

GENERAL CABLE CORP /DE/  
Form 10-Q  
November 09, 2015  
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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 October 2, 2015

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)

Delaware 06-1398235  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

4 Tesseneer Drive 41076-9753  
Highland Heights, KY  
(Address of principal executive offices) (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer  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:

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Class	Outstanding at November 2, 2015
Common Stock, \$0.01 par value	48,887,897

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## GENERAL CABLE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (in millions, except per share data) (unaudited)

	Three Fiscal Months Ended		Nine Fiscal Months Ended	
	October 2, 2015	September 26, 2014	October 2, 2015	September 26, 2014
Net sales	\$1,027.3	\$ 1,315.8	\$3,311.8	\$ 4,004.6
Cost of sales	909.2	1,307.7	2,956.8	3,752.5
Gross profit	118.1	8.1	355.0	252.1
Selling, general and administrative expenses	101.0	87.2	296.3	296.5
Goodwill impairment charge	—	—	—	93.5
Intangible asset impairment charges	—	3.3	1.7	78.3
Operating income (loss)	17.1	(82.4	) 57.0	(216.2
Other income (expense)	(26.8	) (17.8	) (58.6	) (110.6
Interest income (expense):				
Interest expense	(22.6	) (27.6	) (72.3	) (83.5
Interest income	0.5	0.5	1.5	2.0
	(22.1	) (27.1	) (70.8	) (81.5
Income (loss) before income taxes	(31.8	) (127.3	) (72.4	) (408.3
Income tax (provision) benefit	(4.5	) 17.0	(0.4	) 21.3
Equity in net earnings of affiliated companies	0.1	0.3	0.3	0.9
Net income (loss) from continuing operations	(36.2	) (110.0	) (72.5	) (386.1
Net income (loss) from discontinued operations, net of taxes	4.4	(8.8	) (8.6	) (94.8
Net income (loss) including noncontrolling interest	(31.8	) (118.8	) (81.1	) (480.9
Less: net income (loss) attributable to noncontrolling interest	(2.8	) 5.4	(7.1	) (16.5
Net income (loss) attributable to Company common shareholders	\$(29.0	) \$(124.2	) \$(74.0	) \$(464.4
Earnings (loss) per share - Earnings (loss) from continuing operations attributable to Company common shareholders per common share				
Earnings (loss) per common share-basic	\$(0.69	) \$(2.34	) \$(1.41	) \$(7.91
Earnings (loss) per common share-assuming dilution	\$(0.69	) \$(2.34	) \$(1.41	) \$(7.91
Earnings (loss) per share - Earnings (loss) from discontinued operations attributable to Company common shareholders per common share				
Earnings (loss) per common share-basic	\$0.10	\$ (0.21	) \$(0.10	) \$(1.61
Earnings (loss) per common share-assuming dilution	\$0.10	\$ (0.21	) \$(0.10	) \$(1.61
Earnings (loss) per share - Net income (loss) attributable to Company common shareholders per common share				
Earnings (loss) per common share-basic	\$(0.59	) \$(2.55	) \$(1.51	) \$(9.52
Earnings (loss) per common share-assuming dilution	\$(0.59	) \$(2.55	) \$(1.51	) \$(9.52
Dividends per common share	\$0.18	\$ 0.18	\$0.54	\$ 0.54
Comprehensive income (loss):				
Net income (loss)	\$(31.8	) \$(118.8	) \$(81.1	) \$(480.9
Currency translation gain (loss)	(19.4	) (56.1	) (77.6	) (57.9

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Defined benefit plan adjustments, net of tax of \$1.0 million and \$3.5 million in the three and nine months ended October 2, 2015 and \$0.7 million and \$3.3 million in the three and nine months ended September 26, 2014	1.8	1.0	6.6	6.1
Comprehensive income (loss), net of tax	(49.4	) (173.9	) (152.1	) (532.7
Comprehensive income (loss) attributable to noncontrolling interest, net of tax	(6.3	) 3.9	(15.0	) (20.3
Comprehensive income (loss) attributable to Company common shareholders, net of tax	\$(43.1	) \$(177.8	) \$(137.1	) \$(512.4

See accompanying Notes to Condensed Consolidated Financial Statements.

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## GENERAL CABLE CORPORATION AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(in millions, except share data)

(unaudited)

	October 2, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$78.9	\$136.7
Receivables, net of allowances of \$16.4 million at October 2, 2015 and \$20.3 million at December 31, 2014	815.6	895.1
Inventories	842.8	926.6
Deferred income taxes	26.3	24.0
Prepaid expenses and other	77.5	99.9
Current assets of discontinued operations	112.4	313.8
Total current assets	1,953.5	2,396.1
Property, plant and equipment, net	572.0	670.7
Deferred income taxes	18.2	18.4
Goodwill	23.0	22.8
Intangible assets, net	39.2	50.5
Unconsolidated affiliated companies	8.5	17.5
Other non-current assets	57.9	70.8
Non-current assets of discontinued operations	50.4	119.9
Total assets	\$2,722.7	\$3,366.7
Liabilities and Total Equity		
Current liabilities:		
Accounts payable	\$538.3	\$552.7
Accrued liabilities	342.9	379.9
Current portion of long-term debt	139.9	391.6
Current liabilities of discontinued operations	50.7	158.6
Total current liabilities	1,071.8	1,482.8
Long-term debt	952.8	933.9
Deferred income taxes	161.8	178.3
Other liabilities	200.3	228.7
Non-current liabilities of discontinued operations	1.8	16.0
Total liabilities	2,388.5	2,839.7
Commitments and contingencies (see Note 18)		
Redeemable noncontrolling interest	18.2	13.8
Total equity:		
Common stock, \$0.01 par value, issued and outstanding shares:		
October 2, 2015 – 48,885,697 (net of 9,924,269 treasury shares)		
December 31, 2014 – 48,683,493 (net of 10,126,473 treasury shares)	0.6	0.6
Additional paid-in capital	716.5	714.8
Treasury stock	(180.6	) (184.3
Retained earnings	83.9	184.4
Accumulated other comprehensive income (loss)	(326.5	) (263.4
Total Company shareholders' equity	293.9	452.1
Noncontrolling interest	22.1	61.1
Total equity	316.0	513.2

Total liabilities, redeemable noncontrolling interest and equity	\$2,722.7	\$3,366.7
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See accompanying Notes to Condensed Consolidated Financial Statements.

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## GENERAL CABLE CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (in millions) (unaudited)

	Nine Fiscal Months Ended	
	October 2, 2015	September 26, 2014
Cash flows of operating activities:		
Net income (loss) attributable to Company common shareholders	\$(74.0	) \$(464.4
Net income (loss) attributable to noncontrolling interest	(7.1	) (16.5
Net income (loss) including noncontrolling interest	(81.1	) (480.9
Net income (loss) from discontinued operations, net of taxes	(8.6	) (94.8
Adjustments to reconcile net income (loss) to net cash flows of operating activities:		
Depreciation and amortization	68.9	86.0
Amortization of restricted stock awards	—	0.9
Foreign currency exchange (gain) loss	55.8	105.3
Deferred income taxes	(12.7	) (10.9
Excess tax (benefits) deficiencies from stock-based compensation	—	0.6
Venezuela deconsolidation charge	12.0	—
Non-cash asset impairment charges	13.0	283.0
Convertible debt instruments non-cash interest charges	1.4	1.3
(Gain) loss on disposal of subsidiaries	10.4	—
(Gain) loss on disposal of property	1.3	2.8
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
(Increase) decrease in receivables	(3.7	) (95.2
(Increase) decrease in inventories	2.4	(50.7
(Increase) decrease in other assets	19.4	2.8
Increase (decrease) in accounts payable, accrued and other liabilities	6.3	3.3
Net cash flows of operating activities from continuing operations	102.0	(56.9
Net cash flows of operating activities from discontinued operations	23.1	(21.2
Net cash flows of operating activities	125.1	(78.1
Cash flows of investing activities:		
Capital expenditures	(43.2	) (62.6
Proceeds from properties sold	0.9	5.4
Reduction of cash due to Venezuela deconsolidation	(8.2	) —
Disposal of subsidiaries, net of cash disposed of	1.9	—
Other	0.3	—
Net cash flows of investing activities from continuing operations	(48.3	) (57.2
Net cash flows of investing activities from discontinued operations	72.3	(5.6
Net cash flows of investing activities	24.0	(62.8
Cash flows of financing activities:		
Dividends paid to shareholders	(26.5	) (26.6
Excess tax benefits (deficiencies) from stock-based compensation	—	(0.6
Proceeds from debt	2,451.3	1,761.6
Repayments of debt	(2,627.7	) (1,598.2
Purchase of noncontrolling interest	—	(0.3
Dividends paid to noncontrolling interest	(0.2	) (0.7
Repurchase of common shares	—	(30.7
Proceeds from exercise of stock options	0.2	0.2
Net cash flows of financing activities from continuing operations	(202.9	) 104.7



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Net cash flows of financing activities from discontinued operations	(0.5	) (1.5	)
Net cash flows of financing activities	(203.4	) 103.2	
Effect of exchange rate changes on cash and cash equivalents	(41.8	) (108.7	)
Increase (decrease) in cash and cash equivalents	(96.1	) (146.4	)
Cash and cash equivalents – beginning of period	205.8	418.8	
Cash and cash equivalents – end of period	\$109.7	\$272.4	
Less cash and cash equivalents of discontinued operations	30.8	58.3	
Cash and cash equivalents of continuing operations – end of period	78.9	214.1	
Supplemental Information			
Cash paid during the period for:			
Income tax payments from continuing operations, net of refunds	\$9.5	\$12.4	
Interest paid from continuing operations	\$68.7	\$65.3	
Non-cash investing and financing activities from continuing operations:			
Capital expenditures included in accounts payable	\$8.5	\$15.7	
See accompanying Notes to Condensed Consolidated Financial Statements.			

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GENERAL CABLE CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Changes in Total Equity  
(in millions) (unaudited)

	General Cable Total Equity						
	Total Equity	Common Stock	Additional Paid in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest
Balance, December 31, 2014	\$513.2	\$0.6	\$ 714.8	\$(184.3)	\$ 184.4	\$ (263.4 )	\$ 61.1
Comprehensive income (loss)	(152.1 )				(74.0 )	(63.1 )	(15.0 )
Common stock dividend	(26.5 )				(26.5 )		
Dividends paid to noncontrolling interest	(2.5 )						(2.5 )
Sale of noncontrolling interests	(21.5 )						(21.5 )
Other – issuance pursuant to restricted stock, stock options and other	5.4		1.7	3.7			
Balance, October 2, 2015	\$316.0	\$0.6	\$ 716.5	\$(180.6)	\$ 83.9	\$ (326.5 )	\$ 22.1
	General Cable Total Equity						
	Total Equity	Common Stock	Additional Paid in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest
Balance, December 31, 2013	\$1,379.8	\$0.6	\$ 699.6	\$(155.3)	\$ 847.4	\$ (112.1 )	\$ 99.6
Comprehensive income (loss)	(532.7 )				(464.4 )	(48.0 )	(20.3 )
Common stock dividend	(26.6 )				(26.6 )		
Excess tax benefit (deficiency) from stock based compensation	(0.6 )		(0.6 )				
Purchase of noncontrolling interest	(0.3 )		(1.5 )				1.2
Dividends paid to noncontrolling interest	(5.2 )						(5.2 )
Repurchase of common shares	(30.7 )			(30.7 )			
Other – issuance pursuant to restricted stock, stock options and other	10.6		10.0	0.6			
Balance, September 26, 2014	\$794.3	\$0.6	\$ 707.5	\$(185.4)	\$ 356.4	\$ (160.1 )	\$ 75.3

See accompanying Notes to Condensed Consolidated Financial Statements.

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## GENERAL CABLE CORPORATION AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements (unaudited)

## 1. Basis of Presentation and Principles of Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements of General Cable Corporation and Subsidiaries (“General Cable” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the nine fiscal months ended October 2, 2015 are not necessarily indicative of results that may be expected for the full year. The December 31, 2014 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 2014 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2015 provided that the Company’s results from continuing operations do not include the results of the Asia Pacific businesses. The results of these businesses, which comprised a portion of the Africa/Asia Pacific segment, have been reclassified as discontinued operations. Previously, the results of these businesses included certain allocated corporate costs, which have been reallocated to the remaining continuing operations on a retrospective basis, which are included in the Africa/Asia Pacific segment. Results of these businesses for all periods disclosed in this report have been reclassified as discontinued operations.

The Company’s first three 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 Company’s fourth fiscal quarter consists of the first day following the third quarter through December 31.

The Condensed Consolidated Financial Statements include the accounts of General Cable Corporation and its majority-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.

Prior to October 2, 2015, the Company included the results of the Venezuelan operations in the Consolidated Financial Statements using the consolidation method of accounting. The Company’s Venezuelan earnings and cash flows are reflected in the historical Consolidated Financial Statements using a combination of official exchange rates, with imports of copper at the essential finished goods rate of 6.30 bolivars per U.S. dollar and the SICAD 1 rate and the remaining business at the SICAD 1, SICAD 2 and SIMADI rates. Evolving conditions in Venezuela, including currency exchange regulations which reduced access to dollars through currency exchange markets and local market dynamics, have resulted in an other-than-temporary lack of exchangeability between the Venezuelan bolivar and U.S. dollar, and have restricted the Company’s Venezuelan operations’ ability to pay dividends and satisfy certain other obligations denominated in U.S. dollars. Additionally, the existence of other governmental limitations have restricted the Company’s ability to control its Venezuelan operations. The currency and other controls in Venezuela have significantly limited the Company’s ability to realize the benefits from earnings of the Company’s Venezuelan operations and to access the resulting liquidity provided by those operations. The Company expects that this condition will continue for the foreseeable future. For accounting purposes, this lack of exchangeability and governmental restrictions on operations have resulted in a lack of control over the Company’s Venezuelan subsidiary. Therefore, in accordance with the applicable accounting standards for consolidation, the Company deconsolidated its Venezuelan subsidiary and began accounting for the investment in the Venezuelan subsidiary using the cost method of accounting. This change, which the Company made effective October 2, 2015, resulted in a third quarter one-time charge of \$12.0 million recorded in the SG&A caption on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) to recognize the fair value of the cost method investment, resulting in full impairment recorded in the Company’s European reportable segment, which is due to the legal ownership structure of the Venezuelan subsidiaries. There were no foreign currency transaction gains / losses previously recorded in other comprehensive income. This charge included the write-off of our investment in our Venezuelan subsidiaries. The Company’s Venezuelan operations’ cash balance of \$8.2 million at October 2, 2015 (previously measured using the SIMADI

exchange rates), is no longer reported in Cash and cash equivalents in the Company's Condensed Consolidated Balance Sheet. There were no intercompany receivables due from the Venezuelan subsidiary at October 2, 2015. At October 2, 2015, there was an intercompany payable of \$2.9 million from the Company's Peru subsidiary that was reclassified to a third party trade payable in the Company's Condensed Consolidated Balance Sheet.

In future periods, the Company's financial results will only include U.S. dollar payments received from its Venezuelan subsidiary. Dividends, if any, from the Venezuelan subsidiary will be recorded as operating income upon receipt of the cash. We will continue to monitor the conditions in Venezuela and may return to consolidating our Venezuelan subsidiary should the Company's ability to exert operational control return, as defined under US GAAP accounting rules.

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## 2. Accounting Standards

The Company's significant accounting policies are described in Note 2 to the audited annual consolidated financial statements in the 2014 Annual Report on Form 10-K. In the nine months ended October 2, 2015, there have been no significant changes to these policies. There have been no accounting pronouncements adopted by the Company in 2015.

The following accounting pronouncement was adopted and became effective with respect to the Company in 2014: In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity", which raises the threshold for determining which disposals are required to be presented as discontinued operations and modifies related disclosure requirements. The revised accounting guidance applies prospectively to all disposals (or classifications as held for sale) of components of an entity and for businesses that, upon acquisition, are classified as held for sale on or after adoption. Early adoption is permitted for disposals (or classifications as held for sale) that have not been previously reported in financial statements. The Company elected to early adopt the guidance and implemented ASU 2014-08 for the year ended December 31, 2014. The effects of applying the revised guidance will vary based upon the nature and size of future disposal transactions. It is expected that fewer disposal transactions will meet the new criteria to be reported as discontinued operations. In the quarter ended October 2, 2015, the Company reported the results of the Asia Pacific businesses as discontinued operations; refer to Note 1 - Basis of Presentation and Principles of Consolidation and Note 3 - Assets and Liabilities Held for Sale and Discontinued Operations. The Company will continually evaluate the status of discontinued operations each quarter to ensure compliance with ASU 2014-08 requirements.

The following accounting pronouncements, which will become effective in future periods with respect to the Company, were issued in 2015 and 2014:

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." This update provides guidance on simplifying the measurement of inventory. The current standard is to measure inventory at lower of cost or market; where market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. ASU 2015-11 updates this guidance to measure inventory at the lower of cost and net realizable value; where net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This update is effective for annual reporting periods beginning after December 15, 2016. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. ASU 2015-11 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements", which clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be presented as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are outstanding borrowings on the arrangement. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. ASU 2015-03 and ASU 2015-15 are not expected to have a material impact on the Company's Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-12, "Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period." This standard provides more explicit guidance for treating share-based payment awards that require a specific performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. The Company does not expect the adoption of this guidance to have a material impact on its Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Company will adopt the standard on January 1, 2018. The Company is evaluating the impact that the standard will have on its Consolidated Financial Statements.

3. Assets and Liabilities Held for Sale and Discontinued Operations

In October 2014, the Company announced the intent to divest all of the Company's operations in Africa and Asia Pacific in order to simplify the Company's geographic portfolio and reduce operational complexity. The October divestiture plan is focused on the sale and closure of the Company's non-core assets. The Company expects to incur approximately \$14 million in pre-tax charges consisting primarily of legal and transaction fees for the dispositions. Such amounts are reflected in the North America segment. Charges incurred in the three and nine months ended October 2, 2015 were \$1.3 million and \$2.7 million, respectively.

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As part of this plan, the Company recognized the following:

On June 25, 2015, the Company announced it reached a definitive agreement to sell its Asia Pacific operations consisting of Phelps Dodge International Thailand ("Thailand"), Alcan (Tianjin) Alloy Products ("China"), General Cable New Zealand Limited ("New Zealand") and General Cable Australia Pty. Ltd ("Australia") in a two-step process, expected to close on sale of the Thailand operations on August 31, 2015 and the China, New Zealand and Australia operations (together "the remaining Asia Pacific Operations") on September 30, 2015. On August 31, 2015, the Company completed the sale of its Thailand operations for cash consideration of approximately \$88 million. The pre-tax gain recognized in the three and nine months ended October 2, 2015 from the disposition of Thailand was \$16.1 million. On September 29, 2015, the Company received notice from the buyer that certain closing conditions of the definitive agreement to sell were unsatisfied or incapable of satisfaction and purportedly terminated the purchase agreement for the remaining Asia Pacific Operations. The Company is considering all of its options under the purchase agreement.

Based on the estimated expected sales price of the India operations and in accordance with ASC 360 "Property, Plant and Equipment", the Company recorded an impairment loss in cost of sales of \$13.6 million in the three and nine months ended October 2, 2015. As part of the Company's strategic review and asset optimization plans, announced in the second quarter of 2014, the Company recorded an asset impairment charge in cost of sales of \$16.5 million in the nine months ended September 26, 2014, based on the review of its India asset group in accordance with ASC 360.

In the first quarter of 2015, the Company completed the sale of its 51% interests in Dominion Wire and Cables ("Fiji") for cash consideration of \$9.3 million. The pre-tax loss recognized in the three months ended April 3, 2015 from the disposition of Fiji was \$2.6 million.

In the first quarter of 2015, the Company completed the sale of its 20% interests in Keystone Electric Wire and Cable ("Keystone") for cash consideration of \$11.0 million. The pre-tax gain recognized in the three months ended April 3, 2015 from the disposition of Keystone was \$3.6 million.

In the fourth quarter of 2014, the Company completed the sale of its interest in Phelps Dodge International Philippines, Inc. ("PDP") and Phelps Dodge Philippines Energy Products Corporation ("PDEP") for cash consideration of \$67.1 million. The pre-tax gain on the sale from the disposition of PDP and PDEP recognized in the quarter ended December 31, 2014 was \$17.6 million.

As of October 2, 2015, the Company has initiated actions to respond to the purported termination of the definitive agreement to sell the remaining Asia Pacific Operations and is actively marketing the assets at a price that is reasonable given the purported termination of this agreement. As of October 2, 2015, the Company determined that the remaining Asia Pacific Operations continued to meet the held for sale criteria set forth in Accounting Standards Codification 360 - "Property, Plant and Equipment" (ASC 360) to be classified as held for sale. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell and depreciation is ceased. Development of estimates of fair values in this circumstance is complex and is dependent upon, among other factors, the nature of the potential sales transaction, composition of assets and/or businesses in the disposal group, the comparability of the disposal group to market transactions, negotiations with third party purchasers, etc. Such factors bear directly on the range of potential fair values and the selection of the best estimates. Key assumptions were developed based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction.

As of October 2, 2015, the Company determined that the remaining businesses in the Africa/Asia Pacific segment, the Africa businesses, did not meet the held for sale criteria set forth in ASC 360 primarily driven by management's belief that the probability of a sale within one year is uncertain.

Consistent with the conclusion reached in the second quarter of 2015, as of October 2, 2015, the Company determined the disposals of the PDP and PDEP, Fiji, Keystone and Thailand businesses combined with the businesses held for sale (the remaining Asia Pacific Operations and India (together "Asia Pacific Operations")) result in the Company's disposal of a major geographical area, Asia Pacific. This disposal is considered a strategic shift that has and will have a major effect on the Company's operations and financial results; therefore, the results of the Asia Pacific Operations have been reclassified as discontinued operations for all periods presented. Previously the results of these businesses included certain allocated corporate costs, which have been reallocated to the remaining continuing operations within the Africa/Asia Pacific segment on a retrospective basis. As a result of the Company's strategic shift out of the Asia Pacific Operations, the Africa/Asia Pacific segment is now comprised primarily of the Company's Africa businesses. The financial results of the Company's Africa businesses are presented as continuing operations in the Condensed Consolidated Financial Statements.



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The results of operations, financial position and cash flows for the Asia Pacific Operations are separately reported as discontinued operations for all periods presented. Included in Net income (loss) from discontinued operations, net of taxes in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) were the following (in millions):

	Three Fiscal Months Ended		Nine Fiscal Months Ended	
	October 2, 2015	September 26, 2014	October 2, 2015	September 26, 2014
Net sales	\$69.1	\$ 155.9	\$249.7	\$ 428.5
Cost of sales	71.9	137.4	237.2	390.1
Gross profit	(2.8	) 18.5	12.5	38.4
Selling, general and administrative expenses	5.7	14.7	30.8	41.7
Goodwill and intangible asset impairment charges	—	—	3.2	82.1
Operating income (loss)	(8.5	) 3.8	(21.5	) (85.4
Other income (expense)	(2.1	) 0.5	(3.3	) (0.8
Interest expense, net	(0.3	) (0.6	) (1.3	) (1.1
Pre-tax gain on the disposal of discontinued operation	16.1	—	16.1	—
Income (loss) before income taxes	5.2	3.7	(10.0	) (87.3
Income tax (provision) benefit	(0.8	) (12.5	) 1.3	(7.5
Equity in net earnings of affiliated companies	—	—	0.1	—
Net income (loss) including noncontrolling interest	\$4.4	\$ (8.8	) \$(8.6	) \$(94.8

The after-tax gain attributable to the parent for the Asia Pacific Operations for the three months ended October 2, 2015 was \$4.8 million and the after-tax loss attributable to the parent for the Asia Pacific Operations for the nine months ended October 2, 2015 was \$4.9 million. The after-tax loss attributable to the parent for the Asia Pacific Operations for the three and nine months ended September 26, 2014 was \$10.2 million and \$78.3 million, respectively.

Financial information for assets and liabilities held for sale were the following (in millions):

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	October 2, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$30.8	\$69.1
Receivables, net of allowances	26.8	111.9
Inventories	45.2	92.2
Deferred income taxes	8.2	8.4
Prepaid expenses and other	1.4	32.2
Total current assets	112.4	313.8
Property, plant and equipment, net	39.5	87.7
Deferred income taxes	4.1	6.4
Goodwill	—	3.3
Intangible assets, net	—	14.6
Other non-current assets	6.8	7.9
Total assets	\$162.8	\$433.7
Liabilities		
Current liabilities:		
Accounts payable	\$18.4	\$119.4
Accrued liabilities	19.0	27.3
Current portion of long-term debt	13.3	11.9
Total current liabilities	50.7	158.6
Deferred income taxes	0.3	4.7
Other liabilities	1.5	11.3
Total liabilities	\$52.5	\$174.6

## 4. Restructuring

In July 2014, the Company announced a comprehensive restructuring program. The restructuring program, which builds on the Company's previously launched productivity and asset optimization plans, is focused on the closure of certain underperforming assets as well as the consolidation and realignment of other facilities. The Company is also implementing initiatives to reduce selling, general and administrative ("SG&A") expenses globally. During the first nine months of 2015, the Company continued with incremental restructuring actions including SG&A cost reductions and further asset optimization plans in North America and Europe. Costs incurred as part of the restructuring program related to the Company's Asia Pacific Operations are not included below as the costs associated with these exit or disposal activities are included within the results of discontinued operations. Total expected and aggregate restructuring costs related to the Asia Pacific Operations are \$15.0 million and \$14.8 million as of October 2, 2015, respectively. There are no restructuring costs related to the continuing operations of the Africa/Asia Pacific segment as of October 2, 2015.

As part of the restructuring program, in the second quarter of 2015, the Company completed the disposal of a subsidiary in Spain for cash consideration of \$1.8 million. The pre-tax loss on the sale from the disposition in the second quarter was \$11.6 million. This sale does not represent a strategic shift; therefore, the results are not presented as discontinued operations. This loss is included as asset-related restructuring costs in the Europe segment in the nine months ended October 2, 2015 and is recognized in the SG&A expenses caption in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company expects to incur approximately \$210 million of pre-tax restructuring charges. The total expected costs are \$25 million in the North America segment, \$145 million in the Europe segment and \$40 million in the Latin America segment. As of October 2, 2015, aggregate costs incurred are \$16.7 million in the North America segment,

\$137.1 million in the Europe segment, and \$35.6 million in the Latin America segment. For the three and nine months ended October 2, 2015, the Company incurred charges of \$3.2 million and \$38.3 million, respectively. For the three and nine months ended September 26, 2014, the Company incurred charges of \$117.4 million and \$130.8 million, respectively. For the three and nine months ended October 2, 2015, costs

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incurred were \$2.3 million and \$9.9 million in the North America segment, \$0.0 million and \$21.5 million in the Europe segment, and \$0.9 million and \$6.9 million in the Latin America segment, respectively. For the three and nine months ended September 26, 2014, costs incurred were \$0.4 million and \$3.6 million in the North America segment, \$105.7 million and \$105.7 million in the Europe segment, and \$11.3 million and \$21.5 million in the Latin America segment, respectively.

For the three and nine months ended October 2, 2015, approximately \$2.3 million and \$13.8 million of these charges were recorded in cost of sales and \$0.9 million and \$24.5 million of these charges were recorded as SG&A expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), respectively. For the three and nine months ended September 26, 2014, approximately \$108.0 million and \$121.4 million of these charges were recorded in cost of sales, respectively. For the three and nine months ended September 26, 2014, approximately \$9.4 million of these charges were recorded as SG&A expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). Restructuring costs incurred consist primarily of employee separation costs and asset-related costs to exit or realign facilities. The Company is also incurring other costs as outlined below.

Changes in the restructuring reserve and activity for the nine months ended October 2, 2015 are below (in millions):

	Employee Separation Costs	Asset-Related Costs	Other Costs	Total
Total expected restructuring charges	\$65.0	\$120.0	\$25.0	\$210.0
Balance, December 31, 2014	\$32.4	\$—	\$1.0	\$33.4
Net provisions	11.9	14.8	11.6	38.3
Net benefits charged against the assets	(2.8)	(14.8)	(3.9)	(21.5)
Payments	(24.6)	—	(6.1)	(30.7)
Foreign currency translation	(2.1)	—	(0.1)	(2.2)
Balance, October 2, 2015	\$14.8	\$—	\$2.5	\$17.3
Total aggregate costs to date	\$50.2	\$119.0	\$20.2	\$189.4
Remaining expected restructuring charges	\$14.8	\$1.0	\$4.8	\$20.6

**Employee Separation Costs**

The Company recorded a benefit to employee separation costs of \$0.3 million for the three months ended October 2, 2015 and costs of \$11.9 million for the nine months ended October 2, 2015. In the three and nine months ended October 2, 2015, the Company recorded costs of \$1.5 million and \$7.9 million in North America, a benefit of \$1.9 million for the three months ended October 2, 2015 and costs of \$2.9 million for the nine months ended October 2, 2015 in Europe, and in the three and nine months ended October 2, 2015, costs of \$0.1 million and \$1.1 million in Latin America, respectively. The Company recorded employee separation costs of \$28.6 million for the three and nine months ended September 26, 2014, consisting of \$0.4 million in North America, \$27.7 million in Europe, and \$0.5 million in Latin America, respectively.

Employee separation costs include severance, retention bonuses and pension costs. As of October 2, 2015, employee separation costs included severance charges for approximately 1,170 employees; approximately 930 of these employees were classified as manufacturing employees and approximately 240 of these employees were classified as non-manufacturing employees. The charges relate to involuntary separations based on current salary levels and past service periods and are either considered one-time employee termination benefits in accordance with ASC 420 - Exit or Disposal Cost Obligations or charges for contractual termination benefits under ASC 712 - Compensation - Nonretirement Postemployment Benefits.

**Asset-Related Costs**

The Company recorded asset-related costs of \$0.8 million and \$14.8 million in the three and nine months ended October 2, 2015, respectively. The Company recorded long-lived asset impairment charges of \$10.8 million in the nine months ended October 2, 2015 in Europe and \$0.8 million and \$4.0 million in Latin America for the three and

nine months ended October 2, 2015, respectively. The Company recorded asset-related costs of \$85.8 million and \$95.9 million in the three and nine months ended September 26, 2014, respectively. The Company recorded long-lived asset impairment charges of \$3.2 million in North America in the nine months ended September 26, 2014, \$77.6 million in Europe, and \$8.2 million and \$15.1 million in Latin America for the three and nine months ended September 26, 2014, respectively.

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Asset-related costs consist of asset write-downs, accelerated depreciation and the loss on the sale of a subsidiary in Spain as noted above. Asset write-downs relate to the establishment of a new fair value basis for assets to be classified as held-for-sale or to be disposed of, as well as asset impairment charges for asset groups to be held-and-used in locations which are being restructured and it has been determined the undiscounted cash flows expected to result from the use and eventual disposition of the assets are less than their carrying value. Management will continue to evaluate the recoverability of the carrying amount of its long-lived assets as the restructuring program is executed.

To determine the fair value, a current appraisal of each impaired asset groups' machinery and equipment and real property, as applicable, was performed utilizing standard valuation approaches, which incorporate Level 3 inputs. The Company assesses impairment at the asset group level which represents the lowest level for which identifiable cash flows can be determined independent of other groups of assets and liabilities. The asset groups at the Company are primarily each manufacturing unit, unless the cash flows of the manufacturing unit are not independent due to shared production, distribution and sale of the finished product. The Company considered the expected net cash flows to be generated by the use of each asset group, as well as the expected cash proceeds from the disposition of the assets, if any, to determine fair value. The impairment charges were recorded in the Cost of sales caption in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

The Company notes the plan to abandon a long-lived asset before the end of its previously estimated useful life is a change in accounting estimate per ASC 250 - Accounting Changes and Error Corrections. The annual depreciation impact from the asset write-downs and changes in estimated useful lives is immaterial.

**Other Costs**

The Company recorded other restructuring-type charges of \$2.7 million and \$11.6 million for the three and nine months ended October 2, 2015, respectively. The other restructuring-type charges were \$0.8 million and \$2.0 million in North America and \$1.9 million and \$7.8 million in Europe for the three and nine months ended October 2, 2015, respectively, and \$1.8 million in Latin America for the nine months ended October 2, 2015, respectively.

The Company recorded other restructuring-type charges of \$3.0 million and \$6.3 million for the three and nine months ended September 26, 2014. The other restructuring-type charges were \$0.4 million in Europe for the three and nine months ended September 26, 2014 and \$2.6 million and \$5.9 million in Latin America for the three and nine months ended September 26, 2014, respectively.

Other restructuring-type charges are incurred as a direct result of the restructuring program. Such charges primarily include working capital write-downs not associated with normal operations, equipment relocation, termination of contracts and other costs.

**5. 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 gains and losses on derivative instruments that are not designated as cash flow hedges. During the three months ended October 2, 2015 and September 26, 2014, the Company recorded other expense of \$26.8 million and \$17.8 million, respectively. For the three months ended October 2, 2015, other expense was primarily attributable to \$25.9 million related to other foreign currency transaction losses and \$0.9 million related to losses on derivative instruments that were not designated as cash flow hedges. For the three months ended September 26, 2014, other expense was primarily attributable to \$19.3 million related to foreign currency transaction losses, of which \$14.1 million was related to the remeasurement of the local balance sheet in Venezuela as the SICAD I rate depreciated during the third quarter, partially offset by \$5.0 million related to gains on derivative instruments that were not designated as cash flow hedges.

During the nine months ended October 2, 2015 and September 26, 2014, the Company recorded other expense of \$58.6 million and \$110.6 million, respectively. For the nine months ended October 2, 2015, other expense was primarily attributable to the adoption of the SIMADI currency exchange system in Venezuela and ongoing remeasurement of the local balance sheet which resulted in an expense of \$22.9 million, \$32.9 million related to other foreign currency transaction losses and \$2.9 million related to losses on derivative instruments that were not designated as cash flow hedges. For the nine months ended September 26, 2014, other expense was primarily attributable to \$83.1 million related to a Venezuela currency devaluation, \$3.4 million related to losses on derivative

instruments that were not designated as cash flow hedges and other expense of \$20.6 million related to foreign currency transaction losses, of which \$11.6 million was related to the remeasurement of the local balance sheet in Venezuela as the SICAD I rate depreciated from the first quarter of 2014.

Refer to Note 1 - Basis of Presentation and Principles of Consolidation for more information regarding the Company's Venezuelan operations.

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## 6. 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.

(in millions)	October 2, 2015	December 31, 2014
Raw materials	\$ 189.5	\$ 206.6
Work in process	140.5	144.4
Finished goods	512.8	575.6
Total	\$ 842.8	\$ 926.6

## 7. Property, Plant and Equipment

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

	October 2, 2015	December 31, 2014
Land	\$ 50.0	\$ 60.3
Buildings and leasehold improvements	212.5	228.6
Machinery, equipment and office furnishings	778.7	819.9
Construction in progress	27.8	35.3
Total gross book value	1,069.0	1,144.1
Less accumulated depreciation	(497.0 )	(473.4 )
Total net book value	\$ 572.0	\$ 670.7

Depreciation expense for the three and nine fiscal months ended October 2, 2015 was \$18.9 million and \$60.9 million, respectively. Depreciation expense for the three and nine fiscal months ended September 26, 2014 was \$25.0 million and \$77.1 million, respectively.

## Third Quarter 2014 Brazil Rod Mill Asset Impairment

The Brazil rod mill results are reported within the Latin America reportable segment. In the three months ended September 26, 2014, the Company announced its intent to shut down the Brazil rod mill due to changes in the supply market. The change in the supply market was deemed a significant adverse change in the manner in which the Brazil rod mill will operate resulting in a change in the defined asset group. The asset group was deemed impaired as it no longer provided future benefits to the Company. To determine the fair value, the Company considered the expected net cash flows to be generated by the assets through the closure date, as well as the expected cash proceeds from the disposition of the assets utilizing standard valuation approaches, which incorporate Level 3 inputs. Based on the results of the analysis, the Company recorded an impairment charge of \$13.1 million in the three and nine months ended September 26, 2014. The impairment charge was recorded in the Cost of sales caption in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).



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## 8. 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.

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

	Goodwill				Indefinite-Lived Assets – Trade Names		
	North America	Latin America	Africa/Asia Pacific	Total	North America	Europe	Total
Balance, December 31, 2014	\$17.0	\$ 3.0	\$ 2.8	\$22.8	\$0.3	\$0.4	\$0.7
Currency translation and other adjustments	(0.4 )	0.9	(0.3 )	0.2	—	—	—
Goodwill and indefinite-lived asset impairment	—	—	—	—	—	—	—
Balance, October 2, 2015	\$16.6	\$ 3.9	\$ 2.5	\$23.0	\$0.3	\$0.4	\$0.7

The amounts of other intangible assets were as follows (millions of dollars):

	October 2, 2015	December 31, 2014
Amortized intangible assets:		
Amortized intangible assets	\$129.4	\$131.0
Accumulated amortization	(85.5 )	(78.1 )
Foreign currency translation adjustment	(5.4 )	(3.1 )
Amortized intangible assets, net	\$38.5	\$49.8

Amortized intangible assets are stated at cost less accumulated amortization as of October 2, 2015 and December 31, 2014. Other intangible assets have been determined to have a useful life in the range of 7 to 12 years. The approximate weighted average useful life of the amortized intangible assets is 10 years. For customer relationships, the Company has accelerated the amortization expense to align with the historical customer attrition rates. All other amortized intangible assets are amortized on a straight-line basis. The amortization of intangible assets for the nine months ended October 2, 2015 and September 26, 2014 was \$7.4 million and \$8.4 million, respectively. The estimated amortization expense during the twelve month periods beginning October 2, 2015 through October 2, 2020 and thereafter, based on exchange rates as of October 2, 2015, is \$9.3 million, \$8.0 million, \$5.6 million, \$5.0 million, \$3.4 million and \$7.2 million thereafter.

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## 9. Long-Term Debt

(in millions)	October 2, 2015	December 31, 2014
North America		
5.75% Senior Notes due 2022 ("5.75% Senior Notes")	\$600.0	\$600.0
Subordinated Convertible Notes due 2029 ("Subordinated Convertible Notes")	429.5	429.5
Debt discount on Subordinated Convertible Notes	(258.3	) (259.7
Senior Floating Rate Notes due 2015 ("Senior Floating Rate Notes")	—	125.0
Asset-Based Revolving Credit Facility ("Revolving Credit Facility")	133.1	136.8
Other	9.0	9.0
Europe debt		
Asset-Based Revolving Credit Facility ("Revolving Credit Facility")	30.5	—
Other	10.1	10.5
Latin America credit facilities	101.7	238.6
Africa/Asia Pacific credit facilities	37.1	35.8
Total debt	1,092.7	1,325.5
Less current maturities	139.9	391.6
Long-term debt	\$952.8	\$933.9

At October 2, 2015, maturities of long-term debt during the twelve month periods beginning October 2, 2015 through October 2, 2020 and thereafter are \$139.9 million, \$3.9 million, \$165.9 million, \$0.8 million and \$0.8 million, respectively, and \$781.4 million thereafter.

The fair value of the Company's long-term debt, as noted below, was estimated using inputs other than quoted prices that are observable, either directly or indirectly.

## 5.75% Senior Notes

The Company's 5.75% Senior Notes are summarized in the table below:

(in millions)	5.75% Senior Notes	
	October 2, 2015	December 31, 2014
Face Value	\$600.0	\$600.0
Fair Value (Level 2)	505.5	483.0
Interest Rate	5.75	% 5.75
Interest Payment	Semi-Annual: Apr 1 & Oct 1	
Maturity Date	October 2022	
Guarantee	Jointly and severally guaranteed by the Company's wholly owned U.S. subsidiaries	
	5.75% Senior Notes	
	Percentage	
Call Option <sup>(1)</sup>	Beginning Date	Percentage
	October 1, 2017	102.875%
	October 1, 2018	101.917%
	October 1, 2019	100.958%
	October 1, 2020 and thereafter	100.000%

(1) The Company may, at its option, redeem the 5.75% Senior Notes on or after the stated beginning dates at percentages noted above (plus accrued and unpaid interest). Additionally, on or prior to October 1, 2015, the Company had the right to redeem in the aggregate up to 35% of the aggregate principal amount of 5.75% Senior Notes issued with the cash proceeds from one or more equity offerings, at a redemption price in cash equal to 105.75% of the principal plus accrued and unpaid interest so long as (i) at least 65% of the aggregate principal

amount of the 5.75% Senior Notes issued remained outstanding immediately after giving effect to any such redemption; and (ii) notice of any such redemption was given within 60 days after the date of the closing of any such equity offering. In addition, at any time prior to October 1, 2017, the Company may redeem some or all of the 5.75% Senior Notes at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, plus a make whole premium.

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The 5.75% Senior Notes' indenture contains covenants that limit the ability of the Company and certain of its subsidiaries to (i) incur additional indebtedness and guarantee indebtedness; (ii) pay dividends or make other distributions or repurchase or redeem the Company's capital stock; (iii) purchase, redeem or retire debt; (iv) issue certain preferred stock or similar equity securities; (v) make loans and investments; (vi) sell assets; (vii) incur liens; (viii) enter into transactions with affiliates; (ix) enter into agreements restricting the Company's subsidiaries' ability to pay dividends; and (x) consolidate, merge or sell all or substantially all assets. However, these covenants are subject to exceptions and qualifications.

The 5.75% Senior Notes may also be repurchased at the option of the holders in connection with a change of control (as defined in the indenture governing the 5.75% Senior Notes) or in connection with certain asset sales.

**Subordinated Convertible Notes**

The Company's Subordinated Convertible Notes are summarized as of October 2, 2015 and December 31, 2014 as follows:

(in millions)	Subordinated Convertible Notes	
	October 2, 2015	December 31, 2014
Face value	\$429.5	\$429.5
Debt discount	(258.3	) (259.7
Book value	171.2	169.8
Fair value (Level 1)	255.3	313.1
Maturity date	Nov 2029	
Stated annual interest rate	4.50% until Nov 2019 2.25% until Nov 2029	
Interest payments	Semi-annually: May 15 & Nov 15	

**Senior Floating Rate Notes**

On March 31, 2015, the Company used proceeds from the Revolving Credit Facility to repay the outstanding principal of \$125 million and accrued interest of \$0.8 million on the Senior Floating Rate Notes due April 2015.

The Company's Senior Floating Rate Notes are summarized as of October 2, 2015 and December 31, 2014 as follows:

(in millions)	Senior Floating Rate Notes	
	October 2, 2015	December 31, 2014
Face value	\$—	\$125.0
Fair value (Level 1)	—	123.8
Interest rate	N/A	2.6
Interest payment	3-month LIBOR rate plus 2.375% Quarterly: Jan 1, Apr 1, Jul 1 & Oct 1	
Maturity date	Apr 2015	
Guarantee	Jointly and severally guaranteed by the Company's wholly-owned U.S. subsidiaries	

**Revolving Credit Facility**

On July 21, 2011, the Company entered into a \$400 million Revolving Credit Facility, which has been subsequently amended and restated to, among other things, increase the Revolving Credit Facility to \$1.0 billion, \$630 million of which may be borrowed by the U.S. borrower, \$300 million of which may be borrowed by the European borrowers and \$70 million of which may be borrowed by the Canadian borrower. The Revolving Credit Facility contains restrictions including limitations on, among other things, distributions and dividends, acquisitions and investments,

indebtedness, liens and affiliate transactions. The Revolving Credit Facility provides the Company with flexibility and the restrictions in the Revolving Credit Facility 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 maturity date of September 6, 2018. The commitment amount under the Revolving Credit Facility may be increased by an additional \$250 million, subject to certain conditions and approvals as set forth in the Revolving

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Credit Facility. The Company capitalized \$0.9 million in 2015, \$1.7 million in 2014 and \$4.9 million in 2013 in deferred financing costs in connection with the Revolving Credit Facility. The Revolving Credit Facility requires maintenance of a minimum fixed charge coverage ratio of 1.00 to 1.00 if availability under the Revolving Credit Facility is less than the greater of \$100 million or 10% of the then existing aggregate lender commitments under the Revolving Credit Facility. The fair value of the Revolving Credit Facility approximates the carrying value.

Indebtedness under the Revolving Credit Facility is secured by: (a) for US borrowings under the facility, a first priority security interest in substantially all of our domestic assets and, (b) for Canadian and European borrowings under the facility, a first priority security interest in substantially all of our domestic and Canadian assets and certain assets of our Spanish, French and German subsidiaries party to the facility. In addition, the lenders under our Revolving Credit Facility have received a pledge of (i) 100% of the equity interests in all of the Company's domestic subsidiaries, and (ii) 65% of the voting equity interests in and 100% of the non-voting equity interests in certain of our foreign subsidiaries, including our Canadian subsidiaries and our Spanish, French and German subsidiaries party to the Revolving Credit Facility. Borrowings under the Revolving Credit Facility bear interest at interest rate bases elected by the Company plus an applicable margin calculated quarterly based on the Company's average availability and Total Consolidated Leverage Ratio as set forth in the credit agreement. The Revolving Credit Facility also requires the payment of a commitment fee equal to the available but unused commitments multiplied by an applicable margin of either 0.25% or 0.375% based on the average daily unused commitments.

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

(in millions)	Revolving Credit Facility			
	October 2, 2015	December 31, 2014		
Outstanding borrowings	\$163.6	\$136.8		
Total credit under facility	1,000.0	1,000.0		
Undrawn availability <sup>(1)</sup>	369.4	425.0		
Interest rate	2.5	% 2.1		%
Outstanding letters of credit	\$42.1	\$58.5		
Original issuance	July 2011			
Maturity date	Sept 2018			

(1) Total undrawn availability for the U.S. borrower, the Canadian borrower and the European borrowers at October 2, 2015 is \$267.7 million, \$46.6 million and \$55.1 million, respectively. Total undrawn availability for the U.S. borrower, the Canadian borrower and the European borrowers at December 31, 2014 was \$257.7 million, \$54.3 million and \$113.0 million, respectively.

#### Latin America Credit Facilities

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

(in millions)	October 2, 2015	December 31, 2014		
	Outstanding borrowings	\$101.7	\$238.6	
Undrawn availability	60.3	79.6		
Interest rate – weighted average	8.8	% 6.1		%
Maturity date	Various; \$99.6 million due within one year			

The Company's Latin America credit facilities are short term loans utilized for working capital purposes. The fair value of the Latin America credit facilities approximates the carrying value due to the short term nature of the facilities.

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## Africa/Asia Pacific Credit Facilities

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

(in millions)	October 2, 2015	December 31, 2014
Outstanding borrowings	\$37.1	\$35.8
Undrawn availability	69.9	44.4
Interest rate – weighted average	4.5	% 4.2
Maturity date	Various; \$37.1 million due within one year	

The Company's Africa credit facilities are short term loans utilized for working capital purposes. The fair value of the Africa credit facilities approximates the carrying value due to the short term nature of the facilities.

## 10. Financial Instruments

The Company is exposed to various market risks, including changes in interest rates, foreign currency exchange rates 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, and copper and aluminum forward pricing agreements. The Company does not purchase or sell derivative instruments for trading purposes. The Company does not engage in derivative contracts for which a lack of marketplace quotations would necessitate the use of fair value estimation techniques.

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 reducing 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.

As of October 2, 2015 and December 31, 2014, there were no derivatives that were designated as cash flow hedges. In the three and nine months ended October 2, 2015 and September 26, 2014, there was no activity related to derivatives that were designated as cash flow hedges. 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 not designated as cash flow hedges at October 2, 2015 and December 31, 2014 are shown below (in millions):

	October 2, 2015			December 31, 2014		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
		Asset <sup>(1)</sup>	Liability <sup>(2)</sup>		Asset <sup>(1)</sup>	Liability <sup>(2)</sup>
Derivatives not designated as cash flow hedges:						
Commodity futures	\$104.3	\$0.6	\$9.4	\$104.0	\$0.5	\$3.7
Foreign currency exchange	97.3	4.3	3.3	110.3	3.7	4.1
		\$4.9	\$12.7		\$4.2	\$7.8

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

(2) Balance recorded in "Accrued liabilities" and "Other liabilities"

As of October 2, 2015 and December 31, 2014, all financial instruments held by the Company were subject to enforceable master netting arrangements held by various financial institutions. In general, the terms of our agreements

provide that in the event of an early termination the counterparties have the right to offset amounts owed or owing under that and any other agreement with the same counterparty. The Company's accounting policy is to not offset these positions in the Condensed Consolidated Balance Sheets. As of October 2, 2015 and December 31, 2014, the net positions of the enforceable master netting agreements are not significantly different from the gross positions noted in the table above. 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 October 2, 2015 and December 31, 2014, there were no contracts held by the Company that required collateral to secure the Company's derivative liability positions.



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11. Income Taxes

The Company's effective tax rate for the nine months ended October 2, 2015 and September 26, 2014 was (0.6)% and 5.2%, respectively. The low effective tax rate on the Company's pre-tax losses for the nine months ended October 2, 2015 were primarily due to the following:

• No tax benefits being available for the \$22.9 million Venezuelan currency devaluation loss and foreign currency loss in Venezuela,

• No tax benefit being recognized on \$71.6 million of operational losses incurred in jurisdictions where valuation allowances are recorded against net deferred tax assets, and

• No tax benefit being recognized on the \$12.0 million Venezuelan deconsolidation charge.

These factors were partially offset by the following:

\$5.0 million of tax benefits associated with the net release of uncertain tax position reserves,

\$4.3 million of tax benefits associated with valuation allowance releases, and

\$11.5 million of tax benefits associated with the exiting of the business in India.

The low effective tax rate on the Company's pre-tax losses for the nine months ended September 26, 2014 were primarily due to the following:

• No tax benefits being available for the \$83.1 million Venezuelan currency devaluation loss,

• A relatively small tax benefit of \$13.9 million was recorded on \$166.4 million of pre-tax charges related to asset impairments, and

• No tax benefit being recognized on \$138.6 million of operational losses incurred in jurisdictions where valuation allowances are recorded against net deferred tax assets.

These factors were partially offset by \$12.7 million of tax benefits associated with the net release of uncertain tax position reserves.

The Company's effective tax rate for the three months ended October 2, 2015 and September 26, 2014 was (14.2)% and 13.4% respectively. The negative effective tax rate for the three months ended October 2, 2015 is primarily the result of recording income tax expense on the ordinary operational income of profitable jurisdictions while not recording income tax benefits on \$18.6 million of operational losses incurred in jurisdictions where valuation allowances are recorded against net deferred tax assets, and \$12.0 million related to a Venezuela deconsolidation charge recorded in continuing operations. These negative effective tax rate drivers were partially offset by \$11.5 million of tax benefits associated with the exiting of the business in India.

The low effective tax rate for the three months ended September 26, 2014 was primarily due to the combined impact of recording income tax expense on the ordinary operational income of profitable jurisdictions, no tax benefits being available for the \$14.1 million Venezuelan currency devaluation loss, recording no tax benefit on \$117.5 million of asset-related costs and restructuring charges, and the impact of full year forecasted operational losses incurred in jurisdictions where valuation allowances are recorded against net deferred tax assets. These unfavorable effective tax rate drivers were partially offset by an \$8.0 million income tax benefit associated with uncertain tax position reserve releases during the three months ended September 26, 2014.

During the third quarter of 2015, the Company accrued approximately \$1.5 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. In addition, \$1.5 million of net income tax expense was recorded due to establishing new reserves for uncertain tax positions

originating in prior periods partially offset by reserve releases due to statute of limitation expirations.

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 \$5 million of unrecognized tax benefits could change within the next twelve months due to the resolution of tax audits and statute of limitations expiration.

The Internal Revenue Service ("IRS") currently is in the process of examining the Company's 2012 consolidated income tax return. The IRS completed its examination of the Company's 2007 through 2010 consolidated income tax returns in the second quarter of 2013 with insignificant tax adjustments. With limited exceptions, tax years prior to 2010 are no longer open in major foreign, state, or local tax jurisdictions.

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In October 2015, the IRS proposed a cumulative taxable income adjustment of \$33.6 million through 2012 in connection with the Original Issue Discount (“OID”) yield on the Company’s \$429.5 million Subordinated Convertible Notes (“Notes”) due 2029. The Company believes that the amount of the OID deductions claimed on its federal income tax returns since the 2009 issuance of the Notes is proper and will appeal the IRS proposed adjustment. If the IRS were to sustain the proposed adjustment in full, the Company’s OID deductions claimed on its 2013 and 2014 tax returns would also be reduced. The estimated impact on cash paid for taxes and income tax expense, due to the Company's tax loss and credit carry forward positions available in years 2009 - 2014, would not be material.

## 12. Employee Benefit Plans

The Company 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.

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

	Three Fiscal Months Ended			
	October 2, 2015		September 26, 2014	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$0.4	\$1.5	\$0.5	\$1.4
Interest cost	1.8	1.1	2.0	