

GENERAL CABLE CORP /DE/  
Form 10-Q  
November 03, 2011  
[Table of Contents](#)

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from            to            .

Commission file number: 1-12983

**GENERAL CABLE CORPORATION**

(Exact name of registrant as specified in its charter)

Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>06-1398235</b> (I.R.S. Employer Identification No.)
<b>4 Tesseneer Drive</b>  <b>Highland Heights, KY</b> (Address of principal executive offices)	<b>41076-9753</b> (Zip Code)
<b>Registrant's telephone number, including area code: (859) 572-8000</b>	

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

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

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

<b>Class</b>	<b>Outstanding at October 27, 2011</b>
Common Stock, \$0.01 per value	52,188,356

**Table of Contents**

**GENERAL CABLE CORPORATION AND SUBSIDIARIES**

**INDEX TO QUARTERLY REPORT**

**ON FORM 10-Q**

	<b>PAGE</b>
<b>PART I Financial Statements</b>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	
<u>Statements of Operations -</u>	
<u>For the three and nine fiscal months ended September 30, 2011 and October 1, 2010</u>	3
<u>Balance Sheets -</u>	
<u>September 30, 2011 and December 31, 2010</u>	4
<u>Statements of Cash Flows -</u>	
<u>For the nine fiscal months ended September 30, 2011 and October 1, 2010</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	48
Item 4. <u>Controls and Procedures</u>	48
<b>PART II Other Information</b>	
Item 1. <u>Legal Proceedings</u>	49
Item 1A. <u>Risk Factors</u>	49
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
Item 6. <u>Exhibits</u>	50
<u>Signature</u>	51
<u>Exhibit Index</u>	52

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

	Three Fiscal Months Ended		Nine Fiscal Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Net sales	\$ 1,517.8	\$ 1,200.5	\$ 4,497.6	\$ 3,507.1
Cost of sales	1,361.4	1,075.2	3,999.6	3,099.5
Gross profit	156.4	125.3	498.0	407.6
Selling, general and administrative expenses	93.0	83.2	281.7	248.4
Operating income	63.4	42.1	216.3	159.2
Other income (expense)	(31.5)	7.7	(28.4)	(31.8)
Interest income (expense):				
Interest expense	(25.4)	(19.4)	(73.0)	(57.2)
Interest income	2.2	1.5	6.2	3.7
	(23.2)	(17.9)	(66.8)	(53.5)
Income before income taxes	8.7	31.9	121.1	73.9
Income tax (provision) benefit	(5.5)	(10.5)	(42.1)	(32.9)
Equity in earnings of affiliated companies	0.8	0.4	2.2	1.0
Net income including non-controlling interest	4.0	21.8	81.2	42.0
Less: preferred stock dividends	0.1	0.1	0.3	0.3
Less: net income attributable to non-controlling interest	0.3	3.6	1.6	7.6
Net income attributable to Company common shareholders	\$ 3.6	\$ 18.1	\$ 79.3	\$ 34.1
<b><u>Earnings per share</u></b>				
Earnings per common share-basic	\$ 0.07	\$ 0.35	\$ 1.52	\$ 0.65
Weighted average common shares-basic	52.2	52.1	52.2	52.1

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Earnings per common share-assuming dilution	\$ 0.07	\$ 0.34	\$ 1.47	\$ 0.65
Weighted average common shares-assuming dilution	53.4	53.1	54.2	53.1

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)****(unaudited)**

	September 30, 2011	December 31, 2010
<b><u>Assets</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 416.6	\$ 458.7
Receivables, net of allowances of \$23.0 million at September 30, 2011 and \$21.1 million at December 31, 2010	1,199.9	1,067.0
Inventories, net	1,251.5	1,118.9
Deferred income taxes	65.7	39.8
Prepaid expenses and other	120.8	121.3
Total current assets	3,054.5	2,805.7
Property, plant and equipment, net	1,031.4	1,039.6
Deferred income taxes	15.6	11.3
Goodwill	165.2	174.9
Intangible assets, net	184.6	199.6
Unconsolidated affiliated companies	18.9	17.3
Other non-current assets	72.2	79.3
Total assets	\$ 4,542.4	\$ 4,327.7

**Liabilities and Total Equity**

Current Liabilities:		
Accounts payable	\$ 985.3	\$ 922.5
Accrued liabilities	476.8	376.7
Current portion of long-term debt	183.9	121.0
Total current liabilities	1,646.0	1,420.2
Long-term debt	880.6	864.5
Deferred income taxes	204.2	202.4
Other liabilities	219.3	235.3
Total liabilities	2,950.1	2,722.4

**Commitments and Contingencies**

<b>Total Equity:</b>		
Redeemable convertible preferred stock, at redemption value (liquidation preference of \$50.00 per share):		
September 30, 2011 76,002 shares outstanding		
December 31, 2010 76,202 shares outstanding	3.8	3.8
Common stock, \$0.01 par value, issued and outstanding shares:		
September 30, 2011 52,188,356 (net of 6,227,781 treasury shares)		
December 31, 2010 52,116,390 (net of 6,211,854 treasury shares)	0.6	0.6
Additional paid-in capital	663.3	652.8

Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Treasury stock	(73.8)	(74.0)
Retained earnings	954.6	875.3
Accumulated other comprehensive income (loss)	(73.0)	23.5
Total Company shareholders' equity	1,475.5	1,482.0
Non-controlling interest	116.8	123.3
Total equity	1,592.3	1,605.3
Total liabilities and equity	\$ 4,542.4	\$ 4,327.7

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Fiscal Months Ended	
	September 30, 2011	October 1, 2010
Cash flows of operating activities:		
Net income (loss) including non-controlling interest	\$ 81.2	\$ 42.0
Adjustments to reconcile net income (loss) to net cash flows of operating activities:		
Depreciation and amortization	84.8	74.8
Amortization on restricted stock awards	2.6	3.2
Foreign currency exchange (gain) loss	24.3	31.6
Deferred income taxes	(27.0)	(7.4)
Excess tax (benefits) deficiencies from stock-based compensation	(1.0)	(0.2)
Convertible debt instruments noncash interest charges	15.4	14.3
(Gain) loss on disposal of property	(1.6)	(1.4)
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
(Increase) decrease in receivables	(160.2)	(122.6)
(Increase) decrease in inventories	(159.0)	(142.7)
(Increase) decrease in other assets	(22.9)	(7.7)
Increase (decrease) in accounts payable, accrued and other liabilities	124.2	96.7
Net cash flows of operating activities	(39.2)	(19.4)
Cash flows of investing activities:		
Capital expenditures	(86.2)	(82.5)
Proceeds from properties sold	2.9	4.4
Acquisitions, net of cash acquired		(31.7)
Other	0.7	3.4
Net cash flows of investing activities	(82.6)	(106.4)
Cash flows of financing activities:		
Preferred stock dividends paid	(0.3)	(0.3)
Excess tax benefits (deficiencies) from stock-based compensation	1.0	0.2
Proceeds from revolving credit borrowings	687.6	11.1
Repayments of revolving credit borrowings	(666.7)	(11.1)
Proceeds (repayments) of other debt	51.3	61.1
Dividends to non-controlling interest	(3.8)	(3.9)
Proceeds from exercise of stock options	1.2	0.2
Net cash flows of financing activities	70.3	57.3
Effect of exchange rate changes on cash and cash equivalents	9.4	(39.9)
Increase (decrease) in cash and cash equivalents	(42.1)	(108.4)
Cash and cash equivalents beginning of period	458.7	499.4



# Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Cash and cash equivalents	end of period	\$ 416.6	\$ 391.0
---------------------------	---------------	----------	----------

## Supplemental Information

### Cash paid during the period for:

Income tax payments, net of refunds	\$ 26.0	\$ 23.0
-------------------------------------	---------	---------

Interest paid	\$ 45.4	\$ 31.8
---------------	---------	---------

See accompanying Notes to Condensed Consolidated Financial Statements.

## **Table of Contents**

### **GENERAL CABLE CORPORATION AND SUBSIDIARIES**

#### **Notes to Condensed Consolidated Financial Statements (unaudited)**

##### **1. Basis of Presentation and Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements of General Cable Corporation and Subsidiaries ( General Cable or the Company ) have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three and nine fiscal months ended September 30, 2011 are not necessarily indicative of results that may be expected for the full year. The December 31, 2010 condensed consolidated balance sheet amounts are derived from the audited financial statements. These financial statements should be read in conjunction with the audited financial statements and notes thereto in General Cable's 2010 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2011. The Company's fiscal quarters consist of 13-week periods ending on the Friday nearest to the end of the calendar months of March, June and September.

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

##### **2. Accounting Standards**

The Company's significant accounting policies are described in Note 2 to the audited annual consolidated financial statements. In the nine months ended September 30, 2011, there have been no significant changes to these policies. In the nine months ended September 30, 2011 there have been no recent accounting pronouncements that are expected to have a significant effect on the consolidated financial statements.

##### **3. Acquisitions and Divestitures**

General Cable actively seeks to identify key global macroeconomic and geopolitical trends in order to capitalize on expanding markets and new niche markets or exit declining or non-strategic markets in order to achieve better returns. The Company also sets aggressive performance targets for its business and intends to refocus or divest those activities which fail to meet targets or do not fit long-term strategies. The Company did not enter into any acquisitions or divestitures in the nine months ended September 30, 2011.

##### **4. Other income (expense)**

Other income (expense) includes foreign currency transaction gains or losses, which result from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated as well as unrealized gains and losses on derivative instruments that are not designated as cash flow hedges. During the three months ended September 30, 2011 and October 1, 2010, the Company recorded other expense of \$31.5 million and other income of \$7.7 million, respectively. During the nine months ended September 30, 2011 and October 1, 2010, the Company recorded other expense of \$28.4 million and \$31.8 million, respectively. For the three and nine months ended September 30, 2011, other income (expense) was primarily attributable to foreign currency transaction losses which resulted from changes in exchange rates in the various countries in which the Company operates, primarily in Africa, South America and Mexico, as well as the result of unrealized losses on derivative instruments which were not designated as cash flow hedges. For the three months ended October 1, 2010, other income (expense) comprised of foreign currency transaction gains and losses which resulted from changes in exchange rates in the various countries in which the Company operates as well as the result of unrealized gains and losses on derivative instruments which were not designated as cash flow hedges. For the nine months ended October 1, 2010, other expense of \$31.8 million was primarily attributable to the \$29.8 million Venezuelan currency devaluation, as discussed below, as well as other income (expense) attributable to foreign currency transaction gains which resulted from changes in exchange rates in the various countries in which the Company operates and as the result of unrealized losses on derivative instruments which were not designated as cash flow hedges.

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

The functional currency of the Company's subsidiary in Venezuela is the U.S. dollar; therefore, gains and losses for transactions at a rate other than the official exchange rate are recorded in the statement of operations. The Company remeasures the financial statements of the Venezuelan subsidiary at the rate in which the Company expects to remit dividends, which is 4.30 Venezuelan Bolivar ( BsF ) per U.S. dollar. During the three and nine fiscal months ended October 1, 2010,

**Table of Contents**

the Company was authorized to import copper at the official exchange rate for essential goods of 2.60 BsF per U.S. dollar. For the three and nine months ended October 1, 2010, the Company recorded \$12.2 million and \$16.6 million in foreign exchange gains related to transactions completed at the 2.60 BsF per U.S. dollar essential rate. Copper imports prior to the approval were imported at the parallel rate, which was closed on June 9, 2010. For the nine months ended October 1, 2010, the Company recorded \$10.7 million in foreign exchange losses related to copper imports at the parallel rate.

Effective January 1, 2011, the Central Bank of Venezuela and the Ministry of Finance published an amendment to Convenio Cambiario No. 14 (the Exchange Law), whereby the official exchange rate was set at 4.30 BsF per U.S. dollar, eliminating the 2.60 BsF per U.S. dollar rate previously established for essential goods in the first quarter of 2010. Therefore, the Company can only import copper at the 4.30 BsF per U.S. dollar rate, eliminating gains and losses in the statement of operations for transactions completed at a rate other than the official exchange rate for the three and nine months ended September 30, 2011. See Item 2, Venezuelan Operations for additional details.

**5. Inventories**

Approximately 83% of the Company's inventories are valued using the average cost method and all remaining inventories are valued using the first-in, first-out (FIFO) method. All inventories are stated at the lower of cost or market value.

(in millions)	September 30, 2011	December 31, 2010
Raw materials	\$ 261.5	\$ 206.9
Work in process	246.4	215.5
Finished goods	743.6	696.5
Total	\$ 1,251.5	\$ 1,118.9

**6. Property, Plant and Equipment**

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

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

	September 30, 2011	December 31, 2010
Land	\$ 114.5	\$ 112.0
Buildings and leasehold improvements	310.1	309.7
Machinery, equipment and office furnishings	1,071.7	1,028.6
Construction in progress	77.9	73.5
Total gross book value	1,574.2	1,523.8
Less accumulated depreciation	(542.8)	(484.2)
Total net book value	\$ 1,031.4	\$ 1,039.6

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Depreciation expense for the three and nine fiscal months ended September 30, 2011 was \$25.5 million and \$74.1 million, respectively. Depreciation expense for the three and nine fiscal months ended October 1, 2010 was \$21.4 million and \$62.4 million, respectively.

The Company periodically evaluates the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company evaluates events or changes in circumstances based mostly on actual historical operating results, but business plans, forecasts, general and industry trends, and anticipated cash flows are also considered. Impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. The Company also continually evaluates the estimated useful lives of all long-lived assets and, when warranted, revises such estimates based on current events. No material impairment charges occurred during the nine fiscal months ended September 30, 2011 and October 1, 2010.

**Table of Contents****7. Goodwill and Other Intangible Assets**

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

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

	Goodwill				Indefinite-lived assets		Trade names	
	North America	Europe and Mediterranean	ROW	Total	North America	Europe and Mediterranean	ROW	Total
Balance at December 31, 2010	\$ 2.3	\$ 6.8	\$ 165.8	\$ 174.9	\$ 2.4	\$ 0.5	\$ 136.0	\$ 138.9
Acquisitions								
Currency translation and other adjustments		(4.5)	(5.2)	(9.7)			(4.1)	(4.1)
Balance at September 30, 2011	\$ 2.3	\$ 2.3	\$ 160.6	\$ 165.2	\$ 2.4	\$ 0.5	\$ 131.9	\$ 134.8

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

	September 30, 2011	December 31, 2010
Amortized intangible assets:		
Customer relationships	\$ 107.9	\$ 107.0
Accumulated amortization	(58.8)	(49.4)
Foreign currency translation adjustment	0.7	3.1
Amortized intangible assets, net	\$ 49.8	\$ 60.7

Amortized intangible assets are stated at cost less accumulated amortization as of September 30, 2011 and December 31, 2010. Customer relationships have been determined to have a useful life in the range of 3.5 to 10 years and the Company has accelerated the amortization expense to align with the historical customer attrition rates. The amortization of intangible assets for the first nine fiscal months of 2011 and 2010 was \$9.4 million and \$10.9 million, respectively. The estimated amortization expense during the twelve month periods beginning September 30, 2011 through September 30, 2016, based on exchange rates as of September 30, 2011, are \$10.7 million, \$9.4 million, \$8.6 million, \$7.7 million, \$6.9 million and \$6.5 million thereafter.

**Table of Contents****8. Long-Term Debt**

(in millions)	September 30, 2011	December 31, 2010
<i>North America</i>		
Subordinated Convertible Notes due 2029	\$ 429.5	\$ 429.5
Debt discount on Subordinated Convertible Notes due 2029	(264.7)	(265.6)
1.00% Senior Convertible Notes due 2012	10.6	10.6
Debt discount on 1.00% Senior Convertible Notes due 2012	(0.6)	(1.1)
0.875% Convertible Notes due 2013	355.0	355.0
Debt discount on 0.875% Convertible Notes due 2013	(45.4)	(59.5)
7.125% Senior Notes due 2017	200.0	200.0
Senior Floating Rate Notes	125.0	125.0
Revolving Credit Facility	20.9	
Other	9.0	9.0
<i>Europe and Mediterranean</i>		
Spanish Term Loan	35.2	50.1
Credit facilities	22.0	38.1
Uncommitted accounts receivable facilities		
Other	12.8	15.3
<i>Rest of World ( ROW )</i>		
Credit facilities	155.2	79.1
<b>Total debt</b>	<b>1,064.5</b>	<b>985.5</b>
Less current maturities	183.9	121.0
<b>Long-term debt</b>	<b>\$ 880.6</b>	<b>\$ 864.5</b>

At September 30, 2011, maturities of long-term debt during twelve month periods beginning September 30, 2011 through September 30, 2016 are \$183.9 million, \$31.4 million, \$319.9 million, \$26.8 million and \$127.5 million, respectively, and \$375.0 million thereafter. As of September 30, 2011 and December 31, 2010, the Company was in compliance with all debt covenants as discussed below.

The Company's convertible debt instruments outstanding as of September 30, 2011 and December 31, 2010 are as follows:

(in millions)	Subordinated Convertible Notes		1.00% Senior Convertible Notes		0.875% Convertible Notes	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Face value	\$ 429.5	\$ 429.5	\$ 10.6	\$ 10.6	\$ 355.0	\$ 355.0
Debt discount	(264.7)	(265.6)	(0.6)	(1.1)	(45.4)	(59.5)
Book value	164.8	163.9	10.0	9.5	309.6	295.5
Fair value	378.5	521.0	10.0	9.7	326.6	350.6
Maturity date	November 2029		October 2012		November 2013	
Stated annual interest rate	4.50% until Nov 2019		1.00% until Oct 2012		0.875% until Nov 2013	
	2.25% until Nov 2029					
Interest payments	Semi-annually:		Semi-annually:		Semi-annually:	
	May 15 & November 15		April 15 & October 15		May 15 & November 15	

The 1.00% Senior Convertible Notes and the 0.875% Convertible Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by the Company's wholly-owned U.S. and Canadian subsidiaries. For additional information on the convertible notes, refer to the Company's 2010 Annual Report on Form 10-K.

*Subordinated Convertible Notes*

The Company's Subordinated Convertible Notes were issued on December 15, 2009 in the amount of \$429.5 million. The notes and the common stock issuable upon conversion were registered on a Registration Statement on Form S-4, initially filed with the SEC on October 27, 2009, as amended and as declared effective by the SEC on December 15, 2009. At issuance, the Company separately accounted for the liability and equity components of the instrument, based on the Company's nonconvertible debt borrowing rate on the instrument's issuance date of 12.5%. At issuance, the liability and equity components were \$162.9 million and \$266.6 million, respectively. The equity component (debt discount) is being amortized to interest expense based on the effective interest method. There were no proceeds generated from the transaction and the Company incurred issuance fees and expenses of approximately \$14.5 million as a result of the exchange offer which have been proportionately allocated to the liability and equity components of the subordinate notes due in 2029.



## **Table of Contents**

### *1.00% Senior Convertible Notes*

As a result of the aforementioned exchange offer of Subordinated Convertible Notes due in 2029, approximately 97.8% or \$464.4 million of the Company's 1.00% Senior Convertible Notes were validly tendered. As of December 15, 2009, there were \$10.6 million of the 1.00% Senior Convertible Notes outstanding. The Company's 1.00% Senior Convertible Notes were originally issued in September 2007 in the amount of \$475.0 million and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). Subsequently, on September 30, 2008, the resale of the notes and the common stock issuable upon conversion of the notes was registered on a Registration Statement on Form S-3. The Company separately accounted for the liability and equity components of the instrument based on the Company's nonconvertible debt borrowing rate on the instrument's issuance date of 7.5%. At issuance, the liability and equity components were \$348.2 million and \$126.8 million, respectively. At the exchange date December 15, 2009, the liability and equity components were \$389.7 million and \$74.7 million, respectively. The equity component (debt discount) is being amortized to interest expense based on the effective interest method.

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

### *0.875% Convertible Notes*

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

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

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

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

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

### *7.125% Senior Notes and Senior Floating Rate Notes*

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

The Company's \$325.0 million in aggregate principal amount of senior unsecured notes, comprised of \$125.0 million of Senior Floating Rate Notes due 2015 (the "Senior Floating Rate Notes") and \$200.0 million of 7.125% Senior Fixed Rate Notes due 2017 (the "7.125% Senior Notes" and together, the "Notes") were offered and sold in private transactions in

**Table of Contents**

accordance with Rule 144A and Regulation S under the Securities Act on March 21, 2007. An exchange offer commenced on June 11, 2007 and was completed on July 26, 2007 to replace the unregistered Notes with registered Notes with like terms pursuant to an effective Registration Statement on Form S-4.

	7.125% Senior Notes			Senior Floating Rate Notes		
(in millions)	September 30, 2011		December 31, 2010	September 30, 2011		December 31, 2010
Face value	\$	200.0	\$	200.0	\$	125.0
Fair value		200.0		197.5		117.2
Interest rate		7.125%		7.125%		2.7%
Interest payment		Semi-annually:		3-month LIBOR rate plus 2.375%		
		Apr 1 & Oct 1		Quarterly: Jan 1, Apr 1, Jul 1 & Oct 1		
Maturity date		April 2017		July 2015		
Guarantee		Jointly and severally guaranteed by the Company's wholly-owned U.S. and Canadian subsidiaries				
Call Option <sup>(1)</sup>						
		Beginning Date	Percentage	Beginning Date		Percentage
		April 1, 2012	- 103.563%	April 1, 2009	-	102.0%
		April 1, 2013	- 102.375%	April 1, 2010	-	101.0%
		April 1, 2014	- 101.188%	April 1, 2011	-	100.0%
		April 1, 2015	- 100.000%			

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

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

*Asset-Based Revolving Credit Facility (Revolving Credit Facility)*

On July 22, 2011 the Company entered into a new \$400 million asset-based revolving credit facility. The Revolving Credit Facility replaced the Company's prior \$400 million Senior Secured Revolving Credit Facility (Terminated Credit Facility) which was set to mature in July 2012. The Revolving Credit Facility contains restrictions in areas consistent with the Terminated Credit Facility, including limitations on, among other things, distributions and dividends, acquisitions and investments, indebtedness, liens and affiliate transactions. In the aggregate, however, the restrictions in the Revolving Credit Facility provide the Company greater flexibility than those under the Terminated Credit Facility, and generally only apply in the event that the Company's availability under the Revolving Credit Facility falls below certain specific thresholds.

The Revolving Credit Facility has a term of five years, and provides for a committed revolving credit line of up to \$400 million, of which \$40 million is available in a Canadian multi-currency tranche. The Revolving Credit Facility includes a springing maturity concept which is

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

generally applicable only if its \$355 million convertible notes due 2013 or its \$125 million senior floating rates due 2015 are not repaid or refinanced within 90 days of their maturity. The commitment amount under the Revolving Credit Facility may be increased by an additional \$100 million, subject to certain conditions and approvals as set forth in the credit agreement. The Company capitalized \$4.8 million in deferred financing costs in connection with the Revolving Credit Facility in the third quarter of 2011. Also, in the third quarter the Company expensed \$1.3 million in unamortized fees and expenses related to the Terminated Credit Facility. The Revolving Credit Facility requires maintenance of a minimum fixed charge coverage ratio of one to one if availability under the Revolving Credit Facility is less than \$40 million or 10% of the then existing aggregate lender commitment under the facility.

The Revolving Credit Facility may be used for refinancing certain existing indebtedness and will continue to be used for working capital and general corporate purposes and is guaranteed by substantially all of the U.S. and Canadian assets (excluding certain intellectual property and Canadian real estate) of the Company and certain of its U.S. and Canadian subsidiaries and by a pledge of 65% of the equity interests of certain of the Company's foreign subsidiaries.

Borrowings under the Revolving Credit Facility bear interest based on the daily balance outstanding at an applicable rate per annum calculated quarterly and varied based on the Company's average availability as set forth in the credit agreement. The

**Table of Contents**

Revolving Credit Facility also carries a commitment fee equal to the available but unused borrowings multiplied by an applicable margin (varying from 0.375% to 0.50%).

The Company's Revolving Credit Facility and Terminated Credit Facility as of the respective dates are summarized in the table below:

(in millions)	Revolving Credit Facility / Terminated Credit Facility	
	September 30, 2011	December 31, 2010
Outstanding borrowings	\$ 20.9	\$
Undrawn availability	359.5	371.5
Interest rate	3.8%	
Outstanding letters of credit	19.6	18.5
Original issuance	July 2011	November 2003
Maturity date	July 2016	

*Spanish Term Loans*

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

(in millions)	Spanish Term Loans <sup>(1)</sup>	
	September 30, 2011	December 31, 2010
Outstanding borrowings	\$ 35.2	\$ 50.1
Interest rate weighted average <sup>(2)</sup>	3.7%	3.7%

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

(in millions)	Original Amount	Issuance Date	Maturity Date	Interest rate	Loan and Interest payable	Interest rate Swap <sup>(2)</sup>
Term Loan 1	20.0 Euros	February 2008	February 2013	Euribor +0.5%	Semi-annual: Aug & Feb	4.2%
Term Loan 2	10.0 Euros	April 2008	April 2013	Euribor +0.75%	Semi-annual: Apr & Oct	4.58%
Term Loan 3	21.0 Euros	June 2008	June 2013	Euribor +0.75%	Quarterly: Mar, Jun, Sept & Dec	4.48%
Term Loan 4	15.0 Euros	September 2009	August 2014	Euribor +2.0%	Quarterly: Mar, Jun, Sept & Dec	1.54%

Principal payments: Feb & Aug

(2) The Company entered into fixed interest rate swaps to coincide with the terms and conditions of the term loans that will effectively hedge the variable interest rate with a fixed interest rate.

*Europe and Mediterranean Credit Facilities*

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

Europe and Mediterranean credit facilities

# Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

(in millions)	September 30, 2011	December 31, 2010
Outstanding borrowings	\$ 22.0	\$ 38.1
Undrawn availability	109.3	125.4
Interest rate weighted average	5.3%	3.1%
Maturity date	Various	

## Europe and Mediterranean Uncommitted Accounts Receivable Facilities

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

(in millions)	September 30, 2011	December 31, 2010
Outstanding borrowings	\$ 72.3	\$ 113.7
Undrawn availability	72.3	113.7
Interest rate weighted average	Various	
Maturity date	Various	

The Spanish Term Loans and certain credit facilities held by the Company's Spain subsidiary are subject to certain financial ratios of the Company's European subsidiaries, which include minimum net equity and net debt to EBITDA (earnings before interest, taxes, depreciation and amortization). At September 30, 2011 and December 31, 2010, the Company was in compliance with all covenants under these facilities.

**Table of Contents***ROW credit facilities*

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

(in millions)	ROW credit facilities	
	September 30, 2011	December 31, 2010
Outstanding borrowings	\$ 155.2	\$ 79.1
Undrawn availability	295.0	279.3
Interest rate weighted average	3.3%	3.4%
Maturity date	Various	

The Company's ROW credit facilities are short term loans utilized for working capital purposes. Certain credit facilities are subject to financial covenants. The Company was in compliance with all covenants under these facilities as of September 30, 2011 and December 31, 2010.

**9. Financial Instruments**

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

General Cable utilizes interest rate swaps to manage its interest expense exposure by fixing its interest rate on a portion of the Company's floating rate debt. The Company has entered into interest rate swaps on the Company's Spanish Term Loans with a notional value of \$35.9 million and \$48.8 million as of September 30, 2011 and December 31, 2010, respectively. In addition, the Company has one outstanding interest rate swap with a notional value of \$9.0 million that provides for a fixed interest rate of 4.49% maturing in October 2011. The Company does not provide or receive any collateral specifically for this contract. The fair value of interest rate derivatives, which are designated as and qualify as cash flow hedges, are based on quoted market prices, which reflect the present values of the difference between estimated future variable-rate receipts and future fixed-rate payments.

The Company enters into commodity instruments to hedge the purchase of copper, aluminum and lead in future periods and foreign currency 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.

We account for these commodity instruments and foreign currency exchange contracts as cash flow or economic hedges. Changes in the fair value of derivatives that are designated as cash flow hedges are recorded in other comprehensive income and reclassified to the income statement when the effects of the items being hedged are realized. Changes in the fair value of economic hedges are recognized in current period earnings.

***Fair Value of Derivatives Instruments***

The notional amounts and fair values of derivatives designated as cash flow hedges and derivatives not designated as cash flow hedges at September 30, 2011 and December 31, 2010 are shown below (in millions).

**Table of Contents**

	September 30, 2011			December 31, 2010		
	Notional Amount	Fair Value Asset (1)	Liability (2)	Notional Amount	Fair Value Asset (1)	Liability (2)
<b>Derivatives designated as cash flow hedges:</b>						
Interest rate swaps	\$ 44.9	\$	\$ 0.7	\$ 57.8	\$	\$ 1.8
Commodity futures	282.8	0.3	43.0	164.6	30.6	
Foreign currency exchanges	51.7	2.0		115.2	1.4	3.1
		\$ 2.3	\$ 43.7		\$ 32.0	\$ 4.9

**Derivatives not designated as cash flow hedges:**

Commodity futures	\$ 79.1	\$ 2.8	\$ 15.5	\$ 91.6	\$ 1.4	\$ 7.9
Foreign currency exchanges	314.1	6.7	5.0	230.3	3.1	3.4
		\$ 9.5	\$ 20.5		\$ 4.5	\$ 11.3

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

(2) Balance recorded in Accrued liabilities and Other liabilities

Depending on the extent of an unrealized loss position on a derivative contract held by the Company, certain counterparties may require collateral to secure the Company's derivative contract position. As of September 30, 2011 there were contracts held by the Company that required \$2.4 million in collateral to secure the Company's derivative liability positions. As of December 31, 2010, there were no contracts held by the Company that required collateral to secure the Company's derivative liability positions.

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

	000000000000	000000000000	000000000000	000000000000
		Three fiscal months ended September 30, 2011		
			Ineffective portion and amount excluded	
	Effective Portion	Reclassified from	from	
	recognized in OCI	Accumulated OCI	effectiveness testing	
(in millions)	Gain /(Loss)	Gain / (Loss)	Gain / (Loss)	Location
Derivatives designated as cash flow hedges:				
Interest rate swaps	\$ (0.3)	\$	\$ (0.1)	Interest Expense
Commodity futures	(50.2)	5.7	(0.5)	Cost of Sales
Foreign currency exchanges	0.9			Other income /(expense)
Total	\$ (49.6)	\$ 5.7	\$ (0.6)	

(in millions)	Nine fiscal months ended September 30, 2011			Location
	Effective Portion recognized in OCI	Reclassified from Accumulated OCI	Ineffective portion and amount excluded	



Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

	Gain / (Loss)	Gain / (Loss)	from effectiveness testing Gain / (Loss)	
<b>Derivatives designated as cash flow hedges:</b>				
Interest rate swaps	\$ (0.6)	\$	\$ (0.3)	Interest Expense
Commodity futures	(54.3)	26.6	(0.5)	Cost of Sales
Foreign currency exchanges	2.3	0.3	0.1	Other income /(expense)
<b>Total</b>	<b>\$ (52.6)</b>	<b>\$ 26.9</b>	<b>\$ (0.7)</b>	

	000000000000	000000000000	000000000000	000000000000
		Three fiscal months ended October 1, 2010		
	Effective portion		Ineffective portion and	
	recognized in	Reclassified from	amount excluded	
	Accumulated OCI	Accumulated OCI	effectiveness testing	
(in millions)	Gain / (Loss)	Gain / (Loss)	Gain / (Loss)	Location
<b>Derivatives designated as cash flow hedges:</b>				
Interest rate swap	\$ (2.3)	\$ (0.1)	\$	Interest Expense
Commodity futures	21.2	(2.3)	0.1	Cost of Sales
Foreign currency exchange	5.1	(7.2)	(0.6)	Other income /(expense)
<b>Total</b>	<b>\$ 24.0</b>	<b>\$ (9.6)</b>	<b>\$ (0.5)</b>	

**Table of Contents**

(in millions)	Nine fiscal months ended October 1, 2010			Location
	Effective	Reclassified	Ineffective	
	portion	from	portion and	
	recognized	Accumulated	amount	
	in	OCI	excluded	
	Accumulated	OCI	from	
	OCI	Gain /	effectiveness	
	Gain /	Gain /	testing	
	(Loss)	(Loss)	Gain /	
	(Loss)	(Loss)	(Loss)	
<b>Derivatives designated as cash flow hedges:</b>				
Interest rate swap	\$ (4.9)	\$ (0.3)	\$ 0.1	Interest Expense
Commodity futures	4.5	18.4		Cost of Sales
Foreign currency exchange	(0.9)	(8.5)	(1.1)	Other income /(expense)
<b>Total</b>	<b>\$ (1.3)</b>	<b>\$ 9.6</b>	<b>\$ (1.0)</b>	

For derivative instruments that are not designated as cash flow hedges, the unrealized gain or loss on the derivatives is reported in current earnings. For the three fiscal months ended September 30, 2011 and October 1, 2010, the Company recorded a loss of \$6.7 million and \$9.4 million and for the nine months ended September 30, 2011 and October 1, 2010, the Company recorded a loss of \$0.3 million and \$9.0 million, respectively, for derivative instruments not designated as cash flow hedges in other income/ (expense) on the condensed consolidated statements of operations.

**Other Forward Pricing Agreements**

In the normal course of business, 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. The Company accounts for these forward pricing arrangements under the normal purchases and normal sales scope exemption because these arrangements are for purchases of copper and aluminum that will be delivered in quantities expected to be used by the Company over a reasonable period of time in the normal course of business. For these arrangements, it is probable at the inception and throughout the life of the arrangements that the arrangements will not settle net and will result in physical delivery of the inventory. At September 30, 2011 and December 31, 2010, the Company had \$45.4 million and \$30.8 million, respectively, of future copper and aluminum purchases that were under forward pricing agreements. At September 30, 2011 and December 31, 2010, the fair value of these arrangements was \$36.5 million and \$35.6 million, respectively, and the Company had an unrealized loss of \$8.9 million and an unrealized gain of \$4.8 million, respectively, related to these transactions. The Company believes the unrealized gains (losses) under these agreements will be largely offset as a result of firm sales price commitments with customers. Depending on the extent of the unrealized loss position on certain forward pricing agreements, certain counterparties may require collateral to secure the Company's forward purchase agreements. There were no funds posted as collateral as of September 30, 2011 or December 31, 2010.

**10. Income Taxes**

During the third quarter of 2011, the Company accrued approximately \$3.9 million of income tax expense for uncertain tax positions likely to be taken in the current year and for interest and penalties on tax positions taken in prior periods, all of which would have a favorable impact on the effective tax rate, if recognized. The Company recognized a tax benefit of \$8.4 million (including penalties and interest) in the third quarter of 2011 due to statute of limitations expirations for certain tax exposures.

The Company files income tax returns in numerous tax jurisdictions around the world. Due to uncertainties regarding the timing and outcome of various tax audits, appeals and settlements, it is difficult to reliably estimate the amount of unrecognized tax benefits that could change within the next twelve months. The Company believes it is reasonably possible that approximately \$9 million of unrecognized tax benefits could change within the next twelve months due to the resolution of tax audits and statute of limitations expirations.

In the first quarter of 2011, the Internal Revenue Service's examination of the Company's 2007 and 2008 consolidated income tax returns was completed with no significant tax adjustments. With limited exceptions, tax years prior to 2007 are no longer open in major foreign, state or local tax jurisdictions.

**11. Employee Benefit Plans**

General Cable provides retirement benefits through contributory and noncontributory qualified and non-qualified defined benefit pension plans covering eligible domestic and international employees as well as through defined contribution plans and other postretirement benefits.

***Defined Benefit Pension Plans***

Benefits under General Cable's qualified U.S. defined benefit pension plan generally are based on years of service multiplied by a specific fixed dollar amount, and benefits under the Company's qualified non-U.S. defined benefit pension plans generally are based on years of service and a variety of other factors that can include a specific fixed dollar amount or a

**Table of Contents**

percentage of either current salary or average salary over a specific period of time. The amounts funded for any plan year for the qualified U.S. defined benefit pension plan are neither less than the minimum required under federal law nor more than the maximum amount deductible for federal income tax purposes. The Company's non-qualified unfunded U.S. defined benefit pension plans include a plan that provides defined benefits to select senior management employees beyond those benefits provided by other programs. The Company's non-qualified unfunded non-U.S. defined benefit pension plans include plans that provide retirement indemnities to employees within the Company's European and ROW segments. Pension obligations for the majority of non-qualified unfunded defined benefit pension plans are provided for by book reserves and are based on local practices and regulations of the respective countries. The Company makes cash contributions for the costs of the non-qualified unfunded defined benefit pension plans as the benefits are paid.

The components of net periodic benefit cost for pension benefits were as follows (in millions):

	Three Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 0.4	\$ 0.8	\$ 0.4	\$ 0.6
Interest cost	2.1	1.5	2.1	1.3
Expected return on plan assets	(2.4)	(0.6)	(2.3)	(0.4)
Amortization of prior service cost		0.1		
Amortization of net loss	1.1	0.3	1.2	0.2
Amortization of translation obligation				
Net pension expense	\$ 1.2	\$ 2.1	\$ 1.4	\$ 1.7

	Nine Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 1.2	\$ 2.4	\$ 1.1	\$ 1.8
Interest cost	6.3	4.5	6.3	4.1
Expected return on plan assets	(7.2)	(1.8)	(6.9)	(1.3)
Amortization of prior service cost	0.1	0.3		
Amortization of net loss	3.3	0.9	3.6	0.5
Amortization of translation obligation		0.2		
Net pension expense	\$ 3.7	\$ 6.5	\$ 4.1	\$ 5.1

Defined benefit pension plan cash contributions for the three and nine fiscal months ended September 30, 2011 were \$16.0 million and \$22.0 million, respectively. Defined benefit pension plan cash contributions for the three and nine fiscal months ended October 1, 2010 were \$9.3 million and \$13.1 million, respectively.

***Postretirement Benefits Other Than Pensions***

General Cable has postretirement benefit plans that provide medical and life insurance for certain retirees and eligible dependents. The Company funds the plans as claims or insurance premiums are incurred.

Net postretirement benefit expense included the following components (in millions):

# Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

	Three Fiscal Months Ended		Nine Fiscal Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Service cost	\$	\$	\$ 0.1	\$ 0.1
Interest cost	0.1	0.1	0.3	0.3
Net amortization and deferral				
Net postretirement benefit expense	\$ 0.1	\$ 0.1	\$ 0.4	\$ 0.4

## ***Defined Contribution Plans***

Expense under both U.S. and non-U.S. defined contribution plans generally equals up to nine percent of each eligible employee's covered compensation based on the location and status of the employee. The net defined contribution plan expense recognized for the three and nine fiscal months ended September 30, 2011 was \$2.1 million and \$6.9 million, respectively. The net defined contribution plan expense recognized for the three and nine fiscal months ended October 1, 2010 was \$2.0 million and \$6.4 million, respectively.

## Table of Contents

### 12. Total Equity

General Cable is authorized to issue 200 million shares of common stock and 25 million shares of preferred stock.

Condensed consolidated statements of changes in equity are presented below for the nine months ended September 30, 2011 and October 1, 2010 (in millions):

	Company common shareholders						Accumulated	
	Total	Preferred Stock	Common Stock	Add 1 Paid in Capital	Treasury Stock	Retained Earnings	Other Comprehensive Income/(Loss)	Non-controlling Interest
<b>Balance, December 31, 2010</b>	\$ 1,605.3	\$ 3.8	\$ 0.6	\$ 652.8	\$ (74.0)	\$ 875.3	\$ 23.5	\$ 123.3
Comprehensive income (loss):								
Net income (loss) including non-controlling interest	81.2					79.6		1.6
Foreign currency translation adj.	(29.8)						(27.9)	(1.9)
Gain (loss) defined benefit plan							0.9	(0.9)
Unrealized gain (loss) on financial instruments	(69.7)						(69.5)	(0.2)
Comprehensive income (loss)	(18.3)							
Preferred stock dividend	(0.3)					(0.3)		
Excess tax benefit from stock compensation	1.0			1.0				
Dividends paid to non-controlling interest	(3.8)							(3.8)
Other Issuance pursuant to restricted stock, stock options and other	8.4			9.5	0.2			(1.3)
<b>Balance, September 30, 2011</b>	\$ 1,592.3	\$ 3.8	\$ 0.6	\$ 663.3	\$ (73.8)	\$ 954.6	\$ (73.0)	\$ 116.8

	General Cable shareholders						Accumulated	
	Total	Preferred stock Amount	Common Stock Amount	Add 1 Paid in Capital	Treasury Stock	Retained Earnings	Other Comprehensive Income/(Loss)	Non-controlling Interest
<b>Balance, December 31, 2009</b>	\$ 1,509.8	\$ 3.8	\$ 0.6	\$ 637.1	\$ (72.9)	\$ 806.1	\$ (8.9)	\$ 144.0
Comprehensive income (loss):								
Net income including noncontrolling interest	42.0					34.4		7.6
Foreign currency translation adj.	28.5						43.5	(15.0)
Unrealized gain (loss) on financial instruments	10.4						10.9	(0.5)
Comprehensive income (loss)	80.9							
Preferred stock dividend	(0.3)					(0.3)		
Dividends paid to non-controlling interests	(3.9)							(3.9)
Excess tax benefit from stock compensation	0.2			0.2				
Other Issuance pursuant to restricted stock, stock options and other	8.8			11.4	(0.4)	0.1		(2.3)
<b>Balance, October 1, 2010</b>	\$ 1,595.5	\$ 3.8	\$ 0.6	\$ 648.7	\$ (73.3)	\$ 840.3	\$ 45.5	\$ 129.9

The components of accumulated other comprehensive income (loss) as of September 30, 2011 and December 31, 2010, respectively, consisted of the following (in millions):

	September 30, 2011		December 31, 2010	
	Company common shareholders	Non-controlling interest	Company common shareholders	Non-controlling interest
Foreign currency translation adjustment	\$ 25.6	\$ (16.7)	\$ 53.5	\$ (14.8)
Pension adjustments, net of tax	(46.5)	(1.7)	(47.4)	(0.8)
Change in fair value of derivatives, net of tax	(59.7)	(0.7)	9.8	(0.5)
Company deferred stock held in rabbi trust, net of tax	7.3		7.3	
Other	0.3		0.3	
Accumulated other comprehensive income (loss)	\$ (73.0)	\$ (19.1)	\$ 23.5	\$ (16.1)



**Table of Contents**

Comprehensive income consists of the following (in millions):

	00000	00000	00000	00000
	September 30, 2011		October 1, 2010	
	Company common shareholders	Non-controlling interest	Company common shareholders	Non-controlling interest
Net income <sup>(1)</sup>	\$ 3.7	\$ 0.3	\$ 18.2	\$ 3.6
Currency translation gain (loss)	(94.6)	(3.2)	91.2	0.8
Change in fair value of pension plan benefit	0.2	(0.2)		
Change in fair value of derivatives, net of tax	(49.5)	(0.2)	41.1	(0.3)
Comprehensive income (loss)	\$ (140.2)	\$ (3.3)	\$ 150.5	\$ 4.1

<sup>(1)</sup> Net income before preferred stock dividend payments.

	00000	00000	00000	00000
	September 30, 2011		October 1, 2010	
	Company common shareholders	Non-controlling interest	Company common shareholders	Non-controlling interest
Net income <sup>(1)</sup>	\$ 79.6	\$ 1.6	\$ 34.4	\$ 7.6
Currency translation gain (loss)	(27.9)	(1.9)	43.5	(15.0)
Change in fair value of pension plan benefit	0.9	(0.9)		
Change in fair value of derivatives, net of tax	(69.5)	(0.2)	10.9	(0.5)
Comprehensive income (loss)	\$ (16.9)	\$ (1.4)	\$ 88.8	\$ (7.9)

<sup>(1)</sup> Net income before preferred stock dividend payments.

The Company maintains a deferred compensation plan (Deferred Compensation Plan) under the terms and conditions disclosed in the Company's 2010 Annual Report on Form 10-K. The Company accounts for the Deferred Compensation Plan in accordance with ASC 710 Compensation General as it relates to arrangements where amounts earned are held in a rabbi trust. The market value of mutual fund investments, nonvested and subsequently vested stock and restricted stock in the rabbi trust was \$29.8 million and \$39.3 million as of September 30, 2011 and December 31, 2010, respectively. The market value of the assets held by the rabbi trust, exclusive of the market value of the shares of the Company's nonvested and subsequently vested restricted stock, restricted stock units held in the deferred compensation plan and Company stock investments by participants' elections, at September 30, 2011 and December 31, 2010 was \$14.2 million and \$16.0 million, respectively, and is classified as other non-current assets in the condensed consolidated balance sheets. Amounts payable to the plan participants at September 30, 2011 and December 31, 2010, excluding the market value of the shares of the Company's nonvested and subsequently vested restricted stock and restricted stock units held, was \$15.8 million and \$18.3 million, respectively, and is classified as other liabilities in the condensed consolidated balance sheets.

**13. Share-Based Compensation**

General Cable has various plans which provide for granting options, restricted stock units and restricted common stock to certain employees and independent directors of the Company and its subsidiaries. The Company recognizes compensation expense for share-based payments based on the fair value of the awards at the grant date. The table below summarizes compensation expense for the Company's non-qualified stock options,

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

non-vested stock awards, including restricted stock units, and performance-based non-vested stock awards based on the fair value method as estimated using the Black-Scholes valuation model for the three and nine fiscal months ended September 30, 2011 and October 1, 2010 (in millions).

	Three Fiscal Months Ended	
	September 30, 2011	October 1, 2010
Non-qualified stock option expense	\$ 1.2	\$ 1.1
Non-vested stock awards expense	1.8	1.0
<b>Total pre-tax share-based compensation expense</b>	<b>\$ 3.0</b>	<b>\$ 2.1</b>
 Excess tax benefit on share-based compensation	 \$ 0.3	 \$

**Table of Contents**

	Nine Fiscal Months Ended	
	September 30, 2011	October 1, 2010
Non-qualified stock option expense	\$ 3.5	\$ 3.2
Non-vested stock awards expense	5.2	3.9
<b>Total pre-tax share-based compensation expense</b>	<b>\$ 8.7</b>	<b>\$ 7.1</b>
Excess tax benefit on share-based compensation <sup>(1)</sup>	\$ 1.0	\$ 0.2

<sup>(1)</sup> Cash inflows (outflows) recognized as financing activities in the condensed consolidated statements of cash flows. The Company records compensation expense related to non-vested stock awards as a component of selling, general and administrative expense. There have been no material changes in financial condition or operations that would affect the method or the nature of the share-based compensation recorded in the current period or the prior comparative periods.

**14. Shipping and Handling Costs**

All shipping and handling amounts billed to a customer in a sales transaction are classified as revenue. Shipping and handling costs associated with storage and handling of finished goods and shipments to customers are included in cost of sales and totaled \$34.5 million and \$30.5 million, respectively, for the three fiscal months ended September 30, 2011 and October 1, 2010 and \$104.2 million and \$86.3 million, respectively, for the nine fiscal months ended September 30, 2011 and October 1, 2010.

**15. Earnings (Loss) Per Common Share**

The Company applied the two-class method of computing basic and diluted earnings (loss) per share for the three and nine fiscal months ended September 30, 2011 and October 1, 2010. Historically and for the three and nine fiscal months ended September 30, 2011 and October 1, 2010, the Company did not declare, pay or otherwise accrue a dividend payable to the holders of the Company's common stock or holders of unvested share-based payment awards (restricted stock). A reconciliation of the numerator and denominator of earnings (loss) per common share basic to earnings (loss) per common share assuming dilution is as follows (in millions, except per share data):

	Three Fiscal Months Ended		Nine Fiscal Months Ended	
(in millions, except per share data)	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
<b>Earnings per common share basic:</b>				
Net income for basic EPS computation <sup>(1)</sup>	\$ 3.6	\$ 18.1	\$ 79.3	\$ 34.1
Weighted average shares outstanding for basic EPS computation <sup>(2)</sup>	52.2	52.1	52.2	52.1
Earnings per common share basic <sup>(3)</sup>	\$ 0.07	\$ 0.35	\$ 1.52	\$ 0.65
<b>Earnings per common share assuming dilution:</b>				
Net income attributable to Company common shareholders	\$ 3.6	\$ 18.1	\$ 79.3	\$ 34.1
Add: preferred stock dividends, if applicable	0.1	0.1	0.3	0.3
Net income for diluted EPS computation <sup>(1)</sup>	\$ 3.7	\$ 18.2	\$ 79.6	\$ 34.4
Weighted average shares outstanding including nonvested shares	52.2	52.1	52.2	52.1
Dilutive effect of convertible notes			0.8	

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Dilutive effect of stock options and restricted stock units	0.8	0.6	0.8	0.6
Dilutive effect of assumed conversion of preferred stock	0.4	0.4	0.4	0.4
Weighted average shares outstanding for diluted EPS computation <sup>(2)</sup>	53.4	53.1	54.2	53.1
Earnings per common share assuming dilution	\$ 0.07	\$ 0.34	\$ 1.47	\$ 0.65

(1) Numerator

(2) Denominator

(3) Under the two-class method, Earnings per share basic reflects undistributed Earnings per share for both common stock and unvested share-based payment awards (restricted stock).

Under ASC No. 260 *Earnings per Share* and ASC No. 470 *Debt* and because of the Company's obligation to settle the par value of the 0.875% Convertible Notes, 1.00% Senior Convertible Notes, and the Subordinated Convertible Notes in cash, the Company is not required to include any shares underlying the 0.875% Convertible Notes, 1.00% Senior Convertible Notes and Subordinated Convertible Notes in its weighted average shares outstanding assuming dilution until the average stock price per share for the quarter exceeds the \$50.36, \$83.93, and \$36.75 conversion price of the 0.875% Convertible Notes, 1.00% Senior Convertible Notes and the Subordinated Convertible Notes, respectively, and only to the extent of the additional shares

**Table of Contents**

that the Company may be required to issue in the event that the Company's conversion obligation exceeds the principal amount of the 0.875% Convertible Notes, the 1.00% Senior Convertible Notes and the Subordinated Convertible Notes.

Regarding the 0.875% Convertible Notes, the average stock price threshold conditions had not been met as of September 30, 2011. At any such time in the future that threshold conditions are met, only the number of shares issuable under the treasury method of accounting for the share dilution would be included in the Company's earnings per share assuming dilution calculation, which is based upon the amount by which the average stock price exceeds the conversion price. In addition, shares underlying the warrants will be included in the weighted average shares outstanding assuming dilution when the average stock price per share for a quarter exceeds the \$76.00 strike price of the warrants, and shares underlying the note hedges, will not be included in the weighted average shares outstanding assuming dilution because the impact of the shares will always be anti-dilutive.

The following table provides examples of how changes in the Company's stock price would require the inclusion of additional shares in the denominator of the weighted average shares outstanding assuming dilution calculation for the 0.875% Convertible Notes. The table also reflects the impact on the number of shares that the Company would expect to issue upon concurrent settlement of the 0.875% Convertible Notes and the note hedges and warrants.

Share Price	Shares Underlying 0.875% Convertible Notes	Warrant Shares	Total Treasury Method Incremental Shares <sup>(1)</sup>	Shares Due to the Company under Note Hedges	Incremental Shares Issued by the Company upon Conversion <sup>(2)</sup>
\$ 50.36					
\$ 60.36	1,167,502		1,167,502	(1,167,502)	
\$ 70.36	2,003,400		2,003,400	(2,003,400)	
\$ 80.36	2,631,259	382,618	3,013,877	(2,631,259)	382,618
\$ 90.36	3,120,150	1,120,363	4,240,513	(3,120,150)	1,120,363
\$ 100.36	3,511,614	1,711,088	5,222,702	(3,511,614)	1,711,088

(1) Represents the number of incremental shares that must be included in the calculation of fully diluted shares under GAAP.

(2) Represents the number of incremental shares to be issued by the Company upon conversion of the 0.875% Convertible Notes, assuming concurrent settlement of the note hedges and warrants.

Regarding the 1.00% Senior Convertible Notes, the average stock price threshold conditions had not been met as of September 30, 2011. At any such time in the future that threshold conditions are met, only the number of shares issuable under the treasury method of accounting for the share dilution would be included in the Company's earnings per share assuming dilution calculation, which is based upon the amount by which the average stock price exceeds the conversion price.

The following table provides examples of how changes in the Company's stock price would require the inclusion of additional shares in the denominator of the weighted average shares outstanding assuming dilution calculation for the 1.00% Senior Convertible Notes.

Share Price	Shares Underlying 1.00% Senior Convertible Notes	Total Treasury Method Incremental Shares <sup>(1)</sup>
\$ 83.93		
\$ 93.93	13,425	13,425
\$ 103.93	24,271	24,271
\$ 113.93	33,213	33,213
\$ 123.93	40,712	40,712
\$ 133.93	47,091	47,091

(1) Represents the number of incremental shares that must be included in the calculation of fully diluted shares under GAAP. Regarding the Subordinated Convertible Notes, the average stock price threshold conditions had been met as of September 30, 2011 and for the nine months ended September 30, 2011, 0.8 million shares were considered issuable under the treasury method of accounting for the share dilution, and have been included in the Company's earnings per share assuming dilution calculation.

**Table of Contents**

The following table provides examples of how changes in the Company's stock price would require the inclusion of additional shares in the denominator of the weighted average shares outstanding assuming dilution calculation for the Subordinated Convertible Notes.

Share Price	Shares Underlying Subordinated Convertible Notes	Total Treasury Method Incremental Shares <sup>(1)</sup>
\$36.75		
\$38.75	603,152	603,152
\$40.75	1,147,099	1,147,099
\$42.75	1,640,151	1,640,151
\$44.75	2,089,131	2,089,131

(1) Represents the number of incremental shares that must be included in the calculation of fully diluted shares under GAAP.

**16. Segment Information**

The Company conducts its operations through three geographic operating segments – North America, Europe and Mediterranean, and ROW, which consists of operations in Latin America, Sub-Saharan Africa, Middle East and Asia Pacific. The Company's operating segments align with the structure of the Company's internal management organization. All three segments engage in the development, design, manufacturing, marketing and distribution of copper, aluminum, and fiber optic communication, electric utility and electrical infrastructure wire and cable products. In addition to the above products, the Europe and Mediterranean segment and the ROW segment develop, design, manufacture, markets and distribute construction products and the ROW segment manufactures and distributes rod mill wire and cable products.

Net revenues as shown below represent sales to external customers for each segment. Intersegment sales have been eliminated. For the three and nine months ended September 30, 2011 intersegment sales in North America were immaterial. In Europe and Mediterranean intersegment sales were \$9.3 million and \$20.1 million and in ROW intersegment sales were \$9.9 million and \$28.6 million for the three and nine months ended September 30, 2011, respectively. The chief operating decision maker evaluates segment performance and allocates resources based on segment operating income. Segment operating income represents income from continuing operations before interest income, interest expense, other income (expense), other financial costs and income tax.

Where applicable, Corporate generally includes corporate activity, eliminations and assets such as: cash, deferred income taxes, and certain property, including property held for sale, prepaid expenses and other certain current and non-current assets. Summarized financial information for the Company's reportable segments for the three and nine fiscal months ended September 30, 2011 and October 1, 2010 is as follows:

(in millions)	Three Fiscal Months Ended		Nine Fiscal Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
<b>Net sales:</b>				
North America	\$ 528.6	\$ 463.8	\$ 1,636.8	\$ 1,318.4
Europe and Mediterranean	442.1	328.1	1,334.4	1,052.9
ROW	547.1	408.6	1,526.4	1,135.8
<b>Total</b>	<b>\$ 1,517.8</b>	<b>\$ 1,200.5</b>	<b>\$ 4,497.6</b>	<b>\$ 3,507.1</b>
<b>Operating Income:</b>				
North America	\$ 27.7	\$ 14.0	\$ 104.5	\$ 73.0
Europe and Mediterranean	5.9	9.0	31.8	18.5
ROW	29.8	19.1	80.0	67.7

Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Total	\$	63.4	\$	42.1	\$	216.3	\$	159.2
-------	----	------	----	------	----	-------	----	-------

21



**Table of Contents**

(in millions)	September 30, 2011	December 31, 2010
<b>Identifiable Assets:</b>		
North America	\$ 845.4	\$ 866.7
Europe and Mediterranean	1,516.7	1,476.0
ROW	1,932.0	1,833.8
Corporate	248.3	151.2
<b>Total</b>	<b>\$ 4,542.4</b>	<b>\$ 4,327.7</b>

**17. Commitments and Contingencies**

Certain present and former operating sites, or portions thereof, currently or previously owned or leased by current or former operating units 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 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 is working with the governmental agencies involved and other PRPs to address environmental claims in a responsible and appropriate manner.

At September 30, 2011 and December 31, 2010, the Company had an accrued liability of approximately \$1.9 million and \$1.5 million for various environmental-related liabilities to the extent costs are known or can be reasonably estimated as its liability. American Premier Underwriters Inc., a former parent of the Company, agreed to indemnify the Company against all environmental-related liabilities arising out of the Company's or its predecessors' ownership or operation of the Indiana Steel & Wire Company and Marathon Manufacturing Holdings, Inc. businesses (which were divested by the Company), without limitation as to time or amount. While it is difficult to estimate future environmental-related liabilities accurately, the Company 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.

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, which ends in the fourth quarter of 2011, and is subject to an overall limit of \$20 million. At this time, there are no claims outstanding under this indemnity.

As part of the acquisition of Silec Cable, S.A.S (Silec), which was acquired in December 2005, SAFRAN SA agreed to indemnify General Cable against environmental losses arising from breach of representations and warranties on environmental law compliance and against losses arising from costs General Cable could incur to remediate property acquired based on a directive of the French authorities to rehabilitate property in regard to soil, water and other underground contamination arising before the closing date of the purchase. These indemnities are for a nine-year period ending in 2011 while General Cable operates the businesses subject to sharing of certain losses (with SAFRAN covering 100% of losses in year one, 75% in years two and three, 50% in year four, and 25% in years five and six). The indemnities are subject to an overall limit of 4.0 million euros. As of September 30, 2011 and December 31, 2010, there were no claims outstanding under this indemnity. In addition, SAFRAN SA agreed to indemnify the Company for the full amount of losses arising from, related to or attributable to practices, if any, that are similar to previous practices investigated by the French competition authority for alleged competition law violations related to medium and high voltage cable markets. The Company has asserted a claim under this indemnity against SAFRAN SA related to the European Commission's Statement of Objections, which is described in more detail below, to preserve our rights should an unfavorable outcome occur.

In 2007, the Company acquired the worldwide wire and cable business of Freeport-McMoRan Copper and Gold Inc., which operates as PDIC. As part of this acquisition, the seller agreed to indemnify the Company for certain environmental liabilities existing on the purchase closing. The seller's obligation to indemnify the Company for these particular liabilities generally survives four years from the date the parties executed the definitive purchase agreement unless the Company has properly notified the seller before the expiry of the four year period. The seller also made certain representations and warranties related to environmental matters and the acquired business and agreed to indemnify the Company for breaches of those representation and warranties for a period of four years from the closing date. Indemnification claims for breach of representations and warranties are subject to an overall indemnity limit of approximately \$105 million, which applies to all warranty and indemnity claims for the transaction.



## **Table of Contents**

In addition, Company subsidiaries have been named as defendants in lawsuits alleging exposure to asbestos in products manufactured by the Company. As of September 30, 2011, the Company was a defendant in approximately 601 non-maritime cases and 28,438 maritime cases brought in various jurisdictions throughout the United States. As of September 30, 2011 and December 31, 2010, the Company had accrued, on a gross basis, approximately \$4.8 million and \$5.1 million, respectively, and had recovered approximately \$0.5 million of insurance recoveries for these lawsuits. The Company does not believe that the outcome of the litigation will have a material adverse effect on its condensed consolidated results of operations, financial position or cash flows.

The U.S. Department of Justice, ( DOJ ), and the European Commission have been conducting antitrust and competition law investigations relating to the cable industry, which the Company believes relate primarily to the submarine and underground high-voltage power cables businesses. The Company historically has not been engaged in the high-voltage submarine power cable business and only recently entered the submarine power cable business in March 2009 through its German affiliate, Norddeutsche Seekabelwerke GmbH & Co., which was acquired in 2007. The Company has received requests for information from both the DOJ and the European Commission in connection with their investigations and has provided documents to the DOJ and responded to their questions. With regard to the DOJ investigation the Company does not believe the outcome of the litigation will have a material adverse effect on its consolidated financial results. With regard to the European Commission investigation, which has been addressed to the Company's Spanish operations, the Company completed its response to requests for information on February 16, 2011.

On July 5, 2011, the European Commission issued a Statement of Objections in relation to its ongoing competition investigation to a number of wire and cable manufacturers in the submarine and underground power cables business, including the Company's Spanish affiliate and its subsidiary, Silec. The allegations related to Silec are for the eleven months following its acquisition by our Spanish affiliate, for which we have filed a claim for indemnification from Safran to preserve our rights should an unfavorable outcome occur. A Statement of Objections is a procedural document in which the European Commission communicates its preliminary views in regard to possible infringement of European competition law and allows the companies identified in the Statement to present procedural and substantive arguments in response before a final decision is made. Any unfavorable decision by the European Commission is subject to appeal. The Statement of Objections issued to the Company alleges that two affiliates in Europe engaged in violations of competition law in the underground power cables businesses for a limited period of time. The Company has responded to the Statement of Objections on October 28, 2011 and intends to continue to vigorously defend itself against the allegations.

The European Commission has significant discretion in assessing fines and the Statement of Objections has only provided limited guidance on how it could potentially assess fines on each of the named wire and cable companies alleged to have violated applicable competition laws. At this time, the Company believes that it has substantial defenses to the allegations contained in the Statement of Objections. However, if our defenses are ultimately not successful, the Company could be assessed fines, which if imposed, could be substantial and may have a material impact on its consolidated financial results. While the Company continues to incur legal and associated costs in this matter, it is unable, at this time, to estimate the range of loss, if any, that may result as an outcome of these proceedings.

The Company 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.

In Europe and Mediterranean as it relates to the 2005 purchase of shares of Silec, the Company has pledged to the bank the following: Silec shares, segment assets such as land and buildings and certain General Cable entities in Spain and Portugal have been designated as guarantors.

General Cable has entered into various operating lease agreements related principally to certain administrative, manufacturing and distribution facilities and transportation equipment. At September 30, 2011, future minimum rental payments required under non-cancelable lease agreement during twelve month periods beginning September 30, 2011 through September 30, 2016 are \$20.5 million, \$14.4 million, \$11.1 million, \$7.7 million and \$5.7 million, respectively, and \$12.1 million thereafter.

As of September 30, 2011, the Company had \$55.3 million in letters of credit, \$248.9 million in various performance bonds and \$195.6 million in other guarantees. Other guarantees include bank guarantees and advance payment bonds. These letters of credit, performance bonds and guarantees are periodically renewed and are generally related to risk associated with self-insurance claims, defined benefit plan obligations, contract performance, quality and other various bank and financing guarantees. Advance payment bonds are often required by customers when we obtain advance payments to secure the production of cable for long term contracts. The advance payment bonds provide the customer protection on their deposit in the event that the Company does not perform under the contract. See Liquidity and Capital Resources for excess availability under the Company's various credit borrowings.

**Table of Contents****18. Unconsolidated Affiliated Companies**

Unconsolidated affiliated companies are those in which the Company generally owns less than 50 percent of the outstanding voting shares. The Company does not control these companies and accounts for its investments in them on the equity basis. The unconsolidated affiliated companies primarily manufacture or market wire and cable products in our ROW segment. The Company's share of the income of these companies is reported in the condensed consolidated statements of operations under Equity in earnings of affiliated companies. For the three and nine fiscal months ended September 30, 2011, equity in earnings of affiliated companies was \$0.8 and \$2.2 million, respectively. For the three and nine fiscal months ended October 1, 2010, equity in earnings of affiliated companies was \$0.4 and \$1.0 million, respectively. The net investment in unconsolidated affiliated companies was \$18.9 million and \$17.3 million as of September 30, 2011 and December 31, 2010, respectively. As of September 30, 2011, the Company's ownership percentage was as follows: PDTL Trading Company Ltd. 49%, Colada Continua Chilean, S.A. 41%, Minuet Realty Corp. 40%, Nostag GmbH & Co. KG 33%, Pakistan Cables Limited 24.6%, Keystone Electric Wire & Cable Co., Ltd. 20% and Thai Copper Rod Company Ltd. 18%.

**19. Fair Value Disclosure**

The fair market values of the Company's financial instruments are determined based on the fair value hierarchy as discussed in *ASC820 Fair Value Measurements and Disclosures* which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair values are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value requires significant management judgment or estimation.

The Company carries derivative assets and liabilities (Level 2) and trading marketable equity securities (Level 1) held in the rabbi trust as part of the Company's Deferred Compensation Plan at fair value. The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices and indices to generate pricing and volatility factors, which are used to value the position. The predominance of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third-party pricing services. Trading marketable equity securities are recorded at fair value, which are based on quoted market prices.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below (in millions).

	Fair Value Measurement							
	September 30, 2011			Fair Value	December 31, 2010			Fair Value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Assets:								
Derivative assets	\$	\$ 11.8	\$	\$ 11.8	\$	\$ 36.5	\$	\$ 36.5
Trading securities	14.2			14.2	16.0			16.0
Total assets	\$ 14.2	\$ 11.8	\$	\$ 26.0	\$ 16.0	\$ 36.5	\$	\$ 52.5

# Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

<b>Liabilities</b>							
Derivative liabilities	\$	\$ 64.2	\$	\$ 64.2	\$	\$ 16.2	\$ 16.2
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 64.2</b>	<b>\$</b>	<b>\$ 64.2</b>	<b>\$</b>	<b>\$ 16.2</b>	<b>\$ 16.2</b>

At September 30, 2011 there were no financial assets or financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3). Similarly, there were no nonfinancial assets or nonfinancial liabilities measured at fair value on a non-recurring basis.

There were also no significant transfers in and out of Level 1 and Level 2 fair value measurements to be disclosed.

**Table of Contents****20. Supplemental Guarantor and Parent Company Condensed Financial Information**

General Cable Corporation ( Parent Company ) and its U.S. and Canadian wholly-owned subsidiaries ( Guarantor Subsidiaries ) fully and unconditionally guarantee the \$10.6 million of 1.00% Senior Convertible Notes, the \$355.0 million of 0.875% Convertible Notes, the \$200 million of 7.125% Senior Notes due in 2017 and the \$125 million of Senior Floating Rate Notes due in 2015 of the Parent Company on a joint and several basis. The following tables present financial information about the Parent Company, Guarantor Subsidiaries and non-guarantor subsidiaries in millions. Intercompany transactions are eliminated.

**Condensed Statements of Operations****Three Fiscal Months Ended September 30, 2011**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	\$	\$ 518.4	\$ 999.4	\$	\$ 1,517.8
Intercompany	14.4		15.7	(30.1)	
	14.4	518.4	1,015.1	(30.1)	1,517.8
Cost of sales		459.2	917.9	(15.7)	1,361.4
Gross profit	14.4	59.2	97.2	(14.4)	156.4
Selling, general and administrative expenses	11.5	34.5	61.4	(14.4)	93.0
Operating income	2.9	24.7	35.8		63.4
Other expense	(0.1)	(2.4)	(29.0)		(31.5)
Interest income (expense):					
Interest expense	(15.8)	(17.4)	(11.1)	18.9	(25.4)
Interest income	15.8	3.0	2.3	(18.9)	2.2
		(14.4)	(8.8)		(23.2)
Income before income taxes	2.8	7.9	(2.0)		8.7
Income tax provision	(1.0)	(0.2)	(4.3)		(5.5)
Equity in net income of subsidiaries and affiliated companies	1.9	(5.8)	0.1	4.6	0.8
Net income including noncontrolling interest	3.7	1.9	(6.2)	4.6	4.0
Less: preferred stock dividends	0.1				0.1
Less: net income attributable to noncontrolling interest			0.3		0.3
Net income attributable to Company common shareholders	\$ 3.6	\$ 1.9	\$ (6.5)	\$ 4.6	\$ 3.6

**Table of Contents****Condensed Statements of Operations****Nine Fiscal Months Ended September 30, 2011**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	\$	\$ 1,600.8	\$ 2,896.8	\$	\$ 4,497.6
Intercompany	42.2		38.7	(80.9)	
	42.2	1,600.8	2,935.5	(80.9)	4,497.6
Cost of sales		1,397.9	2,640.4	(38.7)	3,999.6
Gross profit	42.2	202.9	295.1	(42.2)	498.0
Selling, general and administrative expenses	33.5	108.6	181.8	(42.2)	281.7
Operating income	8.7	94.3	113.3		216.3
Other expense	(0.1)	(1.8)	(26.5)		(28.4)
Interest income (expense):					
Interest expense	(47.1)	(55.4)	(32.4)	61.9	(73.0)
Interest income	52.6	9.0	6.5	(61.9)	6.2
	5.5	(46.4)	(25.9)		(66.8)
Income before income taxes	14.1	46.1	60.9		121.1
Income tax provision	(5.2)	(18.4)	(18.5)		(42.1)
Equity in net income of subsidiaries and affiliated companies	70.7	43.0	0.1	(111.6)	2.2
Net income including noncontrolling interest	79.6	70.7	42.5	(111.6)	81.2
Less: preferred stock dividends	0.3				0.3
Less: net income attributable to noncontrolling interest			1.6		1.6
Net income attributable to Company common shareholders	\$ 79.3	\$ 70.7	\$ 40.9	\$ (111.6)	\$ 79.3

**Table of Contents****Condensed Statements of Operations****Three Fiscal Months Ended October 1, 2010**

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	\$	\$ 452.3	\$ 748.2	\$	\$ 1,200.5
Intercompany	13.2		25.3	(38.5)	
	13.2	452.3	773.5	(38.5)	1,200.5
Cost of sales		408.1	692.4	(25.3)	1,075.2
Gross profit	13.2	44.2	81.1	(13.2)	125.3
Selling, general and administrative expenses	10.5	28.1	57.8	(13.2)	83.2
Operating income	2.7	16.1	23.3		42.1
Other income		1.3	6.4		7.7
Interest income (expense):					
Interest expense	(15.3)	(21.3)	(6.3)	23.5	(19.4)
Interest income	20.8	2.5	1.7	(23.5)	1.5
	5.5	(18.8)	(4.6)		(17.9)
Income before income taxes	8.2	(1.4)	25.1		31.9
Income tax provision	(3.1)	13.2	(20.6)		(10.5)
Equity in net income of subsidiaries and affiliated companies	13.1	1.3		(14.0)	0.4
Net income including noncontrolling interest	18.2	13.1	4.5	(14.0)	21.8
Less: preferred stock dividends	0.1				0.1
Less: net income attributable to noncontrolling interest			3.6		3.6
Net income attributable to Company common shareholders	\$ 18.1	\$ 13.1	\$ 0.9	\$ (14.0)	\$ 18.1



**Table of Contents****Condensed Statements of Operations****Nine Fiscal Months Ended October 1, 2010**

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales:					
Customers	\$	\$ 1,285.9	\$ 2,221.2	\$	\$ 3,507.1
Intercompany	38.2	0.3	58.0	(96.5)	
	38.2	1,286.2	2,279.2	(96.5)	3,507.1
Cost of sales		1,125.5	2,032.3	(58.3)	3,099.5
Gross profit	38.2	160.7	246.9	(38.2)	407.6
Selling, general and administrative expenses	29.9	98.3	158.4	(38.2)	248.4
Operating income	8.3	62.4	88.5		159.2
Other expense		(0.6)	(31.2)		(31.8)
Interest income (expense):					
Interest expense	(45.9)	(63.3)	(17.7)	69.7	(57.2)
Interest income	61.6	7.8	4.0	(69.7)	3.7
	15.7	(55.5)	(13.7)		(53.5)
Income before income taxes	24.0	6.3	43.6		73.9
Income tax provision	(9.0)	11.2	(35.1)		(32.9)
Equity in net income of subsidiaries and affiliated companies	19.4	1.9		(20.3)	1.0
Net income including noncontrolling interest	34.4	19.4	8.5	(20.3)	42.0
Less: preferred stock dividends	0.3				0.3
Less: net income attributable to noncontrolling interest			7.6		7.6
Net income attributable to Company common shareholders	\$ 34.1	\$ 19.4	\$ 0.9	\$ (20.3)	\$ 34.1

**Table of Contents****Condensed Balance Sheets****September 30, 2011**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b><u>Assets</u></b>					
Current assets:					
Cash and cash equivalents	\$ 0.1	\$ 15.6	\$ 400.9	\$	\$ 416.6
Receivables, net of allowances		297.5	902.4		1,199.9
Inventories, net		439.5	812.0		1,251.5
Deferred income taxes	(0.1)	27.2	38.6		65.7
Prepaid expenses and other	1.8	35.9	83.1		120.8
Total current assets	1.8	815.7	2,237.0		3,054.5
Property, plant and equipment, net	0.4	186.6	844.4		1,031.4
Deferred income taxes		1.1	14.5		15.6
Intercompany accounts	1,234.6	413.5	32.0	(1,680.1)	
Investment in subsidiaries	1,177.6	1,339.6		(2,517.2)	
Goodwill		0.8	164.4		165.2
Intangible assets, net		3.5	181.1		184.6
Unconsolidated affiliated companies		12.9	6.0		18.9
Other non-current assets	8.7	22.9	40.6		72.2
Total assets	\$ 2,423.1	\$ 2,796.6	\$ 3,520.0	\$ (4,197.3)	\$ 4,542.4
<b><u>Liabilities and Total Equity</u></b>					
Current liabilities:					
Accounts payable	\$	\$ 130.9	\$ 854.4	\$	\$ 985.3
Accrued liabilities	5.0	128.7	343.1		476.8
Current portion of long-term debt			183.9		183.9
Total current liabilities	5.0	259.6	1,381.4		1,646.0
Long-term debt	818.4	20.9	41.3		880.6
Deferred income taxes	124.2	(14.7)	94.7		204.2
Intercompany accounts		1,266.6	413.5	(1,680.1)	
Other liabilities		86.6	132.7		219.3
Total liabilities	947.6	1,619.0	2,063.6	(1,680.1)	2,950.1
Total Company shareholders' equity	1,475.5	1,177.6	1,339.6	(2,517.2)	1,475.5
Noncontrolling interest			116.8		116.8
Total liabilities and equity	\$ 2,423.1	\$ 2,796.6	\$ 3,520.0	\$ (4,197.3)	\$ 4,542.4

**Table of Contents****Condensed Balance Sheets****December 31, 2010**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
<b><u>Assets</u></b>					
Current assets:					
Cash	\$ 29.0	\$ 8.0	\$ 421.7	\$	\$ 458.7
Receivables, net of allowances		249.7	817.3		1,067.0
Inventories, net		380.8	738.1		1,118.9
Deferred income taxes		26.5	13.3		39.8
Prepaid expenses and other	1.8	38.3	81.2		121.3
Total current assets	30.8	703.3	2,071.6		2,805.7
Property, plant and equipment, net	0.4	194.8	844.4		1,039.6
Deferred income taxes		1.1	10.2		11.3
Intercompany accounts	1,169.7	368.0	22.4	(1,560.1)	
Investment in subsidiaries	1,202.5	1,361.5		(2,564.0)	
Goodwill		0.8	174.1		174.9
Intangible assets, net		3.7	195.9		199.6
Unconsolidated affiliated companies		11.2	6.1		17.3
Other non-current assets	10.0	21.6	47.7		79.3
Total assets	\$ 2,413.4	\$ 2,666.0	\$ 3,372.4	\$ (4,124.1)	\$ 4,327.7
<b><u>Liabilities and Total Equity</u></b>					
Current liabilities:					
Accounts payable	\$	\$ 110.6	\$ 811.9	\$	\$ 922.5
Accrued liabilities	3.9	103.8	269.0		376.7
Current portion of long-term debt			121.0		121.0
Total current liabilities	3.9	214.4	1,201.9		1,420.2
Long-term debt	802.9		61.6		864.5
Deferred income taxes	124.3	(16.7)	94.8		202.4
Intercompany accounts		1,161.6	398.5	(1,560.1)	
Other liabilities	0.3	104.2	130.8		235.3
Total liabilities	931.4	1,463.5	1,887.6	(1,560.1)	2,722.4
Total Company shareholders' equity	1,482.0	1,202.5	1,361.5	(2,564.0)	1,482.0
Non-controlling interest			123.3		123.3
Total liabilities and equity	\$ 2,413.4	\$ 2,666.0	\$ 3,372.4	\$ (4,124.1)	\$ 4,327.7

**Table of Contents****Condensed Statements of Cash Flows****Nine Fiscal Months Ended September 30, 2011**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash flows of operating activities	\$ 27.5	\$ 9.7	\$ (76.4)	\$	\$ (39.2)
Cash flows of investing activities:					
Capital expenditures	(0.2)	(14.5)	(71.5)		(86.2)
Proceeds from properties sold		0.1	2.8		2.9
Acquisitions, net of cash acquired					
Other		(16.9)	17.6		0.7
Net cash flows of investing activities	(0.2)	(31.3)	(51.1)		(82.6)
Cash flows of financing activities:					
Preferred stock dividends paid	(0.3)				(0.3)
Excess tax benefits from stock-based compensation	1.0				1.0
Intercompany accounts	(58.1)	8.9	49.2		
Proceeds from revolving credit borrowings		687.6			687.6
Repayments of revolving credit borrowings		(666.7)			(666.7)
Proceeds (repayments) of other debt			51.3		51.3
Dividends paid to non-controlling interest			(3.8)		(3.8)
Proceeds from exercise of stock options	1.2				1.2
Net cash flows of financing activities	(56.2)	29.8	96.7		70.3
Effect of exchange rate changes on cash and cash equivalents		(0.6)	10.0		9.4
Increase (decrease) in cash and cash equivalents	(28.9)	7.6	(20.8)		(42.1)
Cash and cash equivalents beginning of period	29.0	8.0	421.7		458.7
Cash and cash equivalents end of period	\$ 0.1	\$ 15.6	\$ 400.9	\$	\$ 416.6

**Table of Contents****Condensed Statements of Cash Flows****Nine Fiscal Months Ended October 1, 2010**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net cash flows of operating activities	\$ 33.6	\$ (7.4)	\$ (45.6)	\$	\$ (19.4)
Cash flows of investing activities:					
Capital expenditures		(13.1)	(69.4)		(82.5)
Proceeds from properties sold		0.1	4.3		4.4
Acquisitions, net of cash acquired		(3.9)	(27.8)		(31.7)
Other, net		4.1	(0.7)		3.4
Net cash flows of investing activities		(12.8)	(93.6)		(106.4)
Cash flows of financing activities:					
Preferred stock dividends paid	(0.3)				(0.3)
Excess tax benefits from stock-based compensation	0.2				0.2
Intercompany accounts	(26.2)	17.1	9.1		
Proceeds from revolving credit borrowings		11.1			11.1
Repayments of revolving credit borrowings		(11.1)			(11.1)
Proceeds (repayments) of other debt		(0.1)	61.2		61.1
Dividends paid to non-controlling interest			(3.9)		(3.9)
Proceeds from the exercise of stock options	0.2				0.2
Net cash flows of financing activities	(26.1)	17.0	66.4		57.3
Effect of exchange rate changes on cash and cash equivalents		(1.0)	(38.9)		(39.9)
Increase (decrease) in cash and cash equivalents	7.5	(4.2)	(111.7)		(108.4)
Cash and cash equivalents beginning of period	22.7	10.2	466.5		499.4
Cash and cash equivalents end of period	\$ 30.2	\$ 6.0	\$ 354.8	\$	\$ 391.0

**Notes to Parent Company Condensed Financial Information****Basis of Presentation**

In accordance with the requirements of Regulation S-X of the Securities and Exchange Commission, restricted net assets of the Company's subsidiaries exceeded 25% of the Company's total consolidated net assets. The Company's Spanish Term Loans include covenants that require its Spanish subsidiary to maintain minimum net assets of 197 million euros. This financial information is condensed and omits many disclosures presented in the Condensed Consolidated Financial Statements and Notes thereto.

**Table of Contents****Intercompany Activity**

The Parent Company and its Guarantor Subsidiaries participate in a cash pooling program. As part of this program, cash balances are generally swept on a daily basis between the Guarantor Subsidiaries' bank accounts and those of the Parent Company. There are a significant number of the Company's subsidiaries that participate in this cash pooling arrangement and there are thousands of transactions per week that occur between the Parent Company and Guarantor Subsidiaries, all of which are accounted for through the intercompany accounts.

Parent Company transactions include interest, dividend, tax payments and intercompany sales transactions related to administrative costs incurred by the Parent Company, which are billed to Guarantor Subsidiaries on a cost-plus basis. These costs are reported in the Parent's Selling, general and administrative expenses on the Condensed Consolidated Statement of Operations for the respective period(s). All intercompany transactions are presumed to be settled in cash when they occur and are included in operating activities on the statement of cash flows.

A summary of cash and non-cash transactions of the Parent Company's intercompany account is provided below for the nine fiscal months ended September 30, 2011 and the twelve months ended December 31, 2010:

(in millions)	September 30, 2011	December 31, 2010
Beginning Balance	\$ 1,169.7	\$ 1,091.5
Non-cash transactions		
Deferred tax		30.5
Equity based awards	9.4	9.0
Foreign currency and other	(2.6)	0.7
Cash transactions	58.1	38.0
Ending Balance	\$ 1,234.6	\$ 1,169.7

**Dividends**

There were no cash dividend payments to the Parent Company from the Guarantor Subsidiaries in the nine fiscal months ended September 30, 2011 or October 1, 2010.

**Parent Company Long-Term Debt**

At September 30, 2011 and December 31, 2010, the Parent Company was party to the following long-term financing arrangements:

(in millions)	September 30, 2011	December 31, 2010
Subordinated Convertible Notes due 2029	\$ 429.5	\$ 429.5
Debt discount on Subordinated Convertible Notes due 2029	(264.7)	(265.6)
1.00% Senior Convertible Notes due 2012	10.6	10.6
Debt discount on 1.00% Senior Convertible Notes due 2012	(0.6)	(1.1)
0.875% Convertible Notes due 2013	355.0	355.0
Debt discount on 0.875% Convertible Notes due 2013	(45.4)	(59.5)
7.125% Senior Notes due 2017	200.0	200.0
Senior Floating Rate Notes	125.0	125.0
Other	9.0	9.0
Total Parent Company debt	818.4	802.9
Less current maturities		
Parent Company Long-term debt	\$ 818.4	\$ 802.9

(in millions)	Q3 2012	Q3 2013	Q3 2014	Q3 2015	Q3 2016
Debt maturities twelve month period ending	\$	\$ 10.6	\$ 355.0	\$ 125.0	
Long-term debt related to the Parent Company is discussed in Note 8 of the Notes to the Condensed Consolidated Financial Statements.					

### ***Commitments and Contingencies***

For contingencies and guarantees related to the Parent Company, refer to Note 17 of the Notes to the Condensed Consolidated Financial Statements.

**Table of Contents****GENERAL CABLE CORPORATION AND SUBSIDIARIES****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) is intended to help the reader understand the Company's financial position, changes in financial position and results of operations. 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 the condensed consolidated financial statements and Notes.

Certain statements in this report including without limitation, statements regarding future financial results and performance, plans and objectives, capital expenditures and the Company's or 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 afforded 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, but are not limited to, those stated in Item 1A of the Company's 2010 Annual Report on Form 10-K as filed with the SEC on February 25, 2011.

**Overview**

General Cable is a global leader in the development, design, manufacture, installation, marketing and distribution of copper, aluminum and fiber optic wire and cable products. The Company's operations are divided into three reportable segments: North America, Europe and Mediterranean and Rest of World.

The Company has a strong market position in each of the segments in which it competes due to product, geographic and customer diversity and the Company's ability to operate as a low cost provider. The Company sells a wide variety of copper, aluminum and fiber optic wire and cable products, which management believes represents one of the most diversified product lines in the industry. As a result, the Company is able to offer its customers a single source for most of their wire and cable requirements.

The following table sets forth net sales and operating income by reportable segment for the periods presented, in millions of dollars:

	Three Fiscal Months Ended				Nine Fiscal Months Ended			
	September 30, 2011		October 1, 2010		September 30, 2011		October 1, 2010	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Net sales:</b>								
North America	\$ 528.6	35%	\$ 463.8	39%	\$ 1,636.8	36%	\$ 1,318.4	38%
Europe and Mediterranean	442.1	29%	328.1	27%	1,334.4	30%	1,052.9	30%
ROW	547.1	36%	408.6	34%	1,526.4	34%	1,135.8	32%
Total net sales	\$ 1,517.8	100%	\$ 1,200.5	100%	\$ 4,497.6	100%	\$ 3,507.1	100%
<b>Operating income (loss):</b>								
North America	\$ 27.7	44%	\$ 14.0	33%	\$ 104.5	48%	\$ 73.0	46%
Europe and Mediterranean	5.9	9%	9.0	22%	31.8	15%	18.5	12%
ROW	29.8	47%	19.1	45%	80.0	37%	67.7	42%
Total operating income	\$ 63.4	100%	\$ 42.1	100%	\$ 216.3	100%	\$ 159.2	100%

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 as traded on the London Metal Exchange ( LME ) and COMEX has historically been subject to considerable volatility. During the past few years, global copper prices have been volatile at times setting new average record highs. In the three fiscal months ended September 30, 2011 and October 1, 2010, copper cathode on the COMEX averaged \$4.07 and \$3.30 per pound, respectively, and aluminum averaged \$1.17 and \$1.01 per pound, respectively. In the nine fiscal months ended September 30, 2011 and October 1, 2010, copper cathode on the COMEX averaged \$4.20 and \$3.26 per pound, respectively, and the daily price of aluminum averaged \$1.21 and \$1.02 per pound, respectively. The copper and aluminum price volatility is representative of all reportable segments.



## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

General Cable typically 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 electric utility and telecommunications business

## **Table of Contents**

and, to a lesser extent, the Company's electrical infrastructure business has metal escalators and de-escalators written into customer contracts under a variety of price setting and recovery formulas. The remainder of the Company's business requires that volatility in the cost of metals be recovered through negotiated price changes with customers. In these instances, the ability to change the Company's selling prices may lag the movement in metal prices by a period of time as the customer price changes are implemented. Therefore, in the short-term, during periods of escalating raw material cost inputs, to the extent the Company is able to increase prices in the market to recover the higher raw material costs, the Company will generally experience a benefit from the sale of its relatively lower value inventory as computed under the weighted average inventory costing method. If the Company is unable to increase prices with the rise in the raw material market prices due to low levels of demand or market dynamics, the Company will experience lower operating income. Conversely, during periods of declining raw material cost inputs, to the extent the Company has to decrease prices in the market due to competitive pressure as the current cost of metals declines, the Company will generally experience downward pressure on its gross profit due to the sale of relatively higher value inventory as computed under the weighted average inventory costing method. If the Company is able to maintain price levels in an environment in which raw material prices are declining due to high levels of demand, the Company will experience higher operating income. The Company hedges a portion of its metal purchases when there is a firm price commitment for a future delivery but does not engage in speculative metals trading.

The Company has also historically experienced volatility on raw materials other than copper and aluminum used in cable manufacturing, such as insulating compounds, steel and wood reels, freight and energy costs. Generally, the Company attempts to adjust selling prices in most of the Company's markets in order to offset the impact of this raw material price and other cost volatility on reported earnings. The Company's ability to execute and ultimately realize price adjustments is influenced by competitive conditions in its markets, including manufacturing capacity utilization.

The Company generally has experienced and expects to continue to experience certain seasonal trends in construction related product sales and customer demand. Demand for construction related products during winter months in certain geographies is usually lower than demand during spring and summer months. Generally larger amounts of cash are required during winter months in order to build inventories in anticipation of higher demand during the spring and summer months, when construction activity increases. Additionally, the Company has historically experienced changes in demand resulting from poor or unusual weather.

### **Current Business Environment**

The wire and cable industry is competitive, mature and cost driven with minimal differentiation for many product offerings among industry participants from a manufacturing or technology standpoint. In the latter part of 2010 and in the first nine months of 2011, the Company has benefited from a recovery in demand. However, demand and pricing levels generally remain low compared to the levels that were achieved prior to the impact of the global financial crisis and economic downturn that began in late 2007.

In addition to the factors previously mentioned, General Cable is currently being affected by the following general macro-level trends:

Volatile commodity pricing, primarily copper and aluminum, as well as recent increased volatility in other cost inputs;

Currency volatility and continued political uncertainty in certain markets;

Competitive price pressures in certain markets, particularly those where the Company is a new entrant;

Continued low levels of demand for a broad spectrum of products in Europe;

Worldwide underlying long-term growth trends in electric utility and infrastructure markets;

Continuing demand for natural resources, such as oil and gas, and alternative energy initiatives;

Increasing demand for further deployment of submarine power and fiber optic communication systems; and

Population growth in developing countries with growing middle classes that influences demand for wire and cable.

The Company's overall financial results discussed in this section of the quarterly report demonstrate the diversification of the Company's product offering. In addition to the aforementioned macro-level trends, management anticipates that the following trends may affect the financial results of the Company during 2011. The Company's working capital requirements have been and are expected to be impacted by continued volatile raw materials costs, including metals and insulating materials as well as freight and energy costs, changing demand trends, and volatile currencies, particularly in developing markets.

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. The Company may idle manufacturing facilities in the future from time to time depending on market conditions and expected demand, and has historically idled manufacturing facilities due to market conditions or

## **Table of Contents**

expected demand. There were no permanent facility closures during the nine months ended September 30, 2011 or October 1, 2010.

General Cable believes its global investment in Lean Six Sigma (Lean) training, coupled with effectively utilized manufacturing assets, provides a cost advantage compared to many of its competitors and generates cost savings which help offset higher raw material prices and other general economic costs over time. 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.

The Company has access to various credit facilities around the world and believes that it can adequately fund its global working capital requirements through both internal operating cash flow and use of the various credit facilities. Overall, the capital structure changes made in recent years, including the exchange of convertible debt during the fourth quarter of 2009 which effectively extended the maturity of the largest tranche of debt by 20 years, should allow the Company to maintain financial flexibility. Additionally, as a result of the rapid and significant volatility in metal prices, the Company's working capital requirements are expected to be variable for the foreseeable future. The Company's new \$400 million Revolving Credit Facility entered into in July 2011 creates greater global operating flexibility to meet working capital requirement needs. See the Long Term Debt footnote for additional details.

## **Acquisitions and Divestitures**

Management actively seeks to identify key trends in the industry to capitalize on expanding markets and new niche markets or exit declining or non-strategic markets in order to achieve better returns. The Company also sets aggressive performance targets for its business and intends to refocus or divest those activities that fail to meet targets or do not fit long-term strategies. No acquisitions or divestitures were made in the nine fiscal months ended September 30, 2011.

## **Critical Accounting Policies and Estimates**

The Company's significant accounting policies are described in Note 2 to the audited annual consolidated financial statements. In the nine months ended September 30, 2011, there have been no significant changes to these policies. In the nine months ended September 30, 2011, there have been no recent accounting pronouncements that are expected to have a significant effect on the consolidated financial statements.

## **Venezuelan Operations**

On January 8, 2010, the Venezuelan government announced the devaluation of its currency, the BsF and established a two-tier foreign exchange structure. The official exchange rate for essential goods (food, medicine and other essential goods) was adjusted from 2.15 BsF per U.S. dollar to 2.60 BsF per U.S. dollar. The official exchange rate for non-essential goods was adjusted from 2.15 BsF per U.S. dollar to 4.30 BsF per U.S. dollar. The Company remeasures the financial statements of its Venezuelan subsidiary at the rate at which the Company expects to remit dividends, which is 4.30 BsF per U.S. dollar. Due to the impact of the devaluation of its currency by the Venezuelan government, the Company recorded a pre-tax charge of \$29.8 million in the first quarter of 2010 related to the remeasurement of the local balance sheet on the date of the devaluation at the official non-essential rate.

Effective January 1, 2011, the Central Bank of Venezuela and the Ministry of Finance published an amendment to Convenio Cambiario No. 14 (the Exchange Law), whereby the official exchange rate was set at 4.30 BsF per U.S. dollar, eliminating the 2.60 BsF per U.S. dollar rate previously established for essential goods in the first quarter of 2010. Thereafter, the Company can only import copper at the 4.30 BsF per U.S. dollar rate. In the three and nine months ended September 30, 2011, the Company purchased 3.3 million pounds and 12.3 million pounds of copper at the 4.30 BsF per U.S. dollar rate.

In the second quarter of 2010, the Company was authorized to import copper at the official exchange rate for essential goods of 2.60 BsF per U.S. dollar. For the three and nine months ended October 1, 2010, the Company recorded \$12.2 million and \$16.6 million in foreign exchange gains related to transactions completed at the 2.60 BsF per U.S. dollar essential rate. Copper imports prior to the approval were imported at the parallel rate which was closed down on June 9, 2010. For the nine months ended October 1, 2010, the Company recorded \$10.7 million in foreign exchange losses related to copper imports at the parallel rate.

At September 30, 2011 and December 31, 2010, the Company's total assets in Venezuela were \$281.9 million and \$225.2 million and total liabilities were \$65.2 million and \$36.2 million, respectively. At September 30, 2011 and December 31, 2010, total assets included BsF denominated monetary assets of \$139.1 million and \$88.9 million, which consisted primarily



## **Table of Contents**

of \$93.7 million and \$50.9 million of cash, and \$37.5 million and \$35.6 million of accounts receivable, respectively. At September 30, 2011 and December 31, 2010, total liabilities included BsF denominated monetary liabilities of \$34.7 million and \$26.3 million, which consisted primarily of \$25.2 million and \$15.8 million of accounts payable and other accruals, respectively. All monetary assets and liabilities were remeasured at 4.30 BsF per U.S. dollar at September 30, 2011 and December 31, 2010.

Sales in Venezuela were 4% and 3% of consolidated net sales for the quarters ended September 30, 2011 and October 1, 2010, respectively. Operating income in Venezuela was 18% and 21% of consolidated operating income for the quarters ended September 30, 2011 and October 1, 2010, respectively. The Company's sales in Venezuela were 3% of consolidated net sales for the nine months ended September 30, 2011 and October 1, 2010. Operating income in Venezuela was 14% and 17% of consolidated operating income for the nine months ended September 30, 2011 and October 1, 2010, respectively. For the quarter and nine months ended September 30, 2011, Venezuela's sales and cost of goods sold were approximately 90% and 29% BsF denominated and approximately 10% and 71% U.S. dollar denominated, respectively. For the quarter ended October 1, 2010, Venezuela's sales and cost of goods sold were approximately 89% and 29% BsF denominated and approximately 11% and 71% U.S. dollar denominated, respectively. For the nine months ended October 1, 2010, Venezuela's sales and cost of goods sold were approximately 83% and 29% BsF denominated and approximately 17% and 71% U.S. dollar denominated, respectively.

During the three and nine months ended September 30, 2011, the Company settled \$24 million and \$39 million of U.S. dollar denominated intercompany payables and accounts payable in Venezuela, respectively. During the three and nine months ended October 1, 2010, the Company settled \$31 million and \$67 million of U.S. dollar denominated intercompany payables and accounts payable in Venezuela, respectively. During the three and nine months ended September 30, 2011, settlements were made at the official exchange rate of 4.30 BsF per U.S. dollar on U.S. dollar denominated intercompany payables and accounts payable. For the nine months ended October 1, 2010, U.S. dollar denominated intercompany payables and accounts payable of approximately 52% was settled at the official essential exchange rate and 48% was settled at parallel rates which averaged 7.0 BsF per U.S. dollar, respectively. At September 30, 2011, \$31 million of requests for U.S. dollars to settle U.S. dollar denominated liabilities remained pending, which the Company expects will be settled at the 4.30 BsF per U.S. dollar rate. Approximately \$16 million of the requested settlements are current, \$14 million have been pending over 60 days and \$1 million have been pending over one year. Currency exchange controls in Venezuela continue to limit the Company's ability to remit funds from Venezuela. We do not consider the net assets of Venezuela to be integral to the Company's ability to service our debt and operational requirements.

As a result of government restrictions, Venezuela continues to operate in a difficult economic environment. We have historically taken steps to address operational challenges including obtaining approval of copper imports at the 4.30 essential BsF per U.S. dollar rate in the first nine months of 2011, purchasing other raw material products domestically, and adjusting prices to reflect raw material cost and adherence to government price controls.

**Table of Contents****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				Nine Fiscal Months Ended			
	September 30, 2011		October 1, 2010		September 30, 2011		October 1, 2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$ 1,517.8	100.0%	\$ 1,200.5	100.0%	\$ 4,497.6	100.0%	\$ 3,507.1	100.0%
Cost of sales	1,361.4	89.7%	1,075.2	89.6%	3,999.6	88.9%	3,099.5	88.4%
Gross profit	156.4	10.3%	125.3	10.4%	498.0	11.1%	407.6	11.6%
Selling, general and administrative expenses	93.0	6.1%	83.2	6.9%	281.7	6.3%	248.4	7.1%
Operating income	63.4	4.2%	42.1	3.5%	216.3	4.8%	159.2	4.5%
Other income (expense)	(31.5)	(2.1)%	7.7	0.6%	(28.4)	(0.6)%	(31.8)	(0.9)%
Interest expense, net	(23.2)	(1.5)%	(17.9)	(1.5)%	(66.8)	(1.5)%	(53.5)	(1.5)%
Income before income taxes	8.7	0.6%	31.9	2.7%	121.1	2.7%	73.9	2.1%
Income tax (provision) benefit	(5.5)	(0.4)%	(10.5)	(0.9)%	(42.1)	(0.9)%	(32.9)	(0.9)%
Equity in net earnings of affiliated companies	0.8	0.1%	0.4	%	2.2	%	1.0	%
Net income including non-controlling interest	4.0	0.3%	21.8	1.8%	81.2	1.8%	42.0	1.2%
Less: preferred stock dividends	0.1	%	0.1	%	0.3	%	0.3	%
Less: net income attributable non-controlling interest	0.3	%	3.6	0.3%	1.6	%	7.6	0.2%
Net income attributable to Company common shareholders	\$ 3.6	0.2%	\$ 18.1	1.5%	\$ 79.3	1.8%	\$ 34.1	1.0%

**Three Fiscal Months Ended September 30, 2011, Compared with Three Fiscal Months Ended October 1, 2010***Net Sales*

The following tables set forth net sales, metal-adjusted net sales, and metal pounds sold by segment, in millions. For the metal-adjusted net sales results, net sales for the third quarter of 2010 have been adjusted to reflect the third quarter of 2011 copper COMEX average price of \$4.07 per pound (a \$0.77 increase compared to the same period in 2010) and the aluminum average price of \$1.17 per pound (a \$0.16 increase compared to the same period in 2010). Metal-adjusted net sales, a non-GAAP financial measure, are provided herein in order to eliminate an estimate of metal price volatility from the comparison of revenues from one period to another. The comparable GAAP financial measure is set forth above. See previous discussion of metal price volatility in the Overview section.

	Net Sales			
	Three Fiscal Months Ended		October 1, 2010	
	September 30, 2011		Amount	%
	Amount	%	Amount	%
North America	\$ 528.6	35%	\$ 463.8	39%
Europe and Mediterranean	442.1	29%	328.1	27%
ROW	547.1	36%	408.6	34%

Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Total net sales	\$ 1,517.8	100%	\$ 1,200.5	100%
-----------------	------------	------	------------	------

	Metal-Adjusted Net Sales Three Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	Amount	%	Amount	%
North America	\$ 528.6	35%	\$ 505.4	38%
Europe and Mediterranean	442.1	29%	359.9	27%
ROW	547.1	36%	462.2	35%

Total metal-adjusted net sales	\$ 1,517.8	100%	\$ 1,327.5	100%
--------------------------------	------------	------	------------	------

Metal adjustment			(127.0)	
------------------	--	--	---------	--

Total net sales	\$ 1,517.8		\$ 1,200.5	
-----------------	------------	--	------------	--



**Table of Contents**

	Metal Pounds Sold			
	Three Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	Pounds	%	Pounds	%
North America	76.6	30%	80.1	33%
Europe and Mediterranean	68.9	27%	64.9	27%
ROW	110.3	43%	97.1	40%
Total metal pounds sold	255.8	100%	242.1	100%

Net sales increased \$317.3 million to \$1,517.8 million in the third quarter of 2011 from \$1,200.5 million in the third quarter of 2010. After adjusting third quarter 2010 net sales to reflect the \$0.77 increase in the average monthly COMEX prices per pound of copper and the \$0.16 increase in the average aluminum price per pound, net sales of \$1,517.8 million reflect an increase of \$190.3 million or 14%, from the metal adjusted net sales of \$1,327.5 million in 2010. Volume, as measured by metal pounds sold increased 13.7 million pounds or 6% to 255.8 million pounds in the third quarter of 2011 as compared to 242.1 million pounds in the third quarter of 2010. Metal pounds sold is provided herein as the Company believes this metric to be an alternative measure of sales volume since it is not impacted by metal prices or foreign currency exchange rate changes. The increase in sales on a metal adjusted basis is primarily due to favorable selling price/product mix of approximately \$129.8 million and favorable foreign currency exchange rate changes on the translation of reported revenues of \$58.5 million.

Metal-adjusted net sales in the North America segment increased \$23.2 million, or 5%. The increase in sales on a metal adjusted basis is due to favorable selling price/product mix of approximately \$36.8 million, favorable foreign currency exchange rate changes on the translation of reported revenues of \$3.1 million, principally related to the Canadian dollar, partially offset by decreased volume of \$16.7 million. Volume, as measured by metal pounds sold, decreased by 3.5 million pounds, or 4%, in the third quarter of 2011 compared to the third quarter of 2010. The decrease in volume is primarily attributable to electric utility products including medium voltage distribution cables used for terrestrial wind projects as well as a decrease in demand for electrical infrastructure products used in industrial applications. The electric utility and the electrical infrastructure markets were very strong in the third quarter of 2010. These decreases are partially offset by volume improvement in products primarily used in specialty applications due to increased spending in the transportation sector as well as the market for oil and gas exploration coupled with volume improvement for portable cords and industrial flex cables.

Metal-adjusted net sales in the Europe and Mediterranean segment increased \$82.2 million, or 23%. The increase in sales on a metal adjusted basis is due to favorable selling price/product mix of approximately \$50.4 million and favorable foreign currency exchange rate changes on the translation of reported revenues of \$28.7 million primarily due to a stronger Euro relative to the U.S. dollar. Volume, as measured by metal pounds sold, increased by 4.0 million pounds, or 6%, in the third quarter of 2011 compared to the third quarter of 2010. The increase in demand was principally attributable to the Company's project business in Germany. Despite the increase, economic conditions in Europe remained weak influencing demand across a broad spectrum of products.

Metal-adjusted net sales in the ROW segment increased \$84.9 million or 18%. The increase in sales on a metal adjusted basis is due to favorable selling price/product mix of approximately \$42.7 million, favorable foreign currency exchange rate changes on the translation of reported revenues of \$26.7 million primarily due to the strengthening of certain currencies in Central and South America relative to the U.S. dollar and increased volume of \$15.5 million. Volume, as measured by metal pounds sold, increased by 13.2 million pounds, or 14%, in the third quarter of 2011 compared to the third quarter of 2010, which is primarily attributable to low-voltage aerial transmission products and low-and medium-voltage distribution cables in Brazil as well as infrastructure investment and export activity in Central America.

*Gross Profit*

Gross profit increased to \$156.4 million in the third quarter of 2011 from \$125.3 million in the third quarter of 2010. The increase in gross profit was primarily due to increased value added pricing in North America as well as incremental volume improvement in Brazil.

**Table of Contents***Selling, General and Administrative Expense*

Selling, general and administrative expense ( SG&A ) increased to \$93.0 million in the third quarter of 2011 from \$83.2 million in the third quarter of 2010. The increase in SG&A is primarily the result of incremental investment in resources in the Company's global sales network and product technology as well as increased costs for new market penetration strategies in the third quarter of 2011 as compared to the third quarter of 2010. The increase in SG&A is also due in part to unfavorable foreign currency exchange rates in the three months ended September 30, 2011 in the amount of \$3.3 million. SG&A as a percentage of metal-adjusted net sales was approximately 6.1% and 6.3% for the third quarters of 2011 and 2010, respectively.

*Operating Income (Loss)*

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

	Operating Income (Loss) Three Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	Amount	%	Amount	%
North America	\$ 27.7	44%	\$ 14.0	33%
Europe and Mediterranean	5.9	9%	9.0	22%
ROW	29.8	47%	19.1	45%
Total operating income (loss)	\$ 63.4	100%	\$ 42.1	100%

The increase in operating income for the North America segment of \$13.7 million is primarily attributable to benefits from a shift in product mix as a result of volume improvement in higher value added products primarily used in specialty applications, as well as an improved pricing environment in the third quarter of 2011 as compared to the pricing environment in the third quarter of 2010.

The decrease in operating income for the Europe and Mediterranean segment of \$3.1 million is primarily attributable to the continued weak economic conditions in Europe, principally in Spain and Portugal, influencing demand and the pricing environment across a broad spectrum of products.

The increase in operating income for the ROW segment of \$10.7 million is primarily attributable to increased volume and price stability in Brazil and an improved pricing environment and product mix in Venezuela, offset by an unfavorable product mix primarily in Thailand and Chile.

*Other Income (Expense)*

Other income (expense) includes foreign currency transaction gains or losses, which result from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated as well as unrealized gains and losses on derivative instruments that are not designated as cash flow hedges. During the three months ended September 30, 2011 and October 1, 2010, the Company recorded other expense of \$31.5 million and other income of \$7.7 million, respectively. For the three months ended September 30, 2011, other income (expense) was primarily attributable to foreign currency transaction losses which resulted from changes in exchange rates in the various countries in which the Company operates, primarily in Africa, South America and Mexico, as well as the result of unrealized losses on derivative instruments which were not designated as cash flow hedges. For the three months ended October 1, 2010, other income (expense) was primarily attributable to foreign currency transaction gains and losses which resulted from changes in exchange rates in the various countries in which the Company operates.

The functional currency of the Company's subsidiary in Venezuela is the U.S. dollar; therefore, gains and losses for transactions at a rate other than the official exchange rate are recorded in the statement of operations. The Company remeasures the financial statements of the Venezuelan subsidiary at the rate in which the Company expects to remit dividends, which is 4.30 BsF per U.S. dollar. During the three fiscal months ended October 1, 2010, the Company was authorized to import copper at the official exchange rate for essential goods of 2.60 BsF per U.S. dollar. For the three months ended October 1, 2010, the Company recorded \$12.2 million in foreign exchange gains related to transactions completed at the 2.60 BsF per U.S. dollar essential rate. Copper imports prior to the approval were imported at the parallel rate, which was closed down on June 9, 2010.

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Effective January 1, 2011, the Central Bank of Venezuela and the Ministry of Finance published an amendment to Convenio Cambiario No. 14 (the Exchange Law), whereby the official exchange rate was set at 4.30 BsF per U.S. dollar, eliminating the

**Table of Contents**

2.60 BsF per U.S. dollar rate previously established for essential goods in the first quarter of 2010. Therefore, the Company can only import copper at the 4.30 BsF per U.S. dollar rate, eliminating gains and losses in the statement of operations for transactions completed at a rate other than the official exchange rate for the three months ended September 30, 2011. See Item 2, *Venezuelan Operations* for additional details.

*Interest Expense*

Net interest expense increased to \$23.2 million in the third quarter of 2011 from \$17.9 million in the third quarter of 2010. Interest expense increased primarily due to additional debt used to fund higher working capital requirements related to increased demand and higher metal costs. Also, in the third quarter of 2011 the Company expensed \$1.3 million in unamortized fees and expenses related to the Terminated Credit Facility.

*Tax Provision*

The Company's effective tax rate for the third quarters of 2011 and 2010 was 63.2% and 32.9%, respectively. The higher effective tax rate for the third quarter of 2011 was primarily attributable to the cumulative adjustment to first half income tax expense due to an upward revision in the full year forecasted effective tax rate. The impact of the cumulative adjustment was partially offset by the recognition of tax benefits for uncertain tax positions due primarily to statute of limitations expiration in the third quarter of 2011. The net impact resulted in a significant increase in the third quarter effective tax rate percentage due to the relatively lower pre-tax income in the third quarter of 2011.

*Preferred Stock Dividends*

The Company accrued and paid \$0.1 million in dividends on its preferred stock in the third quarter of 2011 and 2010.

**Nine Fiscal Months Ended September 30, 2011 Compared with Nine Fiscal Months Ended October 1, 2010***Net Sales*

The following tables set forth net sales, metal-adjusted net sales and metal pounds sold by segment, in millions. For the metal-adjusted net sales results, net sales for the first nine fiscal months of 2010 have been adjusted to reflect the first fiscal nine months of 2011 copper COMEX average price of \$4.20 per pound (a \$0.94 increase compared to the same period in 2010) and the aluminum average price of \$1.21 per pound (a \$0.19 increase compared to the same period in 2010). Metal-adjusted net sales, a non-GAAP financial measure, are provided herein in order to eliminate an estimate of metal price volatility from the comparison of revenues from one period to another. The comparable GAAP financial measure is set forth above. See previous discussion of metal price volatility in the *Overview* section.

	Net Sales			
	Nine Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	Amount	%	Amount	%
North America	\$ 1,636.8	36%	\$ 1,318.4	38%
Europe and Mediterranean	1,334.4	30%	1,052.9	30%
ROW	1,526.4	34%	1,135.8	32%
Total net sales	\$ 4,497.6	100%	\$ 3,507.1	100%

	Metal-Adjusted Net Sales			
	Nine Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	Amount	%	Amount	%
North America	\$ 1,636.8	36%	\$ 1,470.1	37%
Europe and Mediterranean	1,334.4	30%	1,181.0	30%
ROW	1,526.4	34%	1,322.1	33%

# Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

Total metal-adjusted net sales	\$ 4,497.6	100%	\$ 3,973.2	100%
Metal adjustment			(466.1)	
Total net sales	\$ 4,497.6		\$ 3,507.1	

**Table of Contents**

	Metal Pounds Sold			
	Nine Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	Pounds	%	Pounds	%
North America	240.4	32%	218.7	32%
Europe and Mediterranean	214.2	28%	202.5	30%
ROW	306.3	40%	253.8	38%
Total metal pounds sold	760.9	100%	675.0	100%

Net sales increased \$990.5 million to \$4,497.6 million in the first nine fiscal months of 2011 from \$3,507.1 million in the first nine fiscal months of 2010. After adjusting the first nine fiscal months 2010 net sales to reflect the \$0.94 increase in the average monthly COMEX prices per pound of copper and the \$0.19 increase in the average aluminum price per pound, net sales of \$4,497.6 million reflect an increase of \$524.4 million or 13%, from the metal adjusted net sales of \$3,973.2 million in 2010. Volume, as measured by metal pounds sold increased 85.9 million pounds or 13% to 760.9 million pounds in the first nine fiscal months of 2011 as compared to 675.0 million pounds in the first nine fiscal months of 2010. Metal pounds sold is provided herein as the Company believes this metric to be an alternative measure of sales volume since it is not impacted by metal prices or foreign currency exchange rate changes. The increase in sales on a metal adjusted basis is due to increased volume of \$170.9 million, favorable selling price/product mix of approximately \$175.1 million, favorable foreign currency exchange rate changes on the translation of reported revenues of \$156.4 million, and incremental net sales of \$22.0 million attributable to acquisitions completed in the second half of 2010.

Metal-adjusted net sales in the North America segment increased \$166.7 million, or 11%, principally due to favorable selling price/product mix of approximately \$107.2 million, higher sales volume of \$47.9 million, and favorable foreign currency exchange rate changes of \$8.1 million, principally related to the Canadian dollar. Volume, as measured by metal pounds sold, increased by 21.7 million pounds, or 10%, in the first nine fiscal months of 2011 compared to the first nine fiscal months of 2010 which is primarily attributable to volume improvement in the electric utility and the electrical infrastructure products primarily used in industrial and specialty applications as well as higher sales of bare transmission products. Net sales in North America also increased due to improved pricing in most product lines due to the increase in demand.

Metal-adjusted net sales in the Europe and Mediterranean segment increased \$153.4 million, or 13%, principally due to favorable selling price/product mix of approximately \$48.5 million, higher sales volume of \$16.2 million, incremental net sales of \$18.1 million attributable to acquisitions, and favorable foreign currency exchange rate changes of \$70.6 million, primarily due to a stronger Euro relative to the U.S. dollar in the current year. Volume, as measured by metal pounds sold, increased by 11.7 million pounds, or 6%, in the first nine fiscal months of 2011 compared to the first nine fiscal months of 2010. Volumes for low-voltage cables in the Spanish domestic construction markets as well as the Company's project business in Germany performed above the first nine fiscal months of 2010. Despite the increase, economic conditions in Europe remained weak, influencing demand across a broad spectrum of products.

Metal-adjusted net sales in the ROW segment increased \$204.3 million or 15%, principally due to higher sales volume of \$106.8 million, favorable foreign currency exchange rate changes of \$77.7 million, primarily due to the strengthening of certain currencies in Central and South America relative to the dollar, and favorable selling price/product mix of approximately \$19.4 million. Volume, as measured by metal pounds sold, increased by 52.5 million pounds, or 21%, in the first nine fiscal months of 2011 compared to the first nine fiscal months of 2010 which is primarily attributable to increase in demand for low-voltage aerial transmission products and low-and medium-voltage distribution cables in Brazil as well as infrastructure investment in Central America.

*Gross Profit*

Gross profit increased to \$498.0 million in the first nine fiscal months of 2011 from \$407.6 million in the first nine fiscal months of 2010. The increase in gross profit was primarily due to increased value added pricing in North America, the incremental increase due to volume improvement in Brazil as well as the current year benefit of European targeted cost reduction efforts, which include, among other actions, personnel reductions which resulted in a charge of \$17.0 million made in the first nine months of 2010.

**Table of Contents***Selling, General and Administrative Expense*

Selling, general and administrative expense ( SG&A ) increased to \$281.7 million in the first nine fiscal months of 2011 from \$248.4 million in the first nine fiscal months of 2010. The increase in SG&A is primarily a result of incremental investment in resources related to the Company's global sales network and product technology as well as increased costs for new market penetration strategies in the first nine fiscal months of 2011 as compared to the first nine fiscal months of 2010. The increase in SG&A is also due in part to unfavorable foreign currency exchange rates in the nine months ended September 30, 2011 in the amount of \$9.6 million. SG&A as a percentage of metal-adjusted net sales was approximately 6.3% for the first nine fiscal months of 2011 and 2010.

*Operating Income (Loss)*

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

	Operating Income (Loss) Nine Fiscal Months Ended			
	September 30, 2011		October 1, 2010	
	Amount	%	Amount	%
North America	\$ 104.5	48%	\$ 73.0	46%
Europe and Mediterranean	31.8	15%	18.5	12%
ROW	80.0	37%	67.7	42%
Total operating income (loss)	\$ 216.3	100%	\$ 159.2	100%

The increase in operating income for the North America segment of \$31.5 million is primarily attributable to increased sales volume, benefits from a shift in product mix as well as a favorable pricing environment due to an increase in market demand in most product lines excluding electrical utility products in the first nine fiscal months of 2011 as compared to the first nine fiscal months of 2010.

The increase in operating income for the Europe and Mediterranean segment of \$13.3 million is primarily attributable to an increase in sales volume in the first nine fiscal months of 2011 as compared to the first nine fiscal months of 2010 despite the economic conditions in Europe which remained weak in the first nine months of 2011. In addition, operating income increased in the first nine months of 2011 as compared to the first nine months of 2010 due to the current year benefit of European targeted cost reduction efforts, which include, among other actions, personnel reductions which resulted in a charge of \$17.0 million made in the first nine months of 2010.

The increase in operating income for the ROW segment of \$12.3 million is primarily attributable to an increase in sales volumes in the first nine months of 2011 as compared to 2010 and price stability primarily in Brazil and Oceania, which was partially offset by unfavorable product mix primarily in Thailand and Chile.

*Other Income (Expense)*

Other income (expense) includes foreign currency transaction gains or losses, which result from changes in exchange rates between the designated functional currency and the currency in which a transaction is denominated as well as unrealized gains and losses on derivative instruments that are not designated as cash flow hedges. During the nine months ended September 30, 2011 and October 1, 2010, the Company recorded other expense of \$28.4 million and \$31.8 million, respectively. For the nine months ended September 30, 2011, other income (expense) was primarily attributable to foreign currency transaction losses which resulted from changes in exchange rates in the various countries in which the Company operates, primarily in Africa, South America and Mexico, as well as the result of unrealized losses on derivative instruments which were not designated as cash flow hedges. For the nine months ended October 1, 2010, other expense of \$31.8 million was primarily attributable to the \$29.8 million Venezuelan currency devaluation, as discussed below, as well as other income (expense) attributable to foreign currency transaction gains which resulted from changes in exchange rates in the various countries in which the Company operates and as the result of unrealized losses on derivative instruments which were not designated as cash flow hedges.

The functional currency of the Company's subsidiary in Venezuela is the U.S. dollar; therefore, gains and losses for transactions at a rate other than the official exchange rate for non-essential goods are recorded in the statement of operations. During the nine fiscal months ended October 1, 2010 the Company was authorized to import copper at the official exchange rate for essential goods of 2.60 BsF per U.S. dollar. For the nine months ended October 1, 2010, the Company recorded \$16.6





## **Table of Contents**

million in foreign exchange gains related to transactions completed at the 2.60 BsF per U.S. dollar essential rate. Copper imports prior to the approval were imported at the parallel rate which was closed down on June 9, 2010. For the nine months ended October 1, 2010, the Company recorded \$10.7 million in foreign exchange losses related to copper imports at the parallel rate.

Effective January 1, 2011, the Central Bank of Venezuela and the Ministry of Finance published an amendment to Convenio Cambiario No. 14 (the Exchange Law), whereby the official exchange rate was set at 4.30 BsF per U.S. dollar, eliminating the 2.60 BsF per U.S. dollar rate previously established for essential goods in the first quarter of 2010. Therefore, the Company can only import copper at the 4.30 BsF per U.S. dollar rate and no gains or losses were recorded in the statement of operations for the nine months ended September 30, 2011. See Item 2, Venezuelan Operations for additional details.

### *Interest Expense*

Net interest expense increased to \$66.8 million in the first nine months of 2011 from \$53.5 million in the first nine months of 2010. Interest expense increased primarily due to additional debt used to fund higher working capital requirements related to increased demand and higher metal costs. Also, in the third quarter of 2011 the Company expensed \$1.3 million in unamortized fees and expenses related to the Terminated Credit Facility.

### *Tax Provision*

The Company's effective tax rate for the first nine months of 2011 and 2010 was 34.8% and 44.5%, respectively. The Company's higher effective tax rate for the first nine months of 2010 was primarily attributable to the Venezuelan Bolivar devaluation for which there was no tax benefit and valuation allowances recorded against deferred tax assets of \$8.3 million recorded in Q3 2010, which were partially offset by the recognition of \$25.3 million of net tax benefit for changes in uncertain tax positions related to statute expirations and tax settlements.

### *Preferred Stock Dividends*

The Company accrued and paid \$0.3 million in dividends on its preferred stock in the first nine fiscal months of 2011 and 2010.

## **Liquidity and Capital Resources**

In general, General Cable requires cash for working capital, capital expenditures, investment in internal product development, debt repayment, salaries and related benefits, interest, Series A preferred stock dividends, repurchase of common shares and taxes. General Cable's working capital requirement decreases when it experiences softening incremental demand for products and/or a significant reduction in the price of copper, aluminum and/or other raw material cost inputs. Based upon historical experience, the cash on its balance sheet and the expected availability of funds under its current credit facilities, the Company believes its sources of liquidity will be sufficient to meet the Company's cash requirements for working capital, capital expenditures, debt repayment, salaries and related benefits, interest, Series A preferred stock dividends and taxes for the next twelve months and foreseeable future.

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 global operations. 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.

### *Summary of Cash Flows*

Operating cash outflow of \$39.2 million in the first nine fiscal months of 2011 reflects a net working capital use of \$217.9 million driven principally by increases in inventories and accounts receivable of \$159.0 million and \$160.2 million, respectively, which were partially offset by increases in accounts payable, accrued and other liabilities of \$124.2 million. The increase in inventory is primarily due to the increase in metal prices in the first nine months of the year and seasonal trends in which inventories are built in anticipation of demand during the spring and summer months when construction activity increases. The increase in accounts receivable is due to higher global selling prices in response to increased raw material costs and increased trading activity in the months leading up to September 30, 2011. The increase in accounts payable, accrued and other liabilities was the result of incremental manufacturing activity due to higher raw material cost inputs and increased demand. Partially offsetting this \$217.9 million net working capital use of cash is \$178.7 million of net income adjusted for non-cash items, primarily depreciation and amortization.



## **Table of Contents**

In Venezuela, government restrictions on the transfer of cash out of the country have limited the Company's ability to immediately repatriate cash. Approximately 23% and 11% of the consolidated cash balance as of September 30, 2011 and December 31, 2010, respectively, is held in Venezuela.

Cash flow used by investing activities was \$82.6 million in the first nine fiscal months of 2011, principally reflecting \$86.2 million of capital expenditures. The Company continues to focus its capital program around the world to upgrade equipment, improve efficiency and throughput and enhance productivity as well as a focus on opportunities in emerging markets and in the specialty and submarine cable businesses. The Company anticipates capital spending to be approximately \$110 million to \$130 million in 2011.

Financing activities in the nine fiscal months of 2011 generated \$70.3 million of cash inflows primarily related to borrowings on various short-term credit facilities in the Company's ROW segment. See the *Debt and Other Contractual Obligations* section below for details.

### *Debt and Other Contractual Obligations*

The Company's outstanding debt obligations were \$1,064.5 million as of September 30, 2011, which consisted of \$10.0 million of 1.00% Senior Convertible Notes due in 2012 (net of debt discount), \$309.6 million of 0.875% Convertible Notes due in 2013 (net of debt discount), \$164.8 million of Subordinated Convertible Notes due in 2029 (net of debt discount), \$200.0 million of 7.125% Senior Notes due in 2017, \$125.0 million of Senior Floating Rate Notes due in 2015, \$20.9 million drawn on the Revolving Credit Facility, \$35.2 million of Spanish Term Loans, \$22.0 million drawn on Europe and Mediterranean credit facilities, \$155.2 million drawn on ROW credit facilities and \$21.8 million of various other short-term loans. See Note 8 to the Condensed Consolidated Financial Statements for additional information regarding the Company's outstanding debt obligations.

Failure to comply with any of the covenants, financial tests and ratios required by the Company's existing or future debt obligations could result in a default under those agreements and under other agreements containing cross-default provisions, as defined in the Company's Revolving Credit Facility, 1.00% Senior Convertible Notes, 0.875% Convertible Notes, Subordinated Convertible Notes, 7.125% Senior Notes, Senior Floating Rate Notes and various other credit facilities maintained by the Company's restricted subsidiaries. A default would permit lenders to cease making further extensions of credit, accelerate the maturity of the debt under these agreements and foreclose upon any collateral securing that debt. The lenders under the Company's Revolving Credit Facility have a pledge of all of the capital stock of existing and future U.S. and Canadian subsidiaries. The lenders under the Company's Revolving Credit Facility have a lien on substantially all of the Company's U.S. and Canadian assets and by a pledge of 65% of the equity interests of certain of the Company's foreign subsidiaries. The Company also has incurred secured debt in connection with some of its European operations. The lenders under these European secured credit facilities also have liens on assets of certain of our European subsidiaries. As a result of these pledges and liens, if the Company fails to meet its payment or other obligations under any of its secured indebtedness, the lenders under the applicable credit agreement would be entitled to foreclose on substantially all of the Company's assets and liquidate these assets. Broadly, cross-default provisions would permit lenders to cause such indebtedness to become due prior to its stated maturity in the event a default remains unremedied for a period of time under the terms of one or more financing agreements, a change in control or a fundamental change. As of September 30, 2011 and December 31, 2010, the Company was in compliance with all material debt covenants.

The Company's defined benefit plans at December 31, 2010 were underfunded by \$99.6 million. Pension expense for the Company's defined benefit pension plans for the nine fiscal months ended September 30, 2011, was \$10.2 million and cash contributions were approximately \$22.0 million.

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 current credit facilities. The Company's contractual obligations and commercial commitments as of September 30, 2011, (in millions of dollars) are summarized below.

**Table of Contents**

	Total	Payments Due by Period			
		Less than 1 Year	1 3 Years	4 5 Years	After 5 Years
<b>Contractual obligations<sup>(1,4)</sup>:</b>					
Total debt (excluding capital leases)	\$ 1,059.7	\$ 182.9	\$ 349.0	\$ 152.8	\$ 375.0
Convertible debt at maturity <sup>(6)</sup>	310.7		46.0		264.7
Capital leases	4.8	1.0	2.3	1.5	
Interest payments on 7.125% Senior Notes	78.5	14.3	28.6	28.6	7.0
Interest payments on Senior Floating Rate Notes	11.7	3.3	6.6	1.8	
Interest payments on 0.875% Convertible Notes	6.7	3.1	3.6		
Interest payments on 1.00% Senior Convertible Notes	0.1	0.1			
Interest payments on Subordinated Convertible Notes	262.1	19.3	38.6	38.6	165.6
Interest payments on Spanish term loans	2.0	1.3	0.7		
Operating leases <sup>(2)</sup>	71.5	20.5	25.5	13.4	12.1
Preferred stock dividend payments	0.7	0.3	0.4		
Defined benefit pension obligations <sup>(3)</sup>	171.2	15.0	31.7	34.0	90.5
Postretirement benefits	8.0	1.2	2.1	1.5	3.2
Unrecognized tax benefits, including interest and penalties <sup>(5)</sup>					
<b>Total</b>	<b>\$ 1,987.7</b>	<b>\$ 262.3</b>	<b>\$ 535.1</b>	<b>\$ 272.2</b>	<b>\$ 918.1</b>

- 1) This table does not include interest payments on General Cable's revolving credit facilities because the future amounts are based on variable interest rates and the amount of the borrowings under the Revolving Credit Facility and Spanish Credit Facility fluctuate depending upon the Company's working capital requirements.
- 2) Operating lease commitments are described under the Commitments and Contingencies footnote.
- 3) Defined benefit pension obligations reflect the Company's estimates of contributions that will be required in 2011 to meet current law minimum funding requirements.
- 4) This table does not include derivative instruments as the ultimate cash outlays cannot be reasonably predicted. Information on these items is provided under Item 3, Quantitative and Qualitative Disclosures about Market Risk.
- 5) Unrecognized tax benefits of \$78.2 million have not been reflected in the above table due to the inherent uncertainty as to the amount and timing of settlement, which is contingent upon the occurrence of possible future events, such as examinations and determinations by various tax authorities.
- 6) Represents the current debt discount on the Company's 1.00% Senior Convertible Notes, 0.875% Convertible Notes and Subordinated Convertible Notes.

**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, the Company 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, the Company has agreed to indemnify Pirelli against any warranty claims relating to the prior operation of the business. The Company 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. As a part of the 2005 acquisition, SAFRAN SA agreed to indemnify the Company against certain environmental liabilities existing at the date of the closing of the purchase of Silec. In addition, SAFRAN SA agreed to indemnify the Company for the full amount of losses arising from, related to or attributable to practices, if any, that are similar to previous practices investigated by the French competition authority for alleged competition law violations related to medium and high voltage cable markets. The Company has asserted a claim under this indemnity against SAFRAN SA related to the European Commission's Statement of Objections, which is described in more detail below, to preserve our rights should an unfavorable outcome occur.

In 2007, the Company acquired the worldwide wire and cable business of Freeport-McMoRan Copper and Gold Inc., which operates as PDIC. As part of this acquisition, the seller agreed to indemnify the Company for certain environmental liabilities existing at the date of the closing of the acquisition. The seller's obligation to indemnify the Company for these particular liabilities generally survives four years from the date the parties executed the definitive purchase agreement unless the Company has properly notified the seller before the expiry of the four year period. The seller also made certain representations and warranties related to environmental matters and the acquired business and agreed to indemnify the Company for breaches of those representation and warranties for a period of four years from the closing date. Indemnification claims for

breach of representations and warranties are subject to an overall indemnity limit of approximately \$105 million, which applies to all warranty and indemnity claims for the transaction.

## **Table of Contents**

As of September 30, 2011, the Company had \$55.3 million in letters of credit, \$248.9 million in various performance bonds and \$195.6 million in other guarantees. Other guarantees include bank guarantees and advance payment bonds. These letters of credit, performance bonds and guarantees are periodically renewed and are generally related to risk associated with self-insurance claims, defined benefit plan obligations, contract performance, quality and other various bank and financing guarantees. Advance payment bonds are often required by customers when we obtain advance payments to secure the production of cable for long term contracts. The advance payment bonds provide the customer protection on their deposit in the event that the Company does not perform under the contract. See Liquidity and Capital Resources for excess availability under the Company's various credit borrowings.

See the previous section, Debt and Other Contractual Obligations, for information on debt-related guarantees.

## **Environmental Matters**

The Company's expenditures for environmental compliance and remediation amounted to approximately \$0.8 million and \$1.1 million for the three months ended September 30, 2011 and October 1, 2010, respectively. The Company's expenditures for environmental compliance and remediation amounted to approximately \$2.4 million and \$1.7 million for the nine months ended September 30, 2011 and October 1, 2010, respectively. In addition, certain of General Cable's subsidiaries have been named as potentially responsible parties in proceedings that involve environmental remediation. The Company has accrued \$1.9 million at September 30, 2011, and \$1.5 million at December 31, 2010, for all environmental liabilities. While it is difficult to estimate future environmental liabilities, the Company does not currently anticipate any material adverse effect on results of operations, cash flows or financial position as a result of compliance with federal, state, local or foreign environmental laws or regulations or remediation costs.

## **Disclosure Regarding Forward-Looking Statements**

Certain statements in the Management's Discussion and Analysis of Financial Condition and Results of Operations, including, without limitation, statements regarding future financial results and performance, plans and objectives, capital expenditures, understanding of competition, projected sources of cash flow, potential legal liability, proposed legislation and regulatory action, and our management's beliefs, expectations or opinions, are forward-looking statements, and as such, we desire to take advantage of the safe harbor which is afforded such statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words believe, expect, may, anticipate, intend, estimate, project, plan, assume, seek to or other similar expressions, although not all forward-looking statements contain these identifying words.

Actual results may differ materially from those discussed in forward-looking statements as a result of factors, risks and uncertainties over many of which we have no control. These factors include, without limitation, the following: (1) general economic conditions, particularly those in the construction, energy and information technology sectors; (2) changes in customer or distributor purchasing patterns in our business segments; (3) our ability to increase manufacturing capacity and productivity; (4) our ability to increase our selling prices during periods of increasing raw material costs; (5) domestic and local country price competition, particularly in certain segments of the power cable market and other competitive pressures; (6) economic and political consequences resulting from terrorist attacks, war and political and social unrest; increased exposure to political and economic developments, crises instability, terrorism, civil strife, expropriation and other risks of doing business in foreign markets; (7) the impact of technology; (8) our ability to successfully complete and integrate acquisitions and divestitures and our ability to realize expected cost savings or other perceived benefits of these transactions; (9) our ability to negotiate extensions of labor agreements on acceptable terms and to successfully deal with any labor disputes; (10) our ability to service, and meet all requirements under, our debt, and to maintain adequate domestic and international credit facilities and credit lines; (11) our ability to pay dividends on our preferred stock; (12) our ability to make payments of interest and principal under our existing and future indebtedness and to have sufficient available funds to effect conversions and repurchases from time to time; (13) lowering of one or more debt ratings issued by nationally recognized statistical rating organizations, and the adverse impact such action may have on our ability to raise capital and on our liquidity and financial conditions; (14) the impact of unexpected future judgments or settlements of claims and litigation; (15) our ability to achieve target returns on investments in our defined benefit plans; (16) our ability to avoid limitations on utilization of net losses for income tax purposes; (17) our ability to continue our uncommitted accounts payable confirming arrangement and our accounts receivable financing arrangement for our European operations, the cost and availability of raw materials, including copper, aluminum and petrochemicals; (18) economic consequences arising from natural disasters and other similar catastrophes, such as floods, earthquakes, hurricanes and tsunamis; (19) the impact of foreign currency fluctuations, (20) devaluations and changes in interest rates; (21) changes in the financial impact of any future plant closures; (22) and other material factors. See Item 1A, Risk Factors, for a more detailed discussion on some of these risks.

Forward looking statements reflect the views and assumptions of management as of the date of this report with respect to future events. The Company does not undertake, and hereby disclaims, any obligation, unless required to do so by applicable



**Table of Contents**

securities laws, to update any forward-looking statements as a result of new information, future events or other factors. The inclusion of any statement in this report does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

**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 raw material (commodity) prices. To manage risks associated with the volatility of these natural business exposures, General Cable enters into interest rate, commodity and foreign currency derivative agreements, as well as copper and aluminum forward pricing agreements. General Cable does not purchase or sell derivative instruments for trading purposes. General Cable does not engage in trading activities involving commodity contracts for which a lack of marketplace quotations would necessitate the use of fair value estimation techniques. Depending on the extent of an unrealized loss position on a derivative contract held by the Company, certain counterparties may require a deposit to secure the derivative contract position. As of September 30, 2011 and December 31, 2010, there were no contracts held by the Company that required collateral to secure the Company's derivative liability positions.

The notional amounts and fair values of these designated cash flow financial instruments at September 30, 2011 and December 31, 2010 are shown below (in millions). The carrying amount of the financial instruments was a net liability of \$41.4 million and a net asset \$27.1 million at September 30, 2011 and December 31, 2010, respectively.

	September 30, 2011		December 31, 2010	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Cash flow hedges:</b>				
Interest rate swaps	\$ 44.9	\$ (0.7)	\$ 57.8	\$ (1.8)
Commodity futures	282.8	(42.7)	164.6	30.6
Foreign currency forward exchanges	51.7	2.0	115.2	(1.7)
		\$ (41.4)		\$ 27.1

For derivative instruments that are not designated as cash flow hedges, the unrealized gain or loss on the derivatives is reported in current earnings. For the three fiscal months ended September 30, 2011 and October 1, 2010, the Company recorded a loss of \$6.7 million and \$9.4 million, respectively, for derivatives instruments not designated as cash flow hedges in other income/(expense) on the condensed consolidated statements of operations. For the nine fiscal months ended September 30, 2011 and October 1, 2010, the Company recorded a loss of \$0.3 million and \$9.0 million, respectively, for derivative instruments not designated as cash flow hedges in other income/(expense) on the condensed consolidated statements of operations. As of September 30, 2011 and December 31, 2010, derivative instruments not designated as cash flow hedges had a notional value of \$393.2 million and \$321.9 million, respectively.

**Other Forward Pricing Agreements**

In the normal course of business, 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. The Company accounts for these forward pricing arrangements under the normal purchases and normal sales scope exemption because these arrangements are for purchases of copper and aluminum that will be delivered in quantities expected to be used by the Company over a reasonable period of time in the normal course of business. For these arrangements, it is probable at the inception and throughout the life of the arrangements that the arrangements will not settle net and will result in physical delivery of the inventory. At September 30, 2011 and December 31, 2010, General Cable had \$45.4 million and \$30.8 million, respectively, of future copper and aluminum purchases that were under forward pricing agreements. At September 30, 2011 and December 31, 2010, the fair value of these arrangements was \$36.5 million and \$35.6 million, respectively, and General Cable had an unrealized loss of \$8.9 million and an unrealized gain of \$4.8 million, respectively, related to these transactions. General Cable expects the unrealized gains (losses) under these agreements to be largely offset as a result of firm sales price commitments with customers.

**ITEM 4. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures that are designed to provide reasonable assurance 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,



## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

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. A

## **Table of Contents**

control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of September 30, 2011, 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). Based on that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2011.

### *Management's Annual Report on Internal Control over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In connection with the preparation of this Quarterly Report on Form 10-Q, as of September 30, 2011, the Company, under the supervision and with the participation of the CEO and CFO, conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As a result of this process, management concluded that internal control over financial reporting was effective as of September 30, 2011.

### *Changes in Internal Control over Financial Reporting*

There have been no changes in the Company's internal control over financial reporting, as such item is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), during the fiscal quarter ended September 30, 2011, that have materially affected, or are reasonable likely to materially affect the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

As of the date of this filing, there have been no additional material legal proceedings or material developments in the legal proceedings disclosed in the Company's 2010 Annual Report on Form 10-K.

### **ITEM 1A. RISK FACTORS**

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see (i) the risk factors discussion provided under Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, (ii) the Cautionary Statement Regarding Forward-Looking Statements included in Part I, Item 2 of this Quarterly Report on Form 10-Q and the updated risk factor set forth below in this Part II, Item 1A of this Quarterly Report on Form 10-Q.

The Company hereby updates its risk factor set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010 to read in its entirety as follows:

#### ***Pending antitrust and competition law investigations relating to the cable industry could negatively impact our Company***

The U.S. Department of Justice (DOJ) and the European Commission have been conducting antitrust and competition law investigations relating to the cable industry, which we believe relate primarily to the submarine and underground high-voltage power cables businesses. We have not been engaged in the submarine power cable business prior to 2009. We only recently entered the submarine power cable business in March 2009 through our German affiliate, Norddeutsche Seekabelwerke GmbH & Co., which we acquired in 2007 and subsequently invested in so that we could enter the market. We have received requests for information from both the DOJ and the European Commission and provided documents and responses to inquiries in connection with their investigations. We may receive further requests for information from the DOJ.

No wrongdoing by us or any of our subsidiaries has been alleged by the DOJ nor have we been named in any other cases or proceedings which have been brought by competition authorities in various countries against wire and cable companies in the submarine and underground power cables businesses. If any claims were to be made, defending them could involve us in lengthy proceedings.

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

On July 5, 2011, the European Commission issued a Statement of Objections in relation to its ongoing competition investigation alleging that two General Cable affiliates in Europe engaged in violations of competition law in the underground power cables businesses for a limited period of time. The Company responded to the Statement of Objections on October 28,

## **Table of Contents**

2011 and continues to defend itself against the allegations. The defense of the Company in response to the European Commission's Statement of Objections could involve us in lengthy proceedings.

If we or our subsidiaries were found to have violated antitrust or competition regulations at any time, we or our subsidiaries could be subject to fines and claims for damages, which could be substantial and materially impact our consolidated financial results.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The employees of the Company do have the right to surrender to the Company shares in payment of minimum tax obligations upon the vesting of grants of common stock under the Company's equity compensation plans. During the fiscal quarter ended September 30, 2011, 77 shares were surrendered to the Company by employees in payment of minimum tax obligations upon the vesting of nonvested stock under the Company's equity compensation plans, and the average price paid per share was \$43.11. During the nine months ended September 30, 2011, 11,589 shares were surrendered to the Company by employees in payment of minimum tax obligations upon the vesting of nonvested stock under the Company's equity compensation plans, and the average price paid per share was \$40.70.

## **ITEM 6. EXHIBITS**

The following exhibits are filed herewith or incorporated herein by reference. Documents indicated by an asterisk (\*) are filed herewith. Documents not indicated by an asterisk are incorporated by reference to the document indicated.

### **a) Exhibits**

- 3.1 Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Post-Effective Amendment No. 1 to Form S-4 (File No. 333-143017) filed on June 11, 2007).
- 3.2 Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Form 8-K (File No. 001-12983) filed on May 14, 2010).
- 3.3 Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.1 to the Form 8-K (File No. 001-12983) as filed on May 14, 2010).
- \*10.1 Credit Agreement, dated July 21, 2011, by and among General Cable Industries, Inc., as borrower, General Cable Company, as Canadian borrower, the Company and those certain other U.S. and Canadian subsidiaries of the Company party thereto as guarantors, the several lenders and financial institutions party thereto and JP Morgan Chase as administrative agent for the lenders.
- \*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
- \*31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14
- \*32.1 Certification pursuant to 18 U.S.C. § 1350, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document (1)
- 101.SCH XBRL Taxonomy Extension Schema Document (1)
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document (1)
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document (1)
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document (1)

## Edgar Filing: GENERAL CABLE CORP /DE/ - Form 10-Q

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document (1)

- (1) Furnished with this report. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

**Table of Contents**

**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: November 3, 2011

By: /s/ BRIAN J. ROBINSON  
Brian J. Robinson  
Executive Vice President, Chief  
Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

**Table of Contents**

**Exhibit Index**

3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Post-Effective Amendment No. 1 to Form S-4 (File No. 333-143017) filed on June 11, 2007).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Form 8-K (File No. 001-12983) filed on May 14, 2010).
3.3	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.1 to the Form 8-K (File No. 001-12983) as filed on May 14, 2010).
*10.1	Credit Agreement, dated July 21, 2011, by and among General Cable Industries, Inc., as borrower, General Cable Company, as Canadian borrower, the Company and those certain other U.S. and Canadian subsidiaries of the Company party thereto as guarantors, the several lenders and financial institutions party thereto and JP Morgan Chase as administrative agent for the lenders.
*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
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a 14(a) or 15d 14
*32.1	Certification pursuant to 18 U.S.C. § 1350, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

- (1) Furnished with this report. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.