

GENERAL CABLE CORP /DE/

Form 10-Q/A

August 29, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 1

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2003
Commission File No. 1-12983

GENERAL CABLE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

Securities Registered Pursuant to Section 12(g) of the Act: None

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 an accelerated filer (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:

| <u>Class</u> | <u>Outstanding at May 1, 2003</u> |
|--------------------------------|-----------------------------------|
| Common Stock, \$0.01 Par Value | 33,178,977 |

Explanatory Note:

This Amendment No. 1 to the Company's Form 10-Q for the period ended March 31, 2003 is being filed to revise the Company's disclosure in Part I, Item 4 in response to a comment received from the Staff of the Division of Corporation Finance of the Securities and Exchange Commission. In addition, the Company has made a balance sheet reclassification from current liabilities to short term debt to conform to the Company's current presentation. This amendment does not reflect events occurring subsequent to the original filing date of May 7, 2003.

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GENERAL CABLE CORPORATION

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

| | Three Months Ended March 31, | |
|--------------------------------------------------|---------------------------------|-------------|
| | <u>2003</u> | <u>2002</u> |
| Net sales | \$ 352.6 | \$ 361.4 |
| Cost of sales | 310.2 | 313.3 |
| Gross profit | 42.4 | 48.1 |
| Selling, general and administrative expenses | 31.0 | 30.4 |
| Operating income | 11.4 | 17.7 |
| Interest income (expense): | | |
| Interest expense | (11.4) | (10.4) |
| Interest income | 0.1 | 0.3 |
| | (11.3) | (10.1) |
| Earnings before income taxes | 0.1 | 7.6 |
| Income tax expense | | (2.7) |
| Net income | \$ 0.1 | \$ 4.9 |
| <u>Earnings per share</u> | | |
| Earnings per common share | \$ | \$ 0.15 |
| Weighted average common shares | 33.1 | 32.9 |
| Earnings per common share-assuming dilution | \$ | \$ 0.15 |
| Weighted average common shares-assuming dilution | 33.1 | 33.2 |

See accompanying Notes to Consolidated Financial Statements.

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

| <u>ASSETS</u> | March 31, 2003 | December 31, 2002 |
|------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| | _____ | _____ |
| Current Assets: | (unaudited) | |
| Cash | \$ 16.2 | \$ 29.1 |
| Receivables, net of allowances of \$13.4 million at March 31, 2003 and \$11.6 million at December 31, 2002 | 129.6 | 105.9 |
| Retained interest in accounts receivable | 78.0 | 84.8 |
| Inventories | 264.9 | 258.3 |
| Deferred income taxes | 12.3 | 12.2 |
| Prepaid expenses and other | 30.1 | 42.6 |
| | _____ | _____ |
| Total current assets | 531.1 | 532.9 |
| Property, plant and equipment, net | 323.4 | 323.3 |
| Deferred income taxes | 71.7 | 68.3 |
| Other non-current assets | 46.9 | 48.8 |
| | _____ | _____ |
| Total assets | \$973.1 | \$ 973.3 |
| | _____ | _____ |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| Current Liabilities: | | |
| Accounts payable | \$257.8 | \$ 242.1 |
| Accrued liabilities | 102.4 | 99.2 |
| Current portion of long-term debt | 38.1 | 40.8 |
| | _____ | _____ |
| Total current liabilities | 398.3 | 382.1 |
| Long-term debt | 384.7 | 411.1 |
| Deferred income taxes | 2.9 | 2.1 |
| Other liabilities | 121.8 | 117.1 |
| | _____ | _____ |
| Total liabilities | 907.7 | 912.4 |
| | _____ | _____ |
| Shareholders' Equity: | | |
| Common stock, \$0.01 par value: | | |
| Issued and outstanding shares: | | |
| March 31, 2003 33,143,303 (net of 4,754,425 treasury shares) | | |
| December 31, 2002 33,135,002 (net of 4,754,425 treasury shares) | 0.4 | 0.4 |
| Additional paid-in capital | 100.2 | 100.0 |
| Treasury stock | (50.0) | (50.0) |
| Retained earnings | 60.0 | 59.9 |
| Accumulated other comprehensive loss | (40.4) | (44.6) |
| Other shareholders' equity | (4.8) | (4.8) |
| | _____ | _____ |
| Total shareholders' equity | 65.4 | 60.9 |

| | | |
|--------------------------------------------|---------|----------|
| | — | — |
| | | |
| Total liabilities and shareholders' equity | \$973.1 | \$ 973.3 |
| | — | — |

See accompanying Notes to Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|-----------------------------------------------------------------------------------|---------------------------------|-------------------|
| | 2003 | 2002 |
| Cash flows of operating activities: | | |
| Net income | \$ 0.1 | \$ 4.9 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8.2 | 8.0 |
| Deferred income taxes | (2.7) | (0.5) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in receivables | (12.9) | 13.5 |
| Increase in inventories | (3.2) | (11.4) |
| Decrease in other assets | 13.9 | 3.9 |
| Increase (decrease) in accounts payable, accrued and other liabilities | 16.3 | (7.2) |
| | <u>19.7</u> | <u>11.2</u> |
| Cash flows of investing activities: | | |
| Proceeds from properties sold | 0.3 | 0.2 |
| Capital expenditures | (3.3) | (6.3) |
| Other, net | 0.9 | (0.9) |
| | <u>(2.1)</u> | <u>(7.0)</u> |
| Cash flows of financing activities: | | |
| Dividends paid | | (1.6) |
| Net change in revolving credit borrowings | (21.2) | (0.8) |
| Net change in other debt | (6.7) | 5.2 |
| Repayment of long-term debt | (2.6) | (5.3) |
| Proceeds from exercise of stock options | | 0.5 |
| | <u>(30.5)</u> | <u>(2.0)</u> |
| Increase (decrease) in cash | (12.9) | 2.2 |
| Cash-beginning of period | 29.1 | 16.6 |
| | <u>\$ 16.2</u> | <u>\$ 18.8</u> |
| SUPPLEMENTAL INFORMATION | | |
| Income taxes paid, net of (refunds) | \$(13.9) | \$ 0.6 |
| | <u> </u> | <u> </u> |
| Interest paid | \$ 6.7 | \$ 8.3 |
| | <u> </u> | <u> </u> |

See accompanying Notes to Consolidated Financial Statements.

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

| | <u>Common Stock</u> | | Additional | | | Accumulated | | |
|-------------------------------------------------------------------|---------------------|--------|------------|----------|----------|--------------|---------------|----------|
| | Shares | Amount | Paid-In | Treasury | Retained | Other | Other | Total |
| | | | Capital | Stock | Earnings | Income(Loss) | Shareholders' | |
| | | | | | | | Equity | |
| Balance, December 31, 2001 | 32,838,227 | \$ 0.4 | \$ 96.4 | \$(50.0) | \$ 88.9 | \$ (25.7) | \$ (5.1) | \$ 104.9 |
| Comprehensive income: | | | | | | | | |
| Net income | | | | | 4.9 | | | 4.9 |
| Foreign currency translation adjustment | | | | | | 0.8 | | 0.8 |
| Gain on change in fair value of financial instruments, net of tax | | | | | | 1.7 | | 1.7 |
| Comprehensive income | | | | | | | | 7.4 |
| Dividends | | | | | (1.6) | | | (1.6) |
| Amortization of restricted stock and other | | | 0.2 | | | | 0.2 | 0.4 |
| Exercise of stock options | 66,707 | | 0.5 | | | | | 0.5 |
| Other | 33,349 | | (0.1) | | (0.2) | | | (0.3) |
| Balance, March 31, 2002 | 32,938,283 | \$ 0.4 | \$ 97.0 | \$(50.0) | \$ 92.0 | \$ (23.2) | \$ (4.9) | \$ 111.3 |
| Balance, December 31, 2002 | 33,135,002 | \$ 0.4 | \$ 100.0 | \$(50.0) | \$ 59.9 | \$ (44.6) | \$ (4.8) | \$ 60.9 |
| Comprehensive income: | | | | | | | | |
| Net income | | | | | 0.1 | | | 0.1 |
| Foreign currency translation adjustment | | | | | | 4.6 | | 4.6 |
| Loss on change in fair value of financial instruments, net of tax | | | | | | (0.4) | | (0.4) |
| Comprehensive income | | | | | | | | 4.3 |
| Amortization of restricted stock and other | | | 0.2 | | | | | 0.2 |
| Other | 8,301 | | | | | | | |
| Balance, March 31, 2003 | 33,143,303 | \$ 0.4 | \$ 100.2 | \$(50.0) | \$ 60.0 | \$ (40.4) | \$ (4.8) | \$ 65.4 |

See accompanying Notes to Consolidated Financial Statements.

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**GENERAL CABLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. Summary of Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of General Cable Corporation and its wholly-owned subsidiaries. Investments in 50% or less owned joint ventures are accounted for under the equity method of accounting. Other non-current assets included an investment in joint ventures of \$3.9 million and \$3.8 million at March 31, 2003 and December 31, 2002, respectively. All transactions and balances among the consolidated companies have been eliminated. Certain reclassifications have been made to the prior year to conform to the current year's presentation.

Basis of Presentation The accompanying unaudited 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 months ended March 31, 2003 are not necessarily indicative of results that may be expected for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto in General Cable's 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2003.

Revenue Recognition Revenue is recognized when goods are shipped and title passes to the customer.

Earnings Per Share Earnings per common share are computed based on the weighted average number of common shares outstanding. Earnings per common share assuming dilution are computed based on the weighted average number of common shares outstanding and the dilutive effect of stock options and restricted stock units outstanding.

Inventories 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 last-in first-out (LIFO) basis, can be sold at a profit based upon current selling prices less variable selling costs. No provision was required for the first three months of 2003 or 2002. In the event that a provision is required in some future period, the Company will determine the amount of the provision by writing down the value of the inventory to the level where its sales, using current selling prices less variable selling costs, will result in a profit.

Property, Plant and Equipment Property, plant and equipment are stated at cost. Costs assigned to property, plant and equipment relating to acquisitions are based on estimated fair values at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the assets: new buildings, from 15 to 50 years; and machinery, equipment and office furnishings, from 3 to 15 years. Leasehold improvements are depreciated over the life of the lease.

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

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

Use of Estimates The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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**GENERAL CABLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Derivative Financial Instruments Derivative financial instruments are utilized to manage interest rates, commodity and foreign currency risk. General Cable does not hold or issue derivative financial instruments for trading purposes.

Statement of Financial Accounting Standards (SFAS) No. 133, Accounting For Derivative Instruments and Hedging Activities, as amended, requires that all derivatives be recorded on the balance sheet at fair value. Accounting for changes in the fair value of the derivative depends on the intended use of the derivative and whether it qualifies for hedge accounting.

SFAS No. 133, as applied to General Cable's risk management strategies, may increase or decrease reported net income and shareholders' equity prospectively depending on changes in interest rates and other variables affecting the fair value of derivative instruments and hedged items, but will have no effect on cash flows or economic risk. See further discussion in Note 7.

Foreign currency and commodity contracts are used to hedge future sales and purchase commitments. Unrealized gains and losses on such contracts are recorded in other comprehensive income until the underlying transaction occurs and is recorded in the income statement at which point such amounts included in other comprehensive income are recorded into income which generally will occur over periods less than one year.

Accounts Receivable Securitization The Company accounts for the securitization of accounts receivable in accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125. At the time the receivables are sold, the balances are removed from the Consolidated Balance Sheet. Costs associated with the transaction, primarily related to the discount, are included in interest income (expense) in the Consolidated Statement of Operations. See further discussion in Note 3.

Stock-Based Compensation SFAS No. 123, Accounting for Stock-Based Compensation, encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. General Cable has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. No compensation cost for stock options is reflected in net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------|
| | <u>2003</u> | <u>2002</u> |
| Net income as reported | \$ 0.1 | \$ 4.8 |
| Deduct: Total stock-based employee compensation expense under fair value based method for all awards, net of related tax effects | (0.4) | (0.4) |
| Pro forma net income (loss) | \$ (0.3) | \$ 4.4 |
| Earnings (loss) per share: | | |
| Basic as reported | \$ | \$ 0.15 |
| Basic pro forma | \$ (0.01) | \$ 0.13 |
| Diluted as reported | \$ | \$ 0.15 |
| Diluted pro forma | \$ (0.01) | \$ 0.13 |

New Standards In December 2002, SFAS No. 148 Accounting for Stock-Based Compensation Transition and Disclosure an amendment of FASB No. 123 was issued. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also requires additional disclosure about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. General Cable has elected to not implement the voluntary change to the fair value based method of accounting for stock-based employee compensation, however, the disclosure requirements have been implemented as required.

In November 2002, FASB Interpretation (FIN) No. 45 Guarantor's Accounting Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others was issued. FIN 45 requires that as a company issues a guarantee, it must recognize a liability for the fair value of the obligations it assumes under that guarantee. Application of FIN 45 is required for guarantees issued or modified after December 31, 2002. The Company does not believe that the adoption of FIN 45 will have a material affect on its financial position, results of operations or cash flows.

In January 2003, FIN No. 46 Consolidation of Variable Interest Entities was issued. FIN 46 is intended to achieve more consistent application of consolidation policies to variable interest entities. FIN 46 applies to all variable interest entities created after January 31, 2003 and it applies in the first fiscal period beginning after June 15, 2003 to variable interest entities acquired or created before February 1, 2003. The Company does not believe that the adoption of FIN 46 will have a material affect on its financial position, results of operations or cash flows.

2. Acquisitions and Divestitures

In March 2001, the Company sold the shares of its Pyrotenax business unit to Raychem HTS Canada, Inc., a business unit of Tyco International, Ltd., for \$60 million, subject to closing adjustments. The business unit, with operations in Canada and the United Kingdom, principally produced mineral insulated high-temperature cables. During the second quarter of 2002, the final post-closing adjusted purchase price was agreed and resulted in a payment to Tyco International, Ltd. of approximately \$2 million during the third quarter of 2002. This payment plus other costs associated with settling the final purchase price was equal to the amount provided for in the Company's balance sheet. The proceeds from the transaction were used to reduce the Company's debt.

During the second quarter of 2002, General Cable formed a joint venture company to manufacture and market fiber optic cables. General Cable contributed assets, primarily inventory and machinery and equipment, to a subsidiary company which was then contributed to the joint venture in exchange for a \$10.2 million note receivable which resulted in a \$5.6 million deferred gain on the transaction. The Company will recognize the gain as the note is repaid. At December 31, 2002 and March 31, 2003, other non-current assets included an investment in the joint venture of \$3.8 million and \$3.9 million, respectively. The December 31, 2002 and March 31, 2003 balance sheets included a \$10.2 million note receivable from the joint venture in other non-current assets and a deferred gain from the initial joint venture formation of \$5.6 million in other liabilities.

Table of Contents**GENERAL CABLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****3. Accounts Receivable Asset Backed Securitization**

In May 2001, the Company completed an Accounts Receivable Asset Backed Securitization Financing transaction (Securitization Financing). The Securitization Financing provides for certain domestic trade receivables to be transferred to a wholly-owned, special purpose bankruptcy-remote subsidiary without recourse. This subsidiary in turn transferred the receivables to a trust, which issued, via private placement, floating rate five-year certificates in an initial amount of \$145 million. In addition, a variable certificate component of up to \$45 million for seasonal borrowings was also established as a part of the Securitization Financing. This variable certificate component will fluctuate based on the amount of eligible receivables. As a result of the building wire asset sale and the exit from the retail cordsets business, the Securitization Financing program was downsized to \$80 million in the first quarter of 2002, through the repayment of a portion of the outstanding certificates. The repayment of the certificates was funded by the collection of the outstanding building wire and retail cordsets accounts receivable. The \$45 million seasonal borrowing component was unaffected.

Transfers of receivables under this program are treated as a sale and result in a reduction of total accounts receivable reported on the Company's consolidated balance sheet. In conjunction with the initial transaction, the Company incurred one-time charges of \$4.2 million in the second quarter of 2001. The Company continues to service the transferred receivables and receives annual servicing fees from the special purpose subsidiary of approximately 1% of the average receivable balance. The market cost of servicing the receivables offset the servicing fee income and results in a servicing asset equal to zero. The Company's retained interest in the receivables are carried at their fair value which is estimated as the net realizable value. The net realizable value considers the relatively short liquidation period and an estimated provision for credit losses. The provision for credit losses is determined based on specific identification of uncollectible accounts and the application of historical collection percentages by aging category. The receivables are not subject to prepayment risk. The key assumptions used in measuring the fair value of retained interests at the time of securitization were receivables days sales outstanding of 54 and interest rates on LIBOR based on borrowings of 4.92%. At March 31, 2003 and December 31, 2002, key assumptions were receivables days outstanding of 53 and 49, respectively, and interest rates on LIBOR based borrowings of 1.8% and 2.0%, respectively.

At March 31, 2003 and December 31, 2002, the Company's retained interest in accounts receivable and off balance sheet financing, net of cash held in the trust, was \$78.0 million and \$58.2 million; and \$84.8 million and \$48.5 million, respectively. The effective interest rate in the Securitization Financing was approximately 1.8% and 2.0% at March 31, 2003 and December 31, 2002, respectively.

4. Inventories

Inventories consisted of the following (in millions):

| | March 31, 2003 | December 31, 2002 |
|-----------------|-------------------|----------------------|
| | <u> </u> | <u> </u> |
| Raw materials | \$ 23.2 | \$ 26.1 |
| Work in process | 31.5 | 33.2 |
| Finished goods | 210.2 | 199.0 |
| | <u> </u> | <u> </u> |
| Total | \$264.9 | \$258.3 |
| | <u> </u> | <u> </u> |

At March 31, 2003 and December 31, 2002, \$219.0 million and \$214.3 million, respectively, of inventories were valued using the LIFO method. Approximate replacement cost of inventories valued using the LIFO method totaled \$206.2 million at March 31, 2003 and \$198.7 million at December 31, 2002.

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

Table of Contents**GENERAL CABLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****5. Restructuring Charges**

During 2001 and 2002, provisions were recorded for various restructuring activities. These provisions related to costs for the closure of manufacturing facilities, worldwide headcount reductions, the elimination of regional distribution centers and certain other costs. The balance of these accrued restructuring costs were \$15.2 million at December 31, 2002. During the first quarter of 2003, no additional provisions were recorded and \$2.2 million of these provisions were utilized.

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

| | | Severance and Related Costs | Facility Closing Costs | Total |
|-------------|-------------------|-----------------------------------|------------------------------|-------------------|
| | | <u> </u> | <u> </u> | <u> </u> |
| Balance | December 31, 2002 | \$ 4.4 | \$10.8 | \$15.2 |
| Provision | | | | |
| Utilization | | (1.0) | (1.2) | (2.2) |
| | | <u> </u> | <u> </u> | <u> </u> |
| Balance | March 31, 2003 | \$ 3.4 | \$ 9.6 | \$13.0 |
| | | <u> </u> | <u> </u> | <u> </u> |

6. Long-term Debt

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

| | March 31, 2003 | December 31, 2002 |
|-------------------------|-------------------|----------------------|
| | <u> </u> | <u> </u> |
| Term loans | \$335.7 | \$337.4 |
| Revolving loans | 57.0 | 78.2 |
| Other | 30.1 | 36.3 |
| | <u> </u> | <u> </u> |
| | 422.8 | 451.9 |
| Less current maturities | 38.1 | 40.8 |
| | <u> </u> | <u> </u> |
| | \$384.7 | \$411.1 |
| | <u> </u> | <u> </u> |

The Company's current credit facility was entered into in 1999 with one lead bank as administrative agent, and a syndicate of lenders. The facility, as amended and reduced by prepayments, consists of: 1) term loans in Dollars in an aggregate amount up to \$304.9 million, 2) term loans in Dollars and foreign currencies in an aggregate amount up to \$30.8 million and 3) revolving loans and letters of credit in Dollars and foreign currencies in an aggregate amount up to \$200.0 million. Borrowings are secured by assets of the Company's North American operations and a portion of the stock of its non-North American subsidiaries and are also guaranteed by the Company's principal operating subsidiaries. The credit facility, as amended, restricts certain corporate acts and contains required financial ratios and other covenants.

Loans under the credit facility bear interest, at the Company's option, at (i) a spread over LIBOR or (ii) a spread over the Alternate Base Rate, which is defined as the higher of (a) the agent's Prime Rate, (b) the secondary market rate for certificates of deposit (adjusted for reserve requirements) plus 1% or (c) the Federal Funds Effective Rate plus 1/2 of 1%. A commitment fee accrues on the unused portion of the credit facility. The commitment fee is 50 basis points per annum and the spread over LIBOR on all loans under the facility ranges between 450 and 500 basis points per annum. Both the commitment fee and the spread over LIBOR are fixed for the life of the facility as a result of the October 2002 amendment (discussed below).

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In April 2002, the Company amended the credit facility to permit increased financial flexibility through March 2003. As a result of the amendment, the Company's spread over LIBOR increased by 25 basis points across all levels of its leverage-based pricing grid and a new leverage level was added to the pricing grid. One time fees and expenses associated with the amendment were \$2.0 million and were being amortized over the one year period of the amendment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In October 2002, the Company further amended its credit facility through March 2004. The amendment substantially relaxed the Company's financial covenants primarily in response to the ongoing weakness in the Communications segment. Among other provisions, the amendment adjusted the size of the Company's revolving credit facility to \$200 million from \$250 million, added a new financial covenant tied to minimum quarterly earnings levels and established a contingent payment of approximately \$5.5 million to lenders if the total facility commitments are not reduced by at least \$100 million by December 15, 2003. As part of the amendment, the Company suspended its quarterly cash dividend of \$0.05 per common share for the term of the amendment. One time costs of approximately \$4 million were incurred for the amendment and will be amortized over the life of the amendment. The Company will also incur incremental annualized interest costs of approximately \$4 million during the amendment period as a result of increased credit spreads. Future compliance with financial covenants will be dependent upon a number of factors, including overall economic activity, future conditions in the Company's principal end markets and the Company's future borrowing requirements.

Scheduled repayments of the term loans began in December 2000 with final maturity in June 2007.

7. Financial Instruments

General Cable is exposed to various market risks, including changes in interest rates, foreign currency and commodity prices. To manage risk associated with the volatility of these natural business exposures, General Cable enters into interest rate, commodity and foreign currency derivative agreements as well as copper and aluminum forward purchase agreements. General Cable does not purchase or sell derivative instruments for trading purposes.

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

During 2001, the Company entered into several interests rate swaps which effectively fixed interest rates for borrowings under the credit facility and other debt. The swaps outstanding as of March 31, 2003 were as follows (dollars in millions):

| Interest Rate Derivatives | Period | Notional Amounts | Interest Rate Range |
|---------------------------|-------------------------------|------------------|---------------------|
| Interest Rate Swaps | December 2001 to October 2011 | 9.0 | 4.49% |
| Interest Rate Swaps | January 2003 to December 2003 | 200.0 | 4.60 - 4.74% |

The Company does not provide or receive any collateral specifically for these contracts. However, all counterparties are members of the lending group and as such participate in the collateral of the credit agreement and are significant financial institutions.

The Company enters into forward exchange contracts principally to hedge the currency fluctuations in certain transactions denominated in foreign currencies, thereby limiting the Company's risk that would otherwise result from changes in exchange rates. Principal transactions hedged during the year were firm sales and purchase commitments.

Outside of North America, General Cable enters into commodity futures for the purchase of copper and aluminum for delivery in a future month to match certain sales transactions. In North America, General Cable enters into forward pricing agreements for the purchase of copper and aluminum for delivery in a future month to match certain sales transactions. General Cable expects to recover the unrealized loss under these agreements as a result of firm sale price commitments with customers.

Table of Contents**GENERAL CABLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****8. Other Shareholders Equity**

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

| | March 31, 2003 | December 31, 2002 |
|-----------------------|-------------------|----------------------|
| Loans to shareholders | \$(4.3) | \$(4.3) |
| Restricted stock | (0.5) | (0.5) |
| | <u>\$(4.8)</u> | <u>\$(4.8)</u> |

In November 1998, General Cable entered into a Stock Loan Incentive Plan (SLIP) with executive officers and key employees. Under the SLIP, the Company loaned \$6.0 million to facilitate open market purchases of General Cable Common Stock. The loans are evidenced by notes that bear interest at 5.12% and mature in November 2003. A matching restricted stock unit (MRSU) was issued for each share of stock purchased under the SLIP. The MRSUs generally vest after five years of continuous employment. If the vesting requirements are met, one share of General Cable Common Stock will be issued in exchange for each MRSU. The fair value of the MRSUs at the grant date of \$6.0 million, adjusted for subsequent forfeitures, is being amortized to expense over the five-year vesting period.

9. Earnings Per Common Share

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

| | Three Months Ended March 31, | | | | | |
|-----------------------------------------------|------------------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| | 2003 | | | 2002 | | |
| | Income ⁽¹⁾ | Shares ⁽²⁾ | Per share Amount | Income ⁽¹⁾ | Shares ⁽²⁾ | Per Share Amount |
| Earnings per common share | \$0.1 | 33.1 | \$ | \$4.9 | 32.9 | \$0.15 |
| Dilutive effect of stock options | — | — | | — | 0.3 | |
| Earnings per common share - assuming dilution | \$0.1 | 33.1 | \$ | \$4.9 | 33.2 | \$0.15 |

⁽¹⁾Numerator

⁽²⁾ Denominator

The earnings per common share-assuming dilution computation excludes the impact of 3.9 million and 1.1 million stock options and restricted stock units in the first quarter of 2003 and 2002, respectively, because their impact was anti-dilutive.

10. Segment Information

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The Communications Group manufactures and sells wire and cable products which transmit low-voltage signals for voice, data, video and control applications. The Energy Group manufactures and sells wire and cable products which include low-, medium- and high-voltage power distribution and power transmission products. The Industrial and Specialty Group is comprised of application specific cables for uses such as electrical power generation (traditional fuels, alternative and renewable sources, and distributed generation), the oil, gas and petrochemical industries, mining, industrial automation, marine, military and aerospace applications, power applications in the telecommunications industry and other key industrial segments. Corporate assets included cash, deferred income taxes, property, certain prepaid expenses and other non-current assets.

Table of Contents**GENERAL CABLE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Summarized financial information for the Company's operating segments for the three months ended March 31, is as follows (in millions). Certain reclassifications have been made to the prior year to conform to the current year segment presentation.

| | Three Months Ended March 31, | | | | Total |
|-----------------------------|------------------------------|--------------|------------------------------|-----------|----------|
| | Communications Group | Energy Group | Industrial & Specialty Group | Corporate | |
| Net Sales: | | | | | |
| 2003 | \$ 90.4 | \$ 132.8 | \$ 129.4 | | \$ 352.6 |
| 2002 | 105.8 | 134.5 | 121.1 | | 361.4 |
| Operating Income: | | | | | |
| 2003 | 0.6 | 8.6 | 2.2 | | 11.4 |
| 2002 | 4.6 | 10.3 | 2.8 | | 17.7 |
| Identifiable Assets: | | | | | |
| March 31, 2003 | 318.8 | 249.3 | 306.6 | \$ 98.4 | 973.1 |
| December 31, 2002 | 318.3 | 229.1 | 289.9 | 136.0 | 973.3 |

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GENERAL CABLE CORPORATION AND SUBSIDIARIES

ITEM 2

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

General

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

Statements in this report, including without limitation statements regarding future financial results, performance and earnings growth and trends, future product demand, market, industry and customer spending upturn, market size and outlook, future expectations or operational results, industry inventory situations, cost savings, litigation exposure, debt reduction and future orders and their size, are considered forward-looking statements. Readers should take notice and be aware of these forward-looking statements as they are not statements of historical fact or event which will probably or certainly occur. We call your attention in this regard to important factors that could cause actual results to differ materially from those discussed in the forward-looking statements. These include: economic and political consequences resulting from the September 2001 terrorist attack and the war with Iraq, domestic and local country price competition, particularly in certain segments of the industrial and specialty markets, and other competitive pressures; general economic conditions, particularly in construction; changes in customer purchase patterns in our business segments; the Company's ability to retain key customers and distributors; the Company's ability to increase manufacturing capacity and productivity; the Company's ability to successfully complete and integrate acquisitions and divestitures; the Company's ability to obtain credit facilities and changes to facilities as market conditions warrant; interest rate changes; the cost of raw materials, including copper and aluminum; foreign currency exchange rate fluctuations; the level of demand, product mix and capital spending for products serving various segments of the communications markets; the Company's ability to successfully introduce new or enhanced products; the impact of technological changes and the impact or threat of competing technologies; the Company's ability to achieve productivity improvements; the impact of changes in industry standards and the regulatory environment; and the effects and impacts of acts of terrorism carried out in domestic and foreign countries, which relate to our personnel, facilities and businesses.

General Cable operates its businesses in three main geographic regions: 1) North America, 2) Europe and 3) Oceania. Net sales and operating income of the European business represented approximately 26% and 54%, and 22% and 31% of total Company consolidated results for the three months ended March 31, 2003 and 2002, respectively. Over ninety percent of net sales in Europe are derived from Energy and Industrial and Specialty cable sales. As a result, the European business has not been significantly impacted by the global telecommunications spending downturn and is currently benefiting from medium voltage energy cable capacity shortage in Europe and a shift towards environmentally friendly cables.

General Cable's reported net sales are directly influenced by the price of copper and to a lesser extent aluminum. The price of copper and aluminum has historically been subject to considerable volatility, with the daily selling price of copper cathode on the COMEX averaging \$0.80 per pound in the first quarter of 2003 and \$0.76 per pound in the first quarter of 2002 and the daily selling price of aluminum rod averaging \$0.80 per pound in the first quarter of 2003 and \$0.78 per pound in first quarter of 2002. However, as a result of a number of practices intended to match copper and aluminum purchases with sales, General Cable's profitability has generally not been significantly affected by changes in copper and aluminum prices. General Cable generally passes changes in copper and aluminum prices along to its customers, although there are timing delays of varying lengths depending upon the type of product, competitive conditions and particular customer arrangements. General Cable does not engage in speculative metals trading or other speculative activities. Also, the Company does not engage in activities to hedge the underlying value of its copper and aluminum inventory.

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

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Acquisitions and Divestitures

In March 2001, the Company sold the shares of its Pyrotenax business unit to Raychem HTS Canada, Inc., a business unit of Tyco International, Ltd., for \$60 million, subject to closing adjustments. The business unit, with operations in Canada and the United Kingdom, principally produced mineral insulated high-temperature cables. During the second quarter of 2002, the final post-closing adjusted purchase price was agreed and resulted in a payment to Tyco International, Ltd. of approximately \$2 million during the third quarter of 2002. This payment plus other costs associated with settling the final purchase price was equal to the amount provided for in the Company's balance sheet. The proceeds from the transaction were used to reduce the Company's debt.

During the second quarter of 2002, General Cable formed a joint venture company to manufacture and market fiber optic cables. General Cable contributed assets, primarily inventory and machinery and equipment, to a subsidiary company which was then contributed to the joint venture in exchange for a \$10.2 million note receivable which resulted in a \$5.6 million deferred gain on the transaction. The Company will recognize the gain as the note is repaid. At December 31, 2002 and March 31, 2003, other non-current assets included an investment in the joint venture of \$3.8 million and \$3.9 million, respectively. The December 31, 2002 and March 31, 2003 balance sheets included a \$10.2 million note receivable from the joint venture in other non-current assets and a deferred gain from the initial joint venture formation of \$5.6 million in other liabilities.

Significant Accounting Policies

Management's Discussion and Analysis of the Financial Condition and Results of Operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principals generally accepted in the United States of America. Significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements. The application of these policies requires management to make estimates and judgements that affect the amounts reflected in the financial statements. Management based its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The critical judgments impacting the financial statements include determinations with respect to inventory valuation, pension accounting and valuation allowances for deferred income taxes.

General Cable utilizes the last-in first-out (LIFO) method of inventory accounting for its metals inventory. The Company's use of the LIFO method results in its income statement reflecting the current costs of metals, while metals inventories in the balance sheet are valued at historical costs as the LIFO layers were created. As a result of declining copper prices, the historic LIFO cost of the Company's copper inventory exceeded its replacement cost by approximately \$12.8 million at March 31, 2003. If the Company were not able to recover the LIFO value of its inventory at a profit in some future period when replacement costs were lower than the LIFO value of the inventory, the Company would be required to take a charge to recognize in its income statement all or a portion of the higher LIFO value of the inventory. Additionally, if LIFO inventory quantities were reduced in a period when replacement costs were lower than the LIFO value of the inventory, the Company would experience a decline in reported earnings.

During the second half of 2002, the Company recorded a \$2.5 million charge for the liquidation of LIFO inventory in North America as the Company significantly reduced its inventory levels. The Company expects to further reduce inventory quantities in the second half of 2003 which is expected to result in an additional LIFO liquidation charge. The amount of the charge to be incurred in 2003 will be dependent upon the quantity of the inventory reduction and the market price of the metals at the time of the inventory liquidation.

Pension expense for the defined benefit pension plans sponsored by General Cable is determined based upon a number of actuarial assumptions, including an expected long-term rate of return on assets of 9.0%. This assumption was based on input from the Company's actuaries, including their review of historical 10 year, 20 year, and 25 year rates of inflation and real rates of return on various broad equity and bond indices in conjunction with the diversification of the asset portfolio. The expected long-term rate of return on assets is based on an asset allocation assumption of 65% allocated to equity investments, with an expected real rate of return of 7%, and 35% allocated to fixed-income investments, with an expected real rate of return of 3%, and an assumed long-term rate of inflation of 3.5%. Because of market fluctuations, the actual asset allocation as of March 31, 2003 was 76% of equity investments and 24% of fixed-income investments. Management believes that their long-term asset allocation on average will approximate the actuarial assumption and that a 9.0% long-term rate of return is a reasonable assumption.

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The determination of pension expense for defined benefit pension plans is based on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a three-year period commencing in the year after which they occur. Investment gains and losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Since the market-related value of assets recognizes gains or losses over a three-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded.

The determination of future pension obligations utilizes a discount rate based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency which are expected to be available during the period to maturity of the projected pension benefit obligations, and input from the Company's actuaries. The discount rate used at December 31, 2002 was 6.5%.

The Company evaluates its actuarial assumptions, at least annually, and adjusts them as necessary.

Due to the effect of the unrecognized actuarial losses based on an expected rate of return on plan assets of 9.0%, a discount rate of 6.5% and various other assumptions, the Company estimates that pension expense for the Company's defined benefit plans will be approximately \$7.0 million in 2003. Future pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in the plans.

General Cable records a valuation allowance to reduce its deferred tax assets to the amount that it believes is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should the Company determine that it would be able to realize its deferred tax assets in the future in an amount that was in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made. At December 31, 2002 and March 31, 2003, the valuation allowance was \$19.2 million.

Current Business Environment

General Cable is operating in a difficult business environment. The wire and cable industry is competitive, mature and cost driven. There is little differentiation amongst the participants in the industry from a manufacturing or technology standpoint. In addition to these general industry conditions, the Communications segment is experiencing a significant decline in historical spending levels for outside plant telecommunications products and a weak market for switching/local area networking cables. In the Industrial and Specialty segment, industrial construction spending in North America, which influences industrial cable demand, is at one-third of historical peak levels.

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

Table of Contents**Results of Operations**Three Months Ended March 31, 2003 Compared with Three Months Ended March 31, 2002

The net income was \$0.1 million, or breakeven on a per diluted share basis in the first quarter of 2003 compared to net income of \$4.9 million, or \$0.15 per diluted share, in the first quarter of 2002.

The following table sets forth metal-adjusted net sales by segment, in millions of dollars. Net sales for the first quarter of 2002 have been adjusted to the first quarter of 2003 copper COMEX and the aluminum rod average of \$0.80 per pound

| | Metal-Adjusted Net Sales Three Months Ended March 31, | | | |
|--------------------------------|----------------------------------------------------------|-------------------|----------|-------------------|
| | 2003 | % of Net Sales | 2002 | % of Net Sales |
| Communications Group | \$ 90.4 | 26% | \$ 106.1 | 29% |
| Energy Group | 132.8 | 38 | 131.9 | 36 |
| Industrial and Specialty Group | 129.4 | 36 | 128.4 | 35 |
| Total metal-adjusted net sales | 352.6 | 100% | 366.4 | 100% |
| Metal adjustment | | | (5.0) | |
| Total net sales | \$ 352.6 | | \$ 361.4 | |

Net sales decreased 2% to \$352.6 million in the first quarter of 2003 from \$361.4 million in the first quarter of 2002. The net sales decrease is net of a \$21.3 million favorable impact of exchange rates principally related to the Company's Iberian operations from the first quarter of 2002 to the first quarter of 2003. After adjusting 2002 net sales to reflect the \$0.04 increase in the average monthly COMEX price per pound of copper and the \$0.02 increase in the average aluminum rod price per pound in the first quarter of 2003, net sales decreased 4% to \$352.6 million, down from \$366.4 million in 2002. The decrease in metal-adjusted net sales reflects a 15% decrease in Communication Products, a 1% increase in Energy Products and a 1% increase in Industrial and Specialty Products.

The 15% decrease in Communication Products metal-adjusted net sales principally relates to lower North American sales volume of outside plant telecommunications cable and to a lesser extent high bandwidth networking cables. Metal-adjusted net sales of outside plant telecommunications cable were off 24% as many customers continued to significantly reduce their capital spending. The sales volume in the first quarter was also negatively impacted by unseasonable weather in the Midwest and Northeast, which effected the Company's customers ability to install cables. As a low cost producer, these products have historically been one of the Company's most profitable business segments. The timing of the resumption of sales of telecommunications cables to the regional telephone operating companies to more historic levels is unknown and represents the greatest area of uncertainty with regard to the Company's financial performance for the remainder of 2003.

The 1% increase in metal-adjusted net sales for Energy Products reflects 7% lower net sales in North America partially offset by 24% higher net sales in the Company's international operations. The lower North American net sales reflects both lower volume and lower selling prices. The Company anticipates that sales volume for North American customers should improve over time as utility customers address capital projects that were previously deferred. These capital projects include enhancements to the power transmission and distribution grid. However, in the first quarter of 2003 projects were not released which management believes is partially due to pending energy legislation in the United States which would provide future regulatory relief and allow North American utility companies to earn an adequate rate of return on their investment in upgrading the transmission grid infrastructure. The sales volume in the first quarter was also negatively impacted by unseasonable weather in the Midwest and Northeast, which affected the Company's customers ability to install cables. The 24% higher net sales in the Company's international operations includes a \$7.5 million impact from changes in exchange rates quarter over quarter. Excluding the impact of exchange rates, net sales in the Company's international operations would have increased 2%.

The 1% increase in metals-adjusted net sales in the Industrial and Specialty Group was principally due to a 17% increase in net sales in the Company's international operations partially offset by a 12% decrease in net sales of the North American business. The 17% higher net sales in the Company's international operations includes an \$11.7 million impact from changes in exchange rates quarter over quarter. Excluding the

impact of exchange rates, net sales in the Company's international operations would have decreased 6% principally reflecting lower sales volumes partially offset by a shift toward environmentally friendly cables in Europe, an area in which the Company's Iberian operation is a leader. The decrease in net sales of the North American business was the result of the continued weakness in demand for cables utilized in conjunction

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with investment in new industrial construction and other major infrastructure projects. The Company expects continued weak 2003 sales volume as the bulk of the end-markets for the North American Industrial Cables are still in recession.

Selling, general and administrative expense increased to \$31.0 million in the first quarter of 2003 from \$30.4 million in the first quarter of 2002. The \$0.6 million increase includes a \$1.7 million impact of exchange rate differences quarter over quarter. Excluding the impact of this exchange rate fluctuation, SG&A expense decreased \$1.1 million quarter over quarter which reflects the lower sales volumes and the impact of actions taken during 2002 to eliminate fixed SG&A expense and reduce controllable spending. These actions were partially offset by increased employee benefit and pension costs.

Operating income decreased 36% to \$11.4 million in 2003 from \$17.7 million in the first quarter of 2002. Operating income decreased principally as a result of reduced sales volumes and reduced selling prices in the Communications and Energy segments partially offset by lower operating costs from the Company's cost containment programs and the favorable impact of exchange rates principally related to the Company's Iberian operations from the first quarter of 2002 to the first quarter of 2003.

Net interest expense increased to \$11.3 million in the first quarter of 2003 from \$10.1 million in 2002. The increase in interest expense is primarily the result of a higher credit spread for the Company's borrowings due to an October 2002 credit facility amendment and the amortization of bank fees related to the amendment.

The effective tax rate for 2003 and 2002 was 35.5%.

Liquidity and Capital Resources

In general, General Cable requires cash for working capital, capital expenditures, debt repayment, interest and taxes. General Cable's working capital requirements increase when it experiences strong incremental demand for product and/or significant copper and aluminum price increases. Based upon historical experience and the expected availability of funds under the credit facility, the Company expects that its sources of liquidity will be sufficient to enable it to meet its cash requirements for working capital, capital expenditures, debt repayment, interest and taxes in 2003. This expectation is based on the Company's current outlook which is not dependent upon a significant recovery in the communications or industrial markets in 2003.

Cash flow provided by operating activities in the first three months of 2003 was \$19.7 million. This reflects net income before depreciation and amortization and deferred income taxes of \$5.6 million, a \$16.3 million increase in accounts payable, accrued and other liabilities and a \$13.9 million decrease in other assets which reflected a refund of income taxes paid in previous years received in the first quarter of 2003. These cash flows were partially offset by an increase in accounts receivable of \$12.9 million and an increase in inventories of \$3.2 million.

Cash flow used by investing activities was \$2.1 million in the first three months of 2003, principally reflecting \$3.3 million of capital expenditures. This level of capital spending is 48% below the first three months of 2002 and reflects an intentional effort to limit capital spending given current general economic conditions.

Cash flow used by financing activities in the first three months of 2003 was \$30.5 million, reflecting a reduction in long-term debt of \$2.6 million, a net decrease in revolving credit borrowings of \$21.2 million and a net decrease in other debt of \$6.7 million.

The Company's current credit facility was entered into in 1999 with one lead bank as administrative agent and a syndicate of lenders. The facility, as amended and reduced by prepayments, consists of: 1) term loans in Dollars in an aggregate amount up to \$304.9 million, 2) term loans in Dollars and foreign currencies in an aggregate amount up to \$30.8 million and 3) revolving loans and letters of credit in Dollars and foreign currencies in an aggregate amount up to \$200.0 million. Borrowings are secured by assets of the Company's North American operations and a portion of the stock of its non-North American subsidiaries and are also guaranteed by the Company's principal operating subsidiaries. The credit facility, as amended, restricts certain corporate acts and contains required minimum financial ratios and other covenants.

Borrowings under the credit facility were \$392.7 million at March 31, 2003. Loans under the credit facility bear interest, at the Company's option, at (i) a spread over LIBOR or (ii) a spread over the Alternate Base Rate, which is defined as the higher of (a) the agent's Prime Rate, (b) the secondary market rate for certificates of deposit (adjusted for reserve requirements) plus 1% or (c) the Federal Funds Effective Rate plus 1/2 of 1%.

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A commitment fee accrues on the unused portion of the credit facility. The commitment fee is 50 basis points per annum and the spread over LIBOR on all loans under the facility ranges between 450 and 500 basis points per annum. Both the commitment fee and the spread over LIBOR are fixed for the life of the facility as a result of the October 2002 amendment (discussed below).

In April 2002, the Company amended the credit facility to permit increased financial flexibility through March 2003. As a result of the amendment, the Company's spread over LIBOR increased by 25 basis points across all levels of its leverage-based pricing grid and a new leverage level was added to the pricing grid. One time fees and expenses associated with the amendment were \$2.0 million and were being amortized over the one year period of the amendment.

In October 2002, the Company further amended its credit facility which is effective through March 2004. The amendment substantially relaxed the Company's financial covenants primarily in response to the ongoing weakness in the Communications segment. Among other provisions, the amendment adjusted the size of the Company's revolving credit facility to \$200 million from \$250 million, added a new financial covenant tied to minimum earnings levels and established a contingent payment of approximately \$5.5 million to the lenders if the total facility commitments are not reduced by at least \$100 million by December 15, 2003. The Company is actively pursuing other financing arrangements in excess of the \$100 million target in addition to generating cash from operations in 2003 and currently believes this contingent payment will not be required. As part of the amendment, the Company suspended its quarterly cash dividend of \$0.05 per common share for the term of the amendment. One time costs of approximately \$4 million were incurred for the amendment and will be amortized over the life of the amendment. The Company will also incur incremental annualized interest costs of approximately \$4 million during the amendment period as a result of increased credit spreads.

Future compliance with financial covenants will be dependent upon a number of factors, including overall economic activity, future conditions in the Company's principal end markets and the Company's future borrowing requirements.

The Company's Iberian operation participates in an arrangement with several European Financial Institutions who provide extended accounts payables terms to the Company. In general, the arrangement provides for accounts payable terms of up to 180 days. At March 31, 2003, the arrangement had a maximum availability limit of the equivalent of approximately \$94 million of which approximately \$93 million was drawn. Should the availability under this arrangement be reduced significantly, the Company would be required to seek alternative financing arrangements.

During the fourth quarter of 2002, as a result of declining returns in the investment portfolio of its defined benefit pension plan, the Company was required to record a minimum pension liability equal to the under funded status of its plan. At December 31, 2002, the Company recorded an after-tax charge of \$29 million to accumulated other comprehensive income in the equity section of its balance sheet. The Company will experience an increase in its future pension expense and in its cash contributions to its defined benefit pension plan. Pension expense is expected to increase by approximately \$5.0 million in 2003 compared to 2002 and the Company's required cash contributions are expected to increase by \$3.5 million in 2003 from \$3.0 million in 2002. In 2004, cash contributions are expected to increase an additional \$5.5 million from 2003.

Off Balance Sheet Assets and Obligations

In May 2001, the Company completed an Accounts Receivable Asset Backed Securitization Financing transaction (Securitization Financing). The Securitization Financing provides for certain domestic trade receivables to be sold to a wholly-owned, special purpose, bankruptcy-remote subsidiary without recourse. The subsidiary in turn transfers the receivables to a trust which issued floating rate five-year certificates in an initial amount of \$145 million. In addition, a variable certificate component of up to \$45 million for seasonal borrowings was established as part of the Securitization Financing. This variable certificate component will fluctuate based on the amount of eligible receivables. Sales of receivables under this program result in a reduction of total accounts receivable reported on the Company's consolidated balance sheet. The Company's retained interest in the receivables is carried at their fair value which is estimated as the net realizable value. The net realizable value considers the relatively short liquidation period and includes an estimated provision for credit losses.

As a result of the building wire asset sale and the exit from the retail cordsets business, the Securitization Financing program was downsized in the first quarter of 2002, through the repayment of a portion of the outstanding certificates, to \$80 million. The repayment of the certificates was funded by the collection of the outstanding building wire and retail cordsets accounts receivable. The \$45 million seasonal borrowing component was unaffected.

At March 31, 2003 and December 31, 2002 the off balance sheet debt, net of cash held in the trust, was \$58.2 million and \$48.5 million, respectively. This off balance sheet debt is fully collateralized by accounts receivable.

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GENERAL CABLE CORPORATION AND SUBSIDIARIES

Item 4. Controls and Procedures

Quarterly evaluation of the Company's Disclosure Controls and Internal Controls. Within the 90 days prior to the date of this Quarterly Report on Form 10-Q, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (Disclosure Controls). This evaluation (Controls Evaluation) was done under the supervision and with the participation of management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Limitations on the Effectiveness of Controls. The Company's management, including the CEO and CFO, does not expect that its Disclosure Controls or its internal controls and procedures for financial reporting (Internal Controls) will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Conclusions. Based upon the Controls Evaluation, the CEO and CFO have concluded that, subject to the limitations noted above, the Disclosure Controls provide reasonable assurance that the objectives of the control system are met and that the Disclosure Controls are effective to timely alert management to material information relating to the Company during the period when its periodic reports are being prepared.

In accordance with SEC requirements, the CEO and CFO note that, since the date of the Controls Evaluation to the date of this Quarterly Report, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weakness.

PART II Other Information

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

- 31.1 Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to 18 U.S.C. § 1350, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002.

b) Reports on Form 8-K

- (i) Form 8K filed on April 23, 2003 including the Company's first quarter 2003 earnings release.

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SIGNATURE

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

GENERAL CABLE CORPORATION

Date: August 29, 2003

By: s\CHRISTOPHER F. VIRGULAK
Christopher F. Virgulak
Executive Vice President, Chief Financial Officer
and Treasurer