior period).

Metal-adjusted net sales, a non-GAAP financial measure, is provided herein in order to eliminate metal price volatility from the comparison of revenues from one period to another. See previous discussion of metal price volatility on page 29.

| | Metal-Adjusted Net Sales | | | |
|--------------------------------|---------------------------|------|---------------|------|
| | Three Fiscal Months Ended | | | |
| | July 1, 2005 | | June 30, 2004 | |
| | Amount | % | Amount | % |
| Energy | \$ 212.4 | 35% | \$ 194.7 | 35% |
| Industrial & specialty | 220.3 | 36% | 210.3 | 38% |
| Communications | 175.9 | 29% | 153.5 | 27% |
| Total metal-adjusted net sales | 608.6 | 100% | 558.5 | 100% |
| Metal adjustment | | | (41.0) | |
| Total net sales | \$ 608.6 | | \$ 517.5 | |

| | Metal Pounds Sold | | | |
|-------------------------|---------------------------|------|---------------|------|
| | Three Fiscal Months Ended | | | |
| | July 1, 2005 | | June 30, 2004 | |
| | Pounds | % | Pounds | % |
| Energy | 75.2 | 43% | 74.7 | 44% |
| Industrial & specialty | 60.3 | 35% | 58.0 | 34% |
| Communications | 38.4 | 22% | 37.3 | 22% |
| Total metal pounds sold | 173.9 | 100% | 170.0 | 100% |

Net sales increased 18% to \$608.6 million in the second quarter of 2005 from \$517.5 million in the second quarter of 2004. The net sales increase included \$14.3 million due to the favorable impact of foreign currency exchange rate changes. After adjusting 2004 net sales to reflect the \$0.30 increase in the average monthly COMEX price per pound of copper and the \$0.04 increase in the average aluminum rod price per pound in 2005, net sales increased 9% to \$608.6 million, up from \$558.5 million in 2004. The increase in metal-adjusted net sales reflects a 9% increase in the

energy segment, a 5% increase in the industrial & specialty segment and a 15% increase in the communications segment. Metal pounds sold increased 2% compared to the second quarter of 2004. Metal pounds sold is provided herein as the Company believes this metric to be a good measure of sales volume since it is not impacted by metal prices or foreign currency exchange rate changes and the Company believes its product mix to be relatively constant quarter over quarter. The greater percentage increase in reported net sales in comparison to the percentage increase in metal pounds sold is a result of the Company's efforts to increase its selling prices to recover significant raw material cost increases on insulating compounds, steel and wood reels, and higher energy and freight costs. The increase in net sales in this comparison also includes the \$14.3 million foreign currency benefit disclosed above which does not impact the metal pounds sold comparison.

The 9% increase in metal-adjusted net sales for the energy segment reflects a 7% increase in net sales in North America and a 14% increase in net sales in the Company's international operations. The North American net sales improvement reflects increased selling prices to recover significant raw material price increases, a better mix of products sold and a \$3.3 million favorable impact from changes in foreign currency exchange rates. The Company expects to continue to experience inflationary pressure on its raw material costs and will continue to increase selling prices to offset the negative effect of rising raw material costs to the extent that it is able. The Company anticipates demand for transmission and distribution cables will accelerate as a result of the recent passage of energy legislation in the United States that is aimed at improving the transmission grid infrastructure and the reliability of power availability. The Company's international operations benefited

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from increased demand for distribution cables, increased wind farm projects and a \$3.5 million favorable impact from changes in foreign currency exchange rates.

The 5% increase in metal-adjusted net sales in the industrial & specialty segment reflects a 4% increase in the Company's international operations and a 6% increase in North America. The increase in the net sales of the Company's international operations reflects strong demand related to its flexible zero-halogen cables in Europe, an area in which the European operation is a leader and a \$5.7 million favorable impact from changes in foreign currency exchange rates. The increase in the net sales of the Company's North American operation is due to an increase in sales of industrial cables and an increase in selling prices in North America to temporarily recover increased raw material costs.

The 15% increase in the communications segment metal-adjusted net sales reflects an increase in all business units within this segment. Metal-adjusted net sales of telephone exchange cable increased as the Company benefited from the consolidation of competitors in 2004, which temporarily offset the decline in sales to the Company's traditional Regional Bell Operating Company telecommunications customers. Net sales of data communication cables, primarily LAN cables, increased but continues to experience competitive price pressure which constrains the Company's ability to increase selling prices in this business. Additionally, this segment experienced an increase in sales of electronics products resulting from sustained penetration into targeted niche markets that has been increased by the Company's purchase of the assets of Draka Comteq in March of 2005 and an increase in sales of wire harness and assembly products.

Selling, General and Administrative Expense

Selling, general and administrative expense increased to \$43.3 million in the second quarter of 2005 from \$38.1 million in the second quarter of 2004. The increase in SG&A was due in part to changes in foreign currency exchange rates and increased professional fees and internal resources related to Sarbanes-Oxley compliance activities. As a result of these items, reported SG&A was 7.1% of net sales in the second quarter of 2005, up from 6.8% of metal-adjusted net sales in the second quarter of 2004.

Operating Income

The following table sets forth operating income by segment, in millions of dollars.

| | Operating Income | | | |
|--------------------------------------|----------------------------|------|---------------|------|
| | Three Fiscal Months Ended, | | | |
| | July 1, 2005 | | June 30, 2004 | |
| | Amount | % | Amount | % |
| Energy | \$ 15.4 | 49% | \$ 9.9 | 53% |
| Industrial & specialty | 7.8 | 25% | 6.7 | 36% |
| Communications | 8.3 | 26% | 2.1 | 11% |
| Subtotal excluding corporate charges | 31.5 | 100% | 18.7 | 100% |
| Corporate charges | (3.5) | | (1.6) | |
| Total operating income | \$ 28.0 | | \$ 17.1 | |

Operating income of \$28.0 million for the second quarter of 2005 increased from \$17.1 million in the second quarter of 2004. This increase is primarily the result of increased selling prices in all segments to recover rising raw material costs, continued cost savings from the completion of rationalization activities in the industrial and specialty segment, the cost of which was incurred in the prior year and strong performance from the Company's international operations. These increases were partially offset by increased professional fees and internal resources related to Sarbanes-Oxley compliance activities as well as corporate charges in 2005 related to the rationalization of certain communications cables facilities.

Other Expense

Other expense was zero in the second quarter of 2005 as compared to \$0.4 million of expense in the second quarter of 2004. The 2004 expense reflects foreign currency transaction losses which resulted from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated.

Interest Expense

Net interest expense increased to \$9.1 million in the second quarter of 2005 from \$9.0 million in the second quarter of 2004. The increase in interest expense is the result of higher outstanding borrowings and to a lesser extent higher average interest rates as compared to the second quarter of 2004. Net interest expense in the second quarter of 2005 also includes interest income of \$0.5 million related to the repayment of loans to the Company and \$0.3 million related to the interest component of the settlement of tax exposures.

Table of Contents*Tax Provision*

The Company's effective tax rate for the second quarter of 2005 and 2004 was 37.6% and 32.5%, respectively. The effective tax rate for the second quarter of 2004 was lower primarily due to the utilization of net operating loss carryforwards in foreign tax jurisdictions no longer available in 2005.

Preferred Stock Dividends

The Company accrued and paid \$1.5 million in dividends on its preferred stock in the second quarter of 2005 and 2004.

Six Fiscal Months Ended July 1, 2005 Compared with Six Fiscal Months Ended June 30, 2004

The net income applicable to common shareholders was \$17.8 million in the first six fiscal months of 2005 compared to net income applicable to common shareholders of \$0.3 million in the first six fiscal months of 2004. The net income applicable to common shareholders for the first six fiscal months of 2005 included a \$3.0 million dividend on preferred stock, pre-tax corporate charges of \$3.5 million related to the rationalization of certain of the Company's communications cable manufacturing facilities and a pre-tax \$0.1 million foreign currency transaction loss. The net income applicable to common shareholders for the first six fiscal months of 2004 included a \$3.0 million dividend on preferred stock, pre-tax corporate charges of \$4.9 million related to the rationalization of certain of the Company's industrial cable manufacturing facilities, a pre-tax gain of \$0.6 million related to the closure of the Company's rod mill operation and a pre-tax \$0.9 million foreign currency transaction loss.

Net Sales

The following tables set forth metal-adjusted net sales and metal pounds sold by segment, in millions. Net sales for the first half of 2004 have been adjusted to reflect the 2005 copper COMEX average price of \$1.50 (a \$0.27 increase compared to the prior period) and the aluminum rod average price of \$0.91 per pound (a \$0.10 increase compared to the prior period). Metal-adjusted net sales, a non-GAAP financial measure, is provided herein in order to eliminate metal price volatility from the comparison of revenues from one period to another. See previous discussion of metal price volatility on page 29.

| | Metal-Adjusted Net Sales Six Fiscal Months Ended | | | |
|--|---|------|---------------|------|
| | July 1, 2005 | | June 30, 2004 | |
| | Amount | % | Amount | % |
| Energy | \$ 408.9 | 35% | \$ 373.5 | 35% |
| Industrial & specialty Communications | 437.9 | 38% | 422.6 | 39% |
| | 316.0 | 27% | 278.1 | 26% |
| Total metal-adjusted net sales | 1,162.8 | 100% | 1,074.2 | 100% |
| Metal adjustment | | | (78.1) | |
| Total net sales | \$ 1,162.8 | | \$ 996.1 | |

| | Metal Pounds Sold Six Fiscal Months Ended | | | |
|--|--|------|---------------|------|
| | July 1, 2005 | | June 30, 2004 | |
| | Pounds | % | Pounds | % |
| Energy | 145.8 | 44% | 146.3 | 43% |
| Industrial & specialty Communications | 118.0 | 35% | 124.5 | 36% |
| | 70.6 | 21% | 70.6 | 21% |
| Total metal pounds sold | 334.4 | 100% | 341.4 | 100% |

Net sales increased 17% to \$1,162.8 million in the first six fiscal months of 2005 from \$996.1 million in the first six fiscal months of 2004. The net sales increase included \$26.0 million due to the favorable impact of foreign currency exchange rate changes. After adjusting 2004 net sales to reflect the \$0.27 increase in the average monthly COMEX price per pound of copper and the \$0.10 increase in the average aluminum rod price per pound in 2005, net sales increased 8% to \$1,162.8 million, up from \$1,074.2 million in 2004. The increase in metal-adjusted net sales reflects a 9% increase in the energy segment, a 4% increase in the industrial & specialty segment and a 14% increase in the communications segment. Metal pounds sold decreased 2% compared to the first six fiscal months of 2004. Metal pounds sold is provided herein as the Company believes this metric to be a good measure of sales volume since it is not impacted by metal prices or foreign currency exchange rate changes and the Company believes its product mix to be relatively constant quarter over quarter. The increase in reported net sales despite the decrease in metal pounds sold is a result of the Company's efforts to increase its

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selling prices to recover significant raw material cost increases on insulating compounds, steel and wood reels, and higher energy and freight costs. The increase in net sales in this comparison also includes the \$26.0 million foreign currency benefit disclosed above which does not impact the metal pounds sold comparison.

The 9% increase in metal-adjusted net sales for the energy segment reflects a 7% increase in net sales in North America and a 16% increase in net sales in the Company's international operations. The North American net sales improvement reflects increased selling prices to recover significant raw material price increases, a better mix of products sold and a \$5.8 million favorable impact from changes in foreign currency exchange rates. The Company expects to continue to experience inflationary pressure on its raw material costs and will continue to increase selling prices to offset the negative effect of rising raw material costs to the extent that it is able. The Company anticipates demand for transmission and distribution cables will accelerate as a result of the recent passage of energy legislation in the United States that is aimed at improving the transmission grid infrastructure and the reliability of power availability. Additionally, as a result of high fuel prices in the United States, there is renewed interest in energy legislation which may over time increase demand for the Company's products. The Company's international operations benefited from increased demand for distribution cables, increased wind farm projects and a \$6.2 million favorable impact from changes in foreign currency exchange rates.

The 4% increase in metal-adjusted net sales in the industrial & specialty segment reflects a 5% increase in the Company's international operations and a 2% increase in North America. The increase in the net sales of the Company's international operations reflects strong demand related to its flexible zero-halogen cables in Europe, an area in which the European operation is a leader and a \$11.2 million favorable impact from changes in foreign currency exchange rates. The increase in the net sales of the Company's North American operation is due to an increase in sales of industrial cables and an increase in selling prices in North America to recover increased raw material costs.

The 14% increase in the communications segment metal-adjusted net sales reflects an increase in all business units within this segment. Metal-adjusted net sales of telephone exchange cable increased as the Company benefited from the consolidation of competitors in 2004, which temporarily offset the decline in sales to the Company's traditional Regional Bell Operating Company telecommunications customers. Net sales of data communication cables, primarily LAN cables, increased but continues to experience competitive price pressure which constrains the Company's ability to increase selling prices in this business. Additionally, this segment experienced an increase in sales of electronics products resulting from sustained penetration into targeted niche markets that has been increased by the Company's purchase of the assets of Draka Comteq in March of 2005 and an increase in sales of wire harness and assembly products.

Selling, General and Administrative Expense

Selling, general and administrative expense increased to \$86.5 million in the first six fiscal months of 2005 from \$76.8 million in the first six fiscal months of 2004. The increase in SG&A was due in part to changes in foreign currency exchange rates and increased professional fees and internal resources related to Sarbanes-Oxley compliance activities. As a result of these items, reported SG&A was 7.4% of net sales in the first six fiscal months of 2005, up from 7.1% of metal-adjusted net sales in the first six fiscal months of 2004.

Operating Income

The following table sets forth operating income by segment, in millions of dollars.

| | Operating Income | | | |
|--------------------------------------|--------------------------|------|---------------|------|
| | Six Fiscal Months Ended, | | | |
| | July 1, 2005 | | June 30, 2004 | |
| | Amount | % | Amount | % |
| Energy | \$ 27.7 | 50% | \$ 17.4 | 62% |
| Industrial & specialty | 15.5 | 28% | 9.5 | 34% |
| Communications | 12.5 | 22% | 1.2 | 4% |
| Subtotal excluding corporate charges | 55.7 | 100% | 28.1 | 100% |

| | | |
|------------------------|---------|---------|
| Corporate charges | (3.5) | (4.3) |
| Total operating income | \$ 52.2 | \$ 23.8 |

Operating income of \$52.2 million for the first six fiscal months of 2005 increased from \$23.8 million in the first six fiscal months of 2004. This increase is primarily the result of increased selling prices in all segments to recover rising raw material costs, continued cost savings from the completion of rationalization activities in the industrial and specialty segment, the majority of the cost of which was incurred in the prior year, strong performance from the Company's international operations, and to a lesser extent the favorable impact of foreign currency exchange rate changes. These increases were partially offset by increased professional fees and internal resources related to Sarbanes-Oxley compliance activities and \$0.8 million of costs related to a two week strike at one of the Company's industrial cable manufacturing facilities.

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Other expense of \$0.1 million in the first six fiscal months of 2005 and \$0.9 million in the first six fiscal months of 2004 reflects foreign currency transaction losses which resulted from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated.

Interest Expense

Net interest expense increased to \$19.0 million in the first six fiscal months of 2005 from \$18.3 million in the first six fiscal months of 2004. The increase in interest expense is the result of higher outstanding borrowings and to a lesser extent higher average interest rates as compared to the first six fiscal months of 2004. Net interest expense in the six fiscal months ended July 1, 2005 also includes interest income of \$0.5 million related to the repayment of loans to the Company and \$0.1 million related to the interest component of the settlement of tax exposures.

Tax Provision

The Company's effective tax rate for the first six fiscal months of 2005 and 2004 was 37.2% and 28.3%, respectively. The effective tax rate for the first six months of 2004 was lower primarily due to the utilization of net operating loss carryforwards in foreign tax jurisdictions no longer available in 2005.

Preferred Stock Dividends

The Company accrued and paid \$3.0 million in dividends on its preferred stock in the first six fiscal months of 2005 and 2004.

Liquidity and Capital Resources

In general, General Cable requires cash for working capital, capital expenditures, debt repayment, salaries and related benefits, interest, preferred dividends and taxes. General Cable's working capital requirement increases when it experiences strong incremental demand for products and/or significant copper and aluminum price increases. Based upon historical experience and the expected availability of funds under its credit facility, the Company believes its sources of liquidity will be sufficient to enable it to meet the Company's cash requirements for working capital, capital expenditures, debt repayment, salaries and related benefits, interest, preferred dividends and taxes for at least the next twelve months.

General Cable Corporation is a holding company with no operations of its own. All of the Company's operations are conducted, and net sales are generated, by its subsidiaries and investments. Accordingly, the Company's cash flow comes from the cash flows of its operations, in particular, the North American operations upon which it has historically depended the most. However, the Company's ability to use cash flow from its international operations, if necessary, has historically been adversely affected by limitations on the Company's ability to repatriate such earnings tax efficiently. The American Jobs Creation Act of 2004 provides that US corporations can repatriate earnings of foreign subsidiaries at a reduced tax rate under certain circumstances. As of December 31, 2004 the undistributed earnings of foreign subsidiaries that are considered to be indefinitely reinvested are approximately \$135 million. The Company is currently in the process of evaluating how much, if any, of these foreign earnings will be repatriated. The Company expects to determine the sources and amounts, if any, of the foreign earnings repatriation and the related tax expense prior to December 31, 2005.

Cash flow provided by operating activities in the first six fiscal months of 2005 was \$0.7 million. This reflects an increase in accounts payable, accrued and other liabilities of \$62.4 million, a \$12.5 million decrease in other assets and net income before depreciation and amortization, foreign currency exchange loss, deferred income taxes and loss on the disposal of property of \$44.8 million. The increase in accounts payable, accrued and other liabilities is primarily due to an increase in accounts payable which reflects greater manufacturing activity and increased raw material costs. The decrease in other assets is primarily related to the refund of various taxes during the first six fiscal months of 2005. These cash inflows were partially offset by a \$93.4 million increase in accounts receivable and a \$25.6 million increase in inventories. The increase in accounts receivable reflects increased sales experienced in the second quarter of 2005 compared to the fourth quarter of 2004 (the Company's normal seasonal trend) as well as increased selling prices in response to increased raw material costs. Inventory has increased as a result of the Company's normal seasonal trend to build inventory in anticipation of higher sales during the spring and summer months as well as the need to service demand in its end markets. The following table sets forth net cash flows of operating activities by geographic group for the following periods (in millions):

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| | Six Fiscal Months Ended | |
|---------------|-------------------------|------------------|
| | July 1, 2005 | June 30, 2004 |
| North America | \$ (11.4) | \$ (34.7) |
| International | 12.1 | 23.8 |
| Total | \$ 0.7 | \$ (10.9) |

Cash flow used by investing activities was \$23.5 million in the first six fiscal months of 2005, principally reflecting the acquisition of the Draka Comteq business for \$7.4 million and \$15.7 million of capital expenditures. The Company anticipates capital spending to be approximately \$40 million in 2005.

Cash flow provided by financing activities in the first six fiscal months of 2005 was \$26.9 million. This reflects an increase in borrowings under the Company's revolving credit facility of \$26.7 million, which was due in part to the higher working capital requirements discussed above as a result of seasonal demand in the Company's end markets as well as the higher cost of the Company's raw material purchases during the first six fiscal months of 2005.

Additionally, the Company had a \$2.7 million net increase in other debt and received \$0.5 million from the exercise of stock options. These sources of cash were partially offset by the payment of preferred stock dividends of \$3.0 million.

The Company's current senior secured revolving credit facility, as amended, provides for up to \$275.0 million in borrowings, including a \$50.0 million sublimit for the issuance of commercial and standby letters of credit and a \$20.0 million sublimit for swingline loans. Advances under the credit facility are limited to a borrowing base computed using defined advance rates for eligible accounts receivable, inventory, equipment and owned real estate properties. The fixed asset component of the borrowing base is subject to scheduled reductions. At July 1, 2005, the Company had undrawn availability of \$134.2 million under the credit facility.

Indebtedness under the credit facility is guaranteed by the Company's North American subsidiaries and is secured by a first priority security interest in tangible and intangible property and assets of the Company's North American subsidiaries. Loans under the credit facility bear interest at the Company's option, equal to either an alternate base rate or an adjusted LIBOR rate plus an applicable margin percentage. The applicable margin percentage is subject to adjustments based upon the consolidated fixed charge coverage ratio, as defined.

The Company pays fees in connection with the issuance of letters of credit and a commitment fee equal to 50 basis points per annum on any unused commitments under the credit facility. Both fees are payable quarterly.

The credit facility requires that the Company comply with certain financial covenants, including a quarterly minimum fixed charge coverage ratio test and an annual maximum capital expenditures level. In addition, the senior secured revolving credit facility and the indenture governing the senior unsecured notes include negative covenants which restrict certain acts, including the payment of dividends to holders of common stock. However, the Company will be permitted to declare and pay dividends or distributions on the convertible preferred stock so long as there is no default under the senior secured revolving credit facility and the Company meets certain financial conditions.

The Company amended its Credit Agreement, effective October 22, 2004, which reduced the interest rate on borrowings under the credit facility by 50 basis points, increased the annual capital spending limit and provided for the ability to swap up to \$100 million of its existing fixed rate Senior notes to a floating interest rate.

During the second quarter of 2005, the Company amended the Amended and Restated Credit Agreement which increased the borrowing limit on the senior secured revolving credit facility from \$240 million to \$275 million. Additionally, the amendment increased the maximum amount permitted under the facility for investments in joint ventures from \$10 million to \$25 million.

The Company's European operations participate in arrangements with several European financial institutions who provide extended accounts payable terms to the Company on an uncommitted basis. In general, the arrangements provide for accounts payable terms of up to 180 days. At July 1, 2005, the arrangements had a maximum availability limit of the equivalent of approximately \$135 million, of which approximately \$101 million was drawn. Should the availability under these arrangements be reduced or terminated, the Company would be required to negotiate longer

payment terms or repay the outstanding obligations with suppliers under this arrangement over 180 days and seek alternative financing arrangements which could increase the Company's interest expense. The Company also has an approximate \$40 million uncommitted facility in Europe, which allows the Company to sell at a discount, with limited recourse, a portion of its accounts receivable to a financial institution. At July 1, 2005, approximately \$0.1 million of this accounts receivable facility was drawn.

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During the fourth quarter of 2002, as a result of declining returns in the investment portfolio of the Company's defined benefit pension plan, the Company was required to record a minimum pension liability equal to the underfunded status of its plan. At December 31, 2002, the Company recorded an after-tax charge of \$29.2 million to accumulated other comprehensive income in the equity section of its balance sheet. During 2003, the investment portfolio experienced improved performance and as a result, the Company was able to reduce the after tax charge to accumulated other comprehensive income by \$7.3 million. During 2004, the after tax charge to accumulated other comprehensive income was increased by \$0.2 million. In 2005, pension expense is expected to decrease approximately \$0.7 million, excluding curtailment costs, from 2004, principally due to improved investment performance during 2004, and cash contributions are expected to decrease approximately \$2.2 million from 2004.

As part of General Cable's ongoing efforts to reduce total operating costs, the Company continuously evaluates its ability to more efficiently utilize existing manufacturing capacity. Such evaluation includes the costs associated with and benefits to be derived from the combination of existing manufacturing assets into fewer plant locations and the possible outsourcing of certain manufacturing processes. During 2004, the Company completed the closure of certain of its manufacturing plants which had resulted in a \$7.6 million charge in the fourth quarter of 2003 (of which approximately \$1.3 million were cash payments) and a \$4.9 million charge in the first six fiscal months ended June 30, 2004 (of which approximately \$2.4 million were cash payments). During June 2005, the Company announced its intentions to close certain of its communications cable manufacturing plants which resulted in a \$3.5 million charge in the first six fiscal months of 2005. Anticipated total charges for these intended closures are expected to be approximately \$28.1 million (of which \$12.2 million is estimated to be cash) and are expected to mostly occur in 2005.

Summarized information about the Company's contractual obligations and commercial commitments as of July 1, 2005 is as follows (in millions of dollars):

| Contractual obligations: | Total | Payments Due by Period | | | |
|--|-----------------|------------------------|----------------|-----------------|------------------|
| | | Less than 1 Year | 1 - 3 Years | 4 - 5 Years | After 5 Years |
| Long-term debt | \$ 404.0 | \$ 3.6 | \$ 0.6 | \$ 105.7 | \$ 294.1 |
| Interest payments on Senior Notes | 149.0 | 27.1 | 54.2 | 54.2 | 13.5 |
| Preferred Stock dividend payments | 50.8 | 6.0 | 12.0 | 12.0 | 20.8 |
| Operating leases | 38.9 | 6.9 | 10.9 | 7.6 | 13.5 |
| Commodity futures and forward pricing agreements | 127.7 | 127.7 | | | |
| Foreign currency contracts | 31.3 | 31.3 | | | |
| Total | \$ 801.7 | \$ 202.6 | \$ 77.7 | \$ 179.5 | \$ 341.9 |

The Company will be required to make future cash contributions to its defined benefit pension plans. The estimate for these contributions is approximately \$10.8 million during 2005. Estimates of cash contributions to be made after 2006 are difficult to determine due to the number of variable factors which impact the calculation of defined benefit pension plan contributions. General Cable will also be required to make interest payments on its variable rate debt. The interest payments to be made on the Company's revolving loans and other variable debt are based on variable interest rates and the amount of the borrowings under the revolving credit facility depend upon the Company's working capital requirements. The Company's preferred stock dividends are payable in cash or common stock or a combination thereof.

The Company anticipates being able to meet its obligations as they come due based on historical experience and the expected availability of funds under its credit facility.

Off Balance Sheet Assets and Obligations

As part of the BICC plc acquisition, BICC agreed to indemnify General Cable against environmental liabilities existing at the date of the closing of the purchase of the business. In the sale of the businesses to Pirelli, General Cable generally indemnified Pirelli against any environmental liabilities on the same basis as BICC plc indemnified the Company in the earlier acquisition. However, the indemnity the Company received from BICC plc related to the European business sold to Pirelli terminated upon the sale of those businesses to Pirelli. In addition, General Cable has agreed to indemnify Pirelli against any warranty claims relating to the prior operation of the business. General Cable agreed to indemnify Raychem HTS Canada, Inc., a business division of Tyco International, Ltd. for certain environmental liabilities existing at the date of the closing of the sale of the Company's former Pyrotenax business. General Cable has also agreed to indemnify Southwire Company against certain liabilities arising out of the operation of the business sold to Southwire prior to its sale.

Table of Contents**Item 3. Quantitative and Qualitative disclosures about Market Risk**

General Cable is exposed to various market risks, including changes in interest rates, foreign currency and commodity prices. To manage risk 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 purchase agreements. General Cable does not purchase or sell derivative instruments for trading purposes. General Cable does not engage in trading activities involving commodity contracts for which a lack of marketplace quotations would necessitate the use of fair value estimation techniques.

The notional amounts and fair values of these financial instruments at July 1, 2005 and December 31, 2004 are shown below (in millions). The carrying amount of the financial instruments was a net asset of \$4.1 million at July 1, 2005 and \$2.2 million at December 31, 2004.

| | July 1, 2005 | | December 31, 2004 | |
|-----------------------------------|-----------------|------------|-------------------|------------|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Interest rate swap | \$ 9.0 | \$(0.6) | \$ 9.0 | \$(0.7) |
| Foreign currency forward exchange | 31.3 | (0.4) | 33.6 | (0.6) |
| Commodity futures | 45.5 | 5.1 | 48.8 | 3.5 |
| | | \$ 4.1 | | \$ 2.2 |

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. The Company periodically reviews the design and effectiveness of its disclosure controls and internal control over financial reporting. The Company makes modifications to improve the design and effectiveness of its disclosure controls and internal control structure, and may take other corrective action, if its reviews identify a need for such modifications or actions.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

In connection with the preparation of the Company's 2004 Annual Report on Form 10-K, as of December 31, 2004, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act). The Company concluded that control deficiencies in its internal control over financial reporting as of December 31, 2004 constituted material weaknesses within the meaning of the Public Company Accounting Oversight Board's Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*. The material weaknesses identified by the Company were disclosed in its amended 2004 Annual Report on Form

10-K which was filed with the SEC on April 29, 2005. Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2004.

Changes in Internal Control Over Financial Reporting

Management, with oversight from the Audit Committee, has been aggressively addressing the material weaknesses disclosed in its amended Form 10-K and is committed to effectively remediating known weaknesses as expeditiously as possible. To address the identified material weaknesses, the Company has begun implementing remediation plans, including the following:

The Company has added personnel with technical accounting expertise;

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The Company has initiated and performed a substantial amount of work on formalizing, implementing and enforcing new and updated policies and procedures in several material areas of accounting;

The Company has proposed and is implementing increased levels of review of complex and judgmental accounting issues with a greater focus on evidentiary support for controls processes;

The Company has realigned job responsibilities and restricted information system access, as well as adding other mitigating controls such as exception reports, to eliminate segregation of duties issues;

The Company has implemented enhanced shipment reporting and accounting procedures to ensure proper accounting cut-off;

The Company has formalized and enhanced its monitoring of where title passes in all purchase transactions;

The Company has implemented additional controls over accruing for non-purchase order based transactions;

The Company has improved the interim and annual review and reconciliation process for certain key account balances;

The Company has refined procedures over accounting for fixed assets;

And the Company has implemented additional controls over the accounting for finished goods on consignment at customer locations.

Management has concluded that there have been changes made in the Company's internal controls over financial reporting in connection with its second quarter evaluation that would materially affect, or are reasonably likely to materially affect, its internal control over financial reporting. Management further believes that the changes described above will serve to strengthen the Company's internal control over financial reporting. However, control weaknesses will not be considered remediated until new internal controls over financial reporting are implemented and operational for a period of time and are tested, and management and its independent registered public accounting firm conclude that these controls are operating effectively.

PART II. Other Information

Item 4. Results of Votes of Security Holders

General Cable's Annual Meeting of Shareholders was held on May 10, 2005. Proxies were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934 and each of the following matters was voted upon and approved by the shareholders as indicated below. Of the 39,408,419 shares outstanding 1,472,233 were not voted.

a) Election of Directors:

| | For | Against |
|-------------------|------------|-----------|
| Gregory B. Kenny | 36,944,835 | 991,351 |
| Robert L. Smialek | 36,850,652 | 1,085,534 |

The following Directors are continuing in office after the date of the Annual Meeting: Craig P. Omtvedt, John E. Welsh, III, and Gregory E. Lawton.

b) Ratification of appointment of Deloitte & Touche LLP to audit the 2005 consolidated financial statements of General Cable. Votes for 37,846,660; votes against 85,643; and abstentions 3,882.

c) Ratification of the 2005 Stock Incentive Plan (see Note 10 to the condensed consolidated financial statements). Votes for 30,125,539; votes against 2,638,938; and abstentions 9,432.

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Item 6. Exhibits

a) Exhibits

10.70 First Amendment dated June 13, 2005 to the Amended and Restated Credit Agreement between the Company, Merrill Lynch Capital as Collateral and Syndication Agent, UBS AG as Administrative Agent and the lenders signatory thereto.

12.1 Computation of Ratio of Earnings to Fixed Charges

31.1 Certification of Chief Executive Officer pursuant to Rule 13a 14(a) or 15d 14(a)

31.2 Certification of Chief Financial Officer pursuant to Rule 13a 14(a) or 15d 14(a)

32.1 Certification pursuant to 18 U.S.C. Section 1350

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Signature

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

General Cable Corporation

Signed: August 8, 2005

By: /s/ CHRISTOPHER F. VIRGULAK
Christopher F. Virgulak
Executive Vice President, Chief
Financial Officer and Treasurer (Chief
Accounting Officer)

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