GENERAL CABLE CORP /DE/
Form 10-Q
November 07, 2005

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended September 30, 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 þ No o
Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes þ No o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the most practicable date:

Class	Outstanding at November 1, 2005
Common Stock, $0.01 par value	39,717,788

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

Table of Contents

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

	Three Fiscal Months Ended		Nine Fiscal Months Ended	
	SEP. 30, 2005	OCT. 1, 2004	SEP. 30, 2005	OCT. 1, 2004
Net sales	$ 600.5	$ 489.3	$ 1,763.3	$ 1,485.4
Cost of sales	540.6	430.5	1,564.7	1,326.0
Gross profit	59.9	58.8	198.6	159.4
Selling, general and administrative expenses	42.6	39.1	129.1	115.9
Operating income	17.3	19.7	69.5	43.5
Other income (expense)	0.1			(0.9)
Interest income (expense):				
Interest expense	(10.4)	(9.1)	(31.3)	(27.6)
Interest income	0.5	0.1	2.4	0.3
	(9.9)	(9.0)	(28.9)	(27.3)
Income before income taxes	7.5	10.7	40.6	15.3
Income tax provision	(3.3)	(3.3)	(15.6)	(4.6)
Net income	4.2	7.4	25.0	10.7
Less: preferred stock dividends	(1.5)	(1.5)	(4.5)	(4.5)
Net income applicable to common shareholders	$ 2.7	$ 5.9	$ 20.5	$ 6.2
Earnings per share				
Earnings per common share	$ 0.07	$ 0.15	$ 0.52	$ 0.16
Weighted average common shares	39.6	39.3	39.5	39.2

Earnings per common share-assuming dilution	$ 0.07	$ 0.15	$ 0.49	$ 0.16
Weighted average common shares-assuming dilution	40.9	40.0	50.9	39.9

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	SEP. 30, 2005 (unaudited)	DEC. 31, 2004
Assets		
Current Assets:		
Cash	$ 51.3	$ 36.4
Receivables, net of allowances of $16.6 million at September 30, 2005 and $16.0 million at December 31, 2004	419.0	350.9
Inventories	317.4	315.5
Deferred income taxes	22.8	23.0
Prepaid expenses and other	31.5	38.8
Total current assets	842.0	764.6
Property, plant and equipment, net	328.1	356.0
Deferred income taxes	63.9	65.7
Other non-current assets	32.9	34.5
Total assets	$ 1,266.9	$ 1,220.8
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	$ 398.1	$ 357.4
Accrued liabilities	141.5	108.1
Current portion of long-term debt	1.9	1.1
Total current liabilities	541.5	466.6
Long-term debt	350.4	373.8
Deferred income taxes	12.2	15.3
Other liabilities	57.7	63.7
Total liabilities	961.8	919.4
Shareholders Equity:		
Redeemable convertible preferred stock, at redemption value (liquidation preference of $50.00 per share): September 30, 2005 2,069,907 shares December 31, 2004 2,070,000 shares	103.5	103.5

Common stock, $0.01 par value, issued and outstanding shares:		
September 30, 2005 39,740,591 (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	148.5	144.1
Treasury stock	(52.2)	(51.0)
Retained earnings	107.4	86.4
Accumulated other comprehensive income	3.1	22.4
Other shareholders equity	(5.6)	(4.4)
Total shareholders equity	305.1	301.4
Total liabilities and shareholders equity	$ 1,266.9	$ 1,220.8

See accompanying Notes to Condensed Consolidated Financial Statements.

4

Table of Contents

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

	Nine Fiscal Months Ended SEP. 30, 2005	Nine Fiscal Months Ended OCT. 1, 2004
Cash flows of operating activities:		
Net income	$ 25.0	$ 10.7
Adjustments to reconcile net income to net cash flows of operating activities:		
Depreciation and amortization	43.6	27.3
Foreign currency exchange loss		0.9
Deferred income taxes	(2.2)	(9.7)
(Gain) loss on disposal of property	0.9	(0.6)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Increase in receivables	(89.2)	(94.1)
Increase in inventories	(9.8)	(12.6)
(Increase) decrease in other assets	13.1	(0.9)
Increase in accounts payable, accrued and other liabilities	93.5	99.7
Net cash flows of operating activities	74.9	20.7
Cash flows of investing activities:		
Capital expenditures	(25.7)	(24.1)
Proceeds from properties sold	1.9	2.4
Acquisitions, net of cash acquired	(7.4)	
Other, net	2.0	(2.5)
Net cash flows of investing activities	(29.2)	(24.2)
Cash flows of financing activities:		
Preferred stock dividends paid	(4.5)	(4.5)
Repayment of loans from shareholders		0.4
Net change in revolving credit borrowings	(23.2)	13.8
Proceeds (repayment) of other debt	0.9	(1.9)
Proceeds from exercise of stock options	1.6	0.2
Net cash flows of financing activities	(25.2)	8.0
Effect of exchange rate changes on cash	(5.6)	2.1
Increase in cash	14.9	6.6
Cash beginning of period	36.4	25.1
Cash end of period	$ 51.3	$ 31.7

Supplemental Information		
Cash paid during the period for:		
Income tax payments, net of refunds	$ 3.8	$ 5.1
Interest paid	$ 21.7	$ 20.9
Non-cash investing and financing activities:		
Issuance of restricted stock	$ 3.6	$ 2.9

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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 l Paid in	Treasury	Retained	Accumulated Other Comprehensive Income/	Other Shareholders	
	Shares	Amount	Shares	Amount	Capital	Stock	Earnings	(Loss)	Equity	Total
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 income:										
Net income							10.7			10.7
Foreign currency translation adjustment								(1.0)		(1.0)
Unrealized investment gain								0.5		0.5
Gain on change in fair value of financial instruments, net of $1.7 tax expense								3.5		3.5
Comprehensive income										13.7
Preferred stock dividend							(4.5)			(4.5)
Issuance of restricted stock			341		2.9				(2.9)	
Exercise of stock options			31		0.2					0.2
Repayment of loans from shareholders			(58)		(0.6)	(0.6)			1.1	(0.1)
Amortization of restricted stock									0.4	0.4
Other			23							
Balance, October 1, 2004	2,070	$ 103.5	39,246	$ 0.4	$ 143.3	$ (51.0)	$ 60.7	$ (2.5)	$ (4.6)	$ 249.8

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							25.0			25.0
Foreign currency translation adjustment								(22.5)		(22.5)
Unrealized investment gain								0.6		0.6
Gain on change in fair value of financial instruments, net of $1.7 tax expense								2.6		2.6
Comprehensive income										5.7
Preferred stock dividend							(4.5)			(4.5)
Issuance of restricted stock			294		3.6				(3.6)	
Exercise of stock options			169		1.6					1.6
Repayment of loans from shareholders			(83)		(1.2)	(1.2)			1.6	(0.8)
Amortization of restricted stock									0.9	0.9
Other			25		0.4		0.5		(0.1)	0.8
Balance, September 30, 2005	2,070	$ 103.5	39,741	$ 0.4	$ 148.5	$ (52.2)	$ 107.4	$ 3.1	$ (5.6)	$ 305.1

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

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 September 30, 2005, General Cable operated 25 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 intercompany transactions and balances among the consolidated companies have been eliminated.

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 nine fiscal months ended September 30, 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 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.

Table of Contents

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

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 nine 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 unless acquired in a business combination, in which case the leasehold improvements are amortized over the shorter of the useful life of the assets or a term that includes the reasonably assured 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.

Capital leases included within property, plant and equipment on the balance sheet were \$0.5 million at September 30, 2005 and were not significant at December 31, 2004. Accumulated depreciation on capital leases was \$0.4 million at September 30, 2005 and was not significant at December 31, 2004.

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 nine fiscal months ended September 30, 2005 were \$11.7 million and \$14.7 million, respectively, and were \$0.6 million and \$3.2 million for the three and nine fiscal months ended October 1, 2004, respectively. These charges were included in depreciation and amortization in the Condensed Consolidated Statements of Cash Flows.

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 $0.4 million in trade names and $0.4 million in customer lists related to the acquisition of Draka Comteq s business in North America which are included in other non-current assets in the September 30, 2005 consolidated balance sheet. Accumulated amortization on the customer lists, deemed to have a 10-year estimated useful life using the straight-line method, and assuming no residual value, was not

Table of Contents

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

significant for the nine fiscal months ended September 30, 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.

The estimated amortization expense on intangible assets for the next five years beginning January 1, 2005 and ending December 31, 2009 is not significant during any one-year period. The total estimated amortization expense for the five-year period is $0.2 million.

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 September 30, 2005, the Company had recorded a net deferred tax asset of $74.2 million ($22.5 million current and $51.7 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

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

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 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		Nine Fiscal Months Ended	
	SEP. 30, 2005	OCT. 1, 2004	SEP. 30, 2005	OCT. 1, 2004
Net income as reported	$ 4.2	$ 7.4	$ 25.0	$ 10.7
Less: preferred stock dividends	(1.5)	(1.5)	(4.5)	(4.5)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.2)	(0.5)	(0.6)	(1.6)
Pro forma net income for basic EPS computation	$ 2.5	$ 5.4	$ 19.9	$ 4.6
Net income as reported	$ 4.2	$ 7.4	$ 25.0	$ 10.7
Less: preferred stock dividends	(1.5)	(1.5)	N/A	(4.5)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.2)	(0.5)	(0.6)	(1.6)
Pro forma net income for diluted EPS computation	$ 2.5	$ 5.4	$ 24.4	$ 4.6
Earnings per share:				
Basic as reported	$ 0.07	$ 0.15	$ 0.52	$ 0.16
Basic pro forma	$ 0.06	$ 0.14	$ 0.50	$ 0.12
Diluted as reported	$ 0.07	$ 0.15	$ 0.49	$ 0.16
Diluted pro forma	$ 0.06	$ 0.14	$ 0.48	$ 0.12

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:

	SEP. 30, 2005	OCT. 1, 2004
Risk-free interest rate	3.7%	3.8%

Expected dividend yield	N/A	N/A
Expected option life	5.5 years	6.5 years
Expected stock price volatility	45.3%	40.4%
Weighted average fair value of options granted	$ 5.56	$ 4.09

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.

Table of Contents

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

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, had no material impact in the third quarter of 2005, and management does not currently expect SFAS No. 153 to have a material impact on the Company s future 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 June 2005, FASB Staff Position No. FAS 143-1, Accounting for Electronic Equipment Waste Obligations was issued. The guidance in this FSP relates to accounting for obligations associated with the European Union s Directive

2002/96/EC on Waste Electrical and Electronic Equipment. The Directive requires EU-member countries to adopt legislation to regulate the collection, treatment, recovery, and disposal of electrical and electronic waste equipment. Under this Directive, a commercial user should apply FASB No. 143, Accounting for Asset Retirement Obligations, for all old waste (prior to August 13, 2005) that falls under the Directive by setting up an asset retirement obligation liability for the costs associated with the waste. FSP FAS 143-1 became effective for historical waste covered by the Directive as of the first reporting period ending after June 8,

Table of Contents

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

2005. The adoption of FSP FAS 143-1 did not have a material impact on the Company s consolidated financial position, results of operations and cash flows.

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, as originally drafted, would become effective for the first fiscal year ending after December 15, 2005. However, the FASB currently does not expect to issue a final Interpretation until the first quarter of 2006, so the effective date will be modified. The Company is currently evaluating the impact of adopting this proposed Interpretation on its consolidated financial position, results of operations and cash flows.

In September 2005, the FASB issued an exposure draft, Earnings per Share an amendment of FASB Statement No. 128. This proposed statement seeks to clarify guidance for mandatorily convertible instruments, the treasury stock method, contracts that may be settled in cash or shares, and contingently issuable shares. The proposed statement would amend the computational guidance for calculating the number of incremental shares included in diluted shares when applying the treasury stock method, would further amend the treasury stock method to treat as assumed proceeds the carrying amount of an extinguished liability upon issuance of shares, would eliminate the provision of Statement 128 that allows an entity not to assume share settlement in contracts that may be settled in either cash or shares, would define a mandatorily convertible instrument and its effects on basic EPS, and would eliminate the weighted-average computation for calculating contingently issuable shares. This statement, if approved, would become effective for interim and annual periods ending after June 15, 2006. The Company is currently evaluating the impact of adopting this proposed statement on its consolidated financial position, results of operations and cash flows.

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 Income (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 gain during the three fiscal months ended September 30, 2005 and an insignificant amount during the nine fiscal months ended September 30, 2005 resulting from foreign currency transaction gains. The Company recorded an insignificant amount during the three fiscal months ended October 1, 2004 and a $0.9 million loss during the nine fiscal months ended October 1, 2004 resulting from foreign currency transaction losses.

Table of Contents

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

5. Inventories

Inventories consisted of the following (in millions):

	SEP. 30, 2005	DEC. 31, 2004
Raw materials	$ 34.1	$ 33.2
Work in process	49.0	42.7
Finished goods	234.3	239.6
Total	$ 317.4	$ 315.5

At September 30, 2005 and December 31, 2004, $254.9 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 $322.5 million at September 30, 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. During the three fiscal months ended September 30, 2005, the Company reduced its copper inventory quantities in North America, which is not expected to be replaced by year end, resulting in a $2.4 million LIFO gain since LIFO inventory quantities were reduced in a period when replacement costs were higher than the 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	3.6	14.7	0.8	19.1
Utilization	(1.5)	(14.7)	(1.4)	(17.6)
Balance, September 30, 2005	$ 2.6	$	$ 0.6	$ 3.2

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 employed approximately 170 associates at the announcement date and was comprised of more than 360,000 square feet of space, and relocation of production of the Dayville facility, which employed approximately 30 associates at the announcement date and was comprised of more than 87,000 square feet of space, to the Company s newly acquired plant in Franklin, Massachusetts. The closure and relocation of these facilities is expected to be completed by December 31, 2005. As of September 30, 2005, production had ceased at both locations, but distribution activities were still occurring at the Bonham facility.

The total cost of the contemplated closures, which is estimated to be approximately $26.5 million, includes approximately $4.6 million for severance costs, $14.9 million for fixed asset writedowns at the two facilities, and $7.0 million for other costs related to the closures. Costs for the three and nine fiscal months ended September 30, 2005 related to these closures are $3.1 million and $3.6 million, respectively, for severance and related costs, $11.7 million and $14.7 million, respectively, for fixed asset writedowns, which are included in depreciation and amortization in the Condensed Consolidated Statements of Cash Flows, and $0.8 million and $0.8 million, respectively, for other costs. Other costs include a $(0.5) million gain from the sale of a previously closed manufacturing plant. The costs associated with this project, including the $(0.5) million gain, of $15.6 million and $19.1 million were recorded in cost of sales in the corporate segment for the three and nine fiscal months ended September 30, 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 nine fiscal months of 2005 was $0.5 million of severance and related costs and $0.6 million of other costs.

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

7. Long-Term Debt

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

	SEP. 30, 2005	DEC. 31, 2004
Senior notes due 2010	$ 285.0	$ 285.0
Revolving loans	55.4	78.6
Capital leases	0.2	
Other	11.7	11.3
Total debt	352.3	374.9
Less current maturities	1.9	1.1
Long-term debt	$ 350.4	$ 373.8

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

Senior notes due 2010	9.5%	9.5%
Revolving loans	5.9%	4.9%
Capital leases	6.0%	
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 $300.0 million at September 30, 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 September 30, 2005, the Company had outstanding borrowings of $55.4 million and availability of approximately $184.2 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. 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 September 30, 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.

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 nine fiscal months of 2005 was 5.08%. 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 $8.0 million, which are being amortized over the term of the Credit Agreement.

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

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 September 30, 2005, the Company was in compliance with all covenants under the Credit Agreement.

During 2005, one of the Company s international operations contracted with a bank to transfer certain financial assets (receivables) that it was owed from one customer to the bank in exchange for payments of approximately $1 million. As the transferor, the Company surrendered control over the financial assets included in the transfer and has no further rights regarding the transferred assets. The transfer was treated as a sale and the approximate $1 million received was accounted for as proceeds from the sale. All assets sold were derecognized from the Company s balance sheet upon completion of the transfer, and no further obligations exist under this agreement.

Maturities of capital lease obligations are not significant during any one-year period. The total capital lease obligations for the next five-year period is $0.2 million.

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 September 30, 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 September 30, 2005 and December 31, 2004, the net unrealized loss on the interest rate derivative and the related carrying value was $0.5 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 September 30, 2005 and December 31, 2004, the net unrealized loss on the net foreign currency contracts was $0.1 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 September 30, 2005 and December 31, 2004, General Cable had an unrealized gain of $7.3 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 nine fiscal months ended September 30, 2005, a $1.0 million gain and a $2.2 million gain, respectively, were reclassified from other comprehensive income to the income statement. During the three and nine fiscal months ended October 1, 2004, a $0.2 million loss and a $1.3 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 September 30, 2005 and December 31, 2004, General Cable had an unrealized gain of $7.8 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.

Table of Contents

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

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 contributions 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				Nine Fiscal Months Ended			
	SEP. 30, 2005		OCT. 1, 2004		SEP. 30, 2005		OCT. 1, 2004	
	Pension	Other	Pension	Other	Pension	Other	Pension	Other
Service cost	$ 0.5	$ 0.1	$ 0.5	$ 0.1	$ 1.7	$ 0.1	$ 1.6	$ 0.2
Interest cost	2.5	0.1	2.2	0.1	7.4	0.4	6.6	0.4
Expected return on plan assets	(2.7)		(2.3)		(8.0)		(6.8)	
Net amortization and deferral	0.8		0.9		2.6		2.7	
Curtailment (gain) loss					0.7	(0.2)		
Total defined benefit plans expense	1.1	0.2	1.3	0.2	4.4	0.3	4.1	0.6
Total defined contribution plans expense	1.8		1.5		5.1		4.5	
Total	$ 2.9	$ 0.2	$ 2.8	$ 0.2	$ 9.5	$ 0.3	$ 8.6	$ 0.6

Defined benefit plan cash contributions for the three and nine fiscal months ended September 30, 2005 were $7.8 million and $9.8 million, respectively. Defined benefit plan cash contributions for the three and nine fiscal months ended October 1, 2004 were $10.0 million and $12.0 million, respectively.

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. As of September 30, 2005, 2,069,907 shares of redeemable convertible preferred stock remained outstanding.

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

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

Committee of the Board of Directors will no longer grant any awards under the previous plans but will continue to administer 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 September 30, 2005, only 11,570 shares of restricted common stock 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 nine fiscal months of 2005 and 2004 was $0.9 million and $0.4 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,

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

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 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 September 30, 2005.

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

	SEP. 30, 2005	DEC. 31, 2004
Foreign currency translation adjustment	$ 19.0	$ 41.5
Pension adjustments, net of tax	(23.5)	(23.5)
Change in fair value of derivatives, net of tax	4.5	1.9
Unrealized investment gains	3.1	2.5
Total	$ 3.1	$ 22.4

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

	SEP. 30, 2005	DEC. 31, 2004
Loans to shareholders	$	$ (1.6)
Restricted stock	(5.6)	(2.8)
Total	$ (5.6)	$ (4.4)

11. <u>Earnings Per Common Share</u>

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		Nine Fiscal Months Ended	
	SEP. 30, 2005	OCT. 1, 2004	SEP. 30, 2005	OCT. 1, 2004
Earnings per common share basic:				
Net income	$ 4.2	$ 7.4	$ 25.0	$ 10.7
Less: preferred stock dividends	(1.5)	(1.5)	(4.5)	(4.5)
Net income for basic EPS computation (1)	$ 2.7	$ 5.9	$ 20.5	$ 6.2
Weighted average shares outstanding for basic EPS computation (2)	39.6	39.3	39.5	39.2

Earnings per common share basic	$ 0.07	$ 0.15	$ 0.52	$ 0.16
Earnings per common share diluted:				
Net income	$ 4.2	$ 7.4	$ 25.0	$ 10.7
Less: preferred stock dividends, if applicable	(1.5)	(1.5)	n/a	(4.5)
Net income for diluted EPS computation(1)	$ 2.7	$ 5.9	$ 25.0	$ 6.2
Weighted average shares outstanding	39.6	39.3	39.5	39.2
Dilutive effect of stock options and restricted stock units	1.3	0.7	1.1	0.7
Dilutive effect of assumed conversion of preferred stock, if applicable	n/a	n/a	10.3	n/a
Weighted average shares outstanding for diluted EPS computation(2)	40.9	40.0	50.9	39.9
Earnings per common share diluted	$ 0.07	$ 0.15	$ 0.49	$ 0.16

(1) Numerator

(2) Denominator

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

The earnings per common share assuming dilution computation excludes the impact of 0.3 million and 1.0 million, respectively, stock options and restricted stock units in the third quarter and first nine fiscal months of 2005 and 1.6 million and 2.1 million, respectively, stock options and restricted stock units in the third quarter and first nine fiscal months of 2004 because their impact was anti-dilutive. This computation for the third quarter of 2005 and the third quarter and first nine 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 nine fiscal months ended September 30, 2005 consisted of a $15.6 million charge and $19.1 million charge, respectively, related to the rationalization of certain of the Company s communications cable manufacturing facilities, which includes a $(0.5) million gain from the sale of a previously closed manufacturing plant. The operating loss included in corporate for the three fiscal months ended October 1, 2004 consisted of a $1.5 million charge related to the remediation of a former manufacturing facility, a $1.8 million charge related to the rationalization of certain of the Company s industrial cable manufacturing facilities and a $0.3 million charge related to the closure of the Company s rod mill facility. The operating loss included in corporate for the nine fiscal months ended October 1, 2004 consisted of a $1.5 million charge related to the remediation of a former manufacturing facility, a $6.7 million charge related to the rationalization of certain of the Company s industrial cable manufacturing facilities and a $0.3 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 $2.4 million at September 30, 2005 and $4.3 million at December 31, 2004. These properties are actively being marketed for sale.

Summarized financial information for the Company s operating segments for the three fiscal months and nine fiscal months ended September 30, 2005 and October 1, 2004 is as follows (in millions).

	Three Fiscal Months Ended				
	Energy	Industrial & Specialty	Communications	Corporate	Total
Net Sales:					
September 30, 2005	$213.3	$212.8	$ 174.4	$	$600.5
October 1, 2004	169.3	174.5	145.5		489.3

Operating Income (Loss):					
September 30, 2005	17.8	8.0	7.1	(15.6)	17.3
October 1, 2004	10.8	8.7	3.8	(3.6)	19.7

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

	Nine Fiscal Months Ended				
	Energy	Industrial & Specialty	Communications	Corporate	Total
Net Sales:					
September 30, 2005	$622.2	$650.7	$ 490.4	$	$1,763.3
October 1, 2004	520.4	561.6	403.4		1,485.4
Operating Income (Loss):					
September 30, 2005	45.5	23.5	19.6	(19.1)	69.5
October 1, 2004	28.2	18.2	5.0	(7.9)	43.5
Identifiable Assets:					
September 30, 2005	359.6	417.4	356.9	133.0	1,266.9
December 31, 2004	342.9	401.0	333.5	143.4	1,220.8

13. Commitments and Contingencies

Certain present and former operating sites, or portions thereof, currently or previously owned or leased by current or former operating units of General Cable are the subject of investigations, monitoring or remediation under the United States Federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund), the Federal Resource Conservation and Recovery Act or comparable state statutes or agreements with third parties. These proceedings are in various stages ranging from initial investigations to active settlement negotiations to implementation of the cleanup or remediation of sites.

Certain present and former operating units of General Cable in the United States have been named as potentially responsible parties (PRPs) at several off-site disposal sites under CERCLA or comparable state statutes in federal court proceedings. In each of these matters, the operating unit of General Cable is working with the governmental agencies involved and other PRPs to address environmental claims in a responsible and appropriate manner.

At September 30, 2005 and December 31, 2004, General Cable had an accrued liability of approximately $2.6 million and $3.6 million, respectively, for various environmental-related liabilities of which General Cable is aware. American Premier Underwriters Inc., a former parent of General Cable, agreed to indemnify General Cable against all environmental-related liabilities arising out of General Cable s or its predecessors ownership or operation of the Indiana Steel & Wire Company and Marathon Manufacturing Holdings, Inc. businesses (which were divested by General Cable), without limitation as to time or amount. While it is difficult to estimate future environmental-related liabilities accurately, General Cable does not currently anticipate any material adverse impact on its results of operations, financial position or cash flows as a result of compliance with federal, state, local or foreign environmental laws or regulations or cleanup costs of the sites discussed above.

As part of the acquisition of the worldwide energy cable and cable systems business of BICC plc, BICC plc agreed to indemnify General Cable against environmental liabilities existing at the date of the closing of the purchase of the business. The indemnity is for an eight-year period ending in 2007 while General Cable operates the businesses subject to certain sharing of losses (with BICC plc covering 95% of losses in the first three years, 80% in years four and five and 60% in the remaining three years). The indemnity is also subject to the overall indemnity limit of $150 million, which applies to all warranty and indemnity claims in the transaction. In addition, BICC plc assumed responsibility for cleanup of certain specific conditions at several sites operated by General Cable and cleanup is mostly complete at those sites. In the sale of the European businesses to Pirelli in August 2000, the Company generally indemnified Pirelli against any environmental-related 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 businesses sold to Pirelli terminated upon the sale of those businesses to Pirelli. At this time, there are no claims outstanding under the general indemnity provided by BICC plc. In addition, the Company generally indemnified Pirelli against other claims relating to the prior operation of the business. Pirelli has asserted claims under this indemnification. The Company is continuing to investigate these claims and believes that the reserves currently included in the Company s balance sheet are adequate to cover any obligation it may have.

General Cable has agreed to indemnify Raychem HTS Canada, Inc. against certain environmental liabilities arising out of the operation of the business it sold to Raychem HTS Canada, Inc. prior to its sale. The indemnity generally is for a five year

Table of Contents

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

period from the closing of the sale and is subject to an overall limit of $60 million. At this time, there are no claims outstanding under this indemnity.

General Cable has also agreed to indemnify Southwire Company against certain environmental liabilities arising out of the operation of the business it sold to Southwire prior to its sale. The indemnity is for a ten year period from the closing of the sale and is subject to an overall limit of $20 million. At this time, there are no claims outstanding under this indemnity.

In addition, Company subsidiaries have been named as defendants in lawsuits alleging exposure to asbestos in products manufactured by the Company. At September 30, 2005, there were approximately 9,700 non-maritime claims and 33,300 maritime asbestos claims outstanding. At September 30, 2005 and December 31, 2004, General Cable had accrued approximately $2.5 million and $3.0 million, respectively, for these lawsuits.

The Company does not believe that the outcome of the litigation will have a material adverse effect on its results of operations, financial position or cash flows.

General Cable is also involved in various routine legal proceedings and administrative actions. Such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on its result of operations, cash flows or financial position.

Table of Contents

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

14. 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 September 30, 2005

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	$	$ 412.7	$ 187.8	$	$ 600.5
Intercompany	117.4			(117.4)	
	117.4	412.7	187.8	(117.4)	600.5
Cost of sales	100.5	388.2	156.2	(104.3)	540.6
Gross profit	16.9	24.5	31.6	(13.1)	59.9
Selling, general and administrative expenses	15.5	27.6	12.6	(13.1)	42.6
Operating income (loss)	1.4	(3.1)	19.0		17.3
Other income (expense)		(0.1)	0.2		0.1
Interest income (expense):					
Interest expense	(7.3)	(12.9)	(0.2)	10.0	(10.4)
Interest income	9.6	0.3	0.6	(10.0)	0.5
	2.3	(12.6)	0.4		(9.9)
Income (loss) before income taxes	3.7	(15.8)	19.6		7.5
Income tax (provision) benefit	(1.3)	4.7	(6.7)		(3.3)
Net income (loss)	2.4	(11.1)	12.9		4.2
Less: preferred stock dividends	(1.5)				(1.5)
Net income (loss) applicable to common shareholders	$ 0.9	$ (11.1)	$ 12.9	$	$ 2.7

Table of Contents

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Operations
Nine Fiscal Months Ended September 30, 2005

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	$	$ 1,172.7	$ 590.6	$	$ 1,763.3
Intercompany	347.2		10.6	(357.8)	
	347.2	1,172.7	601.2	(357.8)	1,763.3
Cost of sales	299.9	1,071.0	506.0	(312.2)	1,564.7
Gross profit	47.3	101.7	95.2	(45.6)	198.6
Selling, general and administrative expenses	42.1	87.7	44.9	(45.6)	129.1
Operating income	5.2	14.0	50.3		69.5
Other income (expense)		(0.4)	0.4		
Interest income (expense):					
Interest expense	(22.0)	(36.6)	(1.7)	29.0	(31.3)
Interest income	29.1	0.2	2.1	(29.0)	2.4
	7.1	(36.4)	0.4		(28.9)
Income (loss) before income taxes	12.3	(22.8)	51.1		40.6
Income tax (provision) benefit	(4.3)	5.8	(17.1)		(15.6)
Net income (loss)	8.0	(17.0)	34.0		25.0
Less: preferred stock dividends	(4.5)				(4.5)
Net income (loss) applicable to common shareholders	$ 3.5	$ (17.0)	$ 34.0	$	$ 20.5

Table of Contents

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Operations
Three Fiscal Months Ended October 1, 2004

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	$	$ 327.1	$ 162.2	$	$ 489.3
Intercompany	99.7		4.7	(104.4)	
	99.7	327.1	166.9	(104.4)	489.3
Cost of sales	85.1	295.7	138.7	(89.0)	430.5
Gross profit	14.6	31.4	28.2	(15.4)	58.8
Selling, general and administrative expenses	13.2	29.3	12.0	(15.4)	39.1
Operating income	1.4	2.1	16.2		19.7
Interest income (expense):					
Interest expense	(7.4)	(21.9)	(0.7)	20.9	(9.1)
Interest income	9.5	9.1	2.4	(20.9)	0.1
	2.1	(12.8)	1.7		(9.0)
Income (loss) before income taxes	3.5	(10.7)	17.9		10.7
Income tax (provision) benefit	(1.5)	3.4	(5.2)		(3.3)
Net income (loss)	2.0	(7.3)	12.7		7.4
Less: preferred stock dividends	(1.5)				(1.5)
Net income (loss) applicable to common shareholders	$ 0.5	$ (7.3)	$ 12.7	$	$ 5.9

Table of Contents

GENERAL CABLE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Continued)
Condensed Statements of Operations
Nine Fiscal Months Ended October 1, 2004

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	$	$ 985.5	$ 499.9	$	$ 1,485.4
Intercompany	298.7		14.1	(312.8)	
	298.7	985.5	514.0	(312.8)	1,485.4
Cost of sales	257.2	904.1	434.7	(270.0)	1,326.0
Gross profit	41.5	81.4	79.3	(42.8)	159.4
Selling, general and administrative expenses	35.9	83.5	39.3	(42.8)	115.9
Operating income (loss)	5.6	(2.1)	40.0		43.5
Other expense	(0.9)				(0.9)
Interest income (expense):					
Interest expense	(22.7)	(64.7)	(3.9)	63.7	(27.6)
Interest income	28.8	28.5	6.7	(63.7)	0.3
	6.1	(36.2)	2.8		(27.3)