

GENERAL CABLE CORP /DE/

Form 10-Q

August 06, 2008

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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 June 27, 2008

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
(State or other jurisdiction of
incorporation or organization)

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

4 Tesseneer Drive
Highland Heights, KY
(Address of principal executive offices)

41076-9753
(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 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
(Do not check if a 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:

Class	Outstanding at August 1, 2008
Common Stock, \$0.01 per value	52,802,175

**GENERAL CABLE CORPORATION AND SUBSIDIARIES
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ON FORM 10-Q**

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	Three Fiscal Months		Six Fiscal Months	
	Ended		Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Net sales	\$ 1,742.8	\$ 1,172.5	\$ 3,311.2	\$ 2,181.7
Cost of sales	1,515.5	999.4	2,871.2	1,848.8
Gross profit	227.3	173.1	440.0	332.9
Selling, general and administrative expenses	96.7	70.1	194.1	138.8
Operating income	130.6	103.0	245.9	194.1
Other income (expense)	(1.8)	(1.5)	(0.4)	(1.5)
Interest income (expense):				
Interest expense	(16.2)	(10.6)	(31.2)	(19.5)
Interest income	3.5	3.9	6.3	6.9
Loss on extinguishment of debt				(25.1)
	(12.7)	(6.7)	(24.9)	(37.7)
Income before income taxes	116.1	94.8	220.6	154.9
Income tax provision	(38.9)	(31.9)	(75.0)	(54.1)
Minority interest in consolidated subsidiaries	(3.2)		(6.8)	
Equity in earnings of affiliated companies	1.7		2.8	
Net income	75.7	62.9	141.6	100.8
Less: preferred stock dividends	(0.1)	(0.1)	(0.2)	(0.2)
Net income applicable to common shareholders	\$ 75.6	\$ 62.8	\$ 141.4	\$ 100.6

Earnings per share

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Earnings per common share-basic	\$ 1.47	\$ 1.23	\$ 2.75	\$ 1.97
Weighted average common shares-basic	51.6	51.2	51.5	51.1
Earnings per common share-assuming dilution	\$ 1.37	\$ 1.15	\$ 2.57	\$ 1.87
Weighted average common shares-assuming dilution	55.4	54.7	55.0	53.8

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	June 27, 2008	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 411.4	\$ 325.7
Receivables, net of allowances of \$23.8 million at June 27, 2008 and \$17.9 million at December 31, 2007	1,489.7	1,121.4
Inventories	1,089.0	928.8
Deferred income taxes	114.5	123.6
Prepaid expenses and other	125.6	73.7
Total current assets	3,230.2	2,573.2
Property, plant and equipment, net	830.1	738.8
Deferred income taxes	46.4	42.6
Goodwill	148.0	116.1
Intangible assets, net	229.5	236.7
Unconsolidated affiliated companies	31.8	29.5
Other non-current assets	52.5	56.7
Total assets	\$ 4,568.5	\$ 3,793.6
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	\$ 1,144.0	\$ 937.3
Accrued liabilities	417.3	397.3
Current portion of long-term debt	703.1	500.9
Total current liabilities	2,264.4	1,835.5
Long-term debt	984.0	897.9
Deferred income taxes	121.5	118.5
Other liabilities	201.5	190.0
Total liabilities	3,571.4	3,041.9
Commitments and Contingencies (Note 16)		
Minority interest in consolidated subsidiaries	92.9	74.8
Shareholders Equity:		

Redeemable convertible preferred stock, at redemption value (liquidation preference of \$50.00 per share):		
June 27, 2008	76,223 outstanding shares	
December 31, 2007	101,940 outstanding shares	3.8 5.1
Common stock, \$0.01 par value, issued and outstanding shares:		
June 27, 2008	52,805,781 (net of 5,149,848 treasury shares)	
December 31, 2007	52,430,149 (net of 5,121,841 treasury shares)	0.6 0.6
	Additional paid-in capital	284.0 268.0
	Treasury stock	(61.4) (60.3)
	Retained earnings	569.1 428.3
	Accumulated other comprehensive income	108.1 35.2
	Total shareholders' equity	904.2 676.9
	Total liabilities and shareholders' equity	\$ 4,568.5 \$ 3,793.6

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Fiscal Months Ended	
	June 27, 2008	June 29, 2007
Cash flows of operating activities:		
Net income	\$ 141.6	\$ 100.8
Adjustments to reconcile net income to net cash flows of operating activities:		
Depreciation and amortization	48.4	28.7
Loss on extinguishment of debt		25.1
Foreign currency exchange loss	0.4	1.5
Deferred income taxes	(1.7)	(4.8)
Excess tax benefits from stock-based compensation	(6.8)	(9.3)
Loss on disposal of property	5.2	0.8
Changes in operating assets and liabilities, net of effect of acquisitions and divestitures:		
Increase in receivables	(323.2)	(212.6)
Increase in inventories	(95.2)	(31.5)
Increase in other assets	(0.8)	(0.5)
Increase in accounts payable, accrued and other liabilities	172.0	147.9
Net cash flows of operating activities	(60.1)	46.1
Cash flows of investing activities:		
Capital expenditures	(93.0)	(45.7)
Proceeds from properties sold	3.6	0.6
Proceeds from acquisitions including cash acquired		17.0
Acquisitions, net of cash acquired	(36.2)	(5.9)
Other, net	(0.5)	1.7
Net cash flows of investing activities	(126.1)	(32.3)
Cash flows of financing activities:		
Preferred stock dividends paid	(0.2)	(0.2)
Excess tax benefits from stock-based compensation	6.8	9.3
Proceeds from revolving credit borrowings	93.3	
Repayments of revolving credit borrowings	(47.3)	
Issuance of long-term debt, net of fees and expenses		318.3
Repayments of long-term debt, including fees and expenses		(300.6)
Proceeds of other debt, net	202.9	22.8
Proceeds from exercise of stock options	2.3	5.2
Net cash flows of financing activities	257.8	54.8

Effect of exchange rate changes on cash and cash equivalents	14.1	3.3
Increase in cash and cash equivalents	85.7	71.9
Cash and cash equivalents beginning of period	325.7	310.5
Cash and cash equivalents end of period	\$ 411.4	\$ 382.4

Supplemental Information

Cash paid during the period for:		
Income tax payments, net of refunds	\$ 31.6	\$ 27.8
Interest paid	\$ 20.1	\$ 31.4
Non-cash investing and financing activities:		
Issuance of nonvested shares	\$ 2.6	\$ 3.5

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 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for the three and six fiscal months ended June 27, 2008, are not necessarily indicative of results that may be expected for the full year. The December 31, 2007, condensed consolidated balance sheet amounts are derived from the audited financial statements but do not include all disclosures herein required by accounting principles generally accepted in the United States of America. These financial statements should be read in conjunction with the audited financial statements and notes thereto in General Cable's 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008. The Company's fiscal year end is December 31. 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. New Accounting Standards

In May 2008, the FASB issued Staff Position (FSP) APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (including Partial Cash Settlement)*. The FSP specifies that when issuers of convertible debt instruments recognize interest cost in subsequent periods, they should separately account for the liability and equity components of the instrument in a manner that will reflect the entity's nonconvertible debt borrowing rate on the instrument's issuance date. The FSP will be effective for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. The transition provision will require that entities retrospectively apply the FSP for all periods presented. The Company's two convertible issuances (see Note 7) will be affected by adopting FSP APB 14-1. The Company is currently evaluating the impact on its condensed consolidated financial position, results of operations and cash flows.

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133*. Statement No. 161 requires qualitative disclosures about the Company's objectives and strategies for using derivatives, quantitative disclosures about the fair value of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The Statement is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of adopting SFAS No. 161 on its condensed consolidated financial position, results of operations and cash flows.

In February 2008, FSP No. 157-2 partially delayed the effective date of SFAS No. 157 *Fair Value Measurements* for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. This FSP is effective for fiscal years beginning after November 15, 2008. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141, *Business Combinations* or FASB No. 141R, *Business Combinations*. The Company is currently evaluating the impact of adopting FSP No. 157-2 on its condensed consolidated financial position, results of operations and cash flows. As discussed below in Note 18, the Company has adopted SFAS No. 157 with the exception of FSP No. 157-2 as it relates to nonrecurring non-financial assets and non-financial liabilities.

In December 2007, the FASB issued Statement No. 141 (revised 2007), *Business Combinations*, and Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. Statement No. 141 (revised 2007) requires

an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. This standard also requires the fair value measurement of certain other assets and liabilities related to the acquisition such as contingencies and research and development. Statement No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported at

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fair value as equity in the consolidated financial statements. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statement of income. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. The Statements are effective for fiscal years beginning after December 15, 2008.

3. Acquisitions and Divestitures

On May 21, 2008, the Company entered a joint venture for majority ownership of E.P.E / EN.I.CA.BISKRA/SPA (Enica Biskra), an Algerian state-owned manufacturer of low and medium voltage power and construction cables. Enica Biskra employs approximately 1,000 associates and is a leading provider of utility cables to the principal Algerian state-owned power utility and gas producer. The Company paid approximately \$64.9 million in cash for its investment in Enica Biskra which included \$19.1 million for the purchase of additional shares in the joint venture itself and assumed existing debt of \$43.0 million (at prevailing foreign currency exchange rates on the date of purchase). Fees and expenses related to the acquisition totaled approximately \$1.0 million. In 2007, the last full year before the joint venture was established, Enica Biskra reported net sales of approximately \$102.0 million (based on 2007 average exchange rates). Net assets and pro forma results of the Enica Biskra acquisition are immaterial.

On October 31, 2007, the Company acquired Phelps Dodge International (PDIC), with operations principally located in Latin America, sub-Saharan Africa and Southeast Asia. PDIC has manufacturing, distribution and sales facilities in 19 countries and nearly 3,000 employees. With more than 50 years of experience in the wire and cable industry, PDIC manufactures a full range of electric utility, electrical infrastructure, construction and communication products. The Company paid approximately \$707.6 million in cash to the sellers in consideration for PDIC and \$8.5 million in fees and expenses related to the acquisition. In 2006, the last full year before the acquisition, PDIC reported global net sales of approximately \$1,168.4 million (based on average exchange rates).

The following table represents a preliminary purchase price allocation based on the estimated fair values, or other measurements as applicable, of the assets acquired and the liabilities assumed as well as \$7.1 million for the purchase of additional minority interest, in millions:

	October 31, 2007
Cash	\$ 99.0
Accounts receivable	279.8
Inventories	280.7
Property, plant and equipment	190.3
Intangible assets	237.4
Goodwill	127.7
Other current and noncurrent assets	75.1
Total assets	\$ 1,290.0
Current liabilities	\$ 384.7
Other liabilities	117.9
Total liabilities	\$ 502.6
Minority Interest	\$ 64.2

The Company has not yet finalized portions of the purchase price allocation, which is dependent on, among other things, the finalization of asset and liability valuations and the related tax impact. Any final adjustment may change the allocation of purchase price, which could impact the fair value assigned to assets and liabilities, including changes to goodwill and the amortization of tangible and identifiable intangible assets. Once the valuations are finalized the allocation of purchase price and its impact on the results of operations may differ materially from the amounts included herein. The amount of goodwill recognized for the purchase of PDIC represents the excess of the fair value of identified intangible assets and tangible net assets that is partly attributable to PDIC's 50 plus years of experience in the wire and cable industry, its full range of product offerings and its presence in strategic locations around the world. Further, a certain amount of goodwill may be tax deductible in various tax jurisdictions in future periods depending on the Company making certain tax elections or taking other relevant actions.

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

The following table presents, in millions, actual consolidated results of operations for the Company for the three and six fiscal months ended June 27, 2008, including the operations of PDIC, and presents the unaudited pro forma consolidated results of operations for the Company for the three and six fiscal months ended June 29, 2007 as though the acquisition of PDIC had been completed as of the beginning of that period. This pro forma information is intended to provide information regarding how the Company might have looked if the acquisition had occurred as of January 1, 2007. The pro forma adjustments represent management's best estimates based on information available at the time the pro forma information was prepared and may differ from the adjustments that may actually have been required. Accordingly, the pro forma financial information should not be relied upon as being indicative of the historical results that would have been realized had the acquisition occurred as of the dates indicated or that may be achieved in the future.

(in millions)	Three Fiscal Months Ended		Six Fiscal Months Ended	
	June 27, 2008	June 29, 2007 (Pro forma)	June 27, 2008	June 29, 2007 (Pro forma)
Revenue	\$ 1,742.8	\$ 1,594.0	\$ 3,311.2	\$ 2,845.6
Net income applicable to common shareholders	\$ 75.6	\$ 87.3	\$ 141.4	\$ 134.6
Earnings per common share assuming dilution	\$ 1.37	\$ 1.60	\$ 2.57	\$ 2.46

Pro forma adjustments have been made to interest expense, depreciation and amortization, income taxes and minority interest in consolidated subsidiaries to present the amounts on a purchase accounting adjusted basis.

On April 30, 2007, the Company acquired Norddeutsche Seekabelwerke GmbH & Co. KG (NSW), located in Nordenham, Germany from Corning Incorporated. As a result of the transaction, the Company assumed liabilities in excess of the assets acquired, including approximately \$40.1 million of pension liabilities (based on the prevailing exchange rate at April 30, 2007). The Company recorded proceeds of \$28.0 million (\$11.0 million was received in the third quarter 2007), net of \$1.1 million fees and expenses, which included \$12.3 million of cash acquired and \$5.5 million for settlement of accounts receivable.

The final purchase price allocation based on the estimated fair values, or other measurements as applicable, of the assets acquired and the liabilities assumed at the date of acquisition is as follows (in millions at the prevailing exchange rate at April 30, 2007):

	As of April 30, 2007
Cash	\$ 12.3
Accounts receivable	27.8
Inventories	29.2
Property, plant and equipment	2.5
Other current and noncurrent assets	0.3
Total assets	\$ 72.1

Current liabilities	\$	40.5
Other liabilities		1.4
Pension liabilities		40.1
Total liabilities	\$	82.0

NSW had revenues of approximately \$120 million in 2006 the last year before the acquisition (based on 2006 average exchange rates) and has approximately 400 employees. NSW offers complete solutions for submarine cable systems including manufacturing, engineering, seabed mapping, project management, and installation for the offshore communications, energy exploration, transmission, distribution, and alternative energy markets. Pro forma results of the NSW acquisition are not material.

The results of operations of the acquired businesses discussed above have been included in the condensed consolidated financial statements since the respective dates of acquisition.

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General Cable values all of its North American inventories and all of its non-North American metal inventories using the last-in first-out (LIFO) method and all remaining inventories using the first-in first-out (FIFO) method. Inventories are stated at the lower of cost or market value. The Company determines whether a lower of cost or market provision is required on a quarterly basis by computing whether inventory on hand, on a LIFO basis, can be sold at a profit based upon current selling prices less variable selling costs.

Inventories consisted of the following (in millions):

	June 27, 2008	December 31, 2007
Raw materials	\$ 205.7	\$ 145.5
Work in process	190.9	154.3
Finished goods	692.4	629.0
Total	\$ 1,089.0	\$ 928.8

At June 27, 2008 and December 31, 2007, \$696.4 million and \$616.6 million, respectively, of inventories were valued using the LIFO method. Approximate replacement costs of inventories valued using the LIFO method totaled \$1,030.6 million at June 27, 2008 and \$792.3 million at December 31, 2007.

If the Company is not able to recover the LIFO value of its inventory when replacement costs are lower than the LIFO value of the inventory, the Company is required to record a lower of cost or market LIFO inventory adjustment to recognize the charge in its condensed consolidated statement of operations. As of December 31, 2007, the Company recorded a lower of cost or market provision of \$4.5 million, specifically, for copper and aluminum raw material inventory obtained as a result of the PDIC acquisition in which the replacement costs at the end of the year were lower than the LIFO value of the acquired copper and aluminum raw material inventory, however, as of June 27, 2008, there was no lower of cost or market provision recorded as the replacement costs exceeded the LIFO value of the acquired copper and aluminum raw material metal inventory. Conversely, the Company recorded a \$0.1 million lower of cost or market provision for aluminum raw material inventory as replacement costs were lower than the LIFO value in the second quarter of 2008. There was no lower of cost or market provision recorded in first six fiscal months of 2007. The Company has consignment inventory at certain of its customer locations for purchase and use by the customer or other parties. General Cable retains title to the inventory and records no sale until it is ultimately sold either to the customer storing the inventory or to another party. In general, the value and quantity of the consignment inventory is verified by General Cable through either cycle counting or annual physical inventory counting procedures. At June 27, 2008 and December 31, 2007, the Company had approximately \$36.4 million and \$38.8 million, respectively, of consignment inventory at locations not operated by the Company with approximately 69% and 74%, respectively, of the consignment inventory being located throughout the United States and Canada.

5. Property, Plant and Equipment

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

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

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

	June 27, 2008	Dec. 31, 2007
Land	\$ 87.2	\$ 84.4
Buildings and leasehold improvements	212.3	186.7
Machinery, equipment and office furnishings	769.7	670.9
Construction in progress	105.6	95.0
Total gross book value	1,174.8	1,037.0
Less accumulated depreciation	(344.7)	(298.2)
Total net book value	\$ 830.1	\$ 738.8

Depreciation expense for the three and six fiscal months ended June 27, 2008 was \$19.6 million and \$38.1 million, respectively. Depreciation expense for the three and six fiscal months ended June 29, 2007 was \$11.7 million and \$25.6 million, respectively.

The Company periodically evaluates the recoverability of the carrying amount of long-lived assets (including property, plant and equipment and intangible assets with determinable lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company evaluates events or changes in circumstances based mostly on actual historical operating results, but business plans, forecasts, general and industry trends, and anticipated cash flows are also considered. Impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in earnings. The Company also continually evaluates the estimated useful lives of all long-lived assets and, when warranted, revises such estimates based on current events. No material impairment charges occurred during the three and six fiscal months ended June 27, 2008 and June 29, 2007.

6. 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, impairment loss is 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 other intangible assets were as follows in millions of dollars:

	June 27, 2008	December 31, 2007
Goodwill	\$ 148.0	\$ 116.1
Unamortized intangible assets:		
Trade names	132.9	132.9
Amortizing intangible assets:		
Customer relationships	106.4	106.4
Accumulated amortization	(9.8)	(2.6)
Total amortizing intangible assets	96.6	103.8
Total intangible assets	\$ 229.5	\$ 236.7

The amount of goodwill recognized for the PDIC acquisition reflects the fair market value of PDIC in excess of the fair value of identified intangible assets and tangible net assets. The Company has not yet finalized portions of the purchase price allocation, which is dependent on, among other things, the finalization of asset and liability valuations and the related tax impact. Any final adjustment may change the allocation of purchase price, which could impact the fair value assigned to assets and liabilities, including changes to goodwill and the amortization of tangible and identifiable intangible assets. During the three months ended June 27, 2008 the Company recorded additional goodwill of \$31.9 million as a result of purchase price allocation adjustments and the recent acquisition of Enica Biskra. As part of the PDIC acquisition, the Company acquired certain trade names and customer relationships for which the fair market value as of October 31, 2007 has been estimated to be \$132.4 million and \$104.9 million, respectively. Amortized intangible assets are stated at cost less accumulated amortization as of June 27, 2008 and December 31, 2007. Customer relationships have been determined to have a useful life in the range of 4 to 8 years and are amortized based on historical customer attrition rates. Amortization expense of intangible assets for the first six fiscal months of 2008 was \$7.3 million. There were no significant amortizable intangible assets on the Company's balance sheet at June 29, 2007 thus no significant amortization expense was recognized during the six fiscal months ended June 29, 2007. The estimated amortization expense

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during twelve month periods beginning June 27, 2008 through June 30, 2013 are \$14.6 million, \$14.6 million, \$14.7 million, \$12.7 million, \$11.8 million and \$28.1 million thereafter.

7. Long-Term Debt

	June 27, 2008	December 31, 2007
Long-term debt consisted of the following (in millions):		
1.00% Senior Convertible Notes due 2012	\$ 475.0	\$ 475.0
0.875% Convertible Notes	355.0	355.0
7.125% Senior Notes due 2017	200.0	200.0
Senior Floating Rate Notes	125.0	125.0
PDIC credit facilities	136.1	37.7
Silec credit facilities	113.3	63.5
Asset Based Loan	106.0	60.0
Spanish Term Loan	80.5	31.3
Capital leases	2.9	3.4
Other	93.3	47.9
 Total debt	 1,687.1	 1,398.8
Less current maturities	703.1	500.9
 Long-term debt	 \$ 984.0	 \$ 897.9

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

1.00% Senior Convertible Notes due 2012	1.00%	1.00%
0.875% Convertible Notes	0.875%	0.875%
7.125% Senior Notes due 2017	7.125%	7.125%
Senior Floating Rate Notes	5.1%	7.6%
PDIC credit facilities	6.1%	6.4%
Silec credit facilities	4.9%	4.8%
Asset Based Loan	3.9%	6.3%
Spanish Term Loan	5.1%	5.1%
Capital leases	6.5%	6.5%
Other	4.8%	4.6%

1.00% Senior Convertible Notes

The Company's 1.00% Senior Convertible Notes were issued in September 2007 in the amount of \$475.0 million. The notes were sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the Securities Act). Subsequently, on April 16, 2008, the notes and the common stock issuable upon conversion of the notes were registered on a Registration Statement on Form S-3 which is incorporated by reference herein at Exhibit 4.1. The 1.00% Senior Convertible Notes bear interest at a fixed rate of 1.00%, payable semi-annually in arrears, and mature in 2012. The 1.00% Senior Convertible Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by the Company's wholly-owned U.S. and Canadian subsidiaries. The estimated fair value of the 1.00% Senior Convertible Notes was approximately \$459.0 million at June 27, 2008.

The 1.00% Senior Convertible Notes are convertible at the option of the holder into the Company's common stock at an initial conversion price of \$83.93 per share (approximating 11.9142 shares per \$1,000 principal amount of the 1.00% Senior Convertible Notes), upon the occurrence of certain events, including (i) during any calendar quarter commencing after March 31, 2008 in which the closing price of the Company's common stock is greater than or equal to 130% of the conversion price for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter (establishing a contingent conversion price of \$109.11); (ii) during any five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of 1.00% Senior Convertible Notes for each day of that period is less than 98% of the product of the closing sale price of the Company's common stock and the applicable conversion rate; (iii) distributions to holders of the Company's common stock are made or upon specified corporate transactions including a consolidation or merger; and (iv) at any time during the period beginning on September 15, 2012 and ending on the close of business on the business day immediately preceding the stated maturity date. In addition, upon events defined as a fundamental change under the 1.00% Senior Convertible Note indenture, holders of the 1.00% Senior

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Convertible Notes may require the Company to repurchase the 1.00% Senior Convertible Notes. If upon the occurrence of such events in which the holders of the 1.00% Senior Convertible Notes exercise the conversion provisions, the Company would need to remit the principal balance of the 1.00% Senior Convertible Notes to the holders in cash.

Therefore, in the event of fundamental change or the aforementioned average pricing thresholds, the Company would be required to classify the entire amount outstanding of the 1.00% Senior Convertible Notes as a current liability. The evaluation of the classification of amounts outstanding associated with the 1.00% Senior Convertible Notes will occur every quarter.

Upon conversion, a holder will receive, in lieu of common stock, an amount of cash equal to the lesser of (i) the principal amount of 1.00% Senior Convertible Note, or (ii) the conversion value, determined in the manner set forth in the indenture governing the 1.00% Senior Convertible Notes, of a number of shares equal to the conversion rate. If the conversion value exceeds the principal amount of the 1.00% Senior Convertible Note on the conversion date, the Company will also deliver, at the Company's election, cash or common stock or a combination of cash and common stock with respect to the conversion value upon conversion. If conversion occurs in connection with a fundamental change as defined in the 1.00% Senior Convertible Notes indenture, the Company may be required to repurchase the 1.00% Senior Convertible Notes for cash at a price equal to the principal amount plus accrued but unpaid interest. In addition, if conversion occurs in connection with certain changes in control, the Company may be required to deliver additional shares of the Company's common stock (a make whole premium, not to exceed 15.1906 shares per \$1,000 principal amount) by increasing the conversion rate with respect to such notes, under this scenario the maximum aggregate number of shares that the Company would be obligated to issue upon conversion of the 1.00% Senior Convertible Notes is 7,215,535. Under almost all other conditions, the Company may be obligated to issue additional shares up to a maximum of 5,659,245 upon conversion in full of the 1.00% Senior Convertible Notes.

Pursuant to Emerging Issues Task Force (EITF) 90-19, Convertible Bonds with Issuer Option to Settle for Cash upon Conversion, EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock (EITF 00-19), and EITF 01-6, The Meaning of Indexed to a Company's Own Stock (EITF 01-6), the 1.00% Senior Convertible Notes are accounted for as convertible debt in the accompanying condensed consolidated balance sheet and the embedded conversion option in the 1.00% Senior Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 1.00% Senior Convertible Notes on earnings per share, see Note 14.

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 approximately \$12.3 million in debt issuance costs that are being amortized to interest expense over the term of the 1.00 % Senior Convertible Notes.

0.875% Convertible Notes

The Company's 0.875% Convertible Notes were issued in November of 2006 in the amount of \$355.0 million, pursuant to the Company's effective Registration Statement on Form S-3. The 0.875% Convertible Notes bear interest at a fixed rate of 0.875%, payable semi-annually in arrears, and mature in 2013. 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. The estimated fair value of the 0.875% Convertible Notes was approximately \$501.2 million at June 27, 2008.

The 0.875% Convertible Notes are convertible at the option of the holder into the Company's common stock at an initial conversion price of \$50.36 per share (approximating 19.856 shares per \$1,000 principal amount of the 0.875% Convertible Notes), upon the occurrence of certain events, including (i) during any calendar quarter commencing after March 31, 2007 in which the closing price of the Company's common stock is greater than or equal to 130% of the conversion price for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter (establishing a contingent conversion price of \$65.47 per share); (ii) during any five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of 0.875% Convertible Notes for each day of that period is less than 98% of the product of the

closing sale price of the Company's common stock and the applicable conversion rate; (iii) distributions to holders of the Company's common stock are made or upon specified corporate transactions including a consolidation or merger; and (iv) at any time during the period beginning on October 15, 2013 and ending on the close of business on the business day immediately preceding the stated maturity date. In addition, upon events defined as a fundamental change under the 0.875% Convertible Note indenture, holders of the 0.875% Convertible Notes may require the Company to repurchase the 0.875% Convertible Notes. If upon the occurrence of such events in which the holders of the 0.875% Convertible Notes exercise the conversion provisions, the Company would need to remit the principal balance of the 0.875% Convertible Notes to the holders in cash.

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Therefore, in the event of fundamental change or the aforementioned average pricing thresholds, the Company would be required to classify the entire amount outstanding of the 0.875% Convertible Notes as a current liability. The evaluation of the classification of amounts outstanding associated with the 0.875% Convertible Notes will occur every quarter. As a result the entire \$355.0 million was classified as a current liability as of June 27, 2008 and December 31, 2007 because the average stock price exceeded the conversion threshold of \$65.47 for 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the calendar quarter.

Upon conversion, a holder will receive, in lieu of common stock, an amount of cash equal to the lesser of (i) the principal amount of 0.875% Convertible Note, or (ii) the conversion value, determined in the manner set forth in the indenture governing the 0.875% Convertible Notes, of a number of shares equal to the conversion rate. If the conversion value exceeds the principal amount of the 0.875% Convertible Note on the conversion date, the Company will also deliver, at the Company's election, cash or common stock or a combination of cash and common stock with respect to the conversion value upon conversion. If conversion occurs in connection with a fundamental change as defined in the 0.875% Convertible Notes indenture, the Company may be required to repurchase the 0.875% Convertible Notes for cash at a price equal to the principal amount plus accrued but unpaid interest. In addition, if conversion occurs in connection with certain changes in control, the Company may be required to deliver additional shares of the Company's common stock (a make whole premium) by increasing the conversion rate with respect to such notes, under this scenario the maximum aggregate number of shares that the Company would be obligated to issue upon conversion of the 0.875% Convertible Notes is 8,987,322. Under almost all other conditions, the Company may be obligated to issue additional shares up to a maximum of 7,048,880 upon conversion in full of the 0.875% Convertible Notes.

Pursuant to Emerging Issues Task Force (EITF) 90-19, Convertible Bonds with Issuer Option to Settle for Cash upon Conversion, EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock (EITF 00-19), and EITF 01-6, The Meaning of Indexed to a Company's Own Stock (EITF 01-6), the 0.875% Convertible Notes are accounted for as convertible debt in the accompanying condensed consolidated balance sheet and the embedded conversion option in the 0.875% Convertible Notes has not been accounted for as a separate derivative. For a discussion of the effects of the 0.875% Convertible Notes and the bond hedges and warrants discussed below on earnings per share, see Note 14.

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.

In addition, 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 (European style). 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, pursuant to

EITF 00-19 and EITF 01-6, the note hedges and warrants are accounted for as equity transactions. Therefore, the payment associated with the issuance of the note hedges and the proceeds received from the issuance of the warrants were recorded as a charge and an increase, respectively, in additional paid-in capital in shareholders' equity as separate equity transactions.

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For income tax reporting purposes, the Company has elected to integrate the 0.875% Convertible Notes and the note hedges. Integration of the note hedges with the 0.875% Convertible Notes creates an original issue discount (OID) debt instrument for income tax reporting purposes. Therefore, the cost of the note hedges will be accounted for as interest expense over the term of the 0.875% Convertible Notes for income tax reporting purposes. The associated income tax benefits that are recognized for financial reporting purposes will be recognized as a reduction in the income tax provision in the periods that the deductions are taken for income tax reporting purposes.

Proceeds from the offering were used to pay down \$87.8 million outstanding, including accrued interest, under the Company's Amended Credit Facility, to pay \$124.5 million for the cost of the note hedges, and to pay approximately \$9.4 million in debt issuance costs that are being amortized to interest expense over the term of the 0.875% Convertible Notes. 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 was used by the Company for general corporate purposes including acquisitions.

7.125% Senior Notes and Senior Floating Rate Notes

On March 21, 2007, the Company completed the issuance and sale of \$325.0 million in aggregate principal amount of new senior unsecured notes, comprised of \$125.0 million of Senior Floating Rate Notes due 2015 (the Senior Floating Rate Notes) and \$200.0 million of 7.125% Senior Fixed Rate Notes due 2017 (the 7.125% Senior Notes and together, the Notes). The Notes were offered and sold in private transactions in accordance with Rule 144A and Regulation S under the Securities Act of 1933, as amended (the Securities Act). 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. The Notes are jointly and severally guaranteed by the Company's wholly-owned U.S. and Canadian subsidiaries. The estimated fair value of the 7.125% Senior Notes and Senior Floating Rate Notes was approximately \$191.5 million and \$112.5 million, respectively, at June 27, 2008.

The Senior Floating Rate Notes bear interest at an annual rate equal to the 3-month LIBOR rate plus 2.375%, which was 5.1% at June 27, 2008. Interest on the Senior Floating Rate Notes is payable quarterly in arrears in cash on January 1, April 1, July 1 and October 1 of each year, commencing on July 1, 2007. The 7.125% Senior Notes bear interest at a rate of 7.125% per year and are payable semi-annually in arrears in cash on April 1 and October 1 of each year, commencing on October 1, 2007. The Senior Floating Rate Notes mature on April 1, 2015 and the 7.125% Senior Notes mature on April 1, 2017.

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 so long as there is no default on the Notes and the Company meets certain financial conditions.

The Company may, at its option, redeem the Senior Floating Rate Notes and 7.125% Senior Notes on or after the following dates and at the following percentages plus accrued and unpaid interest:

Senior Floating Rate Notes		7.125% Senior Notes	
Beginning Date	Percentage	Beginning Date	Percentage
April 1, 2009	102.000%	April 1, 2012	103.563%
April 1, 2010	101.000%	April 1, 2013	102.375%
April 1, 2011	100.000%	April 1, 2014	101.188%
		April 1, 2015	100.000%

Proceeds from the Notes of \$325.0 million, less approximately \$7.9 million of cash payments for fees and expenses that will be amortized over the life of the Notes, were used to pay approximately \$285.0 million for the 9.5% Senior

Notes, \$9.3 million for accrued interest on the 9.5% Senior Notes and \$20.5 million for tender fees and the inducement premium on the 9.5% Senior Notes, leaving net cash proceeds of approximately \$2.3 million which were used for general corporate purposes.

PDIC credit facilities

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On October 31, 2007, the Company acquired PDIC and assumed the U.S. dollar equivalent of \$64.3 million (at the prevailing exchange rate on that date) of mostly short-term PDIC debt as a part of the acquisition. As of June 27, 2008, PDIC related debt was \$136.1 million of which approximately \$135.1 million was short-term financing agreements at various interest rates. The weighted average interest rate was 6.1% as of June 27, 2008. The Company has approximately \$297.7 million of borrowing availability under the various credit facilities at June 27, 2008.

Silec credit facilities

As of June 27, 2008, Silec's debt was the U.S. dollar equivalent of \$113.3 million. The debt consisted of approximately \$26.4 million relating to an uncommitted accounts receivable facility and approximately \$86.9 million of short-term financing agreements at a weighted average interest rate of 4.9%. The Company has approximately \$28.9 million of excess availability under these short-term financing agreements.

Senior Secured Revolving Credit Facility (Amended Credit Facility)

The Company's current senior secured revolving credit facility (Amended Credit Facility), as amended, is a five-year, \$400.0 million asset based revolving credit agreement that includes an approximate \$50.0 million sublimit for the issuance of commercial and standby letters of credit and a \$20.0 million sublimit for swingline loans. Loans under the Amended Credit Facility bear interest at the Company's option, equal to either an alternate base rate (prime plus 0.00% to 0.625%) or an adjusted LIBOR rate plus an applicable margin percentage (LIBOR plus 1.125% to 1.875%). The applicable margin percentage is subject to adjustments based upon the excess availability, as defined. At June 27, 2008, the Company had outstanding borrowings of \$106.0 million and undrawn availability of \$263.9 million under the Amended Credit Facility. As of June 27, 2008, the Company had outstanding letters of credit related to this Amended Credit Facility of \$30.0 million. The weighted average interest rate on borrowings outstanding under the Amended Credit Facility was 3.9% as of June 27, 2008.

Indebtedness under the Amended Credit Facility is guaranteed by the Company's U.S. and Canadian subsidiaries and is secured by a first priority security interest in tangible and intangible property and assets of the Company's U.S. and Canadian subsidiaries. The lenders have also received a pledge of all of the capital stock of the Company's existing domestic subsidiaries and any future domestic subsidiaries.

The Amended Credit Facility requires that the Company comply with certain financial covenants, the principal covenant of which is a quarterly minimum fixed charge coverage ratio test, which is only applicable when excess availability, as defined, is below a certain threshold. At June 27, 2008, the Company was in compliance with all covenants under the Amended Credit Facility. In addition, the Amended Credit Facility includes negative covenants, which restrict certain acts. However, the Company will be permitted to declare and pay dividends or distributions on the Series A preferred stock so long as there is no default under the Amended Credit Facility and the Company meets certain financial conditions. The Credit Facility was originally established in November 2003 and has been periodically amended, however, there have been no other terms or conditions of the Amended Credit Facility that have been changed from those terms and conditions disclosed in the Company's 2007 Annual Report on Form 10-K. The Company pays fees in connection with the issuance of letters of credit and commitment fees equal to 25 basis points, per annum on any unused commitments under the Amended Credit Facility. Both fees are payable quarterly. In connection with the original issuance and related subsequent amendments to the Amended Credit Facility, the Company incurred fees and expenses aggregating \$11.1 million, which are being amortized over the term of the Amended Credit Facility.

Spanish Term Loans and Spanish Credit Facility

The Spanish Term Loan of 50 million euros was issued in December 2005 and was available in up to three tranches, with an interest rate of Euribor plus 0.8% to 1.5% depending on certain debt ratios. Two of the tranches have expired. The remaining tranche (maturing in 2012) was paid and terminated, in June 2008, with net payment of approximately 27.2 million euros or \$43.0 million. In February 2008, the Company entered into a term loan in the amount of 20 million euros with an interest rate of Euribor plus 0.5%. The term loan is payable in semi-annual installments, due in August and February, maturing in February 2013. Simultaneously, the Company entered into a fixed interest rate swap to coincide with the terms and conditions of the term loan starting in August 2008 and maturing in

February 2013 which will effectively hedge the variable interest rate with a fixed interest rate of 4.2%. In April 2008, the Company entered into a term loan in the amount of 10 million euros with an interest rate of Euribor plus 0.75%. The term loan is payable in semi-annual installments, due in April and October, maturing in April 2013. Simultaneously, the Company entered into a fixed interest rate swap to coincide with the terms and conditions of the term loan starting in October 2008 and maturing in April 2013 which will effectively hedge the variable interest rate with a fixed interest rate of 4.58%. In June 2008, the Company entered into a term loan in the amount of 21 million euros with an interest rate of Euribor plus 0.75%. The term loan is payable in quarterly installments, due in March, June, September

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and December, maturing in June 2013. Simultaneously, the Company entered into a fixed interest rate swap to coincide with the terms and conditions of the term loan starting in September 2008 and maturing in June 2013 which will effectively hedge the variable interest rate with a fixed interest rate of 4.48%. As of June 27, 2008, the U.S. dollar equivalent of \$80.5 million was drawn under these term loan facilities in order to partially fund the acquisition of Enica Biskra and for general working capital purposes. There is no remaining availability under these Spanish Term Loans. The weighted average interest rate was 5.1% under these term loan facilities as of June 27, 2008.

The Spanish Credit Facility of 25 million euros was issued in December 2005, matures in December 2010 and carries an interest rate of Euribor plus 0.6% to 1.0% depending on certain debt ratios. No funds are currently drawn under the Spanish Credit Facility, leaving undrawn availability of approximately the U.S. dollar equivalent of \$39.5 million as of June 27, 2008. Commitment fees ranging from 15 to 25 basis points per annum on any unused commitments under the Spanish Credit Facility are payable on a quarterly basis.

The Spanish Term Loan and Spanish Credit Facility are subject to certain financial ratios of the Company's European subsidiaries, the most restrictive of which is net debt to EBITDA (earnings before interest, taxes, depreciation and amortization). At June 27, 2008, the Company was in compliance with all covenants under these facilities. In addition, the indebtedness under the combined facilities is guaranteed by the Company's Portuguese subsidiary and by Silec Cable, S.A.

Other

On August 31, 2006, the Company acquired ECN Cable and assumed the U.S. dollar equivalent of \$38.6 million (at prevailing exchange rates on that date) of mostly short-term ECN Cable debt as a part of the acquisition. On December 15, 2006, approximately \$6.9 million (at the prevailing exchange rate on that date) of debt was paid and cancelled. As of June 27, 2008, ECN Cable's debt was the U.S. dollar equivalent of \$32.6 million. The debt consisted of approximately \$4.4 million relating to an uncommitted accounts receivable facility and approximately \$28.2 million of short-term financing agreements at a weighted average interest rate of 5.0%. The Company has approximately \$33.8 million of excess availability under these short-term financing agreements.

The Company's Europe and North Africa segment has approximately \$173.8 million of uncommitted facilities that are secured by the Company's accounts receivable. At June 27, 2008, \$30.8 million (including \$4.4 million at ECN and \$26.4 million at Silec, mentioned above) of these debt facilities were drawn.

At June 27, 2008, maturities of long-term debt during twelve month periods beginning June 27, 2008 through June 30, 2013 are \$703.1 million, \$54.7 million, \$87.2 million, \$16.6 million and \$491.5 million, respectively, and \$334.0 million thereafter.

As of June 27, 2008 and December 31, 2007, the Company was in compliance with all debt covenants.

8. Derivative and Other Financial Instruments

General Cable is exposed to various market risks, including changes in interest rates, foreign currency and raw material (commodity) prices. To manage risk associated with the volatility of these natural business exposures, General Cable enters into interest rate, commodity and foreign currency derivative agreements, as it relates to transactions 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.

Cash Flow Hedges

General Cable utilizes interest rate swaps to manage its interest expense exposure by fixing its interest rate on a portion of the Company's floating rate debt. Under the swap agreements, General Cable typically pays a fixed rate while the counterparty pays to General Cable the difference between the fixed rate and the floating rate. The Company has entered into interest rate swaps on the Company's Spanish Term Loans. The interest rate swaps become effective in the third and fourth quarter of 2008 as discussed above in Note 7. As of June 27, 2008, the Company has one outstanding interest rate swap with a notional value of \$9.0 million, an interest rate of 4.49% which matures 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 as defined in SFAS No. 133, are

based on quoted market prices and third party provided calculations, which reflect the present values of the difference between estimated future variable-rate receipts and future fixed-rate payments. At

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June 27, 2008 and December 31, 2007, the net unrealized loss on the interest rate derivative and the related carrying value was \$0.5 million and \$0.5 million, respectively.

Outside of North America, General Cable enters into commodity futures contracts, which are designated as and qualify as cash flow hedges as defined in SFAS No. 133, for the purchase of copper, aluminum and lead for delivery in a future month to match certain sales transactions. At June 27, 2008 and December 31, 2007, General Cable had an unrealized gain (loss) of \$13.4 million and \$(18.8) million, respectively, on the commodity futures.

The Company enters into forward exchange contracts, which are designated as and qualify as cash flow hedges as defined in SFAS No. 133, principally to hedge the currency fluctuations in certain transactions denominated in foreign currencies, thereby limiting the Company's risk that would otherwise result from changes in exchange rates. Principal transactions hedged during the year were firm sales and purchase commitments. The fair value of foreign currency contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices. At June 27, 2008 and December 31, 2007, the net unrealized gain on the net foreign currency contracts was \$18.1 million and \$8.2 million, respectively.

Unrealized gains and losses on these derivative financial instruments are recorded in other comprehensive income (loss) until the underlying transaction occurs and is recorded in the statement of operations at which point such amounts included in other comprehensive income (loss) are recognized in income, which generally will occur over periods of less than one year. During the three and six fiscal months ended June 27, 2008, a \$17.8 million and a \$16.0 million gain, respectively, was reclassified from accumulated other comprehensive income to the statement of operations. During the three and six fiscal months ended June 29, 2007, a \$2.7 million gain and a \$(0.1) million loss, respectively, were reclassified from accumulated other comprehensive income to the statement of operations.

Fair Value of Designated Derivatives

The notional amounts and fair values of these designated cash flow hedges at June 27, 2008 and December 31, 2007 are shown below (in millions). The carrying amount of the financial instruments was a net asset of \$31.0 million and net liability of \$11.1 million at June 27, 2008 and December 31, 2007, respectively.

	June 27, 2008		December 31, 2007	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Cash flow hedges:				
Interest rate swap	\$ 9.0	\$ (0.5)	\$ 9.0	\$ (0.5)
Commodity futures	267.6	13.4	297.7	(18.8)
Foreign currency forward exchange	501.5	18.1	380.5	8.2
		\$ 31.0		\$ (11.1)

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 of SFAS No. 133 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 June 27, 2008 and December 31, 2007, General Cable had \$145.6 million and \$90.1 million, respectively, of future copper and aluminum purchases that were under forward pricing agreements. At June 27, 2008 and December 31, 2007, the fair value of these arrangements were \$152.4 million and \$86.1 million, respectively, and General Cable had an unrealized gain (loss) of \$6.8 million and \$(4.0) million, respectively, related to these transactions. General Cable expects the unrealized gain (loss), under these agreements to be offset as a result

of firm sales price commitments with customers.

9. Income Taxes

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On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

During the second quarter of 2008, the Company accrued approximately \$3.0 million of income tax expense for uncertain tax positions likely to be taken in the current year and for interest on tax positions taken in prior periods, all of which would have a favorable impact on the effective tax rate, if recognized.

The Company believes that it is reasonably possible that approximately \$0.9 million related to various state and foreign unrecognized tax positions could change within the next twelve months due to expiration of the statute of limitations or tax audit settlements.

The Company files income tax returns in the United States and numerous foreign, state and local tax jurisdictions. Tax years that are open for examination and assessment by the Internal Revenue Service are 2004 through 2007. With limited exceptions, tax years prior to 2003 are no longer open in major foreign, state or local tax jurisdictions.

10. 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 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 non-U.S. defined benefit pension plans include plans that provide retirement indemnities to employees within the Company's European business. 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. General Cable 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			
	June 27, 2008		June 29, 2007	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 0.4	\$ 0.6	\$ 0.5	\$ 0.2
Interest cost	2.0	1.3	2.1	0.5
Expected return on plan assets	(2.7)	(0.5)	(2.6)	(0.5)
Amortization of prior service cost	0.1		0.3	
Amortization of net loss	0.7	0.2	0.4	0.2
Curtailement loss			3.2	
Settlement gain			(4.3)	
Net pension expense (gain)	\$ 0.5	\$ 1.6	\$ (0.4)	\$ 0.4

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

	Six Fiscal Months Ended			
	June 27, 2008		June 29, 2007	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Service cost	\$ 0.8	\$ 1.2	\$ 1.0	\$ 0.4
Interest cost	4.0	2.6	4.3	1.0
Expected return on plan assets	(5.4)	(1.0)	(5.2)	(0.9)
Amortization of prior service cost	0.3		0.6	
Amortization of net loss	1.2	0.3	0.9	0.3
Curtailement loss			3.2	
Settlement gain			(4.3)	
 Net pension expense	 \$ 0.9	 \$ 3.1	 \$ 0.5	 \$ 0.8

Defined benefit pension plan cash contributions for the three and six fiscal months ended June 27, 2008 were \$1.2 million and \$2.2 million, respectively. Defined benefit pension plan cash contributions for the three and six fiscal months ended June 29, 2007 were \$1.3 million and \$2.4 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. General Cable funds the plans as claims or insurance premiums are incurred.

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

	Three Fiscal Months Ended		Six Fiscal Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
	Service cost	\$	\$	\$ 0.1
Interest cost	0.1	0.1	0.2	0.2
Net amortization and deferral	0.1	0.1	0.1	0.1
 Net postretirement benefit expense	 \$ 0.2	 \$ 0.2	 \$ 0.4	 \$ 0.4

Defined Contribution Plans

Expense under both U.S. and non-U.S. defined contribution plans generally equals up to six 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 six fiscal months ended June 27, 2008 was \$2.1 million and \$4.8 million, respectively. The net defined contribution plan expense recognized for the three and six fiscal months ended June 29, 2007 was \$1.9 million and \$4.5 million, respectively.

11. Shareholders' Equity

General Cable is authorized to issue 200 million shares of common stock and 25 million shares of preferred stock. The Company maintains a deferred compensation plan (Deferred Compensation Plan) under the terms and conditions disclosed in the Company's 2007 Annual Report on Form 10-K. The Company accounts for the Deferred Compensation Plan in accordance with EITF 97-14, Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested.

The market value of the nonvested and subsequently vested stock and restricted stock in the Rabbi Trust (the Trust) was \$36.9 million as of June 27, 2008 and \$45.8 million as of December 31, 2007. The market value of the assets held by the Trust, exclusive of the market value of the shares of the Company s nonvested and subsequently vested stock and restricted stock, at June 27, 2008 and December 31, 2007 was \$15.1 million and \$18.2 million, respectively, and is classified as other non-current assets in the condensed consolidated balance sheets. Amounts payable to the plan participants at June 27, 2008 and December 31, 2007, excluding the market value of the shares of the Company s nonvested and subsequently vested stock and restricted stock, was \$17.5 million and \$21.1 million, respectively, and is classified as other liabilities in the condensed consolidated balance sheets.

In accordance with EITF 97-14, all market value fluctuations of the Trust assets, exclusive of the shares of nonvested and subsequently vested stock and restricted stock of the Company, have been reflected in other comprehensive income (loss). Increases or decreases in the market value of the deferred compensation liability, excluding the shares of nonvested and subsequently vested stock and restricted stock of the Company held by the Trust, are included in compensation expense in the consolidated statement of operations. Based on the changes in the total market value of the Trust s assets, exclusive of the nonvested and subsequently vested stock and restricted stock, the Company recorded net compensation gain (expense) of \$0.1

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million and (\$1.5) million for the three fiscal months ended June 27, 2008 and June 29, 2007, respectively and \$1.8 million and (\$2.2) million for the six fiscal months ended June 27, 2008 and June 29, 2007, respectively. The components of accumulated other comprehensive income (loss) consisted of the following (in millions):

	June 27, 2008	December 31, 2007
Foreign currency translation adjustment	\$ 135.8	\$ 96.1
Pension adjustments, net of tax	(22.2)	(22.2)
Change in fair value of derivatives, net of tax	(3.9)	(39.2)
Unrealized investment gains, net of tax	5.0	7.2
Adoption of SFAS 158, net of tax	(7.0)	(7.0)
Other	0.4	0.3
Total	\$ 108.1	\$ 35.2

Comprehensive income is as follows (in millions):

	Three Fiscal Months Ended		Six Fiscal Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Net income	\$ 75.7	\$ 62.9	\$ 141.6	\$ 100.8
Currency translation gain / (loss)	(4.2)	13.5	39.7	15.1
Change in fair value of derivatives, net of tax	(7.0)	(4.1)	35.3	6.3
Unrealized investment gain / (loss), net of tax	(0.1)	1.2	(2.2)	1.9
Comprehensive net income	\$ 64.4	\$ 73.5	\$ 214.4	\$ 124.1

12. Share-Based Compensation

General Cable has various plans which provide for granting options and 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 in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123(R)).

For the second quarter 2008 and 2007, pre-tax compensation expense for share-based payments based on the fair value method as estimated using the Black-Scholes valuation model was \$1.3 million and \$0.9 million, respectively, thereby resulting in a reduction of net income of \$0.8 million and \$0.5 million, respectively, and lower basic earning per share of \$0.02 and \$0.01, respectively and lower diluted earnings per share of \$0.01 per share, respectively. For the first six fiscal months of 2008 and 2007, pre-tax compensation expense for share-based payments based on the fair value method as estimated using the Black-Scholes valuation model was \$2.3 million and \$1.1 million, respectively, thereby resulting in a reduction of net income of \$1.4 million and \$0.7 million, respectively, and lower basic and diluted earnings per share of \$0.03 and \$0.01 per share, respectively. In addition, the Company continued to record compensation expense related to nonvested stock awards as a component of selling, general and administrative expense.

The second quarter and first six fiscal months of 2008 included an insignificant amount of compensation costs related to performance-based nonvested stock awards (as compared to \$0.2 million and \$0.3 million, respectively, for the second quarter and first six fiscal months of 2007) and \$1.7 million and \$3.2 million, respectively, related to all other

nonvested stock awards (as compared to \$1.6 million and \$2.2 million, respectively, for the second quarter and first six fiscal months of 2007). For the second quarter 2008 and 2007, pre-tax expense for all share-based compensation was \$3.0 million and \$2.7 million, respectively, thereby resulting in a reduction of net income of \$1.8 million and \$1.6 million, respectively, and lower basic earnings per share of \$0.04 and \$0.03 per share, respectively, and lower diluted earnings per share of \$0.03 per share, respectively. For the first six fiscal months 2008 and 2007, pre-tax expense for all share-based compensation was \$5.5 million and \$3.6 million, respectively, thereby resulting in a reduction of net income of \$3.3 million and \$2.2 million, respectively, and lower basic earning per share of \$0.07 and \$0.04 per share, respectively and lower diluted earnings per share of \$0.06 per share and \$0.04 per share, respectively.

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The Company also recognized approximately \$1.6 million and \$6.2 million, respectively, of excess tax benefits on share-based compensation in the second quarter of 2008 and 2007 and approximately \$6.8 million and \$9.3 million, respectively, for the first six fiscal months of 2008 and 2007 in its condensed consolidated statements of cash flows as financing cash inflows.

No material changes in financial condition and results of operations have occurred from share-based compensation between the current period and the prior comparative periods.

13. 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 storage and handling of shipments to customers are included in cost of sales and totaled \$39.8 million and \$28.9 million, respectively, for the three fiscal months ended June 27, 2008 and June 29, 2007 and \$77.1 million and \$55.2 million, respectively, for the six fiscal months ended June 27, 2008 and June 29, 2007.

14. Earnings Per Common Share

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

	Three Fiscal Months Ended		Six Fiscal Months Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
Earnings per common share basic:				
Net income	\$ 75.7	\$ 62.9	\$ 141.6	\$ 100.8
Less: preferred stock dividends	(0.1)	(0.1)	(0.2)	(0.2)
Net income for basic EPS computation ⁽¹⁾	\$ 75.6	\$ 62.8	\$ 141.4	\$ 100.6
Weighted average shares outstanding for basic EPS computation ⁽²⁾	51.6	51.2	51.5	51.1
Earnings per common share basic	\$ 1.47	\$ 1.23		